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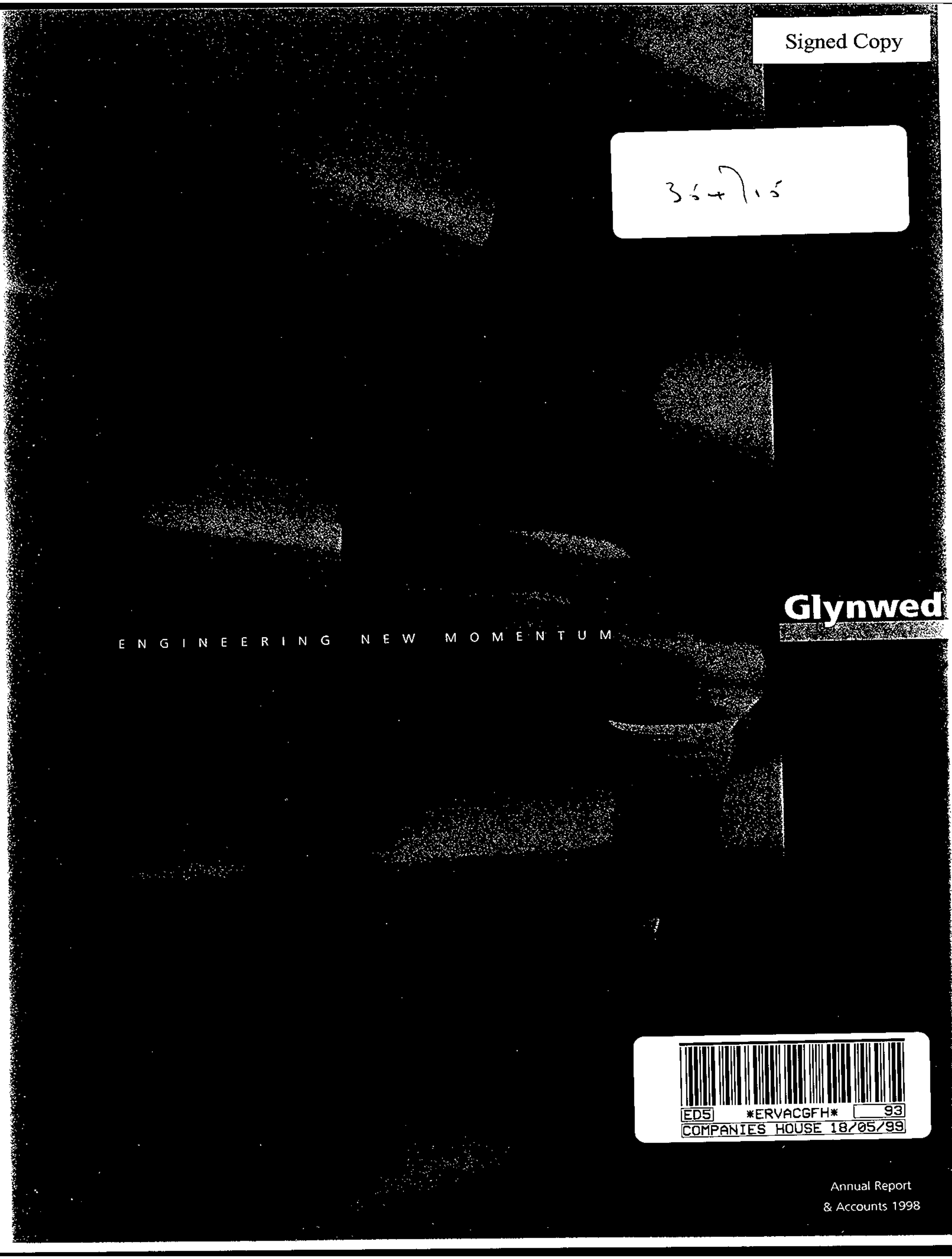

Glynwed

ENGINEERING NEW MOMENTUM

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COMPANIES HOUSE 18/05/99

Annual Report
& Accounts 1998

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Glynwed 1998

Glynwed is now repositioned as a dynamic, international engineering group focused on pipe systems and consumer & foodservice products. Glynwed's acquisition and disposal programme has, in two years, radically changed the Group and given new momentum to the objective of increasing long-term shareholder value.

Key Results

	1998	1997
Turnover	**£1,015m**	£1,242m
Operating profit before goodwill amortisation		
– Pipe Systems/Consumer & Foodservice	**£52.8m**	£50.2m
– Total Group	**£81.0m**	£96.1m
Pre-tax profit before goodwill amortisation and exceptional charges	**£77.4m**	£89.4m
Earnings per share – IIMR basis	**21.5p**	24.8p
– Net basis	**3.3p**	18.6p
Dividend per share	**13.2p**	13.2p
Shareholders' funds	**£325.6m**	£277.5m
Net borrowings	**£158.5m**	£2.5m

The Repositioning Programme

Glynwed has undertaken a major repositioning programme to exit its metals businesses and focus on Pipe Systems and Consumer & Foodservice Products as its core operations.

The major steps made in the last year are set out below:

May 1998	Sale of Glynwed Metals Distribution businesses for £107 million
July 1998	Acquisition of Williams Refrigeration for £45 million
October 1998	Agreed new £300 million, 5 year syndicated bank facility
October 1998	Acquisition of Friatec for a net consideration of £182 million
February 1999	Sale of Metals Processing businesses for £145 million

Altogether, since the start of 1997, Glynwed has sold 34 businesses for £314 million and has spent approximately £260 million on 7 acquisitions.

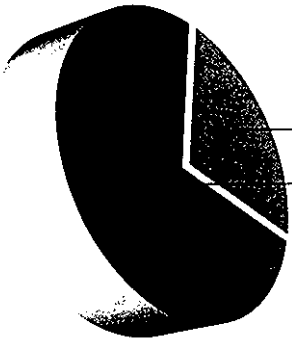
The repositioning process has created a well-financed group able to make substantial further investments in its core operations.

Glynwed Group Profile

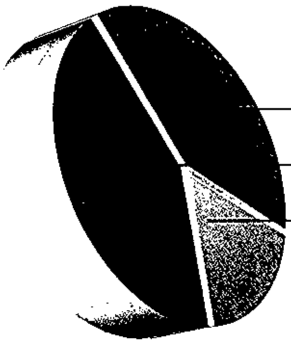
Glynwed is a major international engineering group:

- a world leader in high performance pipe systems used in the transmission of liquids and gases
- the UK market leader in consumer & foodservice equipment

Proforma Full Year Turnover £750m



Segmental Proforma Turnover



Geographical Proforma Turnover by customer location

(Based on 1998 figures, includes full year for acquisitions, and excludes all Metals Processing businesses)

Glynwed Pipe Systems

- Glynwed Pipe Systems occupies market-leading positions in industrial, water and gas pipe system markets across mainland Europe as well as in the UK. Recent acquisitions have added considerably to the Group's product portfolio and, in the case of Friatec, introduced new areas of inter-related activity through special purpose pumps and valves, as well as fresh and waste water systems.
- In the USA, Glynwed is the number one distributor in pressure pipe systems with its 43-branch, coast-to-coast coverage.
- In Australia, Glynwed has a substantial manufacturing and distribution operation, whilst in SE Asia it has wholly owned distribution arrangements.
- The enlarged pipe systems operations will benefit from the Research & Development culture and facilities embodied in Friatec and the complementary routes to market, which, combined with a wider product offering, enhance Glynwed's position in global pipe systems markets.

Glynwed Consumer & Foodservice Products

- Falcon is the UK's leading manufacturer of prime cooking appliances; Williams Refrigeration is a UK leader in the growing market for commercial refrigerated food storage; Wholesale Catering Equipment is the major distributor of a full range of commercial food preparation and associated products, and Service Line is one of the UK's largest contract foodservice equipment servicing companies.
- The combined Foodservice equipment operations offer complete solutions to the commercial, industrial, retail and public sectors. With Williams' established overseas operations, there are growing opportunities to develop non-UK markets.
- Glynwed has market-leading consumer brands:
  - Aga and Rayburn are household names in high quality range cooking.
  - Leisure is the UK's leading brand in multi-fuel conventional range cookers through its innovative 'Rangemaster' series.
  - Leisure is noted for its quality and design in stainless steel and composite materials for domestic and commercial sinks.
- Glynwed's consumer brands will be launching new generations of products during 1999.

From the Chairman

**The past year has been one of the most significant in Glynwed's long history. When I became Chairman in September the Group had already embarked on a transformation programme. The prime objective has been to move the Group from being a UK-based metals business, to become a dynamic international engineering group.
I am pleased to report that much has been achieved and that plans are in place to complete the process.**

△ Ewen Macpherson

Highlights of the year under review were the acquisitions of Friatec, Straub and Akatherm, which rapidly positioned the Group as the world's leading pipe systems business, and the acquisition of Williams Refrigeration, which was the first major step in expanding the Group's Foodservice equipment operations and established Glynwed as the UK market leader in this sector. At the same time, the successful disposals of the metals distribution business in May and, more recently, of most of the Group's metals processing operations, have provided a strong financial base for further investment and growth in our core businesses.

1998 Results

The Group's repositioning process has been undertaken against a demanding trading backcloth, in the light of which the results for 1998 are satisfactory. Because of the timing of our major disposals and acquisitions, turnover in the year fell to £1,015m (1997 : £1,242m). Profit before tax, exceptional charges and goodwill amortisation was £77.4m (1997 : £89.4m). Earnings per share, on the IIMR basis, were 21.5 pence (1997 : 24.8 pence). Net debt at 31st December of £158.5m (1997 : £2.5m) was higher largely due to acquisition expenditure exceeding disposal proceeds. However, the sale last month of most of our Metals Processing interests means that we now have substantially reduced net debt.

The Board has confidence in Glynwed's prospects and the strong overall financial position of the Group is reflected in the Board's recommendation of an unchanged final dividend of 8.8 pence per ordinary share, bringing the total annual dividend to the same level as 1997, 13.2 pence per share.

Gareth Davies CBE

I should like to pay the highest tribute to my predecessor, Gareth Davies, who retired at the end of the year after over 40 years' service. When Gareth joined the Board 30 years ago, Glynwed was a Midlands metals company with turnover of just £30m. His contribution to this Group was immense and I am sure I speak for employees and shareholders, as well as the Board, in extending to him every good wish for his retirement.

Outlook

1998 was in many ways a pivotal year for Glynwed, and 1999 has already seen further significant change. This is likely to be a testing year, with Glynwed's principal markets under pressure as international economic conditions remain uncertain. However, we already have numerous market and product development initiatives under way and the Group is now far better positioned to move forward as trading conditions improve.

Proceeds from recent disposals have given the Group a strong balance sheet, although there will be a dilutive effect on earnings until we have re-invested. Glynwed remains committed to pursuing the repositioning process and we have clear objectives, backed by significant financial resources, to forge ahead with the transformed Group.

Ewen Macpherson Ewen Macpherson

Ewen Macpherson
Chairman
24th March 1999

Chief Executive's Review

There is a strong feeling of revitalisation and renewed purpose within Glynwed. There is new momentum in the Group. We are pushing ahead with the strategic changes necessary to prepare the Group for a new era of growth and development.

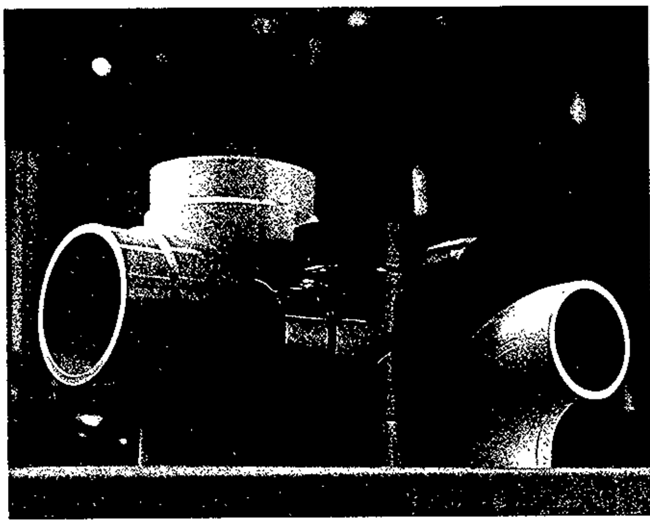
△ Tony Wilson

We are building a progressive engineering group with two core businesses, each with leading market positions. We already have a world-leading position in our Pipe Systems business and it is our declared objective to build further on this. Our Foodservice equipment activities are clear UK market leaders, and it is our ambition to develop a significant international business from this base.

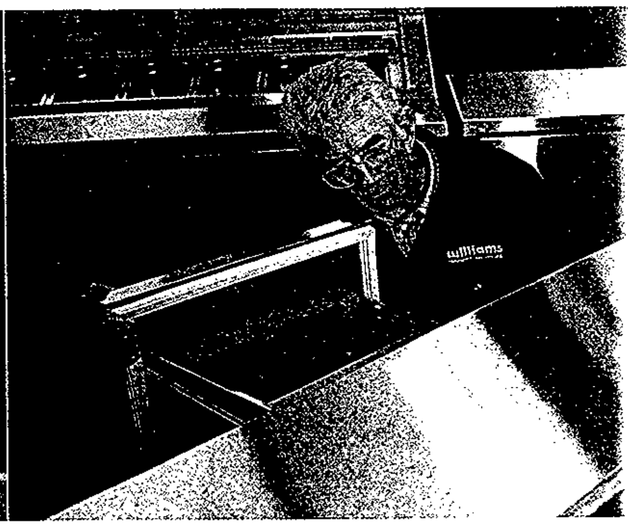
The resources to accomplish this transformation have been generated through selling our long-established metals businesses. Following a number of smaller disposals in recent years, we have increased markedly both the size of the transactions and the pace of change. We have managed this transformation process in such a way that divestments have provided resources for subsequent acquisitions, thereby avoiding undue pressure on the balance sheet. Thus, after the sale of its metals distribution business in May, the Group was able to acquire the leading German pipe systems company, Friatec AG; this transaction was completed in October. We then reverted to divestment with the sale of the major part of our Metals Processing businesses early in 1999 and we shall now return to the acquisition process.

The consideration involved in each of the three major transactions I have mentioned was in excess of £100m. In addition, Glynwed has sold its plastic sheet and rod distribution businesses since the year end, and has acquired the pipe system companies Straub, in Switzerland, and Akatherm, in Holland, Belgium and Germany, as well as the foodservice equipment business, Williams Refrigeration in the UK. Although these acquisitions were smaller in size, they are, nevertheless, important additions to the product portfolios of our core activities. The strategic moves of the last few years have converted Glynwed from being a staid UK company in several mature and diverse markets into a focused, forward-looking, international group.

It is the Group's intention to continue its pursuit of this process energetically. Divestments so far in 1999 have further strengthened the balance sheet and we have banking facilities in place for acquisitions of up to £300m.



▲ Polypropylene and polyethylene pipe fittings made by newly acquired Akatherm based in Holland



▲ Refrigerated counters for the Foodservice industry made by Williams Refrigeration

Chief Executive's Review

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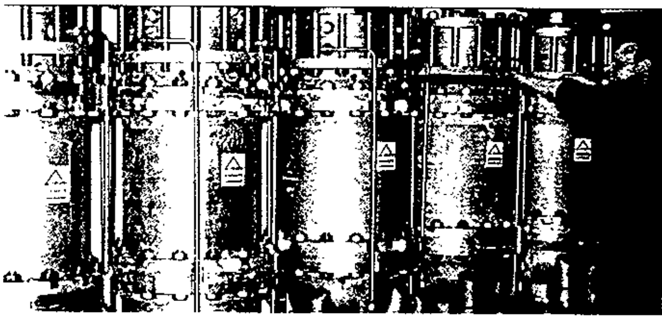
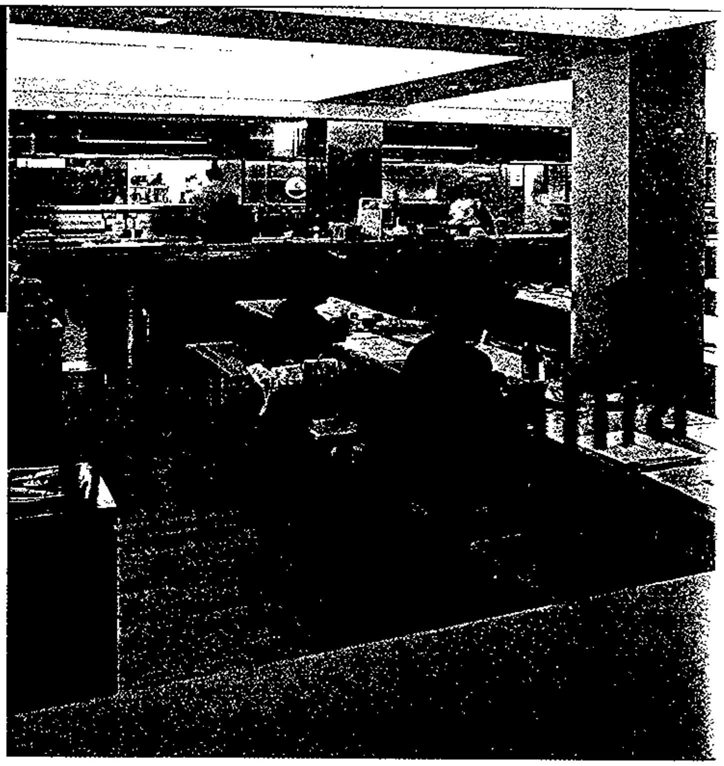


Friatec's Rheinhutte special purpose, heavy duty pumps ▲



Both Williams Refrigeration and Falcon equipment are ▶ installed in Wagamamas' London restaurants

Whilst significant resources will be devoted to securing acquisitions, we also intend to grow organically, intensifying our commitment to market development and new product introductions. Our major German acquisition, Friatec, is a company which is driven by technology and innovation, having spent historically 4% of its turnover in these areas. We are ensuring that the strength of this development culture spreads throughout the rest of the Group. For example, our Leisure cooker business has a major programme of new product launches planned for the first half of 1999.

Both of our core businesses are in global growth sectors. Plastic pipe systems' markets are considered within the industry to have underlying long-term growth of 4% per annum, and Foodservice equipment markets 6% per annum. Current growth rates may be below these figures due to recent economic difficulties in various parts of the world, but activity will recover and we are in key positions to benefit from future growth. Plastic pipe systems continue to penetrate gas and water distribution markets worldwide and new applications are constantly being developed for the industrial sector; recent examples are: heating, ventilating, air-conditioning and petroleum retailing applications, in all of these fields metals are being replaced by high-performance plastics.

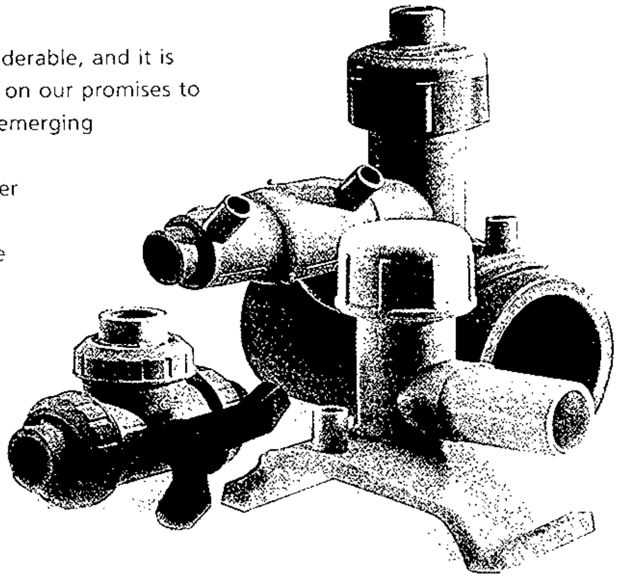
In UK foodservice markets, it is notable that, even in this year of economic slow-down, consumer spending on hotels and catering in general grew by 8%. Social eating, away from the home, will continue to grow as lifestyles change.

Success in the future requires the continuous development of operational efficiencies. Glynwed is pursuing the simplification of its structure, creating larger operating companies which report directly to the centre. This is already having the desired effect of speeding up information flows and decision making, improving the quality of operational management and reducing its overall cost. The benefits will be with us permanently.

James Coyne of Chagford, Devon was judged winner of Aga's national "Cook of the Year" competition. The judges (in the background) included TV cook and writer Mary Berry, editor of BBC "Good Food Magazine", Orlando Murrin and Lawrence Kane of US publication "Traditional Homes".

A large Frialen electrofusion coupler being manufactured at Friatec's Mannheim plant

The achievements of the last year have been considerable, and it is particularly pleasing to have delivered successfully on our promises to focus and internationalise the Group. Glynwed is emerging stronger and more purposeful from this period of rapid change. Our businesses are capable of further improvement as we focus on developing new products and reducing our cost base. We have the financial resources available to grow the Group, and are targeting a substantial increase in turnover from our continuing businesses. The opportunities for Glynwed have never been greater, and we look forward to an exciting year ahead.



Glynwed is the world's leading performance pipe systems company

Tony Wilson
Chief Executive
24th March 1999

The Chief Executive's Operating Review follows on pages 8 to 15.

Chief Executive's Operating Review
Pipe Systems

Glynwed has long identified its Pipe Systems operations as a key area for future growth and today they form the Group's principal activity.

The acquisition of Friatec in October 1998 was a further significant step forward in the international development of Glynwed Pipe Systems.

The world market in pipe systems offers Glynwed long-term growth potential as the Group has the ability to provide products which cover a virtually limitless range of industrial applications. Systems are also provided to utility companies which are creating markets, both through the extension of water and gas supply in developing countries and the replacement and substitution of older materials by plastics in more mature markets.

Glynwed supplies pipe, fittings, couplings, valves, flow measurement equipment, and accessories in all the main plastic materials, and in metals for selected high-performance applications, together with transition fittings which connect plastics to metal. Glynwed's operations are truly international, with particular strengths in Europe, North America and Australasia; only a little over a quarter of proforma turnover now arises in the UK after the acquisitions made in 1998.

Pipe Systems operations were not immune to the growing international market pressure in 1998. However, profits increased overall, despite two disappointing areas. Industrial business in the US was significantly lower, where Harrington suffered from the effects of a temporary downturn in the semi-conductor industry. There was also a generally low level of demand for repair couplings for water in the UK and a deferment of large overseas water projects.

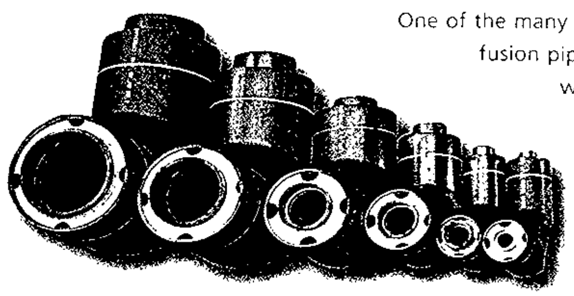
PIPE SYSTEMS

	1998	1997
TURNOVER	**£375m**	£355m
PROFIT	**£39.2m**	£35.3m

The acquisition of Friatec changes Glynwed's Pipe Systems operations appreciably. It immediately adds over 40% to turnover in pipe systems, and brings a valuable and important Research and Development facility into the Group. Friatec, under the stewardship of its Chief Executive, Prof. Dr Friedrich Reutner, has for 20 years placed particular emphasis on product differentiation, market segmentation and engineering excellence.

The acquisition of a business the size of Friatec has provided Glynwed with the opportunity to restructure its European Pipe Systems manufacturing activities. An integration team has been established, led by Andrea Catanzano, who previously ran Glynwed's mainland European sub-division. He is supported by Friedrich Reutner, who is responsible for international research and development, and Peter Holden, who manages the UK operations. This executive team is responsible for ensuring the synergies expected from the acquisition of Friatec are generated and to date these are more than meeting expectations. In addition, work to produce a more cohesive marketing approach is gathering momentum.

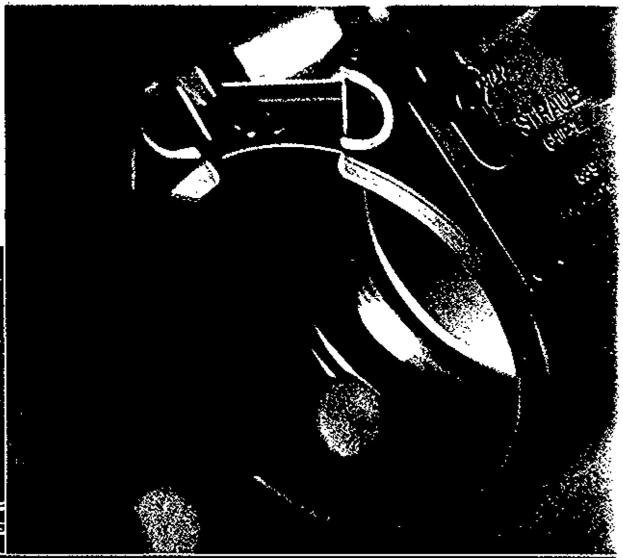
Dual containment system by Enfield ensures internal pipe damage does not cause environmental problems ▼



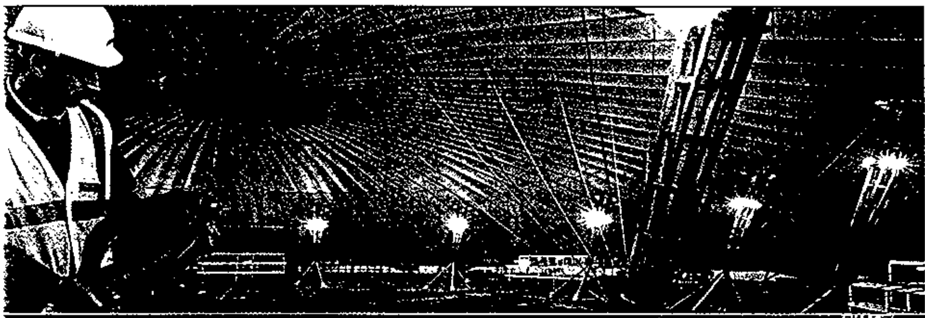
One of the many attractions of Friatec is its leading market position in electro-fusion pipe fittings in Germany and across much of Europe, together with its developing international presence. In addition, Friatec has a strong position in fresh and waste water management for commercial buildings. It is currently introducing a new generation of products for this market called Friaplan, the result of a 3-year development programme. The market in Germany is

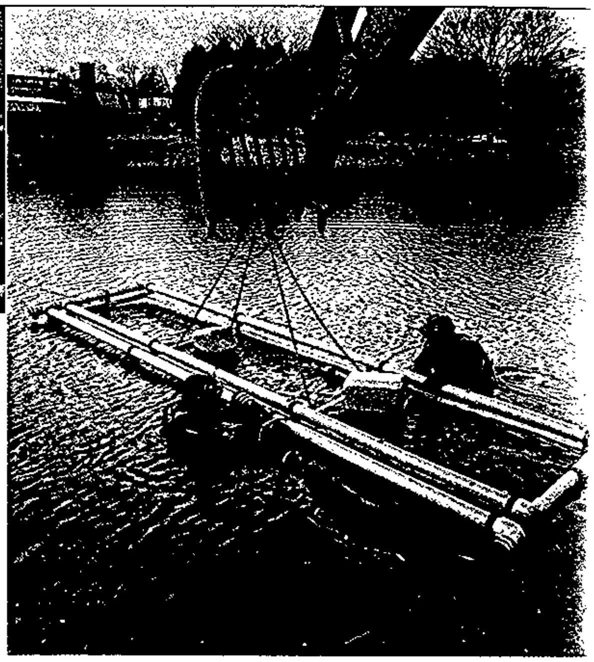
Friatec's large electrofusion couplers, as used in this gas installation, ▶ have extended the Glynwed pipe system product range

Straub Kupplungen's stainless steel couplings are used in demanding environments where high performance metal pipe joints are needed ►



Victaulic Systems supplied many pipe components for the Millennium Dome's construction ▼





A Friatec chemical pump undergoes advanced testing and evaluation before delivery to the customer ▲

One of 28 aerator assemblies made from Durapipe pipe and fittings being lowered ▶ into the River Lagan, Belfast, Northern Ireland to oxygenate the water

large, and in the longer term there is international potential. Friatec also have a specialist valve and pump business, and recently bought out the minorities in its successful plastic pump operations. Overall the first few months following the acquisition of Friatec have been encouraging.

Our other 1998 European acquisitions have also proved successful. Akatherm increased Glynwed's overall systems capability by adding to our specialist range of products for industrial markets. The Straub business, based in Switzerland, brought new technical products for industrial markets and its manufacturing skills in stainless steel are being applied to reduce the cost of existing Glynwed products.

Compression fittings manufactured in Italy and Australia ▼

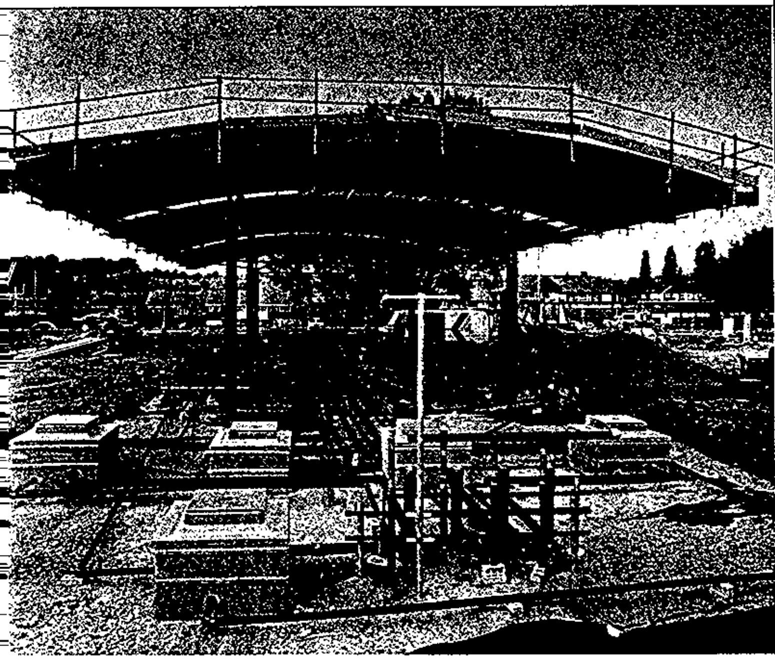
Our strong performance in mainland Europe reflected further growth in the underlying markets, and in our own market share. The new management structure enabled Glynwed to fully integrate its approach to marketing pipe systems in Europe, involving pipe from Germany, fittings from Holland and valves from Italy; this has been a means of increasing business with key customers. Product launches, such as a new range of plastic butterfly valves, "bi-tube" pipe made in Spain, which allows simultaneous, parallel installations for two different services, and a new range of stainless steel diaphragm valves, have all helped to maintain Glynwed's strong brands in market leading positions. In addition, Kunststoffwerk Höhn became the first Glynwed business in mainland Europe to gain ISO 14001 certification – a testament to our commitment to environmental and quality systems.

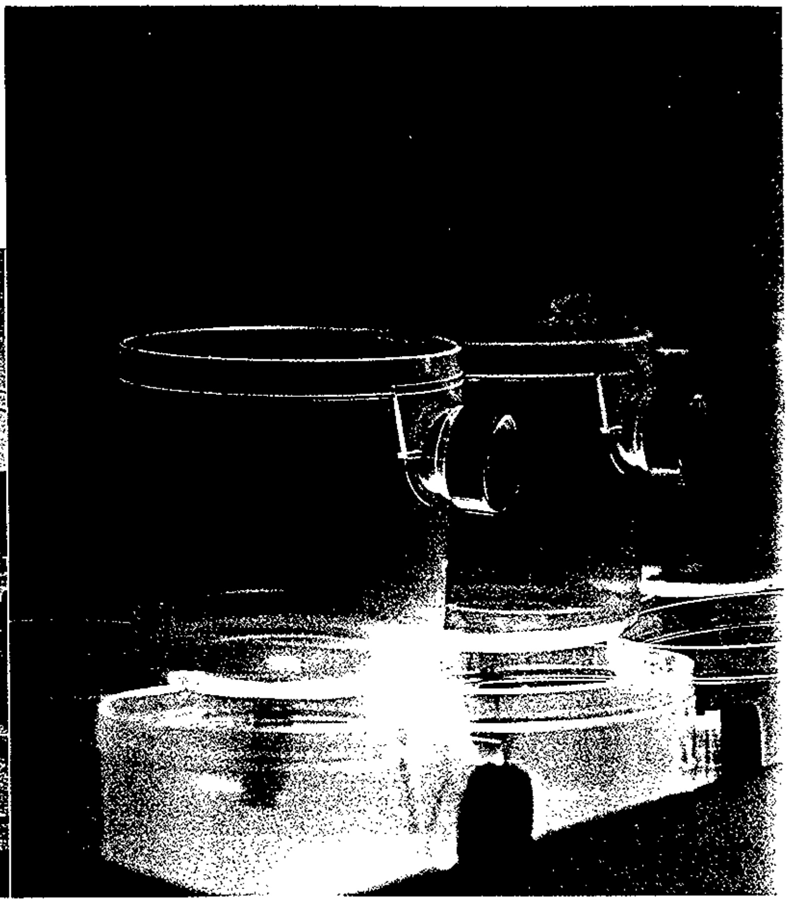
New marketing and product initiatives for fittings and valves in Italy, aided by production innovations by FIP and Astore, stimulated sales. A new Polish distribution facility also brought increased sales, as did strong performances from Glynwed distributors in Spain and France. The Glynwed integrated marketing approach also saw a new import facility established in the USA for Group products.

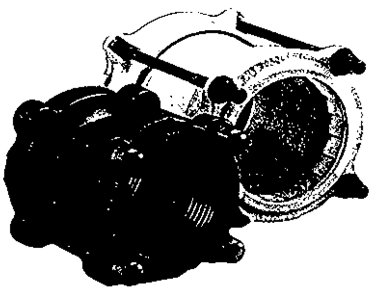
In the UK, industrial markets slowed throughout 1998 with fewer major projects, and some inward investment initiatives by major international groups being deferred. Durapipe S&LP reacted by concentrating on product development to reach new market sectors and rationalised production to save manufacturing and administrative costs, whilst raw material price reductions were also pursued.

Translucent reservoirs for specialist laboratory drainage systems made by Durapipe S&LP

Petrol-line being installed at a Safeway Petrol Station







Metal pipe couplings made by Glynwed in Holland and the UK

Sales to the water industry were strong in the first half, but reduced in the second half, partly as a result of the approaching regulatory review. Combined marketing by Durapipe S&LP and Viking Johnson to provide a single point of contact for water industry products has started well and this total solution approach has already been extended to the gas sector enabling sales to be maintained at a satisfactory level.

In the USA, Harrington Industrial Plastics maintained its position as market leader in industrial pipe systems distribution, despite falling sales to the semi-conductor industries. It responded by developing sales to the biopharm and pharmaceutical sectors, which have high value-added specialised requirements; it also developed satisfactory sales of acid waste and shock resistant industrial systems. Glynwed has plans to expand its manufacturing activities in the USA based on its Enfield and Friatec operations. We are also investing in a US coating and assembly plant for Viking Johnson Couplings. A new distribution agreement has enabled Straub to extend its US-market penetration. In Australia, product launches of large diameter couplers, new irrigation products and universal transition fittings contributed towards a satisfactory result.

Internationally, we can see potential to expand our established, but relatively small presence in the Far East and in South Africa, but these have been difficult markets during the last year.

Glynwed's Pipe Systems operations increased substantially the number of countries in which it operates in 1998. We have leading market positions in higher value-added products in many countries. Other strategic initiatives are in train; the Friatec integration is proceeding smoothly and rapidly. With technical leadership, strong brands and a flexible and skilled workforce, we can look forward to further growth from our Pipe Systems business in the years ahead.

Chief Executive's Operating Review
Consumer & Foodservice Products

The UK's foremost manufacturer of cooking and foodservice appliances for domestic and commercial use, Glynwed's Consumer & Foodservice Products operations are now organised into three distinct businesses, each having a leading market position.

Possibly the best known Glynwed business, Aga Kitchen Products, encompasses Aga heat storage cookers, Rayburn central heating cookers and Coalbrookdale stoves. Sales of Agas were maintained at the level of the previous year, with a slight reduction in numbers of home sales balanced by a big proportional increase in export sales to northern Europe and the USA. The year ended strongly, helped by an increased level of marketing and publicity. Rayburn sales, on the other hand, declined under the pressures of falling rural incomes; the Coalbrookdale stove business was also adversely affected. Aga Shops, of which there are now 40, complemented by 30 independent Aga distributors, increased their total sales. Our service business, Agacare, services all the Group's consumer appliances and its dedicated call centre at Telford supports one of the largest such service teams in the UK.

CONSUMER & FOODSERVICE PRODUCTS

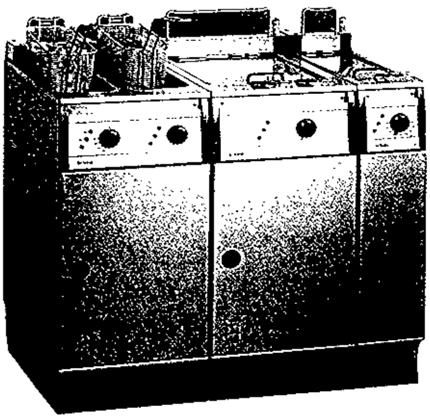
	1998	1997
TURNOVER	**£174m**	£163m
PROFIT	**£13.6m**	£14.9m

Aga, Rayburn and Coalbrookdale are among the strongest brands in the UK and we are developing them further. Brand strength is an antidote to slower consumer spending and we are increasing the rate of new product introductions.

The second of our consumer appliance operations, Leisure Consumer Products, includes cooker and fire business Flavel Leisure and Leisure sinks. They now operate under a single management team dedicated to achieving substantial cost reductions through procurement initiatives and production and quality improvements.

During the year consumer markets generally became more difficult, especially in the second half. Although cooker volumes remained at reasonable levels and our share of the high value-added range cooker segment was maintained, margins were affected by highly competitive retail pricing. However, sales of sinks were resilient and this business performed better than the previous year, the recovery being assisted by a range of new products.

Falcon deep fat fryers ▼



Glynwed Foodservice Products activities had an excellent year. Falcon, the UK market leader in prime foodservice cooking equipment, performed strongly. In addition, our contract servicing business, Service Line, and catering equipment distributor, Wholesale Catering Equipment, contributed well to our growing presence in this sector.

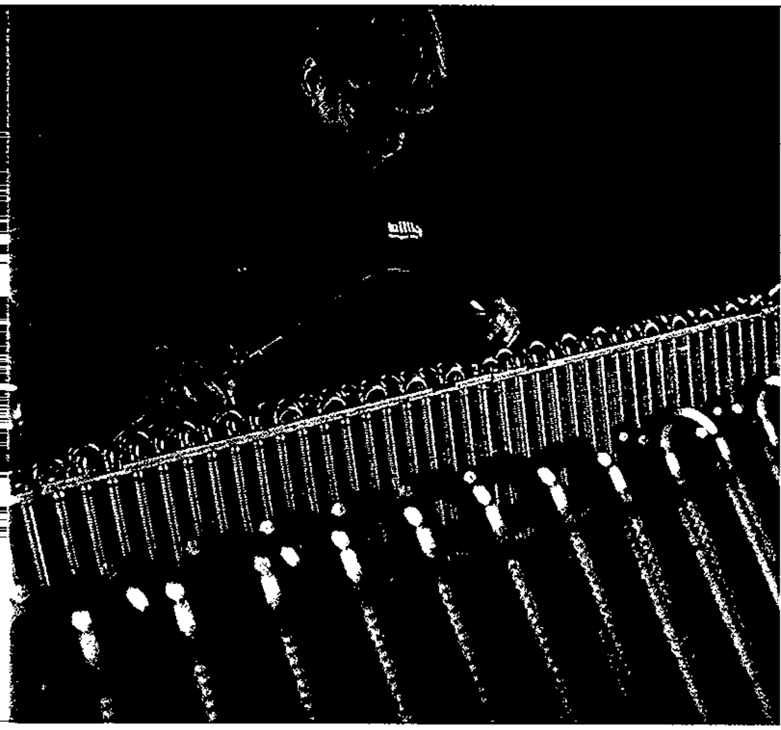
The highlight of the year was the acquisition in July of Williams Refrigeration, one of the two leading UK commercial refrigeration businesses, which also has operations in France, USA, Australia and China which, together with exports, account for 30% of Williams' business.

Williams has a very wide product range, including cold rooms, freezers and display cabinets, and an active product development section which has already produced an upmarket domestic refrigerator to complement Falcon's "Professional" range cooker.

The recently launched Leisure Classic range cooker ▶

A Williams dough retarder-prover installed in a Sainsbury's bakery ►

Williams Refrigeration's latest energy efficient cold storage cabinets and ▼
Falcon's cooking equipment installed alongside each other in a London restaurant



▲ Williams Refrigeration manufactures heat exchangers for its wide range of freezing and chilling appliances

Aga saw an encouraging increase in export sales during the year ▲

The marketing activities of Glynwed's Foodservice equipment operations are being closely co-ordinated and new sales opportunities are emerging. Our business now covers food preservation and storage, prime cooking and warewashing, in fact, most of the equipment needed in the commercial kitchen.

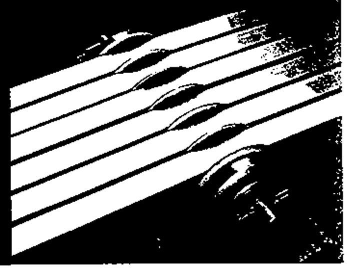
All the businesses concerned were busy throughout the year. Expenditure by restaurants and the licensed trade was strong from the start, and public sector business from schools, hospitals and other institutional kitchens also picked up during the year. Falcon Catering achieved good sales for its recently redesigned product range and the performance of Williams Refrigeration exceeded our expectations.

Wholesale Catering made excellent progress and its extensive product catalogue also began to attract some consumer business. Service Line, now wholly Glynwed-owned, has had its 90-strong team augmented by Williams Refrigeration's engineers: jointly they offer a comprehensive installation and maintenance service.

Glynwed Consumer & Foodservice products, under the leadership of Stephen Rennie, have undertaken new, more expansion-orientated strategies. Market conditions vary considerably between the foodservice sector and consumer products, but the actions we have taken in segmenting these businesses will enable us to focus on developing further our already powerful market positions.

Chief Executive's Operating Review
Metals Distribution & Processing

Glynwed's metals businesses were, for many years, an integral part of the Group. Over the last 2 years Glynwed has pursued a strategy of focusing on fewer businesses and in March 1998 declared its intention to move out of its metals related operations completely.



Glynwed's Metals Distribution activities were sold in May, for approximately £107m, to Kingston Metals Limited, a subsidiary of the privately-owned US business Henley Management Company.
Metals Distribution had been suffering from the cyclical downturn in the stainless steel and aluminium markets, and was reporting profits sharply lower compared with the previous year.
In January 1999 the remainder of that division's activities, Amari Plastics, in the UK, and Port Plastics, in the USA – both distributors of engineering plastics – were sold for £19m. They had also experienced worsening trading conditions during 1998.

Since concluding the disposal of all its Metals Distribution activities, Glynwed has further announced, in February 1999, the sale of most of its Metals Processing operations to Tyco International for £145m in cash. The disposal was approved by Shareholders at an Extraordinary General Meeting on 15th March 1999 and the transaction has now been completed. While the 17 Metals Processing businesses concerned showed some resilience in 1998, the market pressures on them were significant. Becoming part of a major US-based group, which is seeking to expand its engineering activities both in Europe and worldwide, will provide these businesses with new opportunities.

I should like to acknowledge the immense contribution made by all employees in these businesses over the years, and wish them every success in the future.

We are still pursuing the sale of the remaining metals businesses, which had a 1998 turnover of £113m, and will make an announcement about their future in due course. These businesses found trading conditions particularly difficult in the second half of 1998, with profits falling as the strength of sterling affected their position in export markets, and with domestic demand also weakening.

Operating Review Conclusion

Implementing considerable change in a short period is challenging to all concerned and creates uncertainties. I should, therefore, like to thank all those who have been involved in Glynwed's repositioning process. The positive and dedicated attitude shown in all parts of our operations, and by the Group team, has made a significant contribution, enabling us to achieve valuable progress during the last year, which we believe will be to the benefit of the businesses we have sold, as well as to the future strength of our two ongoing core activities.

Tony Wilson
Chief Executive
24th March 1999

Financial Review

The strategic and financial repositioning of Glynwed continued successfully in 1998 against a backcloth of deteriorating trading conditions. Overall, Glynwed entered 1999 in a strong position and with a robust financial structure.

▲ William McGrath

Given the difficult conditions facing UK-based engineering groups, the businesses proved reasonably resilient in 1998. The results indicate that the extreme cyclicality from which the Group once suffered has diminished through the disposal of the most vulnerable businesses.

The results for the year were significantly affected by the repositioning process. The chart opposite illustrates the increasing pace of change in 1998. Disposals realised £111m and the cost of acquisitions net of cash acquired was £248m, with Friatec and Williams Refrigeration accounting for £182m and £45m respectively. Goodwill of £132m arose on the acquisitions which is included as an asset in the balance sheet, and is being written off over 20 years.

The repositioning process emphasised the transitional nature of the 1998 financial statements. This has continued in 1999, most notably with the £145m disposal of most of the Metals Processing businesses, shown as discontinued.

In the year turnover of continuing operations (including the remaining metals processing businesses) was £662m, compared with £637m in 1997. Pipe Systems' turnover was £375m (1997 : £355m) and Consumer & Foodservice Products' turnover was £174m (1997 : £163m). Acquisitions accounted for £55m in the year. If these acquisitions had been part of the Group for a whole year, they would have added around a further £200m in turnover.

Operating profits from Pipe Systems and Consumer & Foodservice Products rose to £52.8m from £50.2m before goodwill amortisation, despite a fall in the second half-year in returns from Consumer operations. Overall the return on sales, on this basis, in the year was little changed at 9.6 per cent. The Group's pre-tax profit fell because businesses now sold faced increasingly difficult markets and the remaining metals businesses were able to make little contribution in the second half of the year. The overall Group return fell in spite of substantial cuts in overhead costs, the simplification of management structures and focus on procurement. A significant feature of the year was the reduction in pension costs, reversing Group trends in recent years. The 1998 valuation of the UK pension schemes confirmed that the funding position continued to be satisfactory, and the pensions charge fell from £14.4m to £12.6m.

Exceptional Items

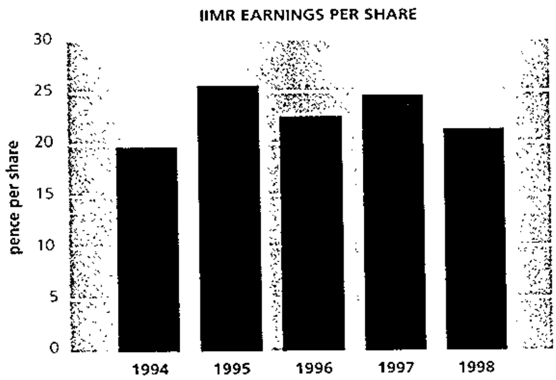
During the year exceptional items arose relating to the disposal programme. The disposals gave rise to a pre-tax profit, before goodwill, of £36.2m. Goodwill of £75.1m relating to businesses now sold and already written off in earlier years, is shown as an exceptional charge in the year, although this does not affect the net assets of the Group.

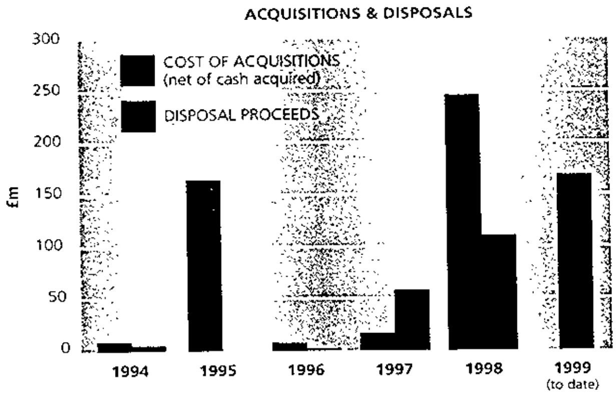
Interest

The level of borrowings fluctuated during the year as funds were raised and subsequently reinvested in acquisitions and share buy-backs. The overall interest charge for the year was £3.6m compared to £6.7m in 1997. The current average interest rate, given the significant proportion of the Group's debt held in Euros, is under 5 per cent.

Taxation

Glynwed's tax rate in 1998 on profit before exceptional charges was 31.7 per cent; slightly above the UK standard rate. With the acquisitions of overseas based businesses, most notably that of Friatec in Germany, and the sale of UK businesses, a significantly greater proportion of taxable income arises in countries with tax rates higher than those in the UK; this will result in an increase in the future overall tax rate.





Financial Position

The Group has a strong financial structure and position to support it's future development. At 31st December 1998 net debt was £158m and gearing was 47 per cent on the basis of a net assets employed of £334m, including goodwill arising in 1998 as a balance sheet asset. Interest cover in the year, before exceptional charges, was 21.9 times, and will remain very strong in 1999 – well above the target minimum level of 5 times.

The Group was able to continue with capital expenditure above the level of depreciation whilst continuing action kept working capital at satisfactory levels.

The Group's debt is primarily financed through a new £300m five-year revolving syndicated multi-currency banking facility arranged at the time of the Friatec acquisition. The objective was to create a strong banking group ready to support the longer term plans and needs of the Group, not just to fund acquisition requirements. The syndication, led by HSBC, ABN AMRO, Dresdner Kleinwort Benson and Bayerische Landesbank, was a considerable success despite being organised in a difficult banking market.

The Eurozone exposure of the Group is, to a significant extent, hedged by Euro debt and the Group considers it appropriate to put in place such hedges against major foreign currency investments.

Internal Controls

The Group has continued to make significant strides in strengthening and modernising its internal controls. In the year, internal audit functions were centralised as divisional structures were removed. This has proved effective and has enabled external auditors to modify their procedures and has reduced costs.

In addition, during the year substantial investments of time and resources were made in new IT systems. The impact of these in resolving Year 2000 issues is reviewed in the Report of the Directors.

Strength of Resources

The finances of Glynwed are in good order and are structured to provide the flexibility for the Group to support its development plans. The proceeds of the disposal of the Metals Processing businesses will initially be used to reduce debt and the balance will be placed on deposit. The aim is to continue to use, as appropriate, all the measures possible to increase shareholder value. In 1998 the Company spent £6.8 million purchasing its own shares; the programme remains actively under consideration. More fundamentally, further acquisitions are being examined in pursuit of the Group's strategy of establishing global leading positions in its primary markets.

The strategic and financial repositioning within the Group has to date been very effective and with a combination of rigorous examination of investment opportunities and the availability of resources, Glynwed is in an increasingly strong position for the future.

W. McGrath

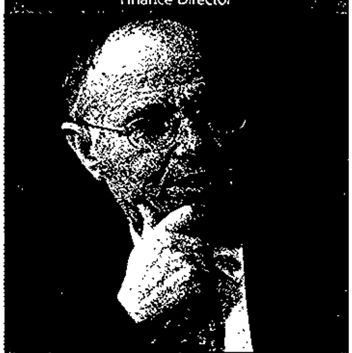
William McGrath
Finance Director
24th March 1999

Directors and Secretary


Ewen Macpherson
Chairman


Anthony Wilson
Chief Executive


William McGrath
Finance Director


John Blakeley
Group Personnel and Administration Director

Ewen Macpherson

Chairman

Ewen Macpherson (age 57) succeeded Gareth Davies as Chairman in September 1998. He chairs Glynwed's Remuneration and Nomination Committees and is a member of the Audit Committee. From 1970 he had a distinguished career with 3i Group plc, the UK's leading venture capital company. As its Finance Director, and subsequently its Chief Executive, he paved the way for its flotation in 1994, and led the company through its first years as a plc. He retired from 3i in 1997. In addition to being non-executive Chairman of Glynwed, he is a non-executive director of M & G Group plc, Foreign & Colonial Investment Trust plc, Scottish Power plc, Booker plc, the Law Debenture Corporation plc and Pantheon International Participations plc.

Anthony Wilson

Chief Executive

Tony Wilson (age 54) joined Glynwed's steel stockholding business in 1974.
He progressed within the growing steels division to become its Director of Administration and Finance in 1987. In 1991 he was appointed Finance Director of the Group's Metals & Engineering sub-group and two years later became Managing Director of Glynwed's then largest division, Metals Processing. He joined the main Glynwed Board as the Group's Finance Director in September 1996. He became Chief Executive designate at the Group's 1997 Annual General Meeting and took over the role of Chief Executive at the end of December 1997.

William McGrath

Finance Director

William McGrath (age 40) joined Glynwed in October 1997 from Aggregate Industries plc where he was Group Development Director and responsible for US East Coast operations. Aggregate Industries was formed in early 1997 through the merger of CAMAS plc with Bardon Group plc where William McGrath had been Finance Director since 1992. His previous career included appointments with the construction group, Norwest Holst, as Finance Director, and in corporate finance with Kleinwort Benson and Lloyds Merchant Bank.

John Blakeley

Group Personnel and Administration Director

John Blakeley (age 56) entered the Group in 1978 as Group Legal Adviser, becoming also Group Secretary in 1979. He joined the Board in 1992 as Corporate Services Director, and was appointed to his present post in January 1999. He chairs the Group's Health & Safety and Environmental Committees.

The Rt Hon The Lord Biffen of Tanat DL
Non-executive Director

The Rt Hon The Lord Biffen of Tanat DL

Non-executive Director

John Biffen (age 68) became a Director of Glynwed in November 1987 and is a member of the Audit, Remuneration and Nomination Committees. He was the Member of Parliament for Shropshire North, until May 1997, and is Deputy Lieutenant of the County of Shropshire. He has held government office as Chief Secretary to the Treasury, Secretary of State for Trade, Lord Privy Seal and Leader of the House of Commons. He was made a life peer in June 1997. He is also a non-executive director of Barlow International plc.

Christopher (Kit) Farrow
Non-executive Director

Christopher (Kit) Farrow

Non-executive Director

Kit Farrow (age 61) joined the Board of Glynwed in July 1993. He is the Senior Independent Director on the Board and chairs its Audit Committee and is a member of the Remuneration and Nomination Committees. He is Director General of the London Investment Banking Association, Vice Chairman of The London Metal Exchange and a member of the Financial Reporting Review Panel. He was formerly a director of Kleinwort Benson Ltd and previously an Assistant Director of the Bank of England and an Under-Secretary at the DTI.

Stephen Howard
Non-executive Director

Stephen Howard

Non-executive Director

Stephen Howard (age 46), Chief Executive of Cookson Group plc, began his career in his native USA as a mergers and acquisitions lawyer. He joined Cookson America Inc in 1985 and went on to be significantly involved in the development both of Cookson's major operations and its acquisitions and international growth, becoming its Group Chief Executive in 1997. He became a Non-executive Director of Glynwed in June 1996 and is a member of the Audit and Remuneration Committees.

Deryck Solomon
Group Secretary

Deryck Solomon

Group Secretary

Deryck Solomon (age 45) joined Glynwed as a solicitor in 1984 having begun his career in private practice. He became Deputy Group Legal Manager in 1988 and subsequently Commercial Director of Glynwed Properties. In 1993 he became Group Legal Manager and added the role of Assistant Group Secretary at the beginning of 1996.
He became Group Secretary in September 1996 and is also responsible for Legal and Property services.

Report of the Directors

The Directors of Glynwed International plc present their Annual Report, together with the accounts of the Company, for the year ended 31st December 1998. 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, 13th May 1999.

Activities and Business Review

Glynwed International plc is the holding company of the Group; its principal subsidiaries and their activities are shown on pages 61 to 62. 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 on ordinary activities before exceptional charges and taxation of the Group for the year was £75.3m (1997 £89.4m).

An interim dividend of 4.4p per ordinary share was paid on 2nd December 1998. The Directors recommend a final dividend of 8.8p per ordinary share payable on 4th June 1999 to members on the register at the close of business on 16th April 1999, making a total for the year of 13.2p per ordinary share (1997 13.2p).

Share Capital of the Company and Annual General Meeting

Allotments of ordinary shares of 25p each of the Company were made during 1998 and ordinary shares of 25p each were purchased back by the Company during the year. Details of these are set out in note 22 on page 54. 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 7 renews the Directors' authority under section 80 of the Act to issue relevant securities up to a nominal value of £20,196,163, being one-third of the nominal value of the Company's issued ordinary share capital at the date of this report. Resolution 8 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 £3,029,424, being equivalent to 5% of the nominal value of the Company's issued ordinary share capital at the date of this report. The authorities conferred pursuant to resolutions 7 and 8 shall lapse on the earlier of the date 15 months after the passing of such resolution and the conclusion of the next Annual General Meeting following the passing of the resolutions. The Directors have no present intention to exercise the authorities conferred pursuant to resolutions 7 and 8.

Resolutions 9 and 10 concern the approval and adoption of the Glynwed Co-Investment Plan (the "Co-Investment Plan"), the Glynwed Long-Term Incentive Plan (the "LTIP") and the Glynwed Employees' Share Ownership Plan Trust (the "ESOP"), the main features of which are summarised in the circular to shareholders dated 24th March 1999.

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 again to seek the approval of shareholders for authority to make market purchases of up to 20,463,100 ordinary shares of 25 pence each, representing 8.44% of the current issued ordinary share capital of the Company (being 10% of the issued share capital of the Company as at the date of the last Annual General Meeting less those ordinary shares since purchased by the Company). Resolution 11, 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.

Pursuant to the Company's Articles of Association, the holders of the Company's preference shares are, by virtue of resolutions 11 and 12, entitled to attend, speak and vote at this year's Annual General Meeting.

Resolution 12 is being proposed for the purpose of cancelling and repaying the preference shares. The purpose of such repayment is to simplify the capital structure of the Company and to eliminate the administrative expense of maintaining the preference shares.

The proposed cancellation and repayment of the preference shares requires the passing of the resolution, referred to above, as a special resolution. If the resolution is duly passed, the Company will apply to the High Court for confirmation of such reduction of capital. If the Court confirms the reduction of capital, a copy of the Order of the Court will be filed with the Registrar of Companies for registration. On registration of the Order the reduction will become effective, the preference shares will be cancelled and the holders of the preference shares will receive the sum of £1 per share together with (i) an amount equal to the fixed cumulative preferential dividend accrued thereon to the date of repayment; and (ii) a premium per share calculated in accordance with the Articles of Association of the Company and certified by the auditors of the Company.

The date of printing this document makes it impossible for the rate of premium to be set out in this document, but it is expected that the premium will be 10p per share.

The Company proposes to repay the preference shares together with any associated tax out of the distributable profits of the Company and will offer to the Court an appropriate undertaking for the protection of its creditors.

On the effective date for the reduction of capital and the cancellation of the preference shares, the existing share certificates in respect of the preference shares will cease to be of any value and application will be made for the listing of the preference shares on the London Stock Exchange to be cancelled.

The rights attaching to the preference shares, including their rights on a return of capital, are contained in Article 3 of the Articles of Association of the Company.

The Directors consider that the Company will have sufficient working capital following the repayment to cover current and future capital expenditure and working capital requirements.

Resolution 12 will also deal with the deletion in the Articles of Association of all references to the preference shares and their rights.

Resolution 13 concerns the adoption of a new article 77 of the Company's Articles of Association (Retirement by rotation).

Principle A.6 of the Combined Code (as defined on page 26) requires all the Directors to submit themselves for re-election at regular intervals and at least every three years. The effect of resolution 13 is to amend the current article 77 of the Company's Articles of Association so that it complies with the provisions of Principle A.6 of the Combined Code. Under the proposed amendment each Director of the Company would be required to retire by rotation at least once every three years. The proposed amendment is set out in the notice convening the Annual General Meeting and will be available for inspection 15 minutes before the commencement of the meeting and during the meeting.

Shareholders

At 31st December 1998, ordinary shareholders totalled 11,138 (1997 11,738). Their holdings are analysed below:

Number of shares	% of shareholders	% of shares in issue
1 – 5,000	87.02	5.08
5,001 – 50,000	9.75	6.38
50,001 – 100,000	1.07	3.61
100,001 – 500,000	1.41	15.58
Over 500,000	0.75	69.35
	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
J.P. Morgan Investment Management Inc	27,876,088	11.50%
Prudential Corporation group of companies	14,254,803	5.88%
Britannic plc	12,377,003	5.03%

Directors

The Members of the Board at the date of this report are shown on pages 18 and 19. Mr G Davies retired from the Board on 30th December 1998.

In accordance with the Articles of Association, Mr JC Blakeley and Mr SL Howard retire by rotation, and being eligible, offer themselves for re-election. Mr ECS Macpherson was appointed a Director by the Board on 3rd September 1998 and, in accordance with the Articles of Association, being eligible, offers himself for re-election. Details of Directors' remuneration are set out on page 30.

The biographies of Directors proposed for re-election appear on pages 18 and 19.

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 24th March 1999	At 31st December 1998	At 27th December 1997
ECS Macpherson	15,500	15,500	–
AJ Wilson	11,475	11,475	11,475
JC Blakeley	70,677	70,438	67,753
WB McGrath	12,500	12,500	5,000
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 32.

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

Acquisitions and Disposals

The principal acquisitions and disposals accounted for in the year were as follows:

Acquisitions

April	Straub (Switzerland)
July	Akatherm (Holland, Belgium and Germany)
July	Williams Refrigeration (UK, Australia, China, France and USA)
October	Friatec (based in Germany with many other locations: see note 33 on page 61)

Other purchases in the year included:
Posiflex, Harrogate Fireplaces, Heating World, Cowells Stockholders and the minority interests in Service Line and Vereinigte Kunststoff-Pumpen.

Disposals

May	Glynwed Metals Distribution (UK)
October	Insoll Components (UK)
November	Friatec RPP Altvater (Germany)
December	Metoxal (UK)
January 1999	Amari Plastics (UK) & Port Plastics (USA)
February 1999	Most of Glynwed Metals Processing's businesses (UK)

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 disposed of and the relevant considerations are set out in note 28 on pages 57 to 60.

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.

A part of that requirement is 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.

The Group has a savings-related and a senior executive share option scheme, and a defined benefits pension scheme for UK employees. It is proposed to introduce a Long-Term Incentive Plan and a Co-investment Plan, for which shareholder approval is being sought at the Company's Annual General Meeting. Further details are given in the circular to shareholders dated 24th March 1999.

Health & Safety and Environment

General Principles

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 is conscious of the need for, and aims to achieve, high standards of operation under Health and Safety at Work and Environmental Protection legislation. Through its senior management, the Group seeks to keep all concerned aware of, and to monitor adherence to, developments in terms both of good industrial practice and of statutory frameworks.

Policy Framework

Implementation of this overall policy is the responsibility of the Group Health and Safety Committee and the Group Environmental Committee, both of which are now under the chairmanship of a main Board Director. Both Committees comprise representatives from various of the Group's business units who meet at regular intervals during the year and are charged with reviewing standards and encouraging improvements within their respective spheres of interest.

Health and Safety

Under the aegis of the Group Health and Safety Committee, a Policy Statement has been laid down at Group level to set the parameters within which each division and 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 divisional and unit managing executives. Operating sites in the UK are appraised by external consultants under a programme of regular visits and managements are made aware of the social and financial costs of failure to meet standards set by legislation and the Company. The Committee also seeks to work closely with regulatory authorities.

The Group makes an annual Health and Safety award adjudicated by a panel comprising mainly independent experts. In 1998 the award was shared between George Gadd & Co. and Midland Engineering Steels.

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 operating divisions and businesses. In 1998 an Environmental Award scheme was instituted, the joint winners being VIP-Heinke (Huntingdon), Ductile Hot Mill and Lindapter International.

Year 2000 Compliance Issues

The Company commenced a review of its Year 2000 ("Y2K") compliance in September 1996. Businesses and health and safety critical devices, where there are embedded chips, have been identified and testing has been conducted. Suppliers' assurances have been sought and some replacements and upgrades have been necessary. The Company has now substantially completed its programme of main information technology system replacements and upgrades. Standardised confirmation testing and suppliers' contractual warranties combine to improve further the situation. Contingency planning is under way, and these plans will be revised during 1999 as the issues, particularly in relation to public utilities and national infrastructures, become clearer.

It is believed that the steps taken to identify and address Y2K issues have reduced associated risks to a controllable minimum. Work which remains to be undertaken is scheduled to be completed in good time and contingency plans are, or are being, formulated to ensure continuity of business should there be any system failures. The Company does not at this time anticipate any significant variance from planned and budgeted costs of Y2K compliance. However, appropriate resources will be made available as necessary.

During the past two years the Company has conducted an investment programme to upgrade and replace certain of its information systems whilst addressing the Y2K problem. As at 31st December 1998, approximately 85 per cent of the estimated total cost of £10m had been spent. A substantial proportion of this amount represented the cost of new systems which have brought additional business benefits.

The Company continues to use its reasonable efforts to ensure Y2K readiness, to ensure that work in all recent acquisitions is being completed to the same standards as that in the rest of the Group, and to ensure that all reasonable steps are taken to minimise the risk of Y2K related failures disrupting its business.

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 year in which it is incurred. The Group's policy is to have research and development facilities as an integral part of individual manufacturing operations rather than as a central Group undertaking.

Personal Equity Plan

Bradford & Bingley (PEPS) Limited acted as plan managers for two personal equity plans ("PEPs") – a general plan and a single company plan. With effect from 6th April 1999 the administration of the PEPs will be transferred to The Share Centre Limited. After 6th April 1999 no further contributions may be made to PEPs although existing PEPs investments may 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 under which business transactions with suppliers are conducted. It is Group policy that, provided a supplier complies with the relevant terms and conditions, including the prompt and complete submission of all specified documentation, payment will be made in accordance with the agreed terms. It is Group policy to ensure that suppliers know the terms on which payment will take place when business is agreed.
The Group's trade creditors as at 31st December 1998 equated to 59 days of related purchases.

Political and Charitable Donations and Community Relations

During 1998 the Group gave £111,000 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: importance is attached to those relationships, which encompass the provision of help and support, in financial and other ways, not just to the organisations as already mentioned, but also 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 year.

Going Concern

After making enquiries, the Directors have a reasonable expectation that the Company has 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

Following the merger of Coopers & Lybrand and Price Waterhouse in July 1998, Coopers & Lybrand resigned as the Group's auditors and its successor firm, PricewaterhouseCoopers, was appointed to fill the casual vacancy.

A resolution to re-appoint 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
24th March 1999

Corporate Governance

The Combined Code

The Principles of Good Governance and Code of Best Practice prepared by the Hampel Committee (the "Combined Code") was appended to the Listing Rules of the London Stock Exchange (the "Listing Rules") in June 1998. The Company is required, under the Listing Rules, to disclose in its Annual Report how it has applied the Principles set out in Section 1 of the Combined Code, and to include a statement as to whether or not it has complied throughout the accounting year with the Code provisions set out in Section 1 of the Combined Code (specifying those provisions not complied with and the period of non-compliance) and to give reasons for any non-compliance.

Statement of Compliance

In addition to the Principles of Good Governance, the Combined Code also contains a Code of Best Practice setting out more detailed provisions. Apart from provision B.1.7 relating to the length of notice on Directors' service agreements, which is discussed further on page 33, and the provisions mentioned below, the Company has complied throughout the year ended 31st December 1998 with the Code provisions set out in Section 1 of the Combined Code.

As the Combined Code was introduced in June 1998, the Company did not comply with the following Code provisions throughout the whole of the accounting year:

- provision A.2.1 concerning the appointment of a Senior Non-executive Director; Mr CJ Farrow has since been appointed to the position of Senior Non-executive Director;
- provisions C.2.4 and C.2.1 regarding respectively the sending of notice and papers 20 working days prior to the Annual General Meeting and announcement of proxy votes at the Annual General Meeting; notice and papers relating to the 1999 Annual General Meeting will be sent to shareholders at least 20 working days prior to the Meeting, at which proxy votes will be announced.

The Company has complied with provision D.2.1 of the Code (concerning internal controls) by continuing to follow existing guidance and has reviewed the effectiveness of the Group's internal financial control system during the financial year ended 31st December 1998 in relation to such guidance (see page 28 for further details).

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. The following paragraphs describe how the Company has applied the Principles of Good Governance set out in Section 1 of the Combined Code.

Board of Directors

The Board of Directors of the Company currently comprises a Non-executive Chairman, Chief Executive, two other Executive Directors and three other independent Non-executive Directors. The roles of Group Chairman and Group Chief Executive are held by separate Directors, and there is a clear division of responsibilities between them to ensure a balance of power and authority.

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

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 bring with them an independent judgement in respect of relevant issues including strategy, performance measures and standards of conduct. The Board believes that all the Non-executive Directors are independent and free from any business or other relationship which could interfere with the exercise of their independent judgement.

The Board meets regularly (being at least ten times each year) to exercise control over the Company and there is contact between meetings to progress the Company's business. The Board has a formal schedule of matters specifically reserved to it for decision (which includes matters relating to the development of corporate strategy, approval of annual budgets and material capital expenditure) and those matters which are delegated to the executive management of the Company.

Mr CJ Farrow has been appointed, in accordance with the recommendations of the Combined Code, as the Senior Non-executive Director. 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 necessary documents relating to the matters discussed at meetings are distributed as long as is reasonably possible before each meeting. The Executive believes it supplies the Board in a timely manner with information about the Company and its subsidiaries in a form and of a quality appropriate to enable it to discharge its duties. Management reports fully to the Board on operational, financial, strategic, corporate development, legal and other issues at each Board meeting and on a continuous ad-hoc basis as required by the circumstances. As is commensurate with the independent conduct of their function, the Directors are authorised to obtain professional advice at the Company's expense, if they so wish.

As is mentioned in the part of the Report dealing with Directors' remuneration, none of the Directors has a contract with a notice period exceeding two years.

Currently the Company's Articles provide that at each Annual General Meeting one-third of Directors are subject to retirement by rotation (or if, as at present their number is not a multiple of 3, the number nearest to but not exceeding one-third). Although none of the Directors has been in office for more than three years since his appointment or re-appointment, to guarantee submission for re-election at intervals of at least three years, an amendment to the Articles of the Company will be proposed as resolution 13 (page 67) at the Annual General Meeting so that each Director will be required to retire by rotation at least once every three years.

The Board has primary responsibility for planning for succession to executive director and senior management positions and ensures 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. In addition to Mr Farrow, its membership comprises all the other 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 and follows closely the specimen terms recommended by the Cadbury Committee and the Combined Code recommendations. 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. As with the provision of all services to the Company, the Committee is actively concerned to ensure cost-effectiveness and objectivity and keep under review the nature and extent of auditor's supply of non-audit services, such as consultancy services.

Nomination Committee

The Nomination Committee is chaired by Mr ECS Macpherson. Its membership also comprises two other 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 for the 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. Required skills and attributes are established by the Nomination Committee which will meet candidates short-listed for appointment before it recommends an appointment to the Board.

Corporate Governance

Continued

Internal Financial Control

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

While the Board is ultimately responsible for the Group's system of internal controls and for monitoring its effectiveness, formal guidance as to the review of non-financial internal control, as required by the Combined Code, has yet to be published. Consequently, the Directors consider that they are unable to report that they have undertaken during the year a formal review of the effectiveness of the Group's system of non-financial internal controls as envisaged by the Combined Code.

A Task Force has been established by the Institute of Chartered Accountants in England and Wales to develop guidance on the review of internal controls by Directors. The Board will seek to ensure that the Group is compliant with such guidance when it is issued to listed companies.

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 1998 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.

These systems 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. As previously mentioned, 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.

The Group has clearly defined guidelines for appraisal, approval and monitoring of acquisition and divestment policy, major capital investments and restructuring costs. These include the assessments of benefits, detailed review and monitoring procedures, specific levels of expenditure authority and due diligence where businesses are being acquired. Post-investment implementation reviews are performed for major investments and restructuring to identify actual benefits arising.

Internal financial control is operated within a defined organisation 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 regular monthly management reports, which are subject to Board review. 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 a Group Accounts and Procedures Manual. Group practice on internal financial control is implemented in newly acquired businesses as soon as is reasonably practicable after acquisition.

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

The head of the internal audit department 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 Audit Committee also has access to the external auditors.

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

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.

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 the Directors after formal proceedings have ended. The Chairman of the Board and the Audit, Remuneration and Nomination Committees are available at the Annual General Meeting to answer questions together with the Executive Directors.

In its annual and interim reports, 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, the Company has an Internet website on which it presents information about the Group.

Remuneration Report

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 1998 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 1st January, although reviews take place at other times, if appropriate. In addition to taking into account market rates, the Remuneration Committee take full and detailed account of performance of the individual and the Company in determining levels of salary review. Policies for benefits are reviewed regularly and comparisons with benefit packages of other companies are made.

It is confirmed that in carrying out its work the Remuneration Committee has full regard to Schedule A of the Combined Code. 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 remuneration in 1997 and 1998 in respect of each Director are set out overleaf.

The individual elements of remuneration in 1997 and 1998 are set out below in respect of each Director:

		Salary £	Fees £	Benefits in-kind £	Annual Bonus £	Total £
ECS Macpherson						
ECS Macpherson joined the Board in September 1998	1998	-	29,500	-	-	29,500
G Davies						
G Davies retired from the	1997	-	150,000	11,745	-	161,745
Board in December 1998	1998	-	150,000	10,290	-	160,290
BC Ralph						
BC Ralph retired from the Board in December 1997	1997	310,000	-	13,793	-	323,793
AJ Wilson	1997	180,000	-	14,495	-	194,495
	1998	297,500	-	15,680	60,000	373,180
WB McGrath						
WB McGrath joined the	1997	41,506	-	2,665	-	44,171
Board in October 1997*	1998	187,861	-	12,639	40,000	240,500
JC Blakeley	1997	160,000	-	12,428	-	172,428
	1998	175,000	-	10,352	30,000	215,352
SL Howard	1997	-	25,000	-	-	25,000
	1998	-	25,000	-	-	25,000
Lord Biffen	1997	-	25,000	-	-	25,000
	1998	-	25,000	-	-	25,000
CJ Farrow	1997	-	25,000	-	-	25,000
	1998	-	25,000	-	-	25,000

*During 1998 WB McGrath received reimbursement of relocation expenses of £12,732.

Principal benefits-in-kind are car-related, with private healthcare costs accounting for most of the balance. They are regarded as a stable, quantified element of remuneration, readily substitutable (as an emergent trend in industry bears out) for cash as an addition to salary, and on that basis are and have for a number of years been pensionable for Directors who are pension scheme members.

Incentives

During the year, the Remuneration Committee commissioned a review by independent remuneration consultants of senior management remuneration packages. The review had a particular focus on annual and longer-term incentive arrangements and gave rise to the incentive arrangements set out below.

Annual Bonus

Executive Directors participate in a performance-related annual bonus scheme.

Annual bonuses were previously determined by the extent to which the Company has enhanced shareholder value in the previous financial year, using three separate measures – outperformance by the Company's ordinary shares of the FT All-Share Index, increase in dividend, and increase of 10% or more in earnings per share. Payment in respect of each measure is capped, and the total bonus was capped at 25% of salary. Bonuses are not pensionable. No annual bonuses have been paid to Directors in respect of 1997.

The Remuneration Committee has changed the annual bonus plan so as to provide senior management with more appropriate incentives and rewards for achieving the Company's business objectives. The new 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 1998 are set out on the page opposite.

The overall bonus cap for Executive Directors has been increased from 25% to 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 Remuneration Committee proposes that the Company's annual bonus arrangements should be linked to a co-investment plan, to encourage a higher level of personal shareholding on the part of senior management. A detailed summary of the rules of the proposed Co-investment Plan accompanies this Annual Report, but in outline form the Co-Investment Plan is described below.

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 an overall 50% cap for Directors) will take the form of a right to acquire shares in the Company equal to this value.

There will be a matching award on a one-for-one basis, both for shares invested out of the net amount of the 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 Remuneration Committee also proposes the introduction of the LTIP to incentivise and reward senior management in line with increased shareholder value. A detailed summary of the rules of the proposed LTIP accompanies this Annual Report, but in outline the LTIP is described below.

The LTIP is a performance share plan, whereby a senior manager is given a conditional right to acquire shares up to a maximum annual value of 100% of salary. The participants can exercise this right, if they are still in the Group's service, on a sliding scale three years after the right was granted. Special provisions apply in circumstances where participants leave employment before three years.

The actual percentage of the shares which they can acquire will depend on a comparison of the Company's Total Shareholder Return ("TSR") with the TSR of the 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 (set out in full in the detailed summary of the LTIP) 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.

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
304	April 1998
308	September 1999
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

The share options granted under the 1994 Senior Executive Share Option Scheme at 321p per share were the only options granted during 1998.

The mid-market price of Glynwed International plc ordinary shares at the beginning and end of the financial year was 250p and 166p respectively. During the year the market price of the shares ranged between 140.5p and 323.5p.

The interest of Directors at the beginning and end of the 1998 financial year in the currently-operating share option schemes were as follows:

	Options under the Senior Executive Share Option Schemes approved in 1984‡ and 1994*					Options under the Savings – Related Share Option Schemes approved in 1994
	at 304pps‡	at 308pps‡	at 200pps‡	at 288pps*	at 321pps*	at 243pps
AJ Wilson						
at beginning of 1998	30,000	30,000	-	100,000	-	7,098
granted (5 May 1998)	-	-	-	-	150,000	-
lapsed	(30,000)	-	-	-	-	-
at end of 1998	-	30,000	-	100,000	150,000	7,098
JC Blakeley						
at beginning of 1998	-	-	35,500	100,000	-	2,271
granted (5 May 1998)	-	-	-	-	50,000	-
disclaimed	-	-	-	-	(50,000)	-
at end of 1998	-	-	35,500	100,000	-	2,271
WB McGrath						
at beginning of 1998	-	-	-	-	-	-
granted (5 May 1998)	-	-	-	-	175,000	-
at end of 1998	-	-	-	-	175,000	-

The above interests have not changed since the end of the 1998 financial year.

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;

	Increase in accrued annual pension during the year	Total accrued annual pension as at the year end	Transfer value increase	Contributions paid by Directors during the year	Transfer value increase after deductions of Directors' contributions
	£	£	£	£	£
AJ Wilson	60,859	152,766	935,190	8,925	926,265
JC Blakeley	8,595	104,798	142,061	5,250	136,811
WB McGrath	2,784	3,244	23,022	2,601	20,421

The transfer values shown above are not payable to the individuals concerned. During the year the Company paid a premium of £365 to provide life assurance cover on that part of Mr WB McGrath's salary above the statutory earnings cap for part of the year.

Service contracts

Service contracts for Mr AJ Wilson, Mr JC Blakeley (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 both with long-established service contract arrangements applying to the other most senior UK-based executives in the Group and with the need for Directors to take a long-term rather than a short-term view in their conduct and planning of the Group's affairs.The Remuneration Committee did not consider it to be in the best interests of shareholders for Directors' service contracts to provide explicity for predetermined compensation in the event of termination and accordingly none of the contracts contains any such provision. 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, due to the above reasons, be in the interests of shareholders.

Non-executive Directors (including Mr ECS Macpherson and Mr SL Howard who are 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 30.

Consolidated Profit and Loss Account

For the year ended 31st December 1998

	Notes	**Year to December 1998** Before exceptional charges £m	Exceptional charges £m	Total £m	Year to December 1997 Before exceptional charges £m	Exceptional charges £m	Total £m
Turnover							
- acquisitions		**55.0**		**55.0**			
- other continuing activities		**607.2**		**607.2**			
- total continuing		**662.2**		**662.2**	637.4		637.4
- discontinued activities		**353.2**		**353.2**	604.1		604.1
Total turnover	2 & 3	**1,015.4**		**1,015.4**	1,241.5		1,241.5
Operating profit							
- acquisitions		**6.4**		**6.4**			
- other continuing activities		**47.7**		**47.7**			
- total continuing		**54.1**		**54.1**	58.0		58.0
- discontinued activities		**24.8**		**24.8**	38.1		38.1
Total operating profit	3	**78.9**		**78.9**	96.1		96.1
Profit on disposal of net assets before goodwill		*-*	***36.2***	***36.2***	*-*	*15.0*	*15.0*
Goodwill previously written off		*-*	***(75.1)***	***(75.1)***	*-*	*(28.2)*	*(28.2)*
Total exceptional charges for losses on disposal of businesses	28	**-**	**(38.9)**	**(38.9)**	-	(13.2)	(13.2)
Profit/(loss) on ordinary activities before interest		**78.9**	**(38.9)**	**40.0**	96.1	(13.2)	82.9
Interest payable (net)	6	**(3.6)**	**-**	**(3.6)**	(6.7)	-	(6.7)
- before goodwill amortisation		***77.4***	***(38.9)***	***38.5***	*89.4*	*(13.2)*	*76.2*
- goodwill amortisation		***(2.1)***	*-*	***(2.1)***	*-*	*-*	*-*
Profit/(loss) on ordinary activities before taxation	2	**75.3**	**(38.9)**	**36.4**	89.4	(13.2)	76.2
Taxation on profit/(loss) on ordinary activities	7	**(23.9)**	**(3.6)**	**(27.5)**	(27.8)	(2.6)	(30.4)
Profit/(loss) on ordinary activities after taxation		**51.4**	**(42.5)**	**8.9**	61.6	(15.8)	45.8
Equity minority interests				**(0.6)**			-
Profit attributable to shareholders				**8.3**			45.8
Dividends (including non-equity)	9			**(32.2)**			(32.6)
(Transfer from reserves)/profit retained	10			**(23.9)**			13.2
				Pence			Pence
Earnings per share (basic and fully diluted)							
- net basis	11			**3.3**			18.6
- IIMR basis	11			**21.5**			24.8

Notes to the accounts are on pages 39 to 62.
Movements on reserves are set out in note 23.

Supplementary Statements

For the year ended 31st December 1998

Statement of Total Recognised Gains and Losses

	Notes	1998 £m	1997 £m
Profit attributable to shareholders		**8.3**	45.8
Currency translation adjustment on foreign currency net investments	23	**3.0**	(4.6)
Total recognised gains and losses relating to the year		**11.3**	41.2

Note of Historical Cost Profit

	Notes	1998 £m	1997 £m
Reported profit on ordinary activities before taxation		**36.4**	76.2
Realisation of property revaluation gains/(losses) of previous years		**3.8**	1.9
Difference between an historical cost depreciation charge and the actual depreciation charge of the year calculated on the revalued amounts		**0.2**	0.3
Historical cost profit on ordinary activities before taxation		**40.4**	78.4
Tax on profit on ordinary activities	7	**(27.5)**	(30.4)
Dividends	9	**(32.2)**	(32.6)
Historical cost (transfer from reserves)/profit retained		**(19.3)**	15.4

Reconciliation of Movements in Shareholders' Funds

		Notes	1998 £m	1997 £m
Profit attributable to shareholders			**8.3**	45.8
Dividends		9	**(32.2)**	(32.6)
(Transfer from reserves)/profit retained		23	**(23.9)**	13.2
Currency translation adjustment on foreign currency net investments		23	**3.0**	(4.6)
New share capital subscribed	- share capital	22	**0.1**	0.4
	- share premium	23	**0.6**	2.8
Share buybacks	- share capital	22	**(1.0)**	-
	- profit and loss account	23	**(6.8)**	-
	- capital redemption reserve	23	**1.0**	-
Goodwill written off arising from acquisitions			**-**	(13.6)
Goodwill previously written off on disposals		23 & 28	**75.1**	28.2
Net increase in shareholders' funds			**48.1**	26.4
Shareholders' funds at beginning of year			**277.5**	251.1
Shareholders' funds at end of year			**325.6**	277.5

Notes to the accounts are on pages 39 to 62.

Consolidated Balance Sheet

As at 31st December 1998

	Notes	1998 £m	Restated 1997 £m
Fixed assets			
Goodwill	12	**130.7**	-
Tangible assets	13	**265.4**	173.9
Investments	15	**1.9**	1.5
Total fixed assets		**398.0**	175.4
Current assets			
Stocks	16	**163.6**	181.7
Debtors	17	**208.5**	247.4
Businesses held with a view to resale	15	**17.7**	-
Cash at bank and in hand	20	**62.3**	32.5
Total current assets		**452.1**	461.6
Creditors – amounts falling due within one year			
Operating creditors	18	**(232.3)**	(254.8)
Borrowings	20	**(47.1)**	(18.4)
Taxation and dividends payable	18	**(30.4)**	(43.5)
Total amounts falling due within one year		**(309.8)**	(316.7)
Net current assets		**142.3**	144.9
Total assets less current liabilities		**540.3**	320.3
Creditors – amounts falling due after more than one year			
Borrowings	20	**(173.7)**	(16.6)
Provisions for liabilities and charges	21	**(32.1)**	(25.8)
Total net assets employed		**334.5**	277.9
Capital and reserves			
Ordinary shares	22	**60.6**	61.5
Preference shares	22	**1.3**	1.3
Called up share capital		**61.9**	62.8
Share premium account	23	**25.6**	25.0
Capital redemption reserve	23	**1.0**	-
Revaluation reserve	23	**16.0**	20.0
Profit and loss account	23	**221.1**	169.7
Total shareholders' funds (including non-equity interests)		**325.6**	277.5
Equity minority interests	24	**8.9**	0.4
Total shareholders' funds and minority interests		**334.5**	277.9

ECS Macpherson Chairman E C S Macpherson
WB McGrath Finance Director W. McGrath

1997 has been restated (see note 1). Notes to the accounts are on pages 39 to 62.

Company Balance Sheet

As at 31st December 1998

	Notes	1998 £m	1997 £m
Fixed assets			
Investments	15	**326.0**	155.7
Current assets			
Debtors	17	**517.1**	321.2
Cash at bank and in hand	20	**0.9**	0.5
Total current assets		**518.0**	321.7
Creditors – amounts falling due within one year			
Operating creditors	18	**(265.9)**	(179.2)
Borrowings	20	**(48.8)**	(40.9)
Taxation and dividends payable	18	**(29.2)**	(29.8)
Total amounts falling due within one year		**(343.9)**	(249.9)
Net current assets		**174.1**	71.8
Total assets less current liabilities		**500.1**	227.5
Creditors – amounts falling due after more than one year			
Borrowings	20	**(165.6)**	(13.7)
Total net assets employed		**334.5**	213.8
Capital and reserves			
Ordinary shares	22	**60.6**	61.5
Preference shares	22	**1.3**	1.3
Called up share capital		**61.9**	62.8
Share premium account	23	**25.6**	25.0
Capital redemption reserve	23	**1.0**	-
Profit and loss account	23	**246.0**	126.0
Total shareholders' funds (including non-equity interests)		**334.5**	213.8

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

Notes to the accounts are on pages 39 to 62.

Cash Flow Statement

For the year ended 31st December 1998

	Notes	1998 £m	1998 £m	1997 £m	1997 £m
Net cash inflow from operating activities	25		**86.2**		115.8
Returns on investments and servicing of finance	26		**(3.0)**		(7.6)
Taxation			**(32.3)**		(29.2)
Capital expenditure and financial investment	27		**(17.1)**		(31.2)
Acquisitions and disposals	28		**(137.1)**		43.5
Equity dividends paid			**(32.5)**		(31.2)
Net cash (outflow)/inflow before financing			**(135.8)**		60.1
Financing					
- issue of ordinary share capital	29	**0.7**		3.2	
- buyback of ordinary share capital	29	**(6.8)**		-	
- increase/(decrease) in debt	29	**155.8**		(39.9)	
			149.7		(36.7)
Increase in cash in the year	30		**13.9**		23.4

Reconciliation of net cash flow to movement in net borrowings

	Notes	1998 £m	1998 £m	1997 £m	1997 £m
Increase in cash in the year	30	**13.9**		23.4	
(Increase)/decrease in debt	29	**(155.8)**		39.9	
Change in net debt resulting from cash flows	30		**(141.9)**		63.3
Borrowings acquired with acquisitions	28		**(6.5)**		-
Loan notes issued for acquisitions	28		**(6.6)**		-
Finance lease contracts taken out	30		**(0.8)**		(0.5)
Exchange adjustment: (increase)/decrease in sterling equivalent of foreign currency borrowings	30		**(0.2)**		0.8
(Increase)/decrease in net borrowings			**(156.0)**		63.6
Opening net borrowings			**(2.5)**		(66.1)
Closing net borrowings			**(158.5)**		(2.5)

Notes to the accounts are on pages 39 to 62.

Notes to the accounts

1. Accounting Policies

The following statements outline the main accounting policies of the Group.

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.

The 1997 balance sheet has been restated to show separately provisions (£25.8m) and minority interests (£0.4m) previously shown as accruals in creditors due within one year. As a result of acquisitions in the year, the Directors consider the balances concerned are now material and separate disclosure is appropriate.

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 and 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.

Certain businesses acquired with Friatec AG, although controlled by the Group, are being held exclusively with a view to resale and therefore do not form part of the Group's continuing activities. These businesses are therefore excluded from consolidation and are held as current asset investments at estimated net realisable value.

Acquisitions

Shares issued as consideration for the acquisition 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 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

Goodwill, being the difference arising between the purchase consideration and the fair value of the assets acquired in the year, has been capitalised and then amortised on a straight line basis over the estimated useful life of 20 years from date of acquisition.

Prior to the introduction of FRS 10 "Goodwill and Intangible Assets" all goodwill arising on acquisitions prior to 27th December 1997 has been written off to reserves. This goodwill will be charged in the profit and loss account as part of any profit or loss on disposal of any subsequent disposal of the business to which it relates.

Foreign currencies

The profit and loss account items 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, and 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.

Turnover

Turnover, which excludes value added tax and sales between group companies, 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 (note 3).

1. Accounting Policies (continued)

Depreciation

Depreciation is calculated using the straight line method on the cost or valuation of fixed assets as follows:

i Freehold buildings at 2% per annum.

ii Leasehold land and buildings over 50 years or the period of the lease whichever is less.

iii Plant and machinery and fixtures, fittings, tools and equipment over a period of 3 to 10 years.

No depreciation is charged on freehold land or on assets in course of construction.

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.

Stocks

Stocks are valued at the lower of cost and net realisable value. Cost includes all appropriate production overheads and 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 (note 20). The cost of bills and finance leases have 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.

Deferred taxation

Deferred taxation is taken into account to the extent that a liability will probably arise in the foreseeable future and is calculated at taxation 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.

2. Segmental Analyses

a) By division 1998

	Turnover				
	Gross	**Inter-division**	**Net**	**Profit before taxation**	**Net assets employed**
	£m	**£m**	**£m**	**£m**	**£m**
Pipe Systems	**375.5**	**(0.4)**	**375.1**	**39.2**	**252.1**
Consumer & Foodservice Products	**174.6**	**(0.6)**	**174.0**	**13.6**	**41.7**
Core operations	**550.1**	**(1.0)**	**549.1**	**52.8**	**293.8**
Metals Processing	**113.9**	**(0.8)**	**113.1**	**3.4**	**36.0**
Total continuing activities					
- before goodwill amortisation	**664.0**	**(1.8)**	**662.2**	**56.2**	**329.8**
- goodwill amortisation	**-**	**-**	**-**	**(2.1)**	**130.7**
Total continuing activities	**664.0**	**(1.8)**	**662.2**	**54.1**	**460.5**
Discontinued activities	**356.9**	**(3.7)**	**353.2**	**24.8**	**66.2**
Interest	**-**	**-**	**-**	**(3.6)**	**-**
Total activities before exceptional charges	**1,020.9**	**(5.5)**	**1,015.4**	**75.3**	**526.7**
Exceptional charges	**-**	**-**	**-**	**(38.9)**	**-**
Taxation and dividends	**-**	**-**	**-**	**-**	**(33.7)**
Net borrowings	**-**	**-**	**-**	**-**	**(158.5)**
Total Group	**1,020.9**	**(5.5)**	**1,015.4**	**36.4**	**334.5**

Turnover of £55.0m and profit before interest of £6.4m relating to acquisitions are included above. The results of Friatec since acquisition have been included in Pipe Systems and amount to turnover of £24.6m and profit before interest of £2.4m.

By division 1997

	Turnover				
	Gross	Inter-division	Net	Profit before taxation	Net assets employed
	£m	£m	£m	£m	£m
Pipe Systems	357.5	(2.5)	355.0	35.3	115.7
Consumer & Foodservice Products	163.8	(0.8)	163.0	14.9	39.5
Core operations	521.3	(3.3)	518.0	50.2	155.2
Metals Processing	120.4	(1.0)	119.4	7.2	39.0
Property disposals	-	-	-	0.6	-
Total continuing activities	641.7	(4.3)	637.4	58.0	194.2
Discontinued activities	609.4	(5.3)	604.1	38.1	124.3
Interest	-	-	-	(6.7)	-
Total activities before exceptional charges	1,251.1	(9.6)	1,241.5	89.4	318.5
Exceptional charges	-	-	-	(13.2)	-
Taxation and dividends	-	-	-	-	(38.1)
Net borrowings	-	-	-	-	(2.5)
Total Group	1,251.1	(9.6)	1,241.5	76.2	277.9

An analysis of net operating assets by category of asset is given on page 64.

Discontinued activities for both years include the figures for the recently announced disposals after the year end of the major part of the Metals Processing business, Amari Plastics plc and Port Plastics Inc. The figures for 1997 have also been restated for the disposal in the year of the Metals Distribution division and the other smaller disposals.

2. Segmental Analyses (continued)

b) Geographically 1998	**Turnover**			**Profit**	
	Gross	**Inter-region**	**Net**	**before taxation**	**Net assets employed**
	£m	**£m**	**£m**	**£m**	**£m**
United Kingdom	**455.8**	**(8.5)**	**447.3**	**31.1**	**207.8**
Germany	**40.5**	**(0.3)**	**40.2**	**3.3**	**163.7**
Other Europe	**70.4**	**(4.3)**	**66.1**	**9.0**	**58.4**
North & South America	**92.7**	**(0.4)**	**92.3**	**8.8**	**21.8**
Australia & Asia	**17.9**	**(1.6)**	**16.3**	**1.9**	**8.8**
Total continuing activities	**677.3**	**(15.1)**	**662.2**	**54.1**	**460.5**
Discontinued activities	**376.7**	**(23.5)**	**353.2**	**24.8**	**66.2**
Interest	**-**	**-**	**-**	**(3.6)**	**-**
Total activities before exceptional charges	**1,054.0**	**(38.6)**	**1,015.4**	**75.3**	**526.7**
Exceptional charges	**-**	**-**	**-**	**(38.9)**	**-**
Taxation and dividends	**-**	**-**	**-**	**-**	**(33.7)**
Net borrowings	**-**	**-**	**-**	**-**	**(158.5)**
Total Group	**1,054.0**	**(38.6)**	**1,015.4**	**36.4**	**334.5**

The above analysis includes the following relating to Friatec	**Net turnover**	**Profit before interest**	**Net assets employed**
	£m	**£m**	**£m**
United Kingdom	**0.6**	**(0.1)**	**1.4**
Germany	**14.1**	**2.9**	**181.6**
Other Europe	**7.7**	**(0.4)**	**14.6**
Rest of World	**2.2**	**-**	**4.8**
Total	**24.6**	**2.4**	**202.4**

Geographically 1997	Turnover			Profit	
	Gross	Inter-region	Net	before taxation	Net assets employed
	£m	£m	£m	£m	£m
United Kingdom	473.5	(15.3)	458.2	37.2	147.2
Germany	21.1	-	21.1	(0.1)	6.3
Other Europe	51.4	(4.0)	47.4	6.9	19.2
North & South America	95.1	(0.5)	94.6	12.1	13.3
Australia & Asia	18.9	(2.8)	16.1	1.9	8.2
Total continuing activities	660.0	(22.6)	637.4	58.0	194.2
Discontinued activities	604.1	-	604.1	38.1	124.3
Interest	-	-	-	(6.7)	-
Total activities before exceptional charges	1,264.1	(22.6)	1,241.5	89.4	318.5
Exceptional charges	-	-	-	(13.2)	-
Taxation and dividends	-	-	-	-	(38.1)
Net borrowings	-	-	-	-	(2.5)
Total Group	1,264.1	(22.6)	1,241.5	76.2	277.9

The above analysis has been restated from the prior year to segregate information relating to Germany and other European countries, previously shown in aggregate, following the acquisition of Friatec.

2. Segmental Analyses (continued)

c) Turnover by customer location

	1998		1997	
	£m	**%**	£m	%
Europe (except United Kingdom)	**138.1**	**20.9**	114.6	17.9
North & South America	**115.4**	**17.4**	115.1	18.0
Australia & Asia	**23.2**	**3.5**	26.0	4.1
Middle East	**8.4**	**1.3**	8.1	1.3
Africa	**2.8**	**0.4**	2.3	0.4
Total overseas	**287.9**	**43.5**	266.1	41.7
United Kingdom	**374.3**	**56.5**	371.3	58.3
Total continuing activities	**662.2**	**100.0**	637.4	100.0
Discontinued activities	**353.2**		604.1	
Total turnover	**1,015.4**		1,241.5	

The above analysis includes the following relating to Friatec from its date of acquisition.

	Turnover
	£m
Europe (except United Kingdom)	**21.8**
North & South America	**1.1**
Australia & Asia	**0.4**
Middle East	**0.2**
Africa	**0.5**
Total overseas	**24.0**
United Kingdom	**0.6**
Total	**24.6**

Sales value of direct exports from the United Kingdom during the year was **£106.8m** (1997 £121.3m).
Sales value of exports from UK subsidiaries to overseas subsidiaries was an additional **£30.9m** (1997 £22.0m).
The Group is a supplier to many United Kingdom companies and its products form a part of their exports.

3. Net Operating Costs

	1998			1997		
	Continuing	Dis-continued	Total	Continuing	Dis-continued	Total
	£m	£m	£m	£m	£m	£m
Turnover	**662.2**	**353.2**	**1,015.4**	637.4	604.1	1,241.5
Less operating profit	**(54.1)**	**(24.8)**	**(78.9)**	(58.0)	(38.1)	(96.1)
Net operating costs	**608.1**	**328.4**	**936.5**	579.4	566.0	1,145.4
Net operating costs						
Raw materials and consumables	**296.6**	**246.3**	**542.9**	296.5	371.5	668.0
Staff costs (note 5)	**172.5**	**67.0**	**239.5**	159.6	101.3	260.9
Other operating charges	**101.4**	**35.4**	**136.8**	92.2	64.9	157.1
Change in stocks of finished goods and work in progress	**(1.4)**	**(32.6)**	**(34.0)**	(4.4)	1.9	(2.5)
Other operating income	**(8.7)**	**(3.7)**	**(12.4)**	(6.3)	(2.0)	(8.3)
Other external charges	**29.9**	**10.2**	**40.1**	25.4	19.3	44.7
Amortisation of goodwill (note 12)	**2.1**	-	**2.1**	-	-	-
Depreciation and other amounts written off tangible fixed assets (note 13)	**16.0**	**5.8**	**21.8**	16.4	9.1	25.5
Share of profits of associated undertakings	**(0.3)**	-	**(0.3)**	-	-	-
Total net operating costs	608.1	328.4	936.5	579.4	566.0	1,145.4

The figures for 1998 include the following amounts relating to acquisitions:

	1998
	£m
Turnover	**55.0**
Less operating profit	**(6.4)**
Net operating costs	**48.6**
Net operating costs	
Raw material and consumables	**21.6**
Staff costs	**17.8**
Other operating charges	**8.3**
Change in stocks of finished goods and work in progress	**(2.7)**
Other operating income	**(2.4)**
Other external charges	**1.1**
Amortisation of goodwill	**2.1**
Depreciation and other amounts written off tangible fixed assets	**2.8**
Total net operating costs	**48.6**

3. Net Operating Costs (continued)

Total net operating costs include the following:	1998 £m	1997 £m
Reorganisation and redundancy	**0.8**	2.5
Profit on sale of tangible fixed assets	**-**	0.6
Research and development	**4.8**	3.2
Operating lease rentals		
Hire of plant, equipment and vehicles	**5.4**	6.3
Other operating leases – property rentals	**5.5**	8.4
Total operating lease rentals	**10.9**	14.7
Auditors' remuneration		
Audit services		
- Primary auditors (Company £0.2m (1997 £0.3m))	**0.7**	1.1
- Other auditors of Group companies	**0.1**	0.1
Total audit services	**0.8**	1.2
Other services provided by primary auditors		
- Services in connection with Stock Exchange related transactions	**0.3**	-
- Other services	**0.6**	0.3

4. Directors' Emoluments

	1998 £000	1997 £000
Aggregate emoluments	**1,094**	972
Payments and benefits in respect of retirement	**-**	158
Company pension contributions to money purchase scheme	**-**	115
Total Directors' remuneration	**1,094**	1,245
Gains made on exercise of share options	**-**	13

Retirement benefits are accruing to 3 (1997: 3) Directors under the Group's defined benefit pension scheme. No Directors (1997:1) have retirement benefits accruing under money purchase schemes.

Payments in the year to former directors were £nil (1997: £7,500) for pension trustee fees and £nil (1997 £18,463) for consultancy.

Highest paid Director	1998 £000	1997 £000
Aggregate emoluments	**373**	324
Payments and benefits in respect of retirement	**-**	158
Company pension contributions to money purchase scheme	**-**	115
Total remuneration	**373**	597

Further details of Directors' emoluments are given in the Remuneration Report on pages 29 to 33.

5. Employee Information

Average number of employees	1998 number	1997 number
Europe including United Kingdom	**10,294**	11,404
North & South America	**961**	876
Australia & Asia	**369**	302
Total (including Executive Directors)	**11,624**	12,582

	1998			1997		
	Continuing	**Dis-continued**	**Total**	Continuing	Dis-continued	Total
	£m	**£m**	**£m**	£m	£m	£m
Staff Costs						
Wages and salaries	**147.9**	**56.9**	**204.8**	135.3	89.0	224.3
Social security costs	**16.8**	**5.3**	**22.1**	14.0	8.2	22.2
Other pension costs	**7.8**	**4.8**	**12.6**	10.3	4.1	14.4
Total staff costs (including Executive Directors)	**172.5**	**67.0**	**239.5**	159.6	101.3	260.9

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 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, 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 and for subsequent years and the surplus was spread over the expected future service of employees on a straight line basis. At 31st December 1998 the pension prepayment held in the Group's balance sheet is £8.0m (1997 : £1.1m).

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 valuation resulted in an increase in the existing provision as shown in note 28 and the overall liability at 31st December 1998 was £7.7m.

6. Interest

Interest payable	1998 £m	1997 £m
Bank loans and overdrafts	**9.0**	7.3
All other borrowings	**0.6**	0.4
Finance leases	**-**	0.2
Total interest payable	**9.6**	7.9
Less interest receivable and similar income	**(6.0)**	(1.2)
Interest payable (net)	**3.6**	6.7

7. Taxation

On the profit for the year	1998 £m	1997 £m
United Kingdom corporation tax (based on a rate of 31%, 1997 31.5%)	**9.3**	15.6
Overseas taxation	**12.9**	11.7
Taxation on the profit for the year	**22.2**	27.3
Prior years' adjustments	**(2.6)**	0.6
Deferred taxation (note 21)	**4.1**	2.5
Advance corporation tax written off	**3.8**	-
Total taxation on profit on ordinary activities	**27.5**	30.4
Taxation on exceptional charges included above	3.6	2.6

8. Profit for the year

Group profit after taxation and minority interests for the year was **£8.3m** (1997 £45.8m). 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: its corresponding profit was **£159.0m** (1997 £57.8m).

9. Dividends

Ordinary dividends	1998 £m	1997 £m
Interim dividend paid of 4.4p per share (1997 4.4p)	**10.8**	10.8
Proposed final dividend of 8.8p per share (1997 8.8p)	**21.3**	21.7
Total ordinary dividends of 13.2p per share (1997 13.2p)	**32.1**	32.5
Preference dividends 5.425%	**0.1**	0.1
Total dividends	**32.2**	32.6

10. (Transfer from reserves)/profit retained

	1998 £m	1997 £m
Glynwed International plc (note 23)	**126.8**	25.2
Subsidiary companies	**(150.7)**	(12.0)
Total (transfer from reserves)/profit retained	**(23.9)**	13.2

Notes to the accounts

Continued

11. Calculation of Earnings per Share

	1998	1997
	million	million
Average number of ordinary shares in issue	245.9	245.3
Dilution for share options outstanding	-	-
Average number of shares for diluted earnings per share	**245.9**	245.3

	£m	£m
Earnings per share – net basis		
Profit on ordinary activities after taxation	8.9	45.8
Minority interests (note 24)	(0.6)	-
Less preference dividends	(0.1)	(0.1)
Earnings	**8.2**	45.7

	pence	pence
Earnings per share – net basis and fully diluted	**3.3**	18.6

The calculation of the earnings per share under the Institute of Investment Management and Research (IIMR) definition, which is commonly used by financial analysts, is set out below:

	£m	£m
Profit after taxation but before exceptional charges	51.4	61.6
Add back goodwill amortisation	2.1	-
Less profit on sale of tangible fixed assets	-	(0.6)
Adjusted profit on ordinary activities after taxation	53.5	61.0
Minority interests (note 24)	(0.6)	-
Less preference dividends	(0.1)	(0.1)
Adjusted earnings	**52.8**	60.9

	pence	pence
Earnings per share – IIMR basis	**21.5**	24.8

12. Goodwill

	1998	1997
	£m	£m
At beginning of year	-	-
Arising from acquisitions in the year (note 28)	132.3	-
Exchange adjustments	0.5	-
Amortisation in the year (note 3)	(2.1)	-
At end of year	**130.7**	-

13. Tangible Fixed Assets

	1998						1997
	Land and buildings						
	Freehold	Leasehold Long	Leasehold Short	Plant and machinery	Fixtures, fittings, tools and equipment	Total tangible fixed assets	Total tangible fixed assets
	£m	£m	£m	£m	£m	£m	£m
Cost and valuation							
At beginning of year	81.3	8.2	0.7	217.1	72.2	**379.5**	432.9
Exchange adjustments	0.7	-	0.1	1.2	0.5	**2.5**	(7.7)
Businesses acquired	92.2	0.2	-	40.7	54.2	**187.3**	3.0
Additions at cost	1.1	-	0.2	15.2	13.9	**30.4**	37.4
Disposals	(12.3)	(4.9)	(0.2)	(23.5)	(18.1)	**(59.0)**	(86.1)
Reclassification	-	-	-	(10.1)	10.1	-	-
At end of year	163.0	3.5	0.8	240.6	132.8	**540.7**	379.5
Analysis of cost and valuation							
Cost	98.5	1.2	0.8	240.6	132.8	**473.9**	298.8
Professional valuations 1995	64.2	2.3	-	-	-	**66.5**	78.1
Directors' valuations	0.3	-	-	-	-	**0.3**	2.6
At end of year	163.0	3.5	0.8	240.6	132.8	**540.7**	379.5
Accumulated depreciation							
At beginning of year	1.7	0.2	0.6	152.7	50.4	**205.6**	240.9
Exchange adjustments	0.1	-	-	0.7	0.5	**1.3**	(4.9)
Businesses acquired	3.3	-	-	26.3	44.7	**74.3**	0.8
Provision for the year	1.2	0.1	0.1	11.2	9.2	**21.8**	25.5
Disposals	(0.3)	(0.1)	(0.1)	(14.6)	(12.6)	**(27.7)**	(56.7)
Reclassification	-	-	-	(8.0)	8.0	-	-
At end of year	6.0	0.2	0.6	168.3	100.2	**275.3**	205.6
Net book value							
At end of year	**157.0**	**3.3**	**0.2**	**72.3**	**32.6**	**265.4**	173.9
At beginning of year	79.6	8.0	0.1	64.4	21.8	**173.9**	192.0

Included in the cost of tangible fixed assets is **£8.8m** (1997 £6.4m) in respect of assets in course of construction.

The historical cost to the relevant businesses of tangible fixed assets amounts to **£584.0m** (1997 £358.8m) and the accumulated depreciation thereon is **£347.8m** (1997 £215.6m), giving a net historical book value of **£236.2m** (1997 £143.2m).

The net book value of tangible fixed assets includes **£0.9m** (1997 £0.6m) in respect of assets held under finance leases. Depreciation for the year on these assets was **£0.2m** (1997 £0.3m).

14. Commitments

Group	1998	1997
a) Capital commitments	£m	£m
Contracted for but not provided in the accounts	6.2	6.3

b) Operating lease commitments	1998		1997	
	Land & buildings £m	Other operating leases £m	Land & buildings £m	Other operating leases £m
For leases expiring:				
- after more than five years	2.2	0.1	4.9	0.1
- between two and five years	2.7	2.7	3.3	2.0
- between one and two years	1.9	1.4	1.5	1.1
- within one year	1.6	1.3	1.3	1.8
Total operating lease commitments	8.4	5.5	11.0	5.0

Company

Glynwed International plc has no capital or operating lease commitments (1997 nil).

15. Investments

Group	Share of net assets of associated undertakings £m	Other investments £m	Total £m
Fixed asset investments			
Cost at beginning of year	1.0	0.5	1.5
Increase in value in year	0.2	0.1	0.3
Acquired with acquisitions (note 28)	0.1	-	0.1
Cost at end of year	1.3	0.6	1.9

Businesses held with a view to resale	£m
Acquired in the year (note 28)	26.5
Less proceeds received on disposal of a business	(8.8)
At end of year	17.7

Certain businesses acquired with the acquisition of Friatec AG were being held exclusively for resale. Friatec RPP GmbH System Altvater was sold in November 1998 and the dental implant businesses ("Friadent") and the USA medical businesses continue to be held for resale. Put and call options exist in respect of Friadent. Financial statements of these businesses made up to 31st December 1998 show aggregate net assets of £5.8m and profit after taxation of £1.1m for the year then ended. These businesses share facilities with other parts of the Friatec group but do not trade with the group. At the year end, balances with the rest of the group were not material.

15. Investments (continued)

Company	Cost of shares £m	Provisions £m	Net book value £m	Amounts due from subsidiaries £m	Amounts due to subsidiaries £m	Total £m
Subsidiaries						
At beginning of year	202.9	(47.2)	**155.7**	202.2	(178.3)	**179.6**
Movements in year:						
- additional investments	123.2	-	**123.2**	-	-	**123.2**
- additions	48.5	-	**48.5**	-	-	**48.5**
- disposals	(0.6)	-	**(0.6)**	-	-	**(0.6)**
- other	-	(0.8)	**(0.8)**	295.6	(82.1)	**212.7**
At end of year	**374.0**	**(48.0)**	**326.0**	**497.8**	**(260.4)**	**563.4**

16. Stocks

	1998 £m	1997 £m
Raw materials and consumables	**33.5**	29.5
Work in progress	**25.6**	18.2
Finished goods and goods for resale	**104.5**	134.0
Total stocks	**163.6**	181.7

17. Debtors

	1998 Group £m	1998 Company £m	1997 Group £m	1997 Company £m
Operating debtors				
- falling due within one year				
Trade debtors	**168.3**	-	219.6	-
Dividends receivable from Group undertakings	-	-	-	94.3
Other amounts owed by Group undertakings	-	**444.2**	-	202.2
Other debtors	**13.4**	-	12.0	0.1
Prepayments and accrued income	**11.8**	**4.7**	9.3	-
	193.5	**448.9**	240.9	296.6
- falling due after one year				
Other amounts owed by Group undertakings	-	**53.6**	-	-
Other debtors	**7.0**	-	-	-
Pension prepayment (see below)	**8.0**	-	1.1	-
Total operating debtors	**208.5**	**502.5**	242.0	296.6
Advance corporation tax				
- falling due within one year	-	**14.6**	-	19.2
- falling due after more than one year	-	-	5.4	5.4
Total advance corporation tax	-	**14.6**	5.4	24.6
Total debtors	**208.5**	**517.1**	247.4	321.2

Pension prepayment	£m
Prepayment at beginning of year	**1.1**
Released on disposal of businesses (note 28)	**2.5**
Movement in the year	**4.4**
Prepayment at end of year	**8.0**

18. Creditors

	1998		1997	
	Group	Company	Group	Company
Amounts falling due within one year	£m	£m	£m	£m
Operating creditors				
Trade creditors	132.6	-	196.1	-
Amounts owed to Group undertakings	-	260.4	-	178.3
Social security	3.8	-	3.8	-
Accruals and deferred income (1997 restated)	26.3	1.0	16.2	0.3
Other creditors	69.6	4.5	38.7	0.6
Total operating creditors	232.3	265.9	254.8	179.2
Taxation and dividends payable				
Taxation	9.1	7.9	21.8	8.1
Dividends payable	21.3	21.3	21.7	21.7
Total taxation and dividends payable	30.4	29.2	43.5	29.8

The Group's accruals and deferred income balance for 1997 has been restated (see note 1).

19. Contingent Liabilities

The Group had contingent liabilities given in the normal course of business of £1.8m at 31st December 1998 (1997 £nil).

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.

The parent company has given a number of financial and performance guarantees on behalf of subsidiaries: the relevant liabilities are included in the consolidated balance sheet.

20. Borrowings

	1998	1997
a) Summary of Group borrowings from the balance sheet	£m	£m
Floating Rate Loan Notes – 1996/2005	8.4	2.4
Bills of exchange discounted with a cost to the Group	-	0.5
Finance leases	0.6	0.3
Other borrowings	38.1	15.2
Total falling due within one year	47.1	18.4
Finance leases	0.5	0.3
Other borrowings	173.2	16.3
Total falling due after one year	173.7	16.6
Total borrowings	220.8	35.0
Cash at bank and in hand	(62.3)	(32.5)
Total net borrowings	158.5	2.5

20. Borrowings (continued)

b) Maturity of borrowings

	1998			1997		
	Secured	**Unsecured**	**Total**	Secured	Unsecured	Total
Group	**£m**	**£m**	**£m**	£m	£m	£m
Amounts repayable						
- within one year	2.0	45.1	**47.1**	0.3	18.1	18.4
- between one and two years	1.7	6.0	**7.7**	0.2	2.2	2.4
- between two and five years	3.7	161.6	**165.3**	0.1	4.2	4.3
- after five years:						
- by instalments	0.4	0.3	**0.7**	-	9.6	9.6
- other than by instalments	-	-	**-**	-	0.3	0.3
Total borrowings	**7.8**	**213.0**	**220.8**	0.6	34.4	35.0
Cash at bank and in hand			**(62.3)**			(32.5)
Total net borrowings			**158.5**			2.5
Company						
Amounts repayable						
- within one year	-	48.8	**48.8**	-	40.9	40.9
- between one and two years	-	4.1	**4.1**	-	-	-
- between two and five years	-	161.5	**161.5**	-	4.1	4.1
- over five years by instalments	-	-	**-**	-	9.6	9.6
- after one year	-	165.6	**165.6**	-	13.7	13.7
Total borrowings	**-**	**214.4**	**214.4**	-	54.6	54.6
Cash at bank and in hand			**(0.9)**			(0.5)
Total net borrowings			**213.5**			54.1

Bank loans and other borrowings are denominated in a number of currencies and bear interest based on LIBOR or foreign equivalents which are not more than the appropriate market rate.

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

21. Provisions for Liabilities and Charges

	Pensions	**Deferred Taxation**	**Other**	**Total**
Group	**£m**	**£m**	**£m**	**£m**
Provisions at beginning of year restated	-	-	25.8	**25.8**
Movement in year	1.5	-	(7.5)	**(6.0)**
Realisation of provisions into creditors	-	-	(7.7)	**(7.7)**
Provisions transferred on disposal of businesses (note 28)	(0.8)	-	-	**(0.8)**
Provisions/(assets) acquired with acquisitions (note 28)	7.7	(0.8)	9.9	**16.8**
Tax charge in year (note 7)	-	4.1	-	**4.1**
Exchange adjustment	(0.1)	-	-	**(0.1)**
Provisions at end of year	**8.3**	**3.3**	**20.5**	**32.1**

The 1997 balance has been restated (see note 1).

21. Provisions for Liabilities and Charges (continued)

Deferred taxation

	1998		1997	
	Provided	Potential unprovided	Provided	Potential unprovided
	£m	£m	£m	£m
Timing differences between tax allowances and depreciation	2.5	(8.9)	(0.1)	(7.2)
Other timing differences	0.8	0.7	0.1	0.8
Total deferred taxation	**3.3**	**(8.2)**	-	(6.4)

Other provisions

	Warranties & product liability	Property & reorgan-isation	Insurance & other	Total
	£m	£m	£m	£m
Provisions at beginning of year restated	2.7	3.3	19.8	**25.8**
Movement in year	(0.9)	2.5	(9.1)	**(7.5)**
Realisation of provisions into creditors	-	-	(7.7)	**(7.7)**
Provisions acquired with acquisitions	3.9	2.9	3.1	**9.9**
Other provisions at end of year	**5.7**	**8.7**	**6.1**	**20.5**

Company

The Company does not have any provisions (1997 : nil).

22. Share Capital

	Ordinary Shares of 25p each		5.425% Cumulative Preference Shares of £1 each	
	1998	1997	**1998**	1997
Value	**£m**	£m	**£m**	£m
Authorised	**81.8**	81.8	**1.3**	1.3
Allotted and fully paid	**60.6**	61.5	**1.3**	1.3
Number	**million**	million	**million**	million
Authorised	**327.0**	327.0	**1.3**	1.3
Allotted and fully paid	**242.3**	246.2	**1.3**	1.3

The preference share capital of **£1.3m** (1997 £1.3m) represents the only non-equity interests included in total shareholders' funds.

During the year 0.3m ordinary shares of 25p each (nominal value £0.1m) were issued in connection with the Company's share option schemes, for an aggregate consideration of **£0.7m**. Additionally 4.2m ordinary shares of 25p each (nominal value £1.0m) representing 1.7% of the issued share capital were purchased back by the Company at a cost of **£6.8m**.

22. Share Capital (continued)

Under the Glynwed International 1994 Senior Executive Share Option Scheme 375,000 options were granted during the year. Options outstanding at 31st December 1998 under the following schemes are set out below:

Senior Executive Share Option Schemes

	Number of ordinary shares	Option price p per share	Exercisable in the 7 years to
	479,000	308	September 1999
	264,300	200	September 2002
	3,252,500	288	April 2007
	325,000	321	May 2008
Total	**4,320,800**		

Savings-Related Share Option Schemes

	Number of ordinary shares	Option price p per share	Exercisable in the 6 months to
	1,238,677	243	December 2000
	275,165	268	May 2000
	929,408	268	May 2002
Total	**2,443,250**		

Additionally, certain options granted under Victaulic PLC schemes before its acquisition by Glynwed International plc have been converted to options for Glynwed International plc shares. At 31st December 1998 options outstanding under these schemes are set out below:

Executive Share Option Scheme

	Number of ordinary shares	Option price p per share	Exercisable in the 7 years to
	7,765	200.89	March 2000
	20,382	243.39	April 2001
	73,768	382.73	April 2002
	64,064	302.88	April 2004
Total	**165,979**		

Savings-Related Share Option Scheme

	Number of ordinary shares	Option price p per share	Exercisable in the 6 months to
	105,609	245.19	May 1999
	107,004	216.35	May 2000
Total	**212,613**		

23. Reserves

Group	Share premium £m	Revaluation reserve £m	Capital redemption reserve £m	Profit and loss account £m	Total £m
At beginning of year	25.0	20.0	-	169.7	**214.7**
Exchange differences	-	-	-	3.0	**3.0**
Premium on shares issued	0.6	-	-	-	**0.6**
Buyback of shares (see note 22)	-	-	1.0	(6.8)	**(5.8)**
Goodwill previously written off on disposals (note 28)	-	-	-	75.1	**75.1**
Transfer between reserves	-	(4.0)	-	4.0	-
Transfer from reserves	-	-	-	(23.9)	**(23.9)**
At end of year	**25.6**	**16.0**	**1.0**	**221.1**	**263.7**

Company	Share premium £m	Revaluation reserve £m	Capital redemption reserve £m	Profit and loss account £m	Total £m
At beginning of year	25.0	-	-	126.0	**151.0**
Premium on shares issued	0.6	-	-	-	**0.6**
Buyback of shares	-	-	1.0	(6.8)	**(5.8)**
Profit retained	-	-	-	126.8	**126.8**
At end of year	**25.6**	-	**1.0**	**246.0**	**272.6**

The cumulative amount of goodwill written off to reserves in respect of continuing businesses since 1984 is £221.2m.

In accordance with SSAP 20, for each currency, exchange differences arising from the translation of foreign currency borrowing used to finance foreign currency investments, have been offset as reserves 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 **£0.2m** (1997 losses £0.8m) have been taken to reserves.

24. Minority Interests

	1998 £m
At beginning of year restated	**0.4**
Arising from acquisitions in the year (note 28)	**7.9**
Profit attributable to minority interests	**0.6**
At end of year	**8.9**

25. Reconciliation of Operating Profit to Net Cash Inflow from Operating Activities

	1998 £m	Restated 1997 £m
Operating profit	**78.9**	96.1
Share of profits of associated undertakings (note 3)	**(0.3)**	-
Amortisation of goodwill (note 3)	**2.1**	-
Depreciation (note 3)	**21.8**	25.5
Profit on sale of tangible fixed assets	**-**	(0.6)
(Increase)/decrease in stocks	**6.0**	(3.5)
(Increase)/decrease in debtors	**9.2**	(0.1)
Increase/(decrease) in creditors	**(25.6)**	1.2
Increase/(decrease) in provisions	**(7.5)**	-
Exchange adjustment on profit for the year	**1.6**	(2.8)
Net cash inflow from operating activities	**86.2**	115.8

1997 has been restated to show cash flows on reorganisation as part of a net movement on creditors. Operating cashflows relating to acquisitions and disposals are shown in note 28.

26. Returns on Investments and Servicing of Finance

	1998 £m	1997 £m
Interest charge per profit and loss account	**(3.6)**	(6.7)
Movement in prepayments and accruals	**0.7**	(0.8)
Net interest paid	**(2.9)**	(7.5)
Interest received	**6.0**	1.2
Interest paid	**(8.9)**	(8.5)
Interest element of finance lease rentals paid	**-**	(0.2)
Net interest paid	**(2.9)**	(7.5)
Preference dividend paid	**(0.1)**	(0.1)
Net cash outflow from returns on investments and servicing of finance	**(3.0)**	(7.6)

27. Capital Expenditure and Financial Investment

	1998 £m	1997 £m
Purchase of tangible fixed assets		
- additions at cost (note 13)	**(30.4)**	(37.4)
- less purchased with finance leases (note 30)	**0.8**	0.5
Total capital expenditure	**(29.6)**	(36.9)
Sale of tangible fixed assets	**12.5**	5.7
Net cash outflow from capital expenditure and financial investment	**(17.1)**	(31.2)

28. Acquisitions and Disposals

a) Acquisitions

The principal acquisitions during the year were Friatec AG, Williams Refrigeration Limited, Straub Holdings AG and the trade and assets of the Akatherm group. The Group also acquired the remaining minority interest in Vereinigte Kunststoff-Pumpen GmbH and Service Line, Catering Equipment Engineers Limited

The consolidated results of Friatec AG from 1st January 1998 to the date of acquisition on 28th October 1998 are summarised below:

	1st January to 28th October 1998 £m
Turnover	**180.9**
Operating profit	**14.8**
Net interest payable	**(1.0)**
Profit on ordinary activities before taxation	**13.8**
Taxation	**(9.2)**
Profit on ordinary activities after taxation	**4.6**
Minority interests	**(0.4)**
Currency translation differences on foreign currency net investments	**(0.4)**
Total recognised gains and losses relating to the period	**3.8**

The profit on ordinary activities after taxation and minority interests for the year ended 31st December 1997 was £10.7m.

28 a) Acquisitions (continued)

Goodwill arising from acquisitions

	Friatec AG					Other acquisitions in total (see below)	
	Book Value	Accounting policy alignment	Revaluation	Businesses held for resale	Provisional fair value	Provisional fair value	Total
Notes (see page 59)		(i)	(ii)	(iii)			
	£m	£m	£m	£m	£m	£m	£m
Assets acquired							
Intangible assets	5.9	(5.9)	-	-	-	-	-
Tangible fixed assets	45.3	1.3	48.1	-	94.7	18.3	**113.0**
Investments (note 15)	-	-	-	-	-	0.1	**0.1**
Stocks	33.3	-	(3.0)	-	30.3	5.9	**36.2**
Debtors	34.4	-	(1.1)	-	33.3	16.1	**49.4**
Businesses held for resale (note 15)	-	-	-	26.5	26.5	-	**26.5**
Cash at bank and in hand	9.7	-	-	-	9.7	19.4	**29.1**
Other creditors	(29.3)	-	(0.1)	-	(29.4)	(12.9)	**(42.3)**
Taxation	(1.3)	-	-	-	(1.3)	(2.8)	**(4.1)**
Borrowings acquired	(6.5)	-	-	-	(6.5)	-	**(6.5)**
Deferred taxation	-	1.1	1.7	-	2.8	(2.0)	**0.8**
Pension provision (note 21)	(5.5)	(2.2)	-	-	(7.7)	-	**(7.7)**
Other provisions (note 21)	(2.1)	-	(4.5)	-	(6.6)	(3.3)	**(9.9)**
Minority interests (note 24)	(6.0)	0.3	(2.1)	(1.3)	(9.1)	1.2	**(7.9)**
Net assets acquired	**77.9**	**(5.4)**	**39.0**	**25.2**	**136.7**	**40.0**	**176.7**
Cash paid					185.6	90.3	**275.9**
Floating Rate Loan Notes 2005 issued					-	6.6	**6.6**
Deferred consideration					26.5	-	**26.5**
Total consideration					**212.1**	**96.9**	**309.0**
Goodwill arising (note 12)					**75.4**	**56.9**	**132.3**

The net cash consideration for Friatec, after the realisation of the businesses held for resale and net cash acquired, was £182.4m.

Note (see page 59)	Book value	Revaluation (ii)	Provisional fair value
	£m	£m	£m
Other acquisitions in total			
Tangible fixed assets	20.3	(2.0)	**18.3**
Investments	0.1	-	**0.1**
Stocks	8.7	(2.8)	**5.9**
Debtors	15.9	0.2	**16.1**
Cash at bank and in hand	19.4	-	**19.4**
Other creditors	(12.5)	(0.4)	**(12.9)**
Taxation	(2.7)	(0.1)	**(2.8)**
Deferred taxation	(2.0)	-	**(2.0)**
Other provisions	(2.5)	(0.8)	**(3.3)**
Minority interests	1.2	-	**1.2**
Net assets acquired	**45.9**	**(5.9)**	**40.0**

28 a) Acquisitions (continued)

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

(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. The provisional adjustment to taxation reflects a deferred tax asset for expected tax relief on fair value adjustments. The book value of other acquisitions includes £0.6m of provisions for re-structuring established in the 12 months prior to the acquisition by Glynwed.

The fair value adjustments contain some provisional amounts which will be finalised in the 1999 financial statements when the detailed acquisition investigations have been completed.

(iii) The deferred consideration represents additional payments due on the disposal of the dental implant businesses which are currently held as businesses held for resale. The deferred consideration is contingent on the proceeds realised for these businesses (see note 15).

Effect of acquisitions on the Group cash flow statement

Post-acquisition the effect on the Group cash flow statement was an inflow of £5.8m being cash inflow from operations of £13.4m, interest received of £0.5m, tax paid of £5.6m, cash outflow for capital expenditure and financial investment of £2.5m.

b) Disposals

During the year the Group disposed of all of its Metals Distribution division, Friatec RPP GmbH System Altvater and other smaller businesses as set out below. The disposal of the Metals Processing businesses (excluding the Steel Bar businesses) for an initial consideration of £145m, and Amari Plastics plc and Port Plastics Inc for an initial consideration of £19.1m, were completed after the year end. The trading results for these businesses have been included in discontinued activities, with the effects of the disposals to be accounted for in 1999.

Analysis of exceptional charges

	£m
Fixed assets	18.8
Businesses acquired with view to resale	8.8
Stocks	48.3
Debtors	80.6
Creditors	(81.3)
Taxation	(2.5)
Pension provision release (note 17)	(2.5)
Pension provision transferred (note 21)	(0.8)
Goodwill previously written off (note 23)	75.1
Total assets provided for or transferred with disposals	**144.5**
Proceeds received less costs incurred	111.4
Cash payable less proceeds receivable	(5.8)
Total proceeds less total costs	**105.6**
Total exceptional charges	**38.9**

In the period prior to divestment, the disposed businesses had a net operating cash outflow of £6.3m and spent £1.0m on capital expenditure and financial investment.

After the date of disposal the former Metals Distribution businesses supplied £0.7m of product to the Group on arms length terms.

28. Acquisitions and Disposals (continued)

c) Net cash (outflow)/inflow

	1998	1997
Current year acquisitions	**£m**	£m
Cash paid	**(275.9)**	(15.5)
Cash acquired	**29.1**	-
Total current year acquisitions	**(246.8)**	(15.5)
Prior year acquisitions	**(1.7)**	-
Total acquisitions outflow	**(248.5)**	(15.5)
Proceeds less cash costs of discontinued businesses	**111.4**	59.0
Net cash (outflow)/inflow	**(137.1)**	43.5

29. Financing

	1998		1997	
	£m	**£m**	£m	£m
Issue of ordinary share capital (note 22)		**0.7**		3.2
Buyback of ordinary share capital (note 22)		**(6.8)**		-
Increase/(decrease) in borrowings not repayable on demand (note 30)	**156.6**	-	(23.4)	-
Finance lease repayments (note 30)	**(0.3)**	-	(9.0)	-
Decrease in bills discounted (note 30)	**(0.5)**	-	(7.5)	-
Increase/(decrease) in debt		**155.8**		(39.9)
Movement in financing		**149.7**		(36.7)

30. Analysis of Movement in Net Borrowings

	Balance at beginning of year	Cash flow	Acquisitions (excluding cash and overdrafts)	Finance lease contracts taken out	Exchange translation adjustments	Balance at end of year
	£m	£m	£m	£m	£m	£m
Cash at bank and in hand (note 20)	(32.5)	(29.9)	-	-	0.1	**(62.3)**
Borrowings repayable on demand	9.7	16.0	-	-	-	**25.7**
Net cash	(22.8)	(13.9)	-	-	0.1	**(36.6)**
Other borrowings	24.2	156.6	13.1	-	0.1	**194.0**
Finance lease obligations	0.6	(0.3)	-	0.8	-	**1.1**
Bills discounted	0.5	(0.5)	-	-	-	-
Total net borrowings	**2.5**	**141.9**	**13.1**	**0.8**	**0.2**	**158.5**

31. Major Non-Cash Transactions

£6.6m of floating rate loan notes were issued in the year in connection with acquisitions (see note 28).

32. 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 1998 was **£0.3m** (1997 £0.9m).

33. Trading Subsidiaries

The following is a list of the Company's principal trading subsidiaries at 31st December 1998. A brief description of activities is given on page 3 of this Report and in the operational reports on pages 5 to 17. The 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, Viking Johnson, Victaulic Systems, VIP-Heinke and Wask-RMF.

Principal overseas businesses are:

- Akatherm International BV (based in Holland – locations also in Belgium & Germany)
- AVF-Astore Valves & Fittings Srl (Italy)
- Enfield Industrial Corp Inc (USA)
- FIP Formatura Iniezione Polimeri SpA (Italy)
- Friatec AG (95.006%)† (Based in Germany – locations also in Austria, Belgium, Brazil, China, Croatia, Czech Rep., Denmark, France, Italy, Malaysia, Netherlands, Poland, Portugal, Romania, South Africa, Spain, Sweden, Switzerland, UK, USA, Yugoslavia)
- Glynwed Rohrsysteme GmbH (Germany)
- 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)
- Kunststoffwerk Höhn GmbH (Germany)
- Material de Aireación SA (MASA) (97.3%) (Spain)
- Philmac Pty Limited (Australia)
- SED Ventilsysteme GmbH (Germany)
- Straub Kupplungen GmbH (Switzerland)

Glynwed Consumer & Foodservice Products

Glynwed Consumer & Foodservice Products Limited trades in the UK principally under the trade and business names of Aga Kitchen Products, Falcon Catering Equipment, Leisure Consumer Products and Wholesale Catering Equipment.

Other UK operations

Service Line, Catering Equipment Engineers Limited and Williams Refrigeration Limited (based in UK – locations also in Australia, China, France and USA).

Central Services

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

- Headland Insurance Limited (Bermuda)
- Glynwed Dublin Corp (Republic of Ireland)

Glynwed Group Services Limited

Glynwed Properties Limited

33. Trading Subsidiaries (continued)

Glynwed Metals Processing

* Glynwed Metals Processing Limited and Glynwed Steels Limited, traded in the UK principally under the trade and business names of Ductile, * Ductile Stourbridge, Dudley Port Rolling Mills, * Firth Cleveland Steel Strip, George Gadd & Co, GB Steel Bar, * Hub, * JB & S Lees, Longmore Brothers, Macreadys, * Monmore Tubes, * Newman-Tipper Tubes, W Wesson.

The division also operated in the UK as:

* Glynwed Engineered Products Limited which traded principally under the trade and business names of * Ansell Jones, * Lindapter International, * Paul Fabrications and * Steelway-Fensecure.

- * Amari Plastics plc.

Principal overseas businesses included:

- * Columbia International Inc (Canada)
- * Firth Cleveland Steels Inc (USA)
- * JB & S Lees Inc (USA)
- * Port Plastics Inc (USA)
- * JB & S Lees GmbH (Germany)
- * Lindapter SA (France)
- * Lindapter GmbH (Germany)

- 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 3% of the Group's turnover for the year.

* Businesses sold since year end.

Directors' Responsibilities

The following statement, which should be read in conjunction with the Auditors' responsibilities set out on page 63, is made with a view to distinguishing for shareholders the respective responsibilities of the Directors and of the auditors in relation to the financial statements.

The Directors are required by the Companies Act 1985 to prepare financial statements for each financial year which 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 the financial year.

The Directors consider that in preparing the financial statements on pages 34 to 62 on a going-concern basis, the Company and the Group have used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgments and estimates, and that all accounting standards which they consider to be applicable have been followed.

The Directors have responsibility 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 have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Auditors' Report

To the members of Glynwed International plc

We have audited the financial statements on pages 34 to 62.

Respective responsibilities of Directors and Auditors

The Directors are responsible for preparing the Annual Report, including as described on page 62 the financial statements. Our responsibilities, as independent auditors, are established 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 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 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 26 reflects the Company's compliance with those 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 form an opinion on the effectiveness of the Company's or Group's corporate governance procedures or its internal controls.

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 judgments 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 at 31st December 1998 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
24th March 1999

Five Year Financial History

		1998	1997	1996	1995	1994
Trading results		**£m**	£m	£m	£m	£m
Turnover		**1,015**	1,242	1,324	1,252	1,025
Operating profit before goodwill amortisation		**81.0**	96.1	95.4	93.7	74.4
Goodwill amortisation		**(2.1)**	-	-	-	-
Interest payable (net)		**(3.6)**	(6.7)	(9.1)	(8.8)	(7.3)
Profit before exceptional charges		**75.3**	89.4	86.3	84.9	67.1
Exceptional charges		**(38.9)**	(13.2)	(16.2)	(0.7)	-
Profit before taxation		**36.4**	76.2	70.1	84.2	67.1
Taxation						
- before exceptional charges		**(23.9)**	(27.8)	(28.7)	(27.2)	(22.6)
- exceptional charges		**(3.6)**	(2.6)	2.7	-	-
Profit after taxation		**8.9**	45.8	44.1	57.0	44.5
Balance sheet summary						
Net operating assets						
Goodwill		**130.7**	-	-	-	-
Fixed assets		**267.3**	175.4	193.4	208.4	174.0
Stocks		**163.6**	181.7	194.6	224.7	174.7
Operating debtors less creditors and provisions		**(52.6)**	(38.6)	(34.8)	(44.1)	(34.4)
Businesses held with a view to resale		**17.7**	-	-	-	-
Total net operating assets		**526.7**	318.5	353.2	389.0	314.3
Taxation and dividends		**(33.7)**	(38.1)	(35.7)	(42.0)	(34.4)
Total net borrowings		**(158.5)**	(2.5)	(66.1)	(100.8)	(57.1)
Total net assets employed		**334.5**	277.9	251.4	246.2	222.8
Financed by						
Ordinary shares		**60.6**	61.5	61.1	60.7	52.1
Reserves		**263.7**	214.7	188 7	183.8	168.5
Ordinary share capital and reserves		**324.3**	276.2	249.8	244.5	220.6
Preference shares		**1.3**	1.3	1.3	1.3	1.3
Total shareholders' funds		**325.6**	277.5	251.1	245.8	221.9
Minority interests		**8.9**	0.4	0.3	0.4	0.9
Total funds		**334.5**	277.9	251.4	246.2	222.8
Statistics						
Operating profit to turnover	%	**7.8**	7.7	7.2	7.5	7.3
Turnover to average net operating assets	x	**2.7**	3.5	3.4	3.5	3.4
Interest cover before exceptional charges	x	**21.9**	14.3	10.5	10.6	10.2
Debt/equity ratio	%	**47.4**	0.9	26.3	40.9	25.6
Dividend per ordinary share	p	**13.20**	13.20	12.75	12.75	12.25
Dividend cover before exceptional charges	x	**1.6**	1.9	1.8	1.8	1.7
Earnings per share – IIMR basis	p	**21.5**	24.8	22.8	25.8	19.9
– net basis	p	**3.3**	18.6	18.0	25.8	21.3

Interest cover is shown before exceptional charges. Prior year comparatives have been restated (see note 1).

Notice of Annual General Meeting

Notice is hereby given that the fifty-eighth Annual General Meeting of Glynwed International plc will be held at Headland House, New Coventry Road, Sheldon, Birmingham B26 3AZ on 13th May 1999 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 1998.
2. To declare a final dividend.
3. To re-elect ECS Macpherson as a Director.
4. To re-elect JC Blakeley as a Director.
5. To re-elect SL Howard as a Director.
6. 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.
7. 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 £20,196,163.
8. Subject to the passing of the foregoing resolution no. 7, 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 £3,029,424.

Special Business:

9. To consider the following resolution, which will be proposed as an ordinary resolution, that:
   (a) the Glynwed Long-Term Incentive Plan (the "LTIP") and the Glynwed Employees' Share Ownership Plan Trust (the "ESOP"), the main features of which are summarised in the circular to shareholders dated 24th March 1999, copies of which are produced to the meeting and initialled by the Chairman for the purpose of identification, be and they are hereby approved and adopted and the Directors be and are hereby authorised to do all such acts and things as they may consider necessary or expedient to carry the LTIP into effect and to establish the ESOP;
   (b) the Directors be and are hereby authorised to vote, and be counted in the quorum, on any matter connected with the LTIP and the ESOP, notwithstanding that they may be interested in the same (except that no Director may be counted in a quorum or vote in respect of his own participation), and the prohibition on voting by interested Directors contained in the Articles of Association of the Company be and is hereby disregarded accordingly.
10. To consider the following resolution, which will be proposed as an ordinary resolution, that:
    (a) the Glynwed Co-Investment Plan (the "Co-Investment Plan"), the main features of which are summarised in the circular to shareholders dated 24th March 1999, a copy of which is produced to the meeting and initialled by the Chairman for the purpose of identification, be and it is hereby approved and adopted and the Directors be and are hereby authorised to do all such acts and things as they may consider necessary or expedient to carry the Co-Investment Plan into effect (including operating the Glynwed Employees' Share Ownership Plan Trust in connection with the Co-Investment Plan); and
    (b) the Directors be and are hereby authorised to vote, and be counted in the quorum, on any matter connected with the Co-Investment Plan, notwithstanding that they may be interested in the same (except that no Director may be counted in a quorum or vote in respect of his own participation) and the prohibition on voting by interested Directors contained in the Articles of Association of the Company be and is hereby disregarded accordingly.

11. 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 20,463,100 (representing 8.44 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 advance corporation tax/other 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 advance corporation tax/other taxes (if any) 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.

12. To consider the following resolution, which will be proposed as a special resolution that:

(a) the share capital of the Company be reduced by cancelling and extinguishing all the 5.425% cumulative preference shares of £1 each and by repaying to the holders of such shares whose names appear in the register of members at the close of business on the day immediately prior to the date on which the reduction of capital involved herein becomes effective the amount paid up or credited as paid up thereon together with (i) a sum equal to the fixed cumulative preferential dividend accrued thereon to the date of repayment; and (ii) a premium per share calculated in accordance with the Articles of Association of the Company and certified by the auditors of the Company; and

(b) forthwith upon the above reduction of capital taking effect

(i) the current article 3 of the Company's Articles of Association be deleted and replaced with the following new article 3:
"Authorised capital
The authorised share capital of the Company is £73,163,005 divided into 292,652,020 Ordinary Shares of 25p each"; and

(ii) the current article 59(B) of the Company's Articles of Association be deleted and paragraphs (C) and (D) be re-lettered accordingly.

13. To consider the following resolution, which will be proposed as a special resolution:
That the current article 77 of the Company's Articles of Association be deleted and replaced with the following new article 77:
"Retirement by rotation
At each annual general meeting one-third of the Directors who are subject to retirement by rotation or, if their number is not three or a multiple of three, the number nearest to but not less than one-third shall retire from office. If there are fewer than three Directors who are subject to retirement by rotation, one shall retire from office. If any one or more Directors were last appointed or re-appointed three years or more prior to the meeting or were last appointed or re-appointed at the third immediately preceding annual general meeting, he or they shall retire from office and shall be counted in obtaining the number required to retire at the meeting."

By order of the Board
DJ Solomon
Secretary
Birmingham
12th April 1999

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 instead of him. A proxy need not be a member of the Company.

2. Only holders of preference or ordinary shares whose names appear on the register of members of the Company as at 12 noon on 11th May 1999 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 white form of proxy is enclosed for the use of ordinary shareholders and a blue form of proxy for the use of preference shareholders. These forms should be completed, signed and returned so that they arrive 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 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 no's. 7 to 13 (inclusive) is set out in the Report of the Directors' on pages 20 and 21, under the heading 'Share Capital of the Company and Annual General Meeting'. The main features of the Co-Investment Plan, LTIP and ESOP are summarised in the circular dated 24th March 1999.

1999 Financial Calendar

Annual General Meeting	13th May
Record date for final ordinary dividend	16th April
Final ordinary dividend payable	4th June
Half-year end	30th June
Record date for interim ordinary dividend	22nd October
Interim ordinary dividend payable	1st December
Preference dividend payable	30th June, 31st December
1999 year end	31st December

Main Addresses & Advisers

Head Office and Registered Office
Headland House, 54 New Coventry Road, Sheldon, Birmingham B26 3AZ
Telephone: 0121 742 2366 · Fax: 0121 742 0403 · Website: www.glynwed.com · e-mail: info@glynwed.com
Registered in England No. 354715

Registrars
Lloyds TSB Registrars, 54 Pershore Road South, Birmingham B22 1AD
Telephone: 0121 433 8000 · Fax. 0121 433 8209

Auditors
PricewaterhouseCoopers

Financial Advisers
Dresdner Kleinwort Benson

Bankers
HSBC
ABN Amro
Bayerische Landesbank
Dresdner Kleinwort Benson
Lloyds TSB
PNC Bank Corp

Stockbrokers
Dresdner Kleinwort Benson Securities
Albert E Sharp

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Glynwed

Glynwed International plc
Headland House,
New Coventry Road,
Sheldon,
Birmingham B26 3AZ.
Tel: 0121 742 2366.
Fax: 0121 743 0290
www.glynwed.co.uk