354715

The Directors of Glynwed International plc present their Annual Report, together with the accounts of the Company, for the year ended 31st December 1999. These will be submitted to members at the Annual General Meeting to be held at Headland House, New Coventry Road, Sheldon, Birmingham B26 3AZ, at 12 noon on Thursday 11th May 2000.

Activities and Business Review

Glynwed International plc is the holding company of the Group; its principal subsidiaries are shown on page 52. A review of the activities and prospects of the Group and of the principal businesses is given on pages 5 to 17.

Results and Dividends

The profit before disposal of businesses and tax of the Group for the year was £62.1m (1998 £75.3m). An interim dividend of 4.4p per ordinary share was paid on 1st December 1999. The Directors recommend a final dividend of 8.8p per ordinary share payable on 2nd June 2000 to members on the register at the close of business on 14th April 2000, making a total for the year of 13.2p per ordinary share (1998 13.2p).

Share Capital of the Company and Annual General Meeting

Allotments of ordinary shares of 25p each of the Company were made during 1999 as set out in note 21 on page 46. Following the resolution of shareholders at the last Annual General Meeting of the Company, by an order of the High Court of Justice dated 9th June 1999, 1,291,184 5.425 per cent Cumulative Preference shares of £1 each were repaid and cancelled.

Resolutions will be proposed at the Annual General Meeting to grant to the Board, until the next Annual General Meeting, authority and power to allot new securities under sections 80 and 95 of the Companies Act 1985 ("the Act").

Resolution 6 renews the Directors' authority under section 80 of the Act to issue relevant securities up to a nominal value of £20,205,643 being one-third of the nominal value of the Company's issued ordinary share capital at the date of this report. Resolution 7 renews the Directors' authority under section 95 of the Act to allot ordinary shares for cash without first offering them pro rata to existing shareholders as otherwise required by section 89 of the Act; the authority sought is limited to issues of equity securities with a nominal value not to exceed £3,030,846, being equivalent to 5% of the nominal value of the Company's issued ordinary share capital at the date of this report.

Under the Act and its Articles of Association, the Company may make purchases of its own ordinary shares, subject to obtaining the approval of shareholders. The Directors consider it prudent to seek the approval of shareholders for authority to make market purchases of up to 24,246,772 ordinary shares, representing 10% of the current issued ordinary share capital of the Company. Resolution 8, which will be proposed as a special resolution, grants such authority. The authority will be exercised only if the Directors believe that to do so would result in an increase in earnings per share and would be in the best interests of shareholders generally.

At the Extraordinary General Meeting of the Company in August 1999 shareholders resolved to sanction borrowings in excess of the existing borrowing limit of a sum equal to two times the adjusted capital and reserves provided that such borrowings did not exceed £500m. To increase the flexibility of the borrowing powers of the Company, it is proposed by Resolution 9, which will be proposed as a special resolution, to amend Article 104 (C) of the Company's Articles of Association which concerns the calculation of "adjusted capital and reserves" by deleting paragraph 104 (C) (i) (e) (1) which requires the deletion of sums equivalent to the book values of goodwill and other intangible assets from the calculation of adjusted capital and reserves.

Shareholders

At 31st December 1999, ordinary shareholders totalled 11,356 (1998 11,138). Their holdings are analysed below:

Number of shares	% of shareholders	% of shares in issue
1 – 5,000	87.40	5.33
5,001 – 50,000	9.78	6.35
50,001 – 100,000	1.01	3.44
100,001 – 500,000	1.22	13.32
Over 500,000	0.59	71.56
	100.00	**100.00**

The following interests of 3% or more of the issued ordinary share capital of the Company as at the date of this report have been notified to the Company:

Person notifying interest	Number of ordinary shares	% of issued ordinary capital
JP Morgan Investment Management Inc.	24,219,554	9.99
Britannic plc	12,377,003	5.10
Prudential Corporation group of companies	12,009,325	4.95
Tweedy, Browne Company LLC	10,191,300	4.20

Directors

The members of the Board at the date of this report are shown on pages 18 and 19. Mr JC Blakeley retired from the Board on 31st December 1999.

In accordance with the Articles of Association, Mr AJ Wilson and Lord Biffen retire by rotation and, being eligible, offer themselves for re-election. The biographies of Directors proposed for re-election appear on pages 18 and 19 respectively. Lord Biffen has indicated that he will retire from the Board in December 2000.

Directors' Interests

The interests of the Directors in shares of the Company shown in the register kept under section 325 of the Act, all of which are in ordinary shares of 25p each and all of which are beneficially owned, are as follows:

	At 21st March 2000	At 31st December 1999	At 1st January 1999
ECS Macpherson	15,500	15,500	15,500
AJ Wilson	21,475	21,475	11,475
JC Blakeley	73,690	73,690	70,438
WB McGrath	17,500	17,500	12,500
Lord Biffen	-	-	-
CJ Farrow	1,000	1,000	1,000
SL Howard	11,235	11,235	11,235

Details of options exercisable by Directors over shares in the Company are given on page 27.

No Director had an interest in any contract of significance with any Group Company.

Acquisitions and Disposals

The principal acquisitions and disposals during the period were as follows:

Acquisitions

July	Victory Refrigeration Company LLC (USA)
August	IPEX Inc. (Canada)

The purchases have been accounted for as acquisitions in accordance with accounting standard FRS6.

Details relating to the fair value of net assets acquired and the consideration are set out in note 24 to the accounts on pages 47 to 50.

Disposals

January	Amari Plastics (UK) and Port Plastics (USA)
February/April	Glynwed Metals Processing Division (UK)
May	Friatec dental implant business (Germany)

Employees

As Group operations are conducted on a substantially decentralised basis, responsibility for employment matters lies primarily at the individual business level. It is, however, a requirement of the Group's central policy that responsibility is exercised in accordance with good, modern and consistent policies which are appropriate to local circumstances. Consistency of good practice in the area of human resources management has been fostered and standards improved by the institution of a group-wide forum for executives engaged in this field.

It is a requirement that policies be followed which ensure that there is equal opportunity of employment, regardless of race or gender, and that appropriate consideration is given to disabled applicants in terms of employment. The practice continues of providing training, career development and promotion for disabled persons as the case warrants with special attention given to the particular needs of individuals who become disabled whilst in employment.

Employees are kept aware of developments within the Group by a variety of means, from arrangements made by local management relevant to employees in the business concerned through to a Group newsletter published periodically for all employees. Employees are also encouraged to access the Group website.

The Group has a savings-related and a senior executive share option scheme and a defined benefits pension scheme for UK employees. Outside the UK, arrangements appropriate to local circumstances are in place. A Long-Term Incentive Plan and a Co-Investment Plan were introduced following approval at the last Annual General Meeting of the Company.

Health and Safety and Environment

General Principles and Policy Framework

Particular care is taken over the Group's relationships with its employees and with the community in relation to health and safety and the environment. The Group aims to achieve high standards of operation under Health and Safety at Work and Environmental Protection legislation and through its senior management seeks to keep all concerned aware of, and to monitor adherence to, developments in terms both of good industrial practice and of statutory frameworks. Continuous review of such issues forms an important part of the ongoing risk assessment procedures operated, further details of which are set out on page 24.

Implementation of this overall policy is the responsibility of the Group Health and Safety Committee and the Group Environment Committee, whose chairman reports directly to the Group Chief Executive. Both committees comprise representatives involved with the Group's principal operating companies, who meet at regular intervals during the year and are charged with reviewing standards and encouraging improvements.

Health and Safety

A Group Policy Statement has been laid down to set the parameters within which each business unit sets its own more detailed policies on health and safety issues; under those parameters responsibility for health and safety is clearly placed with specified managers. Operating sites in the UK are appraised by external consultants under a programme of regular visits. Local unit management are made aware of the social and financial costs of failure to meet standards set by legislation and the Company. The Group Health and Safety Committee also seeks to work closely with regulatory authorities.

Environment

In relation to environmental matters, a Group Policy Statement forms the basis for more detailed policies, with clearly devolved management responsibilities, appropriate to the varying circumstances of the Group's individual businesses.

Year 2000 Compliance Issues

During the preceding three years the Group systematically reviewed and upgraded its information systems to ensure readiness for the year 2000. No significant revenue costs were incurred by the Group in 1999 in respect of year 2000 compliance. No year 2000-related failures have to date adversely affected any business within the Group, nor is any significant additional expenditure anticipated.

Research and Development

Research and development appropriate to the needs of the Group's individual businesses is proceeding and such expenditure is written off in the period in which it is incurred. The Group's policy is to have research and development facilities at principal manufacturing operations rather than as a central Group undertaking.

Personal Equity Plan

With effect from 6th April 1999 the administration of the general and single company personal equity plans for shares in the Company ("PEPs") was transferred to The Share Centre Limited. After that date no further contributions could be made to PEPs, although existing PEP investments could continue.

Creditor Payment Policy

Individual operating businesses within the Group are responsible for establishing appropriate policies with regard to the payment of their suppliers. The businesses agree terms and conditions, including payment terms, under which business transactions with suppliers are conducted. It is Group policy that, provided a supplier is complying with the relevant terms and conditions, including the prompt and complete submission of all specified documentation, payment will be made in accordance with agreed terms. The Group's trade creditors as at 31st December 1999 equated to 54 days of related purchases.

Political and Charitable Donations and Community Relations

During 1999 the Group gave £94,000 for charitable purposes in the UK. Amongst the principal beneficiaries were organisations concerned with medical research, the elderly, people with physical or mental disabilities and inner city projects. The Group's charitable giving is one aspect of its relationships with the communities within which it works: help and support, in financial and other ways is also provided in the fields of education, the arts and sport. No political donations were made during the year.

Capital Gains Tax

The official price of Glynwed International plc ordinary shares on 31st March 1982, adjusted for the bonus issues made in 1986 and 1988, was 62.4p.

Close Company Status

The Company is not a close company within the meaning of the Income and Corporation Taxes Act 1988, nor was it a close company during the period.

Going Concern

After making enquiries, the Directors have a reasonable expectation that the Company and the Group have adequate financial resources to continue in operational existence for the foreseeable future. For this reason the "going concern basis" has been adopted in preparing the accounts.

Auditors

A resolution to reappoint the auditors, PricewaterhouseCoopers, and to authorise the Directors to determine their remuneration, will be proposed at the Annual General Meeting.

By order of the board
DJ Solomon
Secretary
Birmingham

21st March 2000

The Combined Code

The Company is required, under the Listing Rules of the London Stock Exchange, to disclose in its Annual Report how it has applied the Principles set out in Section 1 of the Principles of Good Governance and Code of Best Practice prepared by the Hampel Committee (the "Combined Code") and to include a statement as to whether or not it has complied throughout the accounting period with the Code provisions set out in Section 1 of the Combined Code, giving reasons for any non-compliance.

Statement of Compliance

Apart from the provision relating to the length of notice on Directors' service agreements, which is discussed further on page 27, the Company has complied throughout the year ended 31st December 1999 with the Code provisions set out in Section 1 of the Combined Code.

Statement of Application of Principles

The Company is committed to high standards of corporate governance. The Board is accountable to the Company's shareholders for good governance and this report describes how the Principles set out in Section 1 of the Combined Code are applied by the Company.

Board of Directors

The Board of Directors of the Company currently comprises a Non-executive Chairman, Chief Executive, Finance Director and three other independent Non-executive Directors. The roles of Chairman and Chief Executive are held by separate directors and there is a clear division of responsibilities between them.

All Directors are suitably qualified, trained or experienced so as to be able to participate fully in the work of the Board. Their biographies appear on pages 18 and 19 and demonstrate the range of business, financial and commercial experience essential to the successful management of the Company. On appointment any new Director is given a comprehensive introduction to the Group's businesses including site visits, meetings with senior management and any specific training required.

All Directors are equally accountable under the law for the proper stewardship of the Company's affairs. The Non-executive Directors fulfil a vital role in corporate accountability and participate fully in the comprehensive review of strategic proposals to ensure that the interests of shareholders and relevant stakeholders in the Company are safeguarded.

The Non-executive Directors are independent of the Group's management and have no business relationship with the Group. They bring with them an independent judgement in respect of relevant issues including strategy, performance measures and standards of conduct.

The Board meets regularly (being at least six times each year) to exercise control over the Company. Matters specifically reserved to the Board for decision include material capital expenditure, approval of annual budgets and the development of corporate strategy.

The Board has regular contact with senior operational management, who are invited to make presentations on business performance and development and in support of major capital expenditure projects. In addition the Board seeks to visit operations in the UK and overseas from time to time in order to be acquainted fully with current business processes.

In accordance with the recommendations of the Combined Code that a senior independent director should be nominated, Mr CJ Farrow has been appointed to that position. As indicated in his biographical details on page 19, Mr Farrow has been a Non-executive Director of the Company since 1993 and has broad experience including senior posts in merchant banking and the civil service and membership of the Financial Reporting Review Panel.

All Directors have access to the advice and services of the Group Secretary, who is responsible for the proper conduct of Board procedures, and whose appointment is a matter for the Board as a whole. The Group Secretary reports to the Chairman upon secretarial matters. The Chairman together with the Chief Executive establish the agenda for each Board meeting. The Executive supplies the Board in a timely manner with information about the Company, its subsidiaries and in a form and of a quality appropriate to enable it to discharge its duties. As is commensurate with the independent conduct of their function, the Non-executive Directors are authorised to obtain professional advice at the Company's expense, if they so wish. Management reports fully to the Board on operational, financial, strategic, legal and other issues at each Board meeting and on a continuous ad hoc basis as required.

As is mentioned in the part of the Report dealing with Directors' remuneration, neither Executive Director has a contract with a notice period exceeding two years. The Company's Articles provide that each Director will be required to retire by rotation at least once every three years.

The Board has primary responsibility for ensuring that adequate thought is given to planning for succession to Executive Director and senior management positions and that there are appropriate management development opportunities for suitable internal candidates.

Audit Committee

The Audit Committee is under the chairmanship of Mr CJ Farrow. It meets at least three times each year. Its membership comprises all the Non-executive Directors of the Company, Mr ECS Macpherson, Lord Biffen and Mr SL Howard. It has written terms of reference which deal clearly with its authority and duties. The duties of the Committee include keeping under review the scope and results of the audit and the cost-effectiveness, independence and objectivity of the auditors. In addition, the Committee receives reports from internal audit and information technology departments. The Committee also keeps under review the nature and extent of auditor's supply of non-audit services, such as consultancy services.

Nomination Committee

The Nomination Committee consists of the Chairman of the Board, together with two Non-executive Directors, Mr CJ Farrow and Lord Biffen, and such Executive Directors as may be co-opted, provided that a majority of Non-executive Directors is maintained at all times. It is responsible for nominating candidates with required skills and attributes for approval by the Board as a whole to fill vacancies on the Board and ensure that the Board has an appropriate balance of expertise and ability.

Internal Control

The Combined Code introduced a requirement that the Directors review the effectiveness of the Group's systems of internal controls. This extended the existing requirement in respect of internal financial controls to cover all controls including financial, operational and compliance controls and risk management.

The Board is ultimately responsible for the Group's system of internal controls, including internal financial control, and for monitoring its effectiveness. The Group has adopted the transitional approach to disclosure set out in the letter from the London Stock Exchange to all UK listed companies dated 27th September 1999. The Board confirms that it has established procedures necessary to implement the guidance issued in respect of Internal Control: Guidance for Directors on the Combined Code ("the Guidance"). The meeting calendar and agenda of the Board ensure that risk management and internal control are considered on a regular basis during the year and are subject to continual review and development.

Following a review of risk throughout the Group, a methodology for identification and assessment of relevant risks has been settled and disseminated. This methodology will ensure that appropriate reviews of risk are carried out at each business within the Group to arrive at an ordered assessment encompassing issues including likelihood of occurrence and degree of impact. A full risk and control assessment has been prepared in respect of the year to 31st December 1999 and will be prepared in respect of the current year.

The Board has recognised that risks relevant to the specific activities of the Group require to be identified, managed and controlled. The areas reviewed included risks relating to operational contingencies, tangible and intangible asset protection, HR policies, compliance and legal and regulatory issues, including environment and health and safety. The system of internal control is thoroughly and regularly evaluated to test risk exposure. It is tailored to reflect the needs of the Group and is assessed by the Board to facilitate operational effectiveness and efficiency.

Procedures implemented reflect relevant circumstances and issues and are intended to reflect a proper balance between commercial risk and sound business practice. Continuous risk assessment and control procedures are in place and the ongoing processes are embedded within the Group's overall business operations.

The system of internal control and risk assessment will continue to be regularly reviewed by the Board. The system utilised has been designed to assess and manage risk in a responsible fashion but necessarily cannot eliminate all risk. It is intended to provide a reasonable and not absolute assurance against material misstatement or loss.

Internal Financial Control

As permitted by the London Stock Exchange, the Directors have complied with provision D.2.1 of the Combined Code on internal controls by continuing to follow existing guidance and have reviewed the effectiveness of the Group's internal financial control system during the financial year ended 31st December 1999 in relation to the criteria for assessing effectiveness described in Internal Control and Financial Reporting issued by the Rutteman Working Group on Internal Control in December 1994.

The Group has clearly defined guidelines for appraisal, approval and monitoring of acquisition and divestment policy, major capital investments and restructuring costs. These include budgets (covering quantification of benefits), detailed review and monitoring procedures, specific levels of expenditure authority and due diligence where businesses are being acquired.

Internal financial control is operated within a defined organisational structure with clear control responsibilities and authorities. Throughout the Group's operations regular management and board meetings review all aspects of the Group's various businesses including those aspects where there is a potential risk to the Group. Key procedures include planning, budgeting and investment appraisal. For each business there are monthly management reports, which are subject to review by Board members. They contain financial statements which include profit and loss accounts, balance sheets and cash flow statements for the month under review and for the year to date. Forecasts to the end of the year are compared to budget, previous year and previous forecasts. The financial statements also contain a variety of operational and financial ratios. Detailed procedures and reporting formats are set out in the Group Financial Procedures Manual.

Systems of internal financial control are designed to provide reasonable assurance that the Group's assets are safeguarded and that the financial information and accounting records are reliable, though such assurance cannot be absolute. The Board has reserved, for its own approval, those major decisions considered significant to the strategy and operation of the Group as a whole and has established a control structure throughout the Group which requires at least two appropriate levels of authorisation for other decisions which have a major financial implication for the businesses concerned.

Continual monitoring of the systems of internal financial control is the responsibility of all levels of management and is supported by internal auditors who independently review the operation of controls.

The Board has approved operating policies and controls for the Group's treasury activities and receives regular information about them. In addition its insurance and risk management programmes are reported upon to the Board and the Audit Committee.

The Group has an internal audit department whose head reports to the Group Finance Director and has access to the chairman of the Audit Committee. The department has an annually agreed programme which is approved by the Audit Committee and the department reports to each meeting of the Committee upon the progress of its work. The Committee also has access to the external auditors.

The external auditors consider the systems of internal financial control, in conjunction with the internal auditors, to the extent necessary to express their audit opinion. Internal and external auditors report regularly on the results of their work to management, including executive members of the Board, and to the Audit Committee.

Relations and Communications with Shareholders

Meetings are held between Directors of the Company and major institutional shareholders at regular intervals as part of the Company's investor relations programme and whenever required in relation to specific issues.

Notice of the Annual General Meeting and related papers are sent to shareholders at least 20 working days before the meeting. Separate resolutions are proposed at the Annual General Meeting on each substantive issue. Shareholders attending the Annual General Meeting are entitled to ask questions and to meet with Directors after formal proceedings have ended. The Chairman of the Board, Audit, Remuneration and Nomination Committees are available at the Annual General Meeting to answer questions together with relevant Executive Directors. At the Annual General Meeting proxy votes are counted and announced by the Chairman after the show of hands.

In the annual and interim reports, Annual General Meeting trading statements, results presentations and City announcements generally, the Company seeks to present an accurate, objective and balanced view in a style and format which is appropriate for the intended audience. In addition to those maintained by individual businesses, the Company has an Internet website on which it presents information about the Group.

Remuneration Committee

The Remuneration Committee under the chairmanship of Mr ECS Macpherson also comprises the other Non-executive members of the Board, Mr CJ Farrow, Lord Biffen and Mr SL Howard. Mr AJ Wilson is not a member of the Committee but attends meetings of the Committee from time to time by invitation to participate in relevant discussions or supply information as required. He was not present at meetings of the Committee during consideration of his own remuneration. The Company has complied throughout the year under review with the Code provisions concerning Directors' Remuneration. During 1999 the Executive Directors' remuneration comprised the following elements:

Salary and Benefits

The Remuneration Committee determines the contracts of service and emoluments of Executive Directors. The Committee ordinarily reviews directors' salaries annually effective from 1 January, although reviews take place at other times, if appropriate. Salary reviews take into account market rates and the performance of the individual and of the Company. Policies for benefits (which include company cars and private health insurance) are reviewed regularly and comparisons with benefit packages of other companies are made.

It is confirmed that in carrying out its work the Committee has full regard to schedule A in the Code of Best Practice. It is the underlying policy of the Committee that the levels of remuneration of Executive Directors shall be reasonable and fair in comparison with that of Directors of other companies which are broadly similar in size and in range of activities and sufficient to attract and retain Directors needed to run the Company successfully. To that end the Committee aims to set Executive Directors' remuneration having taken full account of information provided by other UK listed companies, in relation to which data is obtained from leading external consultancy sources.

The individual elements of emoluments are set out below in respect of each director:

	Salary £000	Fees £000	Benefits-in-kind £000	Annual bonus £000	1999 Total £000	1998 Total £000
ECS Macpherson (appointed in September 1998)	-	90	-	-	**90**	30
AJ Wilson	360	-	17	75	**452**	373
WB McGrath	* 232	-	11	42	**285**	241
JC Blakeley (retired from the Board in December 1999)	183	-	14	-	**197**	215
SL Howard	-	25	-	-	**25**	25
Lord Biffen	-	25	-	-	**25**	25
CJ Farrow	-	25	-	-	**25**	25
G Davies (retired in December 1998)	-	-	-	-	-	160
Total	**775**	**165**	**42**	**117**	**1,099**	1,094
Compensation for loss of office payable in respect of JC Blakeley.†					466	-
Total emoluments					1,565	1,094

* The salary figure for Mr WB McGrath includes £25,557 provided in place of pension benefits on Mr WB McGrath's salary in excess of the statutory earnings cap.

† The compensation for loss of office payable in respect of Mr JC Blakeley after cessation of employment with the Group on 31st March 2000 gives a total payment in respect of Mr JC Blakeley charged in the accounts in 1999 of £663,000, of which £240,000 is payable by way of pension augmentation.

Incentives

Annual Bonus

Executive Directors participate in a performance-related annual bonus scheme which is intended to provide appropriate incentives and rewards for achieving the Company's business objectives. Current performance measures balance the need for the Company to secure the best results from its ongoing operations while successfully carrying out its strategic programme of acquisitions and disposals. Details of annual bonuses paid in respect of 1999 are set on page 25.

The overall bonus cap for executive directors is 50% of salary. The Remuneration Committee has received independent external advice that a 50% cap is median practice in the engineering sector.

Glynwed Co-Investment Plan (the "Co-Investment Plan")

The Company's annual bonus arrangements have been linked to a co-investment plan, intended to encourage a higher level of personal shareholding on the part of senior management.

Selected senior management can elect whether to invest in the Company's shares up to the whole of the net amount of the part of their annual cash bonus with a corresponding gross value of up to 25% of salary. However, any part of the gross annual bonus in excess of 25% of salary (up to the overall 50% cap) will take the form of a right to acquire shares in the Company equal to this value. No such election has yet been made regarding bonuses paid in respect of 1999.

There will be a matching award on a one for one basis, both for shares invested out of the net amount of bonus, and for the gross annual bonus which takes the form of a right to acquire shares.

Participants can normally exercise their award after three years, provided they are still in the Group's service. Special provisions apply in circumstances where participants leave employment before three years.

Glynwed Long-Term Incentive Plan (the "LTIP")

The LTIP is a performance share plan whereby shares are conditionally allocated to senior management, up to a maximum annual value of 100% of salary. Shares will be released to participants, who are still in the Group's service, on a sliding-scale three to five years after they are allocated.

The actual percentage of shares they can acquire will depend on a comparison of the Company's Total Shareholder Return (TSR) with the TSR of companies in the Engineering sector of the FTSE All Share Index. If the Company's TSR places it in the top 25% of the comparator companies, the participant can acquire all the shares; if the Company's TSR is at the midpoint, 25% of the shares can be acquired; if the Company's TSR is below midpoint, none of the shares can be acquired. There is a sliding scale if the Company's TSR is between upper quartile position and the midpoint. In addition, none of the shares can be acquired unless the Remuneration Committee determines that there has been a sustained improvement in underlying financial performance during the performance period.

Participants in the LTIP will not be able to participate in future option grants under the Glynwed International 1994 Senior Executive Share Option Scheme. LTIP awards made to Executive Directors are set out on page 27.

Executive Share Options

The Company has senior executive and savings-related share option schemes, which it sees as a means of encouraging employees' closer involvement in the success of the Group. Options granted under the 1994 senior executive share option scheme are only exercisable if the Company's earnings per share, calculated on the basis promulgated by the Institute of Investment Management and Research, have exceeded by at least 2% per annum the increase in the UK's Retail Price Index over a period of three years beginning not earlier than the Company's last financial year before the date of an option grant.

The options concerned are ordinarily exercisable in the periods set out below:

Senior Executive Share Option Schemes

Option price (p per share)	Period of 7 years to
200	September 2002
288	April 2007
321	May 2008

Savings-Related Share Option Schemes

Option price (p per share)	Period of 6 months to
243	December 2000
199	May 2003
199	May 2005

No share options were granted to Executive Directors under the 1994 senior executive share option scheme during 1999.

The mid-market price of Glynwed International plc ordinary shares at the beginning and end of the year was 166p and 240p respectively. During the year the market price of the shares ranged between 146.5p and 262.5p.

The interests of Directors at the beginning and end of the year in the currently-operating share option schemes were as set out in the table on page 27.

	Options under the Senior Executive Share Option Schemes approved in 1984† and 1994*				Options under the Savings-Related Share Option Schemes approved in 1994		Awards under the Long-Term Incentive Plan approved in 1999
	at 308pps†	at 200pps†	at 288pps*	at 321pps*	at 243pps	at 199pps	
AJ Wilson							
at 1st January	30,000	-	100,000	150,000	7,098	-	-
granted 23rd June 1999	-	-	-	-	-	-	136,363
lapsed	(30,000)		-	-	-	-	-
at 31st December	-	-	100,000	150,000	7,098	-	136,363
JC Blakeley							
at 1st January	-	35,500	100,000	-	2,271	-	-
granted 23rd June 1999	-	-	-	-	-	-	65,656
granted 15th October 1999	-	-	-	-	-	3,310	-
lapsed	-	-	-	-	-	(3,310)	-
at 31st December	-	35,500	100,000	-	2,271	-	65,656
WB McGrath							
at 1st January	-	-	-	175,000	-	-	-
granted 23rd June 1999	-	-	-	-	-	8,479	75,757
at 31st December	-	-	-	175,000	-	8,479	75,757

The above interests have not changed since the end of the 1999 financial year. Note: No other Directors held any share options.

Pensions

Mr AJ Wilson, Mr JC Blakeley and Mr WB McGrath are members of a defined-benefit pension scheme which provides for a pension of two-thirds of final pensionable remuneration on retirement at normal retirement age with 20 or more years of pensionable service. Final pensionable remuneration is limited to the statutory earnings cap where relevant.

The increase in the transfer value of the directors' pensions, after deduction of contributions paid by them, is shown below:

	AJ Wilson £000	WB McGrath £000	JC Blakeley £000
Total accrued pension at 31st December 1999 (pa)	195	6	117
Increase in accrued pension over 1999 (pa)	38	3	9
Transfer value of increase at 31st December 1999	663	30	170
Contributions paid by Directors in 1999	11	3	5
Transfer value increase after deduction of Director's contributions	652	27	165

The transfer values shown above are not payable to the individuals concerned. During the year the Company paid premiums of £566 to provide life assurance cover on that part of Mr WB McGrath's earnings above the Inland Revenue cap for the year.

Service Contracts

Service contracts for Mr AJ Wilson (who is proposed to be re-elected at the forthcoming Annual General Meeting) and Mr WB McGrath have a notice period of two years. In the opinion of the Remuneration Committee, and confirmed by external independent consultants, this notice period provides consistency with the need for Directors to take a long-term rather than a short-term view in their conduct and planning of the Company's affairs. The Committee has carefully considered the suggestion in the Combined Code that notice periods should not generally exceed one year but currently considers that a reduction in the notice period in the Executive Directors' service agreements to one year would not, for these reasons, be in the interests of shareholders.

The Remuneration Committee did not consider it to be in the best interests of shareholders for Directors' contracts to provide explicitly for predetermined compensation in the event of termination and accordingly neither of the contracts contain any such provision.

Non-executive Directors (including Lord Biffen who is proposed to be re-elected at the forthcoming Annual General Meeting) are appointed for an initial term of 3 years pursuant to a letter of appointment. Details of their fees are set out on page 25.

Group Profit and Loss Account

For the year ended 31st December

	Notes	1999 Before disposal of businesses £m	1999 Disposal of businesses £m	1999 Total £m	1998 Before disposal of businesses £m	1998 Disposal of businesses £m	1998 Total £m
Turnover							
Continuing operations		**701.6**	-	**701.6**			
Acquisitions		**98.5**	-	**98.5**			
Total continuing operations		**800.1**	-	**800.1**	549.1	-	549.1
Discontinued operations		**78.2**	-	**78.2**	466.3	-	466.3
Total turnover	2 & 3	**878.3**	-	**878.3**	1,015.4	-	1,015.4
Operating profit after exceptional reorganisation costs and goodwill amortisation							
Continuing operations		**53.0**	-	**53.0**			
Acquisitions		**14.7**	-	**14.7**			
Total continuing operations		**67.7**	-	**67.7**	50.7	-	50.7
Discontinued operations		**3.6**	-	**3.6**	28.2	-	28.2
Total operating profit	3	**71.3**	-	**71.3**	78.9	-	78.9
Profit/(loss) on disposal of businesses	24	-	**32.5**	**32.5**	-	(38.9)	(38.9)
Profit before interest and tax		**71.3**	**32.5**	**103.8**	78.9	(38.9)	40.0
Interest payable (net)	6	**(9.2)**	-	**(9.2)**	(3.6)	-	(3.6)
Profit before tax		**62.1**	**32.5**	**94.6**	75.3	(38.9)	36.4
Tax on profit on ordinary activities	7	**(17.8)**	**(1.0)**	**(18.8)**	(23.9)	(3.6)	(27.5)
Profit on ordinary activities after tax		**44.3**	**31.5**	**75.8**	51.4	(42.5)	8.9
Equity minority interests	23			**(0.7)**			(0.6)
Profit attributable to shareholders				**75.1**			8.3
Dividends	9			**(32.0)**			(32.2)
Profit retained/(transfer from reserves)	10			**43.1**			(23.9)

	1999	1998
Trading profit	**90.3**	81.8
Exceptional reorganisation costs	**(9.3)**	(0.8)
Goodwill amortisation	**(9.7)**	(2.1)
Interest payable (net)	**(9.2)**	(3.6)
Profit before tax	**62.1**	75.3
Goodwill amortisation	**9.7**	2.1
Profit before tax and goodwill amortisation	**71.8**	77.4

Earnings per share	11	**p**	**p**	p	p
Before reorganisation costs and goodwill amortisation		**24.6**	**37.6**	21.7	4.4
After reorganisation costs, before goodwill amortisation		**22.0**	**35.0**	21.5	4.2
Basic		**18.0**	**31.0**	20.6	3.3
Diluted		**17.8**	**30.5**	20.6	3.3

Notes to the accounts are on pages 33 to 52.

For the year ended 31st December

Statement of Total Recognised Gains and Losses

	Notes	1999 £m	1998 £m
Profit attributable to shareholders		**75.1**	8.3
Exchange adjustments on net investments	22	**(11.8)**	3.0
Total recognised gains and losses relating to the year		**63.3**	11.3

Note of Historical Cost Profit

	Notes	1999 £m	1998 £m
Reported profit before tax		**94.6**	36.4
Realisation of property revaluation gains of previous years		**8.3**	3.8
Difference between an historical cost depreciation charge and the actual depreciation charge of the year calculated on the revalued amounts		**0.1**	0.2
Historical cost profit on ordinary activities before tax		**103.0**	40.4
Tax on profit on ordinary activities	7	**(18.8)**	(27.5)
Equity minority interests	23	**(0.7)**	(0.6)
Dividends	9	**(32.0)**	(32.2)
Historical cost profit retained/(transfer from reserves)		**51.5**	(19.9)

Reconciliation of Movements in Shareholders' Funds

		Notes	1999 £m	1998 £m
Total recognised gains and losses relating to the year			**63.3**	11.3
Dividends		9	**(32.0)**	(32.2)
New share capital subscribed	- share capital	21	**-**	0.1
	- share premium	22	**0.2**	0.6
Share buybacks	- preference/ordinary shares	21	**(1.3)**	(1.0)
	- profit and loss account	22	**(1.4)**	(6.8)
	- capital redemption reserve	22	**1.3**	1.0
Goodwill reinstated on disposals		22	**39.1**	75.1
Net increase in shareholders' funds			**69.2**	48.1
Shareholders' funds at 1st January			**325.6**	277.5
Shareholders' funds at 31st December			**394.8**	325.6

Notes to the accounts are on pages 33 to 52.

Balance Sheets

As at 31st December

	Notes	Group 1999 £m	Group 1998 £m	Company 1999 £m	Company 1998 £m
Fixed assets					
Goodwill	12	**272.6**	130.7	-	-
Tangible assets	13	**272.1**	265.4	-	-
Investments	14	**1.2**	1.9	**495.5**	326.0
Total fixed assets		**545.9**	398.0	**495.5**	326.0
Current assets					
Stocks	15	**166.6**	163.6	-	-
Debtors	16	**181.0**	208.5	**619.1**	517.1
Businesses held with a view to resale	14	-	17.7	-	-
Cash at bank and in hand	18	**34.7**	62.3	**7.3**	0.9
Total current assets		**382.3**	452.1	**626.4**	518.0
Creditors – amounts falling due within one year					
Operating creditors	17	**(158.4)**	(232.3)	**(426.1)**	(265.9)
Borrowings	18	**(25.4)**	(47.1)	**(30.2)**	(48.8)
Tax and dividends payable	17	**(27.9)**	(30.4)	**(21.3)**	(29.2)
Total amounts falling due within one year		**(211.7)**	(309.8)	**(477.6)**	(343.9)
Net current assets		**170.6**	142.3	**148.8**	174.1
Total assets less current liabilities		**716.5**	540.3	**644.3**	500.1
Creditors – amounts falling due after more than one year					
Borrowings	18	**(251.1)**	(173.7)	**(230.6)**	(165.6)
Exchangeables	18 & 21	**(32.1)**	-	-	-
Provisions for liabilities and charges	20	**(37.1)**	(32.1)	-	-
Total net assets employed		**396.2**	334.5	**413.7**	334.5
Capital and reserves					
Ordinary shares	21	**60.6**	60.6	**60.6**	60.6
Preference shares	21	-	1.3	-	1.3
Called up share capital		**60.6**	61.9	**60.6**	61.9
Share premium account	22	**25.8**	25.6	**25.8**	25.6
Revaluation reserve	22	**7.6**	16.0	-	-
Capital redemption reserve	22	**2.3**	1.0	**2.3**	1.0
Profit and loss account	22	**298.5**	221.1	**325.0**	246.0
Total shareholders' funds (1998 including non-equity interests)		**394.8**	325.6	**413.7**	334.5
Equity minority interests	23	**1.4**	8.9	-	-
Total funds		**396.2**	334.5	**413.7**	334.5

The accounts on pages 28 to 52 were approved by the Board of Directors on 21st March 2000 and were signed on its behalf by:

ECS Macpherson **Chairman**
WB McGrath **Finance Director**

ECS Macpherson
WB McGrath

Notes to the accounts are on pages 33 to 52.

Group Cash Flow Statement

For the year ended 31st December

	Notes	1999 £m	1999 £m	1998 £m	1998 £m
Net cash inflow from operating activities			**96.0**		86.2
Returns on investments and servicing of finance			**(6.9)**		(3.0)
Tax paid			**(37.2)**		(32.3)
Capital expenditure and financial investment			**(24.6)**		(17.1)
Acquisitions and disposals	24		**(18.4)**		(137.1)
Equity dividends paid			**(32.0)**		(32.5)
Net cash outflow before financing			**(23.1)**		(135.8)
Financing					
- issue of ordinary share capital	25	**0.2**		0.7	
- buyback of preference/ordinary share capital	25	**(1.4)**		(6.8)	
- increase in debt	25	**16.2**		155.8	
			15.0		149.7
(Decrease)/increase in cash in the year	26		**(8.1)**		13.9
Reconciliation of net cash flow to movement in net borrowings					
(Decrease)/increase in cash in the year	26	**(8.1)**		13.9	
Increase in debt	25	**(16.2)**		(155.8)	
Change in net debt resulting from cash flows	26		**(24.3)**		(141.9)
Borrowings acquired with acquisitions	24		**(64.6)**		(6.5)
Loan notes issued for acquisitions			**-**		(6.6)
Exchangeables	21		**(32.1)**		-
Finance lease contracts taken out			**-**		(0.8)
Exchange adjustment	26		**5.6**		(0.2)
Increase in net borrowings			**(115.4)**		(156.0)
Opening net borrowings			**(158.5)**		(2.5)
Closing net borrowings			**(273.9)**		(158.5)

This statement should be read in conjunction with the reconciliations on page 32.

Notes to the accounts are on pages 33 to 52.

For the year ended 31st December

Reconciliation of Operating Profit to Net Cash Inflow from Operating Activities

	Notes	1999 £m	1998 £m
Operating profit		**71.3**	78.9
Goodwill amortisation	3	**9.7**	2.1
Depreciation	3	**27.5**	21.8
(Increase)/decrease in stocks		**(7.3)**	6.0
(Increase)/decrease in debtors		**13.1**	8.9
Increase/(decrease) in creditors		**(12.6)**	(24.0)
Increase/(decrease) in provisions		**(5.7)**	(7.5)
Net cash inflow from operating activities		**96.0**	86.2

Operating cashflows relating to acquisitions and disposals are shown in note 24.

Returns on Investments and Servicing of Finance

	Notes	1999 £m	1998 £m
Interest payable (net)	6	**(9.2)**	(3.6)
Movement in prepayments and accruals		**2.7**	0.7
Net interest paid		**(6.5)**	(2.9)
Interest received		**1.2**	6.0
Interest paid		**(7.7)**	(8.9)
Net interest paid		**(6.5)**	(2.9)
Preference dividend paid	9	**-**	(0.1)
Dividend paid to minority interests	23	**(0.4)**	-
Net cash outflow from returns on investments and servicing of finance		**(6.9)**	(3.0)

Tax paid

	Notes	1999 £m	1998 £m
Tax paid			
- on operating activities		**(28.3)**	(32.3)
- on disposal of non-core businesses	24	**(8.9)**	-
Total tax paid		**(37.2)**	(32.3)

Capital Expenditure and Financial Investment

	1999 £m	1998 £m
Purchase of tangible fixed assets		
- additions at cost	**(28.4)**	(30.4)
- less purchased with finance leases	**-**	0.8
Total capital expenditure	**(28.4)**	(29.6)
Sale of tangible fixed assets	**3.8**	12.5
Net cash outflow from capital expenditure and financial investment	**(24.6)**	(17.1)

Notes to the accounts are on pages 33 to 52.

1. Accounting policies

Basis of accounting

The accounts are prepared under the historical cost convention, except where adjusted for revaluations of certain fixed assets, and in accordance with applicable Accounting Standards.

New Financial Reporting Standards 12, 13 and 14 have been adopted in the 1999 accounts. The Group's accounting policies have been revised to comply with these standards, where applicable, but this has not resulted in any change to previously published information. Following the introduction of FRS15, the Group is not adopting a policy of revaluing its fixed assets. The transitional provisions of the FRS will be followed whereby existing revaluations will be retained.

Basis of consolidation

The consolidated profit and loss account and balance sheet include the accounts of the parent company and all its subsidiaries made up to the end of the financial year. With the exception of businesses held for resale, the accounts include the results of subsidiaries and businesses acquired and sold during the year from or up to their effective date of acquisition or sale. The consolidated accounts also include the Group's share of post-acquisition earnings and reserves of associated undertakings.

Acquisitions

Shares issued as consideration for the acquisitions of companies have a fair value attributed to them, which is normally their market value at the date of acquisition. Net tangible assets acquired are consolidated at a fair value to the Group at date of acquisition. All changes to those assets and liabilities, and the resulting gains and losses, that arise after the Group has gained control of the subsidiary are credited and charged to the post-acquisition profit and loss account or the statement of total recognised gains and losses as appropriate. In the company accounts, where advantage can be taken of the merger relief rules, shares issued as consideration for acquisitions are accounted for at nominal value.

Goodwill

From 1998, goodwill, being the difference between the fair value of the purchase consideration and the fair value of the assets acquired, has been capitalised in the accounts as goodwill, in the relevant currency and then amortised on a straight line basis over its estimated useful life.

Goodwill arising on acquisitions prior to 1998 has been written off to reserves. This goodwill will be charged in the profit and loss account as part of any profit or loss of any subsequent disposal of the business to which it relates.

Turnover

Turnover, which excludes value added tax and intra-group sales, represents the invoiced value of goods and services supplied to customers.

Pension costs

The cost of providing retirement pensions and related benefits is charged to the profit and loss account over the periods benefiting from the employees' services.

Research and development

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

Depreciation

Depreciation is provided on tangible fixed assets, other than freehold land and assets in the course of construction, at rates calculated to write off the cost of each asset on a straight line basis over its expected useful life as follows:

i. Freehold buildings over 50 years.
ii. Leasehold land and buildings over 50 years or the period of the lease whichever is less.
iii. Plant, machinery and equipment over a period of 3 to 10 years.

Leases

Assets held under finance leases and hire purchase contracts are integrated with owned tangible fixed assets and the obligations relating thereto, excluding finance charges, are included in borrowings. Finance costs are charged to the profit and loss account over the contract term to give a constant rate of interest on the outstanding balance. Costs in respect of operating leases are charged in arriving at the operating profit.

Assets leased to third parties under operating leases (principally land and buildings) are held as tangible fixed assets and depreciated over their expected useful life in line with the depreciation policy. Rental income from leased assets is credited to the profit and loss account on an accruals basis.

Stocks

Stocks are valued at the lower of cost on a first in first out basis and net realisable value. Cost includes a proportion of production overheads based on normal levels of activity. Full provision is made for obsolete and slow moving items.

Borrowings

All financial instruments with a cost to the Group, with the exception of share capital, have been included in borrowings. Consequently finance leases and bills of exchange, which have a cost to the Group, are included in net borrowings. The cost of bills and finance leases has been included in net interest. Borrowings are shown net of the associated finance costs, which are amortised to the profit and loss account over the life of the borrowings.

Foreign currencies

The profit and loss accounts of overseas subsidiaries and related companies are translated into sterling using average exchange rates. Assets and liabilities in foreign currencies including goodwill arising on acquisitions are translated at the mid-market rates of exchange ruling at the balance sheet date unless matched by forward contracts. Where the translation of overseas subsidiaries and associated undertakings, net of any foreign currency borrowing used to finance them, gives rise to an exchange difference, this is taken directly to reserves. Other exchange differences are dealt with through the profit and loss account.

Financial instruments

The principal derivative instruments utilised by the Group are interest rate swaps and forward rate agreements. These instruments are used for hedging purposes in line with the Group's risk management policy and no trading in financial instruments is undertaken. Interest differentials are taken to net interest payable in the profit and loss account, and premiums and fees are amortised at a constant rate over the life of the underlying instrument.

Deferred tax

Deferred tax is taken into account to the extent that a liability will probably arise in the foreseeable future and is calculated at tax rates expected to apply at that time. In the holding company and its subsidiaries the liability is assessed with reference to the individual company. On consolidation the liability is assessed with reference to the Group as a whole.

Continued

2. Segmental analysis

By business group	1999 Turnover £m	1999 Operating profit £m	1999 Net operating assets £m	1998 Turnover £m	1998 Operating profit £m	1998 Net operating assets £m
Pipe Systems	**607.3**	**67.3**	**377.6**	375.1	39.6	252.1
Consumer & Foodservice	**192.8**	**19.4**	**47.1**	174.0	14.0	41.7
Total continuing operations	**800.1**	**86.7**	**424.7**	549.1	53.6	293.8
Exceptional reorganisation costs	-	**(9.3)**	-	-	(0.8)	-
Goodwill amortisation	-	**(9.7)**	-	-	(2.1)	-
Discontinued operations	**78.2**	**3.6**	**(9.0)**	466.3	28.2	102.2
Total Group	**878.3**	**71.3**	**415.7**	1,015.4	78.9	396.0

An analysis of net operating assets by category of asset is given on page 54.
Turnover between business groups is immaterial. Exceptional reorganisation costs relate to Pipe Systems £6.7m (£0.4m) and to Consumer & Foodservice £2.6m (£0.4m). Goodwill amortisation relates to Pipe Systems £7.3m (£1.1m) and to Consumer & Foodservice £2.4m (£1.0m). The figures for 1998 have been restated for the disposal in the year of the Metals Processing division.

Geographically	1999 Gross turnover £m	1999 Inter-region £m	1999 Net turnover £m	1999 Operating profit £m	1999 Net operating assets £m	1998 Gross turnover £m	1998 Inter-region £m	1998 Net turnover £m	1998 Operating profit £m	1998 Net operating assets £m
United Kingdom	**348.4**	**(11.2)**	**337.2**	**27.3**	**132.3**	342.7	(8.5)	334.2	28.7	130.4
Germany	**157.9**	**(27.0)**	**130.9**	**13.3**	**84.0**	40.5	(0.3)	40.2	4.0	83.3
Other Europe	**126.4**	**(11.8)**	**114.6**	**11.7**	**44.9**	70.4	(4.3)	66.1	9.4	49.5
North & South America	**194.8**	**(0.6)**	**194.2**	**22.0**	**155.0**	92.7	(0.4)	92.3	8.8	21.8
Rest of World	**25.2**	**(2.0)**	**23.2**	**3.1**	**8.5**	17.9	(1.6)	16.3	1.9	8.8
Total continuing operations	**852.7**	**(52.6)**	**800.1**	**77.4**	**424.7**	564.2	(15.1)	549.1	52.8	293.8
Goodwill amortisation	-	-	-	**(9.7)**	-	-	-	-	(2.1)	-
Discontinued operations	**78.2**	-	**78.2**	**3.6**	**(9.0)**	489.8	(23.5)	466.3	28.2	102.2
Total Group	**930.9**	**(52.6)**	**878.3**	**71.3**	**415.7**	1,054.0	(38.6)	1,015.4	78.9	396.0

The results of IPEX Inc. since acquisition, which have been included in Pipe Systems and North & South America, amount to turnover of £89.4m and profit before interest of £14.7m. IPEX Inc. had net operating assets of £128.6m at the year end.

Goodwill amortisation relates to United Kingdom £2.1m (£1.0m), Germany £3.9m (£0.7m), Other Europe £0.4m (£0.4m) and North & South America £3.3m (£nil).

Turnover by customer location	1999 £m	1999 %	1998 £m	1998 %
United Kingdom	**304.0**	**38.0**	302.8	55.2
Rest of Europe	**249.6**	**31.2**	116.1	21.1
North & South America	**198.9**	**24.9**	96.6	17.6
Rest of World	**47.6**	**5.9**	33.6	6.1
Total continuing operations	**800.1**	**100.0**	549.1	100.0

The above includes £89.4m relating to IPEX Inc. from its date of acquisition, all of which relates to North & South America except for £0.3m with the Rest of World. Sales value of direct exports from the United Kingdom during the year was £54.2m (1998 £106.8m including discontinued operations).

Continued

3. Net operating costs

	1999			1998		
	Continuing	**Dis-continued**	**Total**	Continuing	Dis-continued	Total
	£m	**£m**	**£m**	£m	£m	£m
Turnover	**800.1**	**78.2**	**878.3**	549.1	466.3	1,015.4
Less operating profit	**(67.7)**	**(3.6)**	**(71.3)**	(50.7)	(28.2)	(78.9)
Net operating costs	**732.4**	**74.6**	**807.0**	498.4	438.1	936.5
Net operating costs						
Raw materials and consumables	**331.9**	**40.8**	**372.7**	233.7	309.2	542.9
Staff costs (note 4)	**221.9**	**17.0**	**238.9**	152.5	87.0	239.5
Other operating charges	**124.1**	**10.2**	**134.3**	86.1	50.7	136.8
Change in stocks of finished goods and work in progress	**(4.8)**	**(0.3)**	**(5.1)**	(2.8)	(31.2)	(34.0)
Other operating income	**(7.0)**	**(0.2)**	**(7.2)**	(8.8)	(3.9)	(12.7)
Other external charges	**30.6**	**5.6**	**36.2**	21.4	18.7	40.1
Amortisation of goodwill (note 12)	**9.7**	**-**	**9.7**	2.1	-	2.1
Depreciation of tangible fixed assets (note 13)	**26.0**	**1.5**	**27.5**	14.2	7.6	21.8
Net operating costs	**732.4**	**74.6**	**807.0**	498.4	438.1	936.5

The figures for 1999 include the following amounts relating to acquisitions:

	1999
	£m
Turnover	**98.5**
Less operating profit	**(14.7)**
Net operating costs	**83.8**
Net operating costs	
Raw materials and consumables	**53.8**
Staff costs	**14.5**
Other operating charges	**9.2**
Change in stocks of finished goods and work in progress	**(9.9)**
Other operating income	**(0.5)**
Other external charges	**7.0**
Amortisation of goodwill	**3.2**
Depreciation of tangible fixed assets	**6.5**
Net operating costs	**83.8**

3. Net operating costs (continued)

Net operating costs include the following:

	1999 £m	1998 £m
Exceptional reorganisation and redundancy (including £4.2m relating to Friatec)	**9.3**	0.8
Research and development	**9.2**	4.8
Rentals under operating leases		
- Plant and machinery	**4.6**	5.4
- Other	**3.8**	5.5
Auditors' remuneration		
Audit services		
- Primary auditors (Company £0.1m (1998 £0.2m))	**0.7**	0.7
- Other auditors of Group companies	**0.1**	0.1
Total audit services	**0.8**	0.8
Other services provided by primary auditors		
- Services in connection with Stock Exchange related transactions	**0.8**	0.3
- Other services	**0.8**	0.6

4. Employee information

	1999	1998
Average number of employees (including directors)		
Pipe Systems	**6,654**	4,122
Consumer & Foodservice	**2,953**	2,895
Discontinued	**793**	4,607
Total	**10,400**	11,624

	1999			1998		
	Continuing £m	**Dis-continued £m**	**Total £m**	Continuing £m	Dis-continued £m	Total £m
Staff costs (including directors)						
Wages and salaries	**190.6**	**14.9**	**205.5**	130.8	74.0	204.8
Social security costs	**27.2**	**1.5**	**28.7**	15.4	6.7	22.1
Other pension costs	**4.1**	**0.6**	**4.7**	6.3	6.3	12.6
Total staff costs	**221.9**	**17.0**	**238.9**	152.5	87.0	239.5

Directors' emoluments

Details of Directors' emoluments are set out in the Remuneration Report on pages 25 to 27.

5. Pension costs

The Group operates a number of pension schemes throughout the world. The main schemes, which cover the majority of United Kingdom employees, are defined benefit schemes and the assets are held in trust funds separate from the Group's assets. A number of defined benefit pension arrangements are operated in Germany by Friatec, provided via a mixture of direct pension promises (unfunded arrangements) and arrangements funded through assets held separately from the employer. The other schemes (including those operated by Friatec outside Germany) are small in size and generally of a money purchase nature.

The latest full valuations of the main United Kingdom schemes were carried out by Watson Wyatt Partners, independent consulting actuaries, as at 31st March 1998 using the projected unit credit method. The principal assumptions on which these valuations were based for the purposes of establishing the Group's pension cost were that the investment return would be 2.75% greater than general salary increases, 4.25% greater than increases in future pension payments, and 3.5% greater than the assumed rate of growth on United Kingdom equity dividends. The results of these valuations showed that together the schemes had a market value of £746.5m and were 109% funded. The valuations were used in assessing the expected cost of providing pensions for the remaining nine months of 1998. For the purposes of the 1999 accounts, the valuations have been rolled forward to September 1999, using the same principal assumptions, to reflect changes in assets and liabilities in the intervening period. The results of this roll forward showed that the schemes were 113% funded. The surplus has been spread forward on the fixed monetary amount basis. At 31st December 1999 the pensions prepayment held in the Group's balance sheet is £12.1m (1998 £8.0m).

Approximate valuations of the German pension schemes operated by Friatec were carried out by Watson Wyatt Partners, as at 31st October 1998, in order to comply with United Kingdom accounting requirements. The methodology and assumptions used were broadly consistent with those used in the United Kingdom valuations and were chosen to reflect the German economic environment. The overall liability at 31st December 1999 was £7.6m.

6. Interest

	1999	1998
Interest payable	£m	£m
Bank loans and overdrafts	9.2	9.0
All other borrowings	1.2	0.6
Total interest payable	10.4	9.6
Less interest receivable and similar income	(1.2)	(6.0)
Interest payable (net)	9.2	3.6

7. Tax

	1999	1998
On the profit for the year	£m	£m
United Kingdom corporation tax (based on a rate of 30.25%, 1998 31.0%)	4.7	9.3
Overseas tax	9.3	12.9
Tax on the profit for the year	14.0	22.2
Prior years' adjustments	1.1	(2.6)
Deferred tax (note 20)	3.7	4.1
Advance corporation tax written off	-	3.8
Total tax on profit on ordinary activities	18.8	27.5
Including tax on exceptional items:-		
- disposal of businesses	1.0	3.6
- exceptional reorganisation costs	(3.0)	(0.2)
Tax on exceptional items	(2.0)	3.4

8. Profit for the year

Group profit after tax and minority interests for the year was £75.1m (1998 £8.3m). Glynwed International plc has taken advantage of section 230(3) of the Companies Act 1985 and has not included its own profit and loss account in these accounts. The Company's profit was £112.4m (1998 £159.0m).

Continued

9. Dividends

	1999	1998
Ordinary dividends	**£m**	£m
Interim paid of 4.4p per share (1998 4.4p)	**10.7**	10.8
Proposed final of 8.8p per share (1998 8.8p)	**21.3**	21.3
Total of 13.2p per share (1998 13.2p)	**32.0**	32.1
Preference dividends 5.425%	-	0.1
Total dividends	**32.0**	32.2

10. Profit retained/(transfer from reserves)

	1999	1998
	£m	£m
Glynwed International plc (note 22)	**80.4**	126.8
Subsidiary companies	**(37.3)**	(150.7)
Profit retained/(transfer from reserves)	**43.1**	(23.9)

11. Earnings per share

	1999		1998	
	Before disposal of businesses	**Total**	Before disposal of businesses	Total
Earnings	**£m**	**£m**	£m	£m
Profit on ordinary activities after tax	**44.3**	**75.8**	51.4	8.9
Minority interests	**(0.7)**	**(0.7)**	(0.6)	(0.6)
Preference dividends	-	-	(0.1)	(0.1)
Earnings – for basic EPS	**43.6**	**75.1**	50.7	8.2
Dilutive effect of Exchangeables (note 21)	**0.6**	**0.6**	-	-
Earnings – for diluted EPS	**44.2**	**75.7**	50.7	8.2

In order to give a more consistent measure of performance two further earnings per share ratios have been calculated. Earnings for these calculations are:

	£m	£m	£m	£m
Earnings – for basic EPS	**43.6**	**75.1**	50.7	8.2
Goodwill amortisation	**9.7**	**9.7**	2.1	2.1
Earnings – after reorganisation costs, before goodwill amortisation	**53.3**	**84.8**	52.8	10.3
Reorganisation costs	**9.3**	**9.3**	0.8	0.8
Tax on reorganisation costs	**(3.0)**	**(3.0)**	(0.2)	(0.2)
Earnings – before reorganisation costs and goodwill amortisation	**59.6**	**91.1**	53.4	10.9

	1999	1998
Weighted average number of shares in issue	**million**	million
For basic EPS calculation	**242.4**	245.9
Dilutive effect of IPEX Exchangeable shares (note 21):-		
14.9m shares for 5 months	**6.2**	-
For diluted EPS calculation	**248.6**	245.9

Earnings per share	**p**	**p**	p	p
Before reorganisation costs and goodwill amortisation	**24.6**	**37.6**	21.7	4.4
After reorganisation costs, before goodwill amortisation	**22.0**	**35.0**	21.5	4.2
Basic	**18.0**	**31.0**	20.6	3.3
Diluted	**17.8**	**30.5**	20.6	3.3

Continued

12. Goodwill

	1999	1998
Cost	**£m**	£m
At 1st January	**132.7**	-
Exchange adjustment	**(10.6)**	0.4
Arising from acquisitions in the year (note 24)	**165.1**	132.3
Arising from adjustment to prior year acquisitions (note 24)	**(3.1)**	-
At 31st December	**284.1**	132.7
Amortisation		
At 1st January	**2.0**	-
Exchange adjustment	**(0.2)**	(0.1)
Charge for the year	**9.7**	2.1
At 31st December	**11.5**	2.0
Net book value		
At 31st December	**272.6**	130.7

Goodwill arising on acquisitions is being amortised over 20 years, which the Directors believe to be its useful economic life.

13. Tangible fixed assets

	Land and buildings	Plant, machinery and equipment	Assets in course of construction	Total tangible fixed assets
Cost and valuation	£m	£m	£m	£m
At 1st January	167.3	364.6	8.8	**540.7**
Exchange adjustment	(10.5)	(14.6)	-	**(25.1)**
Businesses acquired	27.2	70.2	1.6	**99.0**
Capital expenditure	2.0	18.8	7.6	**28.4**
Disposals	(21.1)	(110.2)	(2.0)	**(133.3)**
Reclassification	-	9.2	(9.2)	**-**
At 31st December	164.9	338.0	6.8	**509.7**
Depreciation				
At 1st January	6.8	268.5	-	**275.3**
Exchange adjustment	(0.2)	(11.1)	-	**(11.3)**
Businesses acquired	-	32.3	-	**32.3**
Charge for the year	3.4	24.1	-	**27.5**
Disposals	(1.7)	(84.5)	-	**(86.2)**
At 31st December	8.3	229.3	-	**237.6**
Net book value				
At 31st December	**156.6**	**108.7**	**6.8**	**272.1**
At 1st January	160.5	96.1	8.8	265.4

13. Tangible fixed assets (continued)

All tangible fixed assets are held at cost except for £44.9m of land and buildings valued professionally in 1995.

Disposals include disposals of businesses (note 24).

The values at 1st January 1999 have been restated to disclose separately assets in course of construction.

The historical cost to the relevant businesses of tangible fixed assets amounts to £506.1m (1998 £584.0) and the accumulated depreciation thereon is £247.0m (1998 £347.8m), giving a net historical book value of £259.1m (1998 £236.2m).

The net book value of tangible fixed assets includes £0.8m (1998 £0.9m) in respect of assets held under finance leases. Depreciation for the year on these assets was £0.3m (1998 £0.2m).

The net book value of land and buildings comprises:

	1999	1998
	£m	£m
Freehold	**155.5**	157.0
Long leasehold	**1.0**	3.3
Short leasehold	**0.1**	0.2
Total	**156.6**	160.5

Included in net book value of land and buildings is £8.9m relating to properties leased to former Metals Processing businesses. The businesses have options to purchase these properties, exercisable before 2009. No loss would arise on the exercise of these options.

14. Investments

	Trade investments	**Businesses held with a view to resale**
Group	**£m**	**£m**
Cost at 1st January	**1.9**	**17.7**
Exchange adjustment	**(0.2)**	**-**
Movement in the year	**(0.5)**	**-**
Adjustment to acquisition fair value (note 24a)	**-**	**14.4**
Proceeds received on disposal (note 24b)	**-**	**(32.1)**
Cost at 31st December	1.2	-

Certain businesses acquired with Friatec AG were being held exclusively for resale and their results have not been included in the Group's consolidated profit and loss account. The dental implant businesses ("Friadent") and the USA medical businesses were sold in the year. As set out in note 24, their carrying value has been increased to reflect the net proceeds arising from their sale. These businesses purchase limited services from other parts of the Group but do not trade with the Group. At the year end, balances with the rest of the Group were not material.

	Cost of shares	**Provisions**	**Net book value**	**Amounts due from subsidiaries**	**Amounts due to subsidiaries**	**Total**
Company	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**
In subsidiaries						
At 1st January	374.0	(48.0)	**326.0**	497.8	(260.4)	**563.4**
Movement in the year	155.3	14.2	**169.5**	101.2	(162.4)	**108.3**
At 31st December	**529.3**	**(33.8)**	**495.5**	**599.0**	**(422.8)**	**671.7**

Continued

15. Stocks

	1999 £m	1998 £m
Raw materials and consumables	38.8	33.5
Work in progress	18.0	25.6
Finished goods and goods for resale	109.8	104.5
Total stocks	166.6	163.6

16. Debtors

	Group		Company	
	1999	1998	1999	1998
Operating debtors - falling due within one year	£m	£m	£m	£m
Trade debtors	133.4	168.3	-	-
Amounts owed by Group undertakings	-	-	541.9	444.2
Other debtors	13.4	13.4	0.2	-
Prepayments and accrued income	6.0	11.8	0.5	4.7
Total falling due within one year	152.8	193.5	542.6	448.9
Operating debtors – falling due after one year				
Other amounts owed by Group undertakings	-	-	57.1	53.6
Other debtors	6.4	7.0	-	-
Pension prepayment	12.1	8.0	-	-
Total operating debtors	171.3	208.5	599.7	502.5
Tax recoverable - falling due within one year	9.7	-	19.4	14.6
Total debtors	181.0	208.5	619.1	517.1

17. Creditors

	Group		Company	
	1999	1998	1999	1998
Amounts falling due within one year	£m	£m	£m	£m
Operating creditors				
Trade creditors	88.1	132.6	-	-
Amounts owed to Group undertakings	-	-	422.8	260.4
Social security	4.8	3.8	-	-
Accruals and deferred income	42.6	26.3	2.8	1.0
Other creditors	22.9	69.6	0.5	4.5
Total operating creditors	158.4	232.3	426.1	265.9

	Group 1999	Group 1998	Company 1999	Company 1998
Tax and dividends payable				
Tax	6.6	9.1	-	7.9
Dividends payable	21.3	21.3	21.3	21.3
Total tax and dividends payable	27.9	30.4	21.3	29.2

Continued

18. Borrowings

	Group		Company	
	1999 £m	1998 £m	1999 £m	1998 £m
Floating Rate Loan Notes – 1996/2005	**7.4**	8.4	**7.4**	8.4
Finance leases	**0.3**	0.6	-	-
Other borrowings	**17.7**	38.1	**22.8**	40.4
Total falling due within one year	**25.4**	47.1	**30.2**	48.8
Finance leases	**0.3**	0.5	-	-
Other borrowings	**250.8**	173.2	**230.6**	165.6
Total falling due after one year	**251.1**	173.7	**230.6**	165.6
Exchangeables (note 21)	**32.1**	-	-	-
Total borrowings	**308.6**	220.8	**260.8**	214.4
Cash at bank and in hand	**(34.7)**	(62.3)	**(7.3)**	(0.9)
Total net borrowings	**273.9**	158.5	**253.5**	213.5
Secured	**2.2**	7.8	-	-
Unsecured	**306.4**	213.0	**260.8**	214.4
Total borrowings	**308.6**	220.8	**260.8**	214.4

Subsidiaries' secured borrowings are secured on the property and assets of those subsidiaries.

19. Financial instruments

The Group's objective in using financial instruments is to reduce its exposure to financial risk. The Group Treasurer co-ordinates banking, borrowing requirements and financial instrument transactions. The Group manages its financial instrument credit risk by only undertaking transactions with established relationship banks. Board approved policies and procedures govern these activities.

Major transactions are undertaken by the Group Treasury department. Operating units are responsible for their transactional hedging, under parameters set by the Board and with monthly monitoring at Group level. The Treasury department is a cost centre, only undertaking transactions to hedge identified Group exposures.

The three principal areas of financial risk are:

- **Foreign exchange transactional exposures**
  The objective of foreign exchange transactional hedging policy is to minimise the impact of exchange rate fluctuations on expected results. This is achieved through the use of forward foreign exchange contracts on all material transaction flows.

- **Foreign exchange translation exposures**
  The Group seeks to hedge a proportion of overseas investments, reducing volatility by maintaining liabilities in its non-sterling balance sheet currencies. Following the restructuring of the last two years , the Group has adopted a strategy to maintain liabilities in the two principal overseas currencies of Canadian dollars and Euros to hedge a material proportion of the Group's investments made in those currencies. At the end of 1999, the non-sterling liabilities represented 74% of Canadian net assets and 35% of Eurozone net assets respectively.

- **Interest rate risk on borrowing**
  The Group seeks to maintain a balance between fixed and floating rate debt. At the year-end, the majority of the Group's borrowings were at floating rates. The Group manages the risk associated with interest rate movements by entering into interest rate swaps and forward rate agreements over periods of between 1 and 2 years. Depending on market conditions and absolute debt levels, the Group's policy is to have between 25 per cent and 75 per cent of debt at fixed rates at any time. At the year-end, 30% of the borrowings had been swapped to a fixed rate basis.

Short term debtors and creditors have been excluded from all the following disclosures, other than the currency exposure.

19. Financial instruments (continued)

a) Currency and interest rate exposure of financial assets and liabilities

The following table analyses the currency and interest rate composition of the Group's financial liabilities, comprising total borrowings of £308.6m, included in note 18, and the provision for vacant leasehold properties of £5.4m included in note 20. The analysis below is shown after accounting for the impact of interest rate swaps.

	Floating rate £m	Fixed rate £m	Non interest bearing £m	Total £m	Fixed rate weighted average: Interest rate %	Fixed rate weighted average: Time period Years
Currency						
Sterling	15.6	-	5.4	**21.0**	-	-
Eurozone	17.0	60.5	-	**77.5**	4.1	1.1
US	14.6	-	-	**14.6**	-	-
Canadian	143.2	21.3	-	**164.5**	6.4	1.7
Other currencies	1.0	3.3	-	**4.3**	-	-
At 31st December	**191.4**	**85.1**	**5.4**	**281.9**		
Canadian – Exchangeables (note 21)	**32.1**	-	-	**32.1**	-	-

Floating rate financial liabilities bear interest based on the relevant national or Euro LIBOR equivalents, which are fixed in advance for periods of between one month and six months. The Exchangeables carry interest equivalent to dividends on Glynwed International shares (note 21).
Fixed rate financial liabilities were those for which the interest was fixed for more than 12 months.
The provision for vacant leasehold properties is considered to be a non interest bearing liability and has an average period to maturity of 3.8 years (1998 4.2 years)

The following table analyses the currency and interest rate exposure of the Group's financial assets, comprising cash at bank and in hand of £34.7m.

Currency	**Total £m**
Sterling	**3.3**
Eurozone	**15.0**
US	**5.2**
Canadian	**4.4**
Other currencies	**6.8**
At 31st December	**34.7**

The above financial assets bear floating rate interest at the relevant short term market rate.

b) Maturity analysis of financial liabilities

1999	Group: Borrowings £m	Group: Finance leases £m	Group: Other financial liabilities £m	Group: Total £m	Company: Total £m
Within 1 year or on demand	25.1	0.3	1.5	**26.9**	**30.2**
Between 1 and 2 years	92.8	0.1	0.7	**93.6**	**43.9**
Between 2 and 5 years	188.7	0.2	2.1	**191.0**	**186.7**
Over 5 years	1.4	-	1.1	**2.5**	-
At 31st December	**308.0**	**0.6**	**5.4**	**314.0**	**260.8**

Continued

19. Financial instruments (continued)

	Group				Company
	Borrowings	Finance leases	Other financial liabilities	Total	Total
1998	£m	£m	£m	£m	£m
Within 1 year or on demand	46.5	0.6	1.0	48.1	48.8
Between 1 and 2 years	7.4	0.3	1.1	8.8	4.1
Between 2 and 5 years	165.1	0.2	1.7	167.0	161.5
Over 5 years	0.7	-	1.5	2.2	-
At 31st December	219.7	1.1	5.3	226.1	214.4

c) Borrowing facilities

The following table analyses the Group's undrawn committed facilities at 31st December 1999.

	Total
	£m
Expiring within 1 year	**28.1**
Expiring between 1 and 2 years	**164.6**
Expiring in more than 2 years	**42.3**
Total undrawn committed facilities	**235.0**

The Group also has uncommitted facilities totalling £129.6m.

d) Fair values of financial assets and liabilities

	Book value	**Fair value**
	£m	**£m**
Primary financial instruments held or issued to finance Group operations:		
Short term borrowings	**(25.4)**	**(25.4)**
Long term borrowings	**(251.1)**	**(251.1)**
Exchangeables	**(32.1)**	**(32.1)**
Other financial liabilities	**(5.4)**	**(5.4)**
Cash at bank and in hand	**34.7**	**34.7**
Derivative financial instruments held to manage the interest rate and currency profile:		
Interest rate swaps	-	**(0.1)**
Derivative financial instruments held or issued to hedge the currency exposure on purchases and sales:		
Forward foreign currency contracts	-	**(0.3)**

The Group's borrowings are primarily floating rate loans and their book value is deemed to approximate to their fair values. The fair values of the Exchangeables and other financial liabilities are not materially different from their book value. The fair value of the interest rate swaps has been estimated by discounting the affected cash flows. The fair value of the forward foreign exchange contracts has been calculated using the spot rate of exchange at the year end.

e) Currency exposures

The table below shows the currency exposure of the Group's net monetary assets and liabilities in currencies other than their local currency after taking account of forward foreign exchange contracts held to manage such exposures. Foreign exchange differences on retranslation of these assets and liabilities are taken to the profit and loss account.

	Net foreign currency financial assets/(liabilities)				
	Sterling	**Eurozone**	**US**	**Other currencies**	**Total**
Functional currency of Group operation:	**£m**	**£m**	**£m**	**£m**	**£m**
Sterling	-	0.2	0.2	(1.2)	**(0.8)**
Eurozone	(0.6)	-	(0.1)	2.4	**1.7**
US	-	0.2	-	-	**0.2**
Canadian	-	-	3.2	-	**3.2**
Other currencies	(3.2)	0.4	0.2	-	**(2.6)**
Total	**(3.8)**	**0.8**	**3.5**	**1.2**	**1.7**

19. Financial instruments (continued)

f) Hedges on future transactions

As explained on page 42, the Group's policy is to hedge the following exposures:

- interest rate risk by using interest rate swaps and forward rate agreements.
- structural and transactional currency exposures, and currency exposures on future expected sales and purchases by using forward foreign exchange contracts.

At 31st December 1999 there were £0.1m of unrecognised net losses in respect of interest rate swaps and £0.3m in respect of forward foreign exchange contracts to be recognised in the profit and loss account in the next year.

20. Provisions for liabilities and charges

	Deferred tax £m	Pensions & employee benefits £m	Product warranties £m	Property & reorganisation £m	Other £m	Total £m
At 1st January	3.3	8.3	5.7	8.7	6.1	**32.1**
Exchange adjustment	-	(0.8)	(0.5)	(0.3)	(0.4)	**(2.0)**
Transfer between categories	-	3.2	0.6	-	(3.8)	**-**
Transfer to accruals	-	-	(0.1)	(0.7)	-	**(0.8)**
Disposal of businesses (note 24)	-	-	0.2	0.2	3.0	**3.4**
Acquisitions						
– current year (note 24)	-	-	0.5	0.4	1.0	**1.9**
– adjust prior year fair values (note 24)	1.9	0.6	4.8	(1.8)	0.3	**5.8**
Charge/(credit) in the year	3.7	3.4	(0.5)	1.3	1.4	**9.3**
Utilised in the year	(8.9)	(0.1)	(1.4)	(1.3)	(0.9)	**(12.6)**
At 31st December	**-**	**14.6**	**9.3**	**6.5**	**6.7**	**37.1**

Deferred tax	**1999**		1998	
	Provided £m	**Potential unprovided £m**	Provided £m	Potential unprovided £m
Timing differences between tax allowances and depreciation	-	**8.1**	2.5	8.9
Other timing differences	-	**0.6**	0.8	(0.7)
Total deferred tax	-	**8.7**	3.3	8.2

Pensions and employee benefits

Pensions and employee benefits include £12.9m in respect of unfunded pension schemes and £1.7m in respect of other long-term employee benefits.

Product warranties

Provision is made for the estimated liability on all products still under warranty. Product warranties of between 1 and 5 years are given, where appropriate, by individual businesses in the Group.

Property and reorganisation

Following the disposal programme of the last two years, certain vacant property located in the UK remains in the Group. Full provision has been made for the residual lease commitments, together with other outgoings, for the remaining period of the leases. The timing of payments is shown in note 19(b).

Provision has also been made for the remaining costs of reorganisations announced during the year to which the Group is committed. The expenditure will principally arise in 2000.

Other

The Group's other provisions relate to minor legal and other claims and other costs from third parties in relation to divested businesses. Although the majority of these provisions should be realised in the next two accounting periods, the exact timing is unclear.

Company

The company does not have any provisions (1998 nil).

21. Share capital

Value	1999 Authorised £m	1999 Allotted & fully paid £m	1998 Authorised £m	1998 Allotted & fully paid £m
Ordinary shares of 25p each	**81.8**	**60.6**	81.8	60.6
5.425% Cumulative Preference Shares of £1 each	-	-	1.3	1.3

Number	1999 Authorised million	1999 Allotted & fully paid million	1998 Authorised million	1998 Allotted & fully paid million
Ordinary shares of 25p each	**327.0**	**242.5**	327.0	242.3
5.425% Cumulative Preference Shares of £1 each	-	-	1.3	1.3

The preference share capital of £1.3m in 1998 represented the only non-equity interest included in total shareholders' funds. These were repurchased for £1.4m in the year.

During the year 125,000 ordinary shares of 25p each (nominal value £31,250) were issued in connection with the Company's share option schemes for an aggregate consideration of £238,000.

Exchangeables

In August 1999, 14.9m exchangeable shares ("the Exchangeables") with a value of CAD75m (£32.1m) were issued by a subsidiary of the Group as part of the consideration for IPEX Inc. They represent a contractual obligation of the Group to exchange the shares at the holders option on a 1:1 basis for Glynwed International plc shares. Between March 2001 and August 2004 Exchangeables can be converted at the holders option into CAD75m cash, payable by Glynwed International plc and therefore have been accounted for as debt in the Group balance sheet. The Exchangeables carry interest equivalent to the dividend payable on the shares that would be issued on conversion into Glynwed shares.

Options

Options outstanding at 31st December 1999 under the following schemes were as follows:

	Senior Executive Share Option Schemes			Savings-Related Share Option Schemes		
	Number of shares	Option price p per share	Exercisable in the 7 years to	Number of shares	Option price p per share	Exercisable in the 6 months to
	7,765	200.89	March 2000	84,312	268.00	May 2000
	13,588	243.39	April 2001	92,329	216.35	May 2000
	29,120	382.73	April 2002	383,582	243.00	December 2000
	130,500	200.00	September 2002	442,380	268.00	May 2002
	17,472	302.88	April 2004	577,328*	199.00	May 2003
	3,135,000	288.00	April 2007	991,180*	199.00	May 2005
	325,000	321.00	May 2008			
	2,460,000*	225.00	September 2009			
Total	**6,118,445**			**2,571,111**		

* granted during the year

Additionally under the Glynwed Long-Term Incentive Plan, options were granted and were outstanding at the year end for 459,592 shares. These are exercisable in the 7 years to June 2009. A fee of £1 per award is payable and no further consideration is due.

Continued

22. Reserves

Group	Share premium £m	Revaluation reserve £m	Capital redemption reserve £m	Profit and loss account £m	Total £m
At 1st January	25.6	16.0	1.0	221.1	**263.7**
Exchange adjustment	-	-	-	(11.8)	**(11.8)**
Premium on shares issued	0.2	-	-	-	**0.2**
Buyback of shares (note 21)	-	-	1.3	(1.4)	**(0.1)**
Goodwill reinstated (note 24)	-	-	-	39.1	**39.1**
Transfer between reserves	-	(8.4)	-	8.4	**-**
Profit retained	-	-	-	43.1	**43.1**
At 31st December	**25.8**	**7.6**	**2.3**	**298.5**	**334.2**

Company	Share premium £m	Revaluation reserve £m	Capital redemption reserve £m	Profit and loss account £m	Total £m
At 1st January	25.6	-	1.0	246.0	**272.6**
Premium on shares issued	0.2	-	-	-	**0.2**
Buyback of shares (note 21)	-	-	1.3	(1.4)	**(0.1)**
Profit retained	-	-	-	80.4	**80.4**
At 31st December	**25.8**	**-**	**2.3**	**325.0**	**353.1**

The cumulative amount of goodwill taken direct to reserves in respect of continuing businesses since 1985 is £182.1m.
In accordance with SSAP 20, for each currency, exchange differences arising from the translation of foreign currency borrowings used to finance foreign currency investments, have been offset as reserve movements against exchange differences arising on the retranslation of the net investment in that currency. In total, net exchange gains on foreign currency borrowings of £5.6m (1998 losses of £0.2m) have been taken to reserves.

23. Minority interests

	1999 £m	1998 £m
At 1st January	**8.9**	0.4
Exchange adjustment	**(0.8)**	-
Arising from acquisitions in the year	**-**	7.9
Purchased in year (note 24)	**(6.9)**	-
Adjustment of prior year acquisition fair values (note 24)	**(0.1)**	-
Profit and loss account	**0.7**	0.6
Dividend paid	**(0.4)**	-
At 31st December	**1.4**	*8.9*

24. Acquisitions and disposals

a) Acquisitions

The principal acquisitions during the year were IPEX Inc. and Victory Refrigeration Company LLC. The Group also acquired or established the right to acquire the remaining interest in Friatec AG.
The results of IPEX Inc. from 1st January 1999 to the date of the acquisition on 6th August 1999 are summarised below:

	£m
Turnover	**114.0**
Operating profit	**18.1**
Interest payable (net)	**(1.4)**
Profit on ordinary activities before tax	**16.7**
Tax	**(7.0)**
Total recognised gains and losses relating to the period	**9.7**

The profit on ordinary activities after tax and minority interests of IPEX Inc. for the year ended 31st December 1998 was £14.0m.

Continued

24. Acquisitions and disposals (continued)

	IPEX Inc.				Other acquisitions in total	
	Book value	Accounting policy alignment note (i)	Revaluation note (ii)	Provisional fair value note (iii)	Provisional fair value note (iii)	Total
	£m	£m	£m	£m	£m	£m
Net assets acquired						
Tangible fixed assets	70.6	-	(4.8)	65.8	0.9	**66.7**
Stocks	45.5	-	(0.6)	44.9	3.1	**48.0**
Debtors	42.0	-	(0.3)	41.7	2.8	**44.5**
Cash at bank and in hand	-	-	-	-	0.4	**0.4**
Other creditors	(23.1)	-	(1.5)	(24.6)	(6.0)	**(30.6)**
Tax	(2.8)	-	1.5	(1.3)	-	**(1.3)**
Borrowings acquired	(64.6)	-	-	(64.6)	-	**(64.6)**
Deferred tax	(4.7)	4.7	-	-	-	**-**
Other provisions (note 20)	(1.1)	-	-	(1.1)	(0.8)	**(1.9)**
Minority interests (note 23)	-	-	-	-	6.9	**6.9**
Net assets acquired	**61.8**	**4.7**	**(5.7)**	**60.8**	**7.3**	**68.1**
Cash paid				172.7	25.1	**197.8**
Exchangeables (note 21)				32.1	-	**32.1**
Deferred consideration				-	3.3	**3.3**
Total consideration				**204.8**	**28.4**	**233.2**
Goodwill arising on acquisitions in the year				144.0	21.1	**165.1**
Adjustment to goodwill arising on prior year acquisitions				-	(3.1)	**(3.1)**
Total goodwill arising (note 12)				**144.0**	**18.0**	**162.0**

	Book value	Revaluation note (ii)	Provisional fair value note (iii)
	£m	£m	£m
Other acquisitions in total			
Tangible fixed assets	1.4	(0.5)	**0.9**
Stocks	4.3	(1.2)	**3.1**
Debtors	2.8	-	**2.8**
Cash at bank and in hand	0.4	-	**0.4**
Other creditors	(5.7)	(0.3)	**(6.0)**
Other provisions	-	(0.8)	**(0.8)**
Minority interests (note 23)	6.9	-	**6.9**
Net assets acquired	**10.1**	**(2.8)**	**7.3**

Notes

(i) Fair value adjustments relating to accounting policy alignment relate to bringing the acquisitions in line with the Group's policies on deferred tax.

(ii) Revaluation adjustments to fixed assets represent changes to bring assets to gross replacement cost reduced by depreciation to take account of the age and condition of the assets and reflect appropriate professional advice taken by the Directors. Adjustments relating to stocks and debtors reflect knowledge gained as to the recoverability of these items following the acquisition. Adjustments relating to creditors and provisions relate to certain re-statements of accruals and the provision for certain liabilities not included in the acquired balance sheets.

(iii) The fair value adjustments contain some provisional amounts which will be finalised in the 2000 financial statements when the detailed acquisition investigations have been completed.

24. Acquisitions and disposals (continued)

The provisional fair values for Friatec AG and other acquisitions incorporated into the 1998 year end accounts have now been finalised as per the following table.

	Friatec AG		
	Provisional fair value £m	Adjust-ments £m	Final fair value £m
Net assets acquired			
Tangible fixed assets	94.7	-	94.7
Stocks	30.3	(0.1)	30.2
Debtors	33.3	0.4	33.7
Businesses held for resale (note 14)	26.5	14.4	40.9
Cash at bank and in hand	9.7	-	9.7
Other creditors	(29.4)	-	(29.4)
Tax	(1.3)	-	(1.3)
Borrowings acquired	(6.5)	-	(6.5)
Deferred tax (note 20)			
- deferred tax asset	2.8	7.0	9.8
- deferred tax liability	-	(8.9)	(8.9)
Pension provision	(7.7)	(0.6)	(8.3)
Other provisions (note 20)	(6.6)	(3.8)	(10.4)
Minority interests (note 23)	(9.1)	0.1	(9.0)
Net assets acquired	**136.7**	**8.5**	**145.2**
Cash paid	185.6	-	185.6
Deferred consideration	26.5	5.9	32.4
Total consideration	**212.1**	**5.9**	**218.0**
***Goodwill arising** on Friatec AG*	**75.4**	**(2.6)**	**72.8**
Adjustment to goodwill arising on other prior year acquisitions (all other provisions)		**(0.5)**	
Adjustment to goodwill arising on prior year acquisitions		**(3.1)**	

As envisaged at the time of the acquisition of Friatec AG, its medical businesses were disposed of in May 1999. The consideration was £32.1m. The value of businesses held for resale has been adjusted to reflect the revised consideration. As a consequence of the medical disposal, a tax payment of £8.9m arose in 1999 and this has been provided for as a deferred tax liability at acquisition. In addition, under the terms of the Friatec sale and purchase agreement, £5.9m additional consideration became payable.

Following a review of the product warranty provisions made in the business, further provisions of £4.8m have been included and other minor provisions have been finalised. Following the review, the tax implication of fair value adjustments has been re-assessed and a further deferred tax asset of £7.0m recognised.

24. Acquisitions and disposals (continued)

b) Disposals

During the year the Group disposed of its Metals Processing businesses, Amari Plastics plc, Port Plastics Inc., the Friatec medical businesses and other smaller businesses as set out below.

Analysis of exceptional profit on disposal	£m
Fixed assets	(43.3)
Business acquired with view to resale (note 14)	(32.1)
Stocks	(56.8)
Debtors	(75.9)
Creditors	67.3
Tax	4.4
Provisions (note 20)	(3.4)
Goodwill reinstated (note 22)	(39.1)
Total assets provided for or transferred with disposals	(178.9)
Proceeds received less costs incurred	211.4
Exceptional profit on disposal	32.5

c) Net cash flow on acquisitions and disposals

Current year acquisitions	1999 £m	1998 £m
Cash paid	(197.8)	(275.9)
Cash acquired	0.4	29.1
Total current year acquisitions	(197.4)	(246.8)
Prior year acquisitions	(32.4)	(1.7)
Total acquisitions outflow	(229.8)	(248.5)
Disposal proceeds received less costs incurred	211.4	111.4
Net cash flow	(18.4)	(137.1)

Effect of acquisitions and disposals during the year on the Group cash flow statement

Post-acquisition, the effect on the Group cash flow was an inflow of £10.1m being cash inflow from operations of £19.6m, interest paid of £0.8m, tax paid of £4.9m, cash outflow for capital expenditure and financial investment of £3.8m.

Pre-disposal, the effect on the Group cash flow was an inflow of £5.9m, being cash inflow from operations of £6.7m and cash outflow for capital expenditure and financial investment of £0.8m.

25. Financing

		1999		1998	
	Notes	£m	£m	£m	£m
Issue of ordinary share capital	22		0.2		0.7
Buyback of preference/ordinary share capital	22		(1.4)		(6.8)
Increase in borrowings not repayable on demand	26	16.7		156.6	
Finance lease repayments	26	(0.5)		(0.3)	
Decrease in bills discounted		-		(0.5)	
Increase in debt			16.2		155.8
Movement in financing			15.0		149.7

Continued

26. Analysis of movement in net borrowings

	At 1st January £m	Cash flow £m	Acquisitions (excluding cash and overdrafts) £m	Exchange translation adjustments £m	At 31st December £m
Cash at bank and in hand (note 18)	(62.3)	23.1	-	4.5	**(34.7)**
Borrowings repayable on demand	25.7	(15.0)	-	(0.1)	**10.6**
Net cash	(36.6)	8.1	-	4.4	**(24.1)**
Other borrowings	194.0	16.7	96.7	(10.0)	**297.4**
Finance lease obligations	1.1	(0.5)	-	-	**0.6**
Total net borrowings	**158.5**	**24.3**	**96.7**	**(5.6)**	**273.9**

27. Commitments

	1999 £m	1998 £m
Capital commitments contracted for by the Group but not provided in the accounts	**10.7**	6.2

The company had no commitments (1998 nil).

28. Operating lease commitments

	Land & buildings		Other operating leases	
	1999	1998	**1999**	1998
Group	**£m**	£m	**£m**	£m
For leases expiring:				
- within 1 year	**2.1**	1.6	**0.8**	1.3
- between 1 and 2 years	**1.1**	1.9	**1.4**	1.4
- between 2 and 5 years	**2.6**	2.7	**2.4**	2.7
- after more than 5 years	**1.1**	2.2	**-**	0.1
Total operating lease commitments	**6.9**	8.4	**4.6**	5.5

The company had no operating lease commitments (1998 nil).

29. Contingent liabilities

The Group had contingent liabilities given in the normal course of business of £0.1m at 31st December 1999 (1998 £1.8m). The Group also has contingent liabilities for certain potential claims from third parties in relation to divested businesses. On the basis of information presently available to them, the Directors believe that no material claims are likely to arise for which provision has not been made in these accounts. The Company has given a number of financial and performance guarantees on behalf of subsidiaries, the relevant liabilities are included in the consolidated balance sheet.

30. Major non-cash transactions

CAD75m (£32.1m) of exchangeable shares were issued in the year in connection with the acquisition of IPEX Inc. (notes 21 & 24).

31. Related party transactions

The Group recharges the Glynwed Group pension schemes with the cost of administration and independent advisors paid by the Group. The total amount re-charged in the year to 31st December 1999 was £0.2m (1998 £0.3m).

In the period following disposal, the Group continued to trade in the normal course of business, with those businesses disposed of. The amounts involved are not considered material to either party.

32. Trading subsidiaries

The following is a list of the Company's principal subsidiaries at 31st December 1999. A brief description of activities is given on page 2 of this report and in the operational reports on pages 5 to 17. The share capital in each case consists, unless otherwise stated, wholly of ordinary shares or common stock.

Where subsidiaries are not wholly owned the percentage of owned capital is stated in brackets.

Unless otherwise stated the companies are registered in England and operate in the United Kingdom.

Glynwed Pipe Systems

Glynwed Pipe Systems Limited trades in the UK principally under the trade and business names of Capper, Durapipe-S&LP, GPS Couplings, Valvestock, VIP-Heinke and Wask-RMF.

Principal overseas business are:

- ■ Akatherm-Höhn GmbH (Germany)
- ■ Akatherm International BV (Holland and Belgium)
- ■ AVF-Astore Valves and Fittings Srl (Italy)
- ■ Enfield Industrial Corp Inc. (USA)
- ■ FIP Formatura Iniezione Polimeri SpA (Italy)
- ■ Friatec AG (Based in Germany – locations also in Austria, Belgium, Brazil, China, Croatia, Czech Republic, Denmark, France†, Hungary, Italy, Netherlands, Poland, Portugal, Romania, Slovakia, South Africa, Spain, Sweden, Switzerland, UK, USA)
- ■ Glynwed Pipe Systems (Asia) Pte Limited (Singapore)
- ■ Glynwed Pipe Systems Inc. (USA)
- ■ GPS Couplings BV (Holland)
- ■ GPS Iberica Srl (Spain)
- ■ Harrington Industrial Plastics Inc. (USA)
- ■ Innoge SAM (Monaco)
- ■ IPEX Inc.† (Canada and USA)
- ■ Material de Aireación SA (MASA) (97.3%) (Spain)
- ■ Philmac Pty Limited (Australia)
- ■ SED Ventilsysteme GmbH (Germany)
- ■ Straub Werke GmbH (Switzerland)

Glynwed Consumer Products

- ■ Glynwed Consumer Products Limited trades in the UK principally under the trade and business names of Aga-Rayburn and Leisure Consumer Products.

Glynwed Foodservice Equipment

- ■ Glynwed Foodservice Equipment Limited trades in the UK principally under the trade and business names of Falcon Catering Equipment, Service Line and GFE Online (formerly Wholesale Catering Equipment).

Williams Refrigeration Limited (based in UK – locations also in Australia, China and France) and Victory Refrigeration Company LLC (based in USA).

Central Services

Management and other support services for Group companies and businesses include:

- ■ Glynwed Dublin Corporation (Republic of Ireland)

Glynwed Group Services Limited

Glynwed Properties Limited

- ■ Headland Insurance Limited (Bermuda)

■ Investment held by a subsidiary of Glynwed International plc

† Subsidiary companies not audited by PricewaterhouseCoopers. The aggregate turnover of subsidiaries not audited by PricewaterhouseCoopers amounted to 10% of the Group's turnover for the year.

Directors' Responsibilities

The Directors are required to prepare financial statements for each financial year which comply with the provisions of the Companies Act 1985 and give a true and fair view of the state of affairs of the Company and the Group as at the end of the financial year and of the profit and loss for that year.

The Directors consider that in preparing the financial statements on pages 28 to 52 on a going-concern basis, the Company and the Group have used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates, and that all accounting standards which they consider to be applicable have been followed.

The Directors are responsible for ensuring that the Company and the Group maintain accounting records which disclose with reasonable accuracy the financial position of the Company and the Group and which enable them to ensure that the financial statements comply with the Companies Act 1985.

The Directors are responsible 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.

Auditors' Report

To the members of Glynwed International plc

We have audited the financial statements on pages 28 to 52. The financial statements include the table of Directors' emoluments on page 25 and the tables of Directors' share options and pension benefits on page 27.

Respective responsibilities of Directors and Auditors

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

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the United Kingdom Companies Act. 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 the information specified by law or the Listing Rules regarding Directors' remuneration and transactions is not disclosed.

We read the other information contained in the Annual Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

We review whether the statement on page 23 reflects the Company's compliance with the seven provisions of the Combined Code specified for our review by the London Stock Exchange, 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 to form an opinion on the effectiveness of the Company's or Group's corporate governance procedures or its risk and control procedures.

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. 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 Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and the Group as at 31st December 1999 and of the profit and cash flows of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers

PricewaterhouseCoopers
Chartered Accountants and Registered Auditors
Birmingham

21st March 2000

Five Year Financial History

Trading Results		1999 £m	1998 £m	1997 £m	1996 £m	1995 £m
Turnover		**878**	1,015	1,242	1,324	1,252
Operating profit before reorganisation costs and goodwill amortisation		**90.3**	81.8	98.6	98.5	98.8
Exceptional reorganisation costs		**(9.3)**	(0.8)	(2.5)	(3.1)	(5.1)
Goodwill amortisation		**(9.7)**	(2.1)	-	-	-
Interest payable (net)		**(9.2)**	(3.6)	(6.7)	(9.1)	(8.8)
Profit before disposal of businesses		**62.1**	75.3	89.4	86.3	84.9
Disposal of businesses		**32.5**	(38.9)	(13.2)	(16.2)	(0.7)
Profit before tax		**94.6**	36.4	76.2	70.1	84.2
Tax						
- before disposal of businesses		**(17.8)**	(23.9)	(27.8)	(28.7)	(27.2)
- disposal of businesses		**(1.0)**	(3.6)	(2.6)	2.7	-
Profit after tax		**75.8**	8.9	45.8	44.1	57.0
Balance sheet summary						
Net operating assets						
Fixed assets		**273.3**	267.3	175.4	193.4	208.4
Stocks		**166.6**	163.6	181.7	194.6	224.7
Operating debtors less creditors and provisions		**(24.2)**	(52.6)	(38.6)	(34.8)	(44.1)
Businesses held with a view to resale		-	17.7	-	-	-
Total net operating assets		**415.7**	396.0	318.5	353.2	389.0
Goodwill		**272.6**	130.7	-	-	-
Tax and dividends		**(18.2)**	(33.7)	(38.1)	(35.7)	(42.0)
Total net borrowings		**(273.9)**	(158.5)	(2.5)	(66.1)	(100.8)
Total net assets employed		**396.2**	334.5	277.9	251.4	246.2
Financed by						
Ordinary shares		**60.6**	60.6	61.5	61.1	60.7
Reserves		**334.2**	263.7	214.7	188.7	183.8
Ordinary share capital and reserves		**394.8**	324.3	276.2	249.8	244.5
Preference shares		-	1.3	1.3	1.3	1.3
Total shareholders' funds		**394.8**	325.6	277.5	251.1	245.8
Minority interests		**1.4**	8.9	0.4	0.3	0.4
Total funds		**396.2**	334.5	277.9	251.4	246.2
Statistics						
Operating profit before reorganisation costs and goodwill amortisation to turnover	%	**10.3**	8.1	7.9	7.4	7.9
Interest cover before disposal of businesses	x	**7.8**	21.9	14.3	10.5	10.6
Dividend per ordinary share	p	**13.20**	13.20	13.20	12.75	12.75
Earnings per share before disposal of businesses						
- before reorganisation costs and goodwill amortisation	p	**24.6**	21.7	25.8	24.4	27.7
- after reorganisation costs, before goodwill amortisation	p	**22.0**	21.5	25.1	23.6	26.1
- basic	p	**18.0**	20.6	25.1	23.6	26.1
- diluted	p	**17.8**	20.6	-	-	-

Notice is hereby given that the fifty-ninth Annual General Meeting of Glynwed International plc will be held at Headland House, New Coventry Road, Sheldon, Birmingham B26 3AZ on 11th May 2000 at 12 noon to transact the following business:

Ordinary Business:

1. To receive and adopt the Annual Report and Accounts for the year ended 31st December 1999.

2. To declare a final dividend.

3. To re-elect AJ Wilson as a director.

4. To re-elect Lord Biffen as a director.

5. To re-appoint the auditors to hold office from the conclusion of this meeting until the conclusion of the next general meeting of the Company at which accounts are laid and to authorise the Directors to determine the auditors' remuneration.

6. To consider the following resolution, which will be proposed as an ordinary resolution:
That the authority conferred on the Directors by Article 4(B) of the Company's Articles of Association be renewed for the period expiring on the earlier of the date 15 months after the passing of this resolution and the conclusion of the next annual general meeting of the Company following the passing of this resolution and for that period the 'section 80 amount' is £20,205,643.

7. Subject to the passing of the foregoing resolution no. 6, to consider the following resolution, which will be proposed as a special resolution:
That the power conferred on the Directors by Article 4(C) of the Company's Articles of Association be renewed for the period expiring on the earlier of the date 15 months after the passing of this resolution and the conclusion of the next annual general meeting of the Company following the passing of this resolution and for that period the 'section 89 amount' is £3,030,846.

Special Business:

8. To consider the following resolution, which will be proposed as a special resolution:
That the Company be generally and unconditionally authorised to make one or more market purchases (within the meaning of section 163(3) of the Companies Act 1985) of ordinary shares of 25p in the capital of the Company ('ordinary shares') provided that:

(a) the maximum aggregate number of ordinary shares authorised to be purchased is 24,246,772 (representing 10 per cent of the issued ordinary share capital);

(b) the minimum price which may be paid for an ordinary share is 25p (exclusive of expenses and taxes (if any) payable by the Company);

(c) the maximum price which may be paid for an ordinary share is an amount equal to 105 per cent of the average of the middle market quotations for an ordinary share as derived from The London Stock Exchange Daily Official List for the five business days immediately preceding the day on which that ordinary share is purchased (exclusive of expenses and tax payable by the Company);

(d) this authority expires on the earlier of the date 12 months after the passing of this resolution and the conclusion of the next annual general meeting of the Company following the passing of this resolution; and

(e) the Company may make a contract to purchase ordinary shares under this authority before the expiry of the authority which will or may be executed wholly or partly after the expiry of the authority, and may make a purchase of ordinary shares in pursuance of any such contract.

9. To consider the following resolution, which will be proposed as a special resolution:
That Article 104 (C) (i) (e) of the Company's Articles of Association be amended by the deletion of sub-paragraph (I).

By order of the Board
DJ Solomon
Secretary
Birmingham

7th April 2000

Notes

1. A member entitled to attend and vote at the above meeting is entitled to appoint one or more proxies to attend and, on a poll, vote in his or her stead. A proxy need not be a member of the Company.

2. Only holders of ordinary shares whose names appear on the register of members of the Company as at 12 noon on 9th May 2000 shall be entitled to attend the Annual General Meeting either in person or by proxy and the number of shares then registered in their respective names shall determine the number of votes such persons are entitled to cast at the meeting. Changes to entries on the register of members after such time shall be disregarded in determining the rights of any person to attend or vote at the meeting.

3. A form of proxy is enclosed for the use of ordinary shareholders. The form should be completed, signed and returned so that it arrives at the office of the Company's registrars not less than 48 hours before the time of the meeting. By signing and returning the form of proxy, a shareholder will not be precluded from attending and voting in person should he or she subsequently find it possible to be present.

4. Copies of the contracts of service of Directors (unless expiring or determinable by the Company within one year without payment of compensation) and the register of Directors' interests in shares in the Company will be available for inspection at the Company's registered office between 9:00 am and 5:30 pm on any weekday (Saturdays and public holidays excluded) from the date of this notice up to and including the day before the meeting, and also at the place of the meeting for 15 minutes prior to the meeting and during the meeting.

5. An explanation of resolutions nos. 6 to 9 (inclusive) is set out in the Report of the Directors' on page 20, under the heading "Share Capital of the Company and Annual General Meeting".