

Glynwed Limited
Report and Accounts
1978



Report and Accounts 1978

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Financial Highlights

		1978 £000	1977 £000
Turnover		316,437	285,440
Group trading profit		19,978	16,559
Interest charges		3,898	3,532
Group profit before taxation		16,080	13,027
Group profit attributable to ordinary shareholders		10,858	8,276
Ordinary dividends		5,973	5,263
Group profit retained		4,885	3,013
Operating assets employed		105,052	104,544
Capital expenditure		8,101	5,422
Depreciation		4,413	4,236
		1978 pence	1977 pence
Earnings per ordinary share	basic	17.81	13.93
	fully diluted	17.38	13.60
Dividends per ordinary share		9.15	8.20

Chairman's Statement

The group results, which are more fully discussed in the Report of the Directors, give rise to a mixture of pleasure and some disappointment. Profits before tax for the year were £16.08 million, a record for the group, but had we not suffered the effect of both internal and external strikes in the second half of the year the group would have achieved its forecast of £17 million. The principal internal problem was a five-week strike at The Wednesbury Tube Company, whilst the long-lasting strike at Fords adversely affected several of our companies, some of which were, for a period, working only a three-day week.

Dividend Your directors have decided to recommend an increase in the final dividend to 6.70p per share making a total for the year of 9.15p per share compared with 8.20p per share for 1977.

The Year's Activities The increase in profitability in 1978 over 1977 resulted mainly from improved performances in all the problem areas of the group with the exception of foundries where the reorganisation is taking longer than we had expected. Generally, the main thrust of our efforts in 1978 was concentrated on doing our traditional business more efficiently whilst waiting for the economic growth which has been promised year after year by successive governments and which they seem to be incapable of achieving without increasing the rate of inflation. The acquisition to which I referred last year of the domestic appliance business of the General Electric Company of America in South Africa was carried through by our South African company Defy in exchange for shares in Defy, thus reducing our proportion of the equity to 68 per cent. Rationalisation of distribution and manufacturing facilities is now in hand and results are already beginning to show. During 1978 we also took a 40 per cent interest in a company in the United States, Steelways Inc., which is primarily an outlet for bright steel bar. Towards the end of the year we sold Cashmores' sheet steel business to the British Steel Corporation, which improved the cash inflow for the year by approximately £4.5 million. Further cash benefits will accrue as assets are realised during 1979.

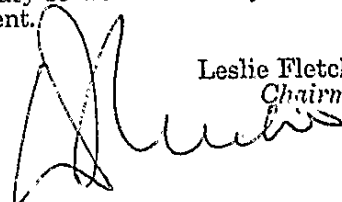
General Because of North Sea oil, Britain now has a balance of payments surplus and there is a consensus that we have the opportunity, perhaps the last, of reviving and expanding British industry. The future of Britain lies in industry—successful industry. Our oil reserves are finite but industry is not. Government must take steps while it has the opportunity to give real encouragement to industry because long after the oil has run dry it is companies like Glynwed who will still be creating the nation's wealth. Whilst Glynwed has received some benefit from government financial support mainly in the form of the temporary employment subsidy, which enabled us to keep some of our people in employment during periods of recession and reorganisation, I hope we can now look for a return to a more natural and constructive support for industry. In times of low activity, most companies invest in new building and plant and machinery so as to be ready for the next uplift in trade. Surely we should be doing the same thing on a national basis. There can be little excuse for any government which wrings its hands about the high number of unemployed, pays out large sums in social security benefits and at the same time diverts its own expenditure away from capital investment plans in, for example, housing and hospitals, which would provide additional employment.

Prospects The start of 1979 has, of course, been affected by the transport drivers' strike. Although we managed to survive the effects reasonably well, the economic and political scene is such as to make it impossible to arrive at a confident view for the results of the year but we shall be trying to improve on 1978.

Acknowledgments Despite the industrial relations difficulties during 1978, I would nevertheless wish to express the appreciation of the directors to the many people in the group who served us and the shareholders loyally and conscientiously during the year. We do not underestimate the pressures on them and for their forbearance we are indeed grateful.

Finally, your directors wish to place on record their fullest appreciation of Mr. Denis Drake who has served the group as secretary so well over many years and who has taken a very well-earned retirement.

Leslie Fletcher
Chairman



Directors and Officers

Glynwed Limited	President		WGA Russell FCA
	Executive directors	<i>Chairman</i>	L Fletcher DSC FCA
		<i>Deputy chairman</i>	G Davies FCA MA Hastilow BSc BCom W Garner FCW Whitehouse
	Non executive directors	<i>Vice-chairman</i>	JD Eccles
			Sir William Barlow FEng BScTech Sir Denis Barnes KCB
	Secretary		JC Blakeley MA
	Auditors		Coopers & Lybrand Chartered Accountants, Birmingham
	Bankers		Midland Bank Limited Lloyds Bank Limited National Westminster Bank Limited J. Henry Schroder Wagg & Co Limited Standard Chartered Bank Limited
	Registrars		Midland Bank Limited Registrar's Department Courtwood House Silver Street Head Sheffield S1 3RD
	Head office and registered office		Headland House New Coventry Road Sheldon, Birmingham B26 3AZ Telephone 021-742 2366

Subsidiaries
Executive officers

Building and Consumer Products
JM Hill, *Chief Executive - Glynwed Tubes & Fittings Ltd*
MJ Tandy, *Managing Director - Glynwed Bathroom & Kitchen Products Ltd*
T O'Neill, *Chief Executive - Glynwed Domestic & Heating Appliances Ltd*
KD Rowlands, *Managing Director - Glynwed Integrated Services Ltd*

Steel and Engineering
W Garner, *Chief Executive - Glynwed Steels Ltd*
DW Richardson, *Chief Executive - Glynwed Screws & Fastenings Ltd*

Stockholding and Distribution
E Tunnadine, *Chief Executive - Glynwed Steel Stockholding Ltd*
FCW Whitehouse, *Chief Executive - Glynwed Distribution Ltd*

Overseas operations
TW Tucker, *Managing Director - Defy Industries Ltd (South Africa)*

Corporate services
Dr RJ Clark, *Chief Executive - Group Research and Development*
WP Evans, *Chief Executive - Personnel and Corporate Relations*
RV Lawry, *Managing Director - Export and Overseas Development*



L. Fletcher



Sir William Barlow



Sir Denis Barnes

JD Eccles



G Davies

MJ Tandy



JC Blakeley

RV Lawry

KD Rowlands



T O'Neill

W Garner



DW Richardson

MA Hastilow



JM Hill

Dr RJ Clark

E Tunnadine



FCW Whitehouse

WP Evans

Report of the Directors

The Directors of Glynwed Limited present their annual report, together with the accounts of the company for the 52 weeks ended 30th December 1978. These will be submitted to the members at the annual general meeting to be held at Headland House, New Coventry Road, Sheldon, Birmingham, at 3 o'clock in the afternoon on Thursday, 7th June 1979.

Economic background

Expectations that the improvements in the U.K. economic position during 1977 would flow through into 1978 were not fully justified. In the event the benefits were felt only patchily, and some economic sectors were disappointing, particularly in the second half of the year when industrial action aggravated the situation. U.K. output expanded by 3½% in 1978. Unfortunately, immediately upon the first real growth for several years, there were signs of over expansion, and the expected balance of payments surplus did not materialise. Retail price inflation fell from 13% to 8% by mid-year, but interest rates rose from 6% to 13½% during the year. The rise in real personal incomes led to a 17% increase in expenditure on consumer durables, the bulk of which was on cars. Spending on household goods rose by 11%. Passenger car registrations were 20% higher, but imports took 49% of the market compared with 45% in 1977. Car production was actually about 7% less than in 1977. Commercial vehicle production was almost unchanged. New housebuilding continued to decline. Housebuilding starts were down 3%, and completions were 9% lower. A combination of changed attitudes to house renovation, and the results of several years insufficient maintenance, caused the repair and maintenance sector to have a record year, with an increase in output of 14%.

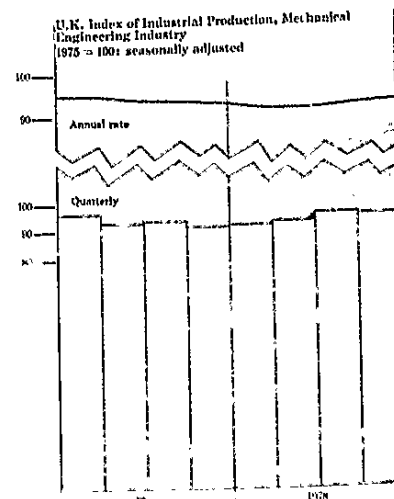
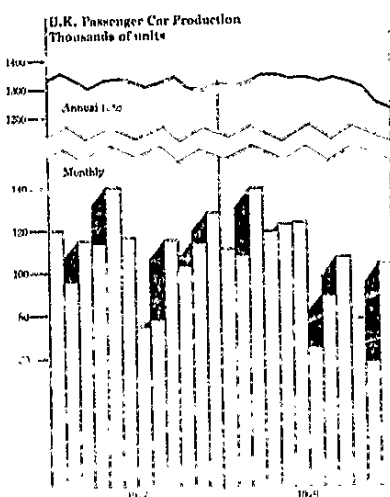
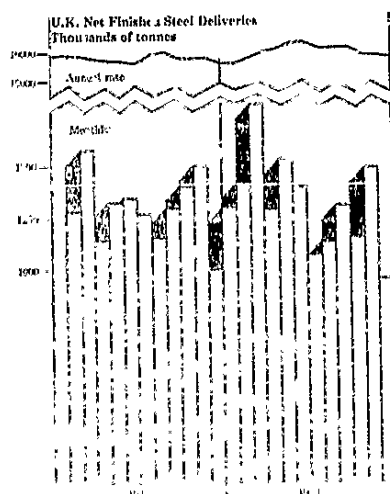
The promise of the first half of 1978 was not continued in the engineering sector as it was in consumer spending and housing repair and maintenance. The first half showed good performances from the steel and car industries, but the gains were lost in the second half as industrial unrest increased.

Group results

The group results for 1978 are for the 52 weeks ended 30th December 1978 (1977 53 weeks). The detailed accounts are set out in "The Accounts" section on pages 21 to 34.

In 1978, group sales amounted to £316.4 million compared with £285.4 million in 1977—an increase of 10.9%. Sales in the second half of the year were slightly below the first six months due to industrial unrest and related problems which were prevalent in the U.K. engineering sector. Sales overseas, including exports from the U.K. improved by 31.8%. The policy of opening up more overseas markets continued and exports from the U.K. increased from £10.0 million in 1977 to £12.0 million, an increase of 20%.

The group trading profit before interest for the year amounted to £19.9 million (1977 £16.6 million), which represented a return on operating assets employed of 19%. Interest charges of £3.9 million—an increase of £0.3 million—reflected higher average interest rates over the previous year. The group profit before tax



was £16.1 million (1977 £13.0 million). Turnover and profits by sub-groups, are shown under "Principal activities" on page 8. The net charge for taxation was £4.3 million, which included a release of deferred taxation of £0.9 million. The new U.K. standard on accounting for deferred taxation (SSAP 15) has been adopted and the principles applied are incorporated in the accounting policies under "Deferred taxation" on page 27. The comparative figures for 1977 have been amended accordingly. The application of the standard has resulted in a release of deferred taxation of £11.9 million relating to prior years. The net charge for the year for extraordinary items amounted to £0.7 million (1977 £0.7 million) which related to termination costs on discontinued activities. The details are given in note 6 on page 29. Group profit after minority interests and extraordinary items amounted to £10.9 million (1977 £8.3 million). After charging preference and proposed ordinary dividends, profit retained for the year was £4.9 million (1977 £3.0 million).

Inflation accounting

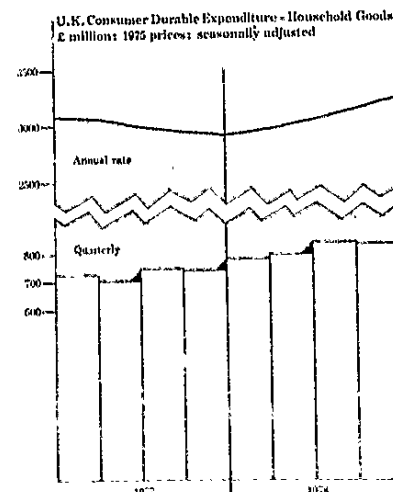
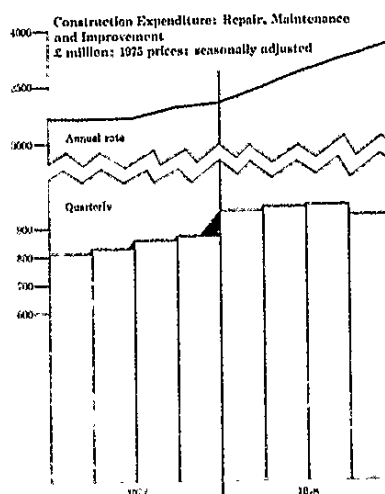
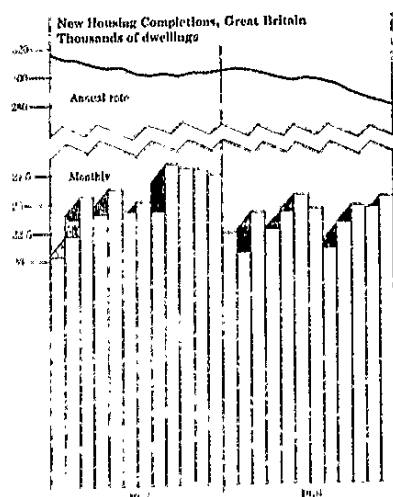
Certain reservations were expressed in last year's annual report concerning the inclusion of a current cost statement in accordance with the 'Hyde Guidelines'. Your directors consider that, for the time being, such reservations continue to apply. A revised exposure draft is expected during the second quarter of 1979 and full consideration will then be given to the application of the draft's proposals to the 1979 accounts.

Finance and working capital

On page 22 a statement, which forms part of the audited accounts, sets out the sources of the group's funds and how they were applied. New long term borrowings in 1978 amounted to £4 million. Working capital increases during the year amounted to £0.7 million compared with £8.3 million in the previous year. This was due to a continued adherence to strict cash control but also, in part, to various rationalisation measures which were taken by the group during the year. Capital expenditure increased from £5.4 million in 1977 to £8.1 million. *Inter alia*, the sale of the Cashmores' sheet steel division enhanced the liquidity of the group and the ratio of total borrowings to ordinary shareholders' funds improved from 64% in 1977 to 53% in 1978. Group operating assets employed at the end of 1978 amounted to £105 million. Operating and financial statistics for the past five years are set out in the "Summary of comparative figures" on page 35.

Ordinary dividend

A final dividend of 6.7p on the ordinary shares, which the annual general meeting will be asked to approve, is payable on 2nd July 1979. This together with the interim dividend of 2.45p per share makes a total ordinary dividend of 9.15p per share for the year, an increase of 0.95p per share which has been approved by HM Treasury under the Government's dividend restraint regulations.



Report of the Directors continued

Review of activities	Principal activities	Turnover		Profit	
		1978	1977	1978	1977
	Turnover and profit by sub-group	£000	£000	£000	£000
	United Kingdom Operations				
	Building and consumer products	95,940	87,389	6,459	3,682
	Steel and engineering	79,746	73,412	6,962	7,726
	Stockholding and distribution	96,424	88,241	5,198	4,135
	Other divisions and trading companies	9,464	10,810	104	165
		281,574	259,852	18,723	15,703
	Overseas Operations				
	Household and industrial appliances	34,863	25,588	1,255	851
		316,437	285,440	19,978	16,559
	Turnover by geographical area	1978		1977	
		£000	%	£000	%
	Africa	34,970	11.1	26,168	9.2
	Europe	5,015	1.6	4,018	1.4
	Middle East	4,499	1.4	3,043	1.1
	Asia and Australasia	998	0.3	1,212	0.4
	North and South America	1,396	0.4	1,121	0.4
	Total overseas	46,878	14.8	35,562	12.5
	United Kingdom	269,559	85.2	249,878	87.5
		316,437	100.0	285,440	100.0
	Exports				
	Sales value of direct exports from the United Kingdom during the year was £12 million (1977 £10 million).				
	The group is a supplier to many major United Kingdom companies, and our products form a part of their exports.				

Building and consumer products

Glynwed Tubes & Fittings Ltd

The Wednesbury Tube Co

* copper tubes and fittings

Glynn Bros

* lead sheet and pipes

Coventry Tubes Permatube

* welded stainless steel and nickel alloy tubes

Vulcathene

* chemical waste drainage systems and fabrications, brass laboratory fittings, injection mouldings and vacuum forming

Full order books were maintained at Wednesbury Tube throughout 1978. This was helped to a large extent by a consumer-led spending boom which significantly influenced the central heating and home improvement markets. Demand for copper tubes and fittings continued at an exceptionally high level, but an industrial dispute within the company which lasted for five weeks seriously affected its output towards the end of the year.

During 1978 a change in the divisional name emphasised the importance of the expansion of its tubes and fittings operations, underlined by the plastic fittings interest of Vulcathene being successfully integrated within the divisional structure.

Steady progress was made by the stainless steel tube activities, culminating in a full order book at the end of the year.

Results from the division's lead activities, however, continued to disappoint. Copper prices rose slowly throughout the year, opening at around £660 per tonne and closing at just over £770 per tonne. The lead market was extremely volatile, prices ranging from a high of £450 per tonne to a low of £275 per tonne.

Glynwed Bathroom & Kitchen Products Ltd

Vogue Bathrooms

- * cast iron and acrylic baths, hand basins and shower trays

Leisure Kitchen Products

- * sinks and hand basins
- * vanity units
- * shower cubicles
- * steel, acrylic and glass fibre baths

Following poor results in 1977, the division made a recovery during 1978, made possible by rationalisation of production facilities and improved U.K. demand for its products.

High import penetration in certain market sectors of the division continued. The cast iron bath share of the total bath market remained constant during the year after a sharp decline in 1977; the division's other products maintained their market share.

Export activity increased, although price levels outside the E.E.C. remained extremely competitive. Within the E.E.C. considerable success was achieved in penetrating the market for acrylic and glass reinforced plastic baths.

During the year, rationalisation of manufacturing facilities in the division was completed. An important feature of this success was the excellent industrial relations and the co-operation of the personnel involved.

Development of new products was not significant and emphasis was given to reviewing and improving present products.

Glynwed Domestic & Heating Appliances Ltd

Sidney Flavel & Co

- * Flavel gas cookers and fires

Leisure Domestic Division

- * Leisure gas cookers and fires

Agaheat Appliances

- * Aga and Rayburn cookers, domestic and commercial boilers, room heaters and open fires

Falcon Catering Equipment

- * catering equipment

Exact-O-Form

- * metal flow-formed products

In a generally buoyant climate all units traded at a profit, with Leisure Domestic Division being particularly successful. Demand was high for its market-leading split level cookers and the "up-market" Star cookers. Active promotion of Aga and Rayburn cookers by consumer advertising, together with a vigorous programme of dealer involvement, produced order loads near to present capacity, and profits were most encouraging from the Ketley Works. At Flavel a substantial programme of developing the product range continued during 1978 and in an environment of increased demand, the "Fiona" gas cooker performed particularly well.

Demand was high too, for domestic central heating equipment, which enabled Agaheat significantly to improve sales.

Solid fuel room heaters continued to hold market leadership and several new multi-fuel appliances were introduced during the year to a good trade reception.

Falcon Catering under-performed both in sales and profitability, and although market shares at home are good, more work is necessary to reduce manufacturing costs and improve profitability.

... ..

1 This latest production model cast iron bath by Vigne was introduced to the British market in 1978 following its export success.

2 The latest high-rise racking for standard, carbon and alloy steel bars and sections together with automatic order picking device installed at Cashmores, Walsall (West Midlands).

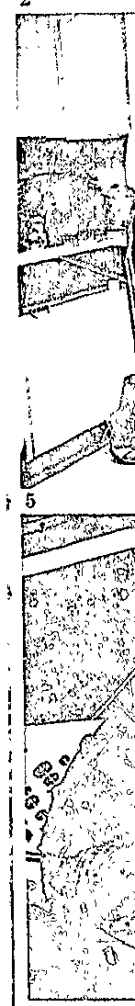
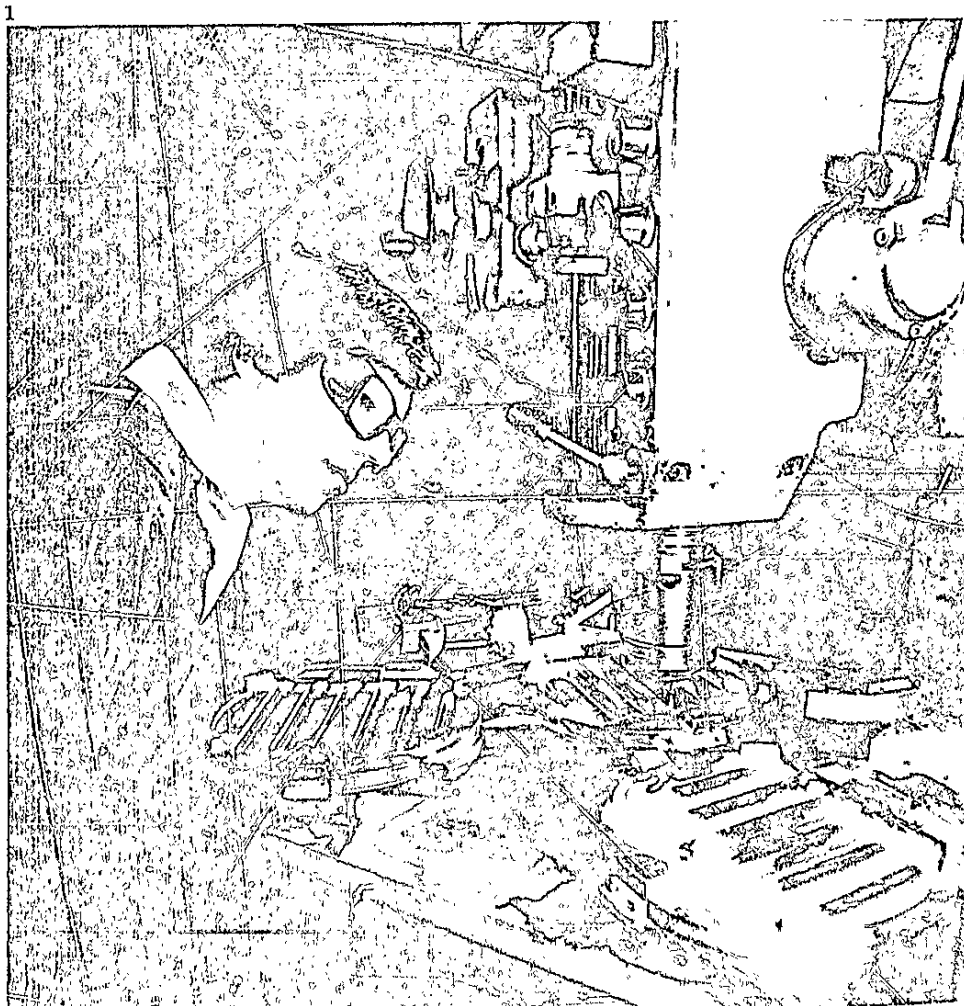
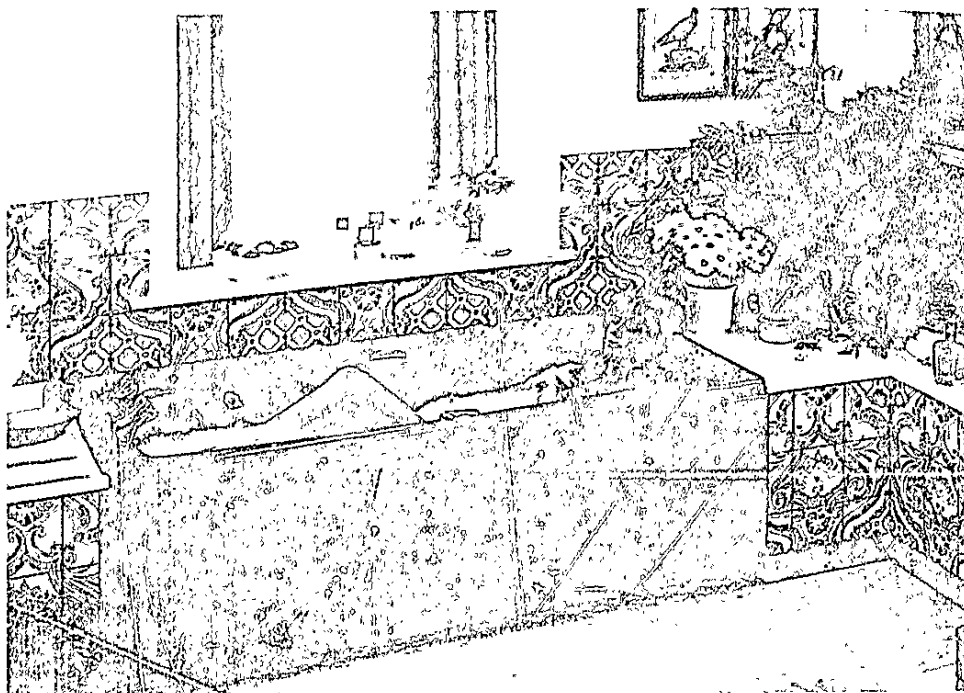
3 Part of the equipment manufactured by Falcon Catering Equipment installed on the Shell Brent C oil production platform. It caters for up to 120 personnel.

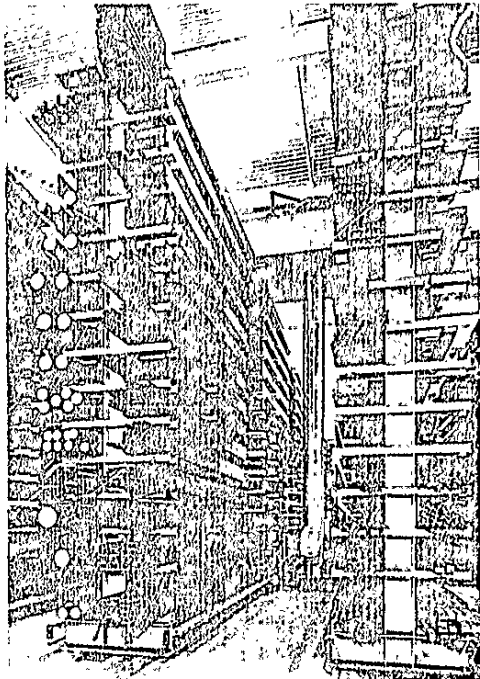
4 One of the stages in pattern making for the production of high precision castings for the engineering industries at Glynwed Foundries Ltd., Telford.

5 The new Flavel Leamington 'S' gas cooker which has recently been introduced.

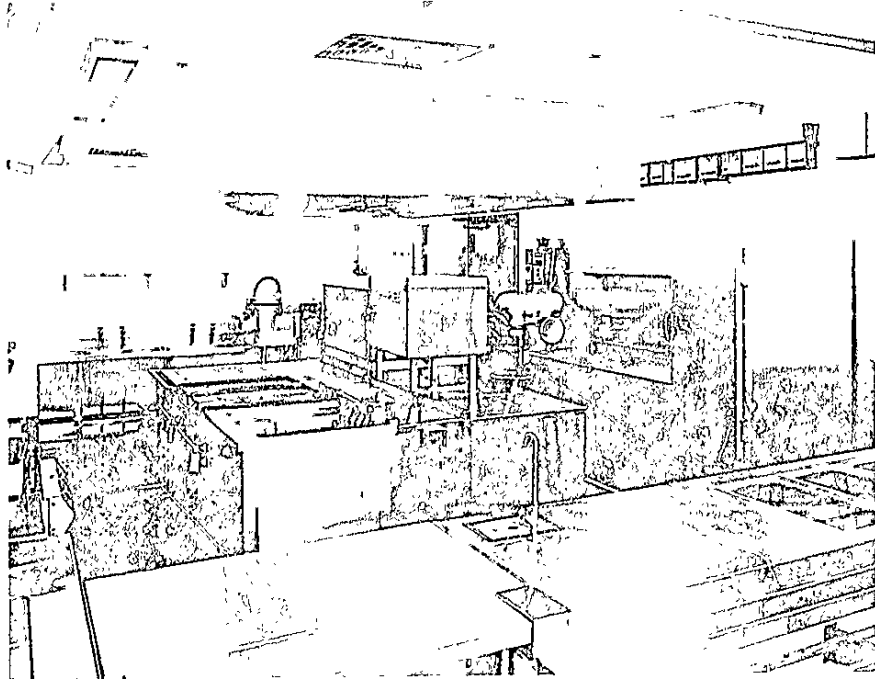
6 Nick Faldo, one of Britain's brightest young golf prospects, is sponsored by Glynwed as their touring golf professional on the British and European circuits. Nick is pictured looking at some of the exhibits displayed in the showrooms at the Group's headquarters in Birmingham.

7 New bar turning machinery installed at Steel Parts - part of Glynwed Steels Ltd., - which will enable the company to widen its manufacturing range. The total installation cost about £250,000.

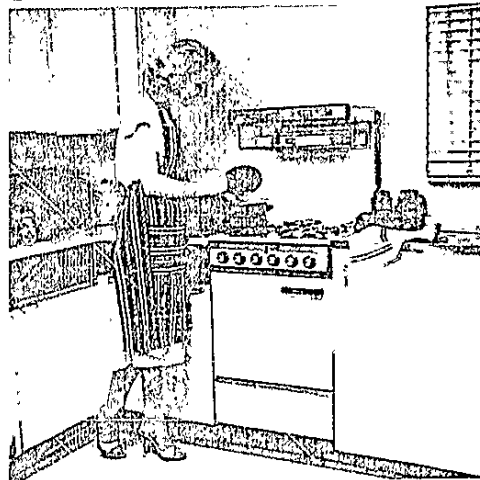




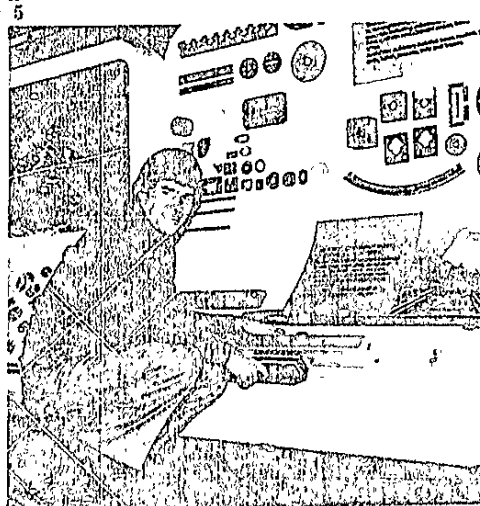
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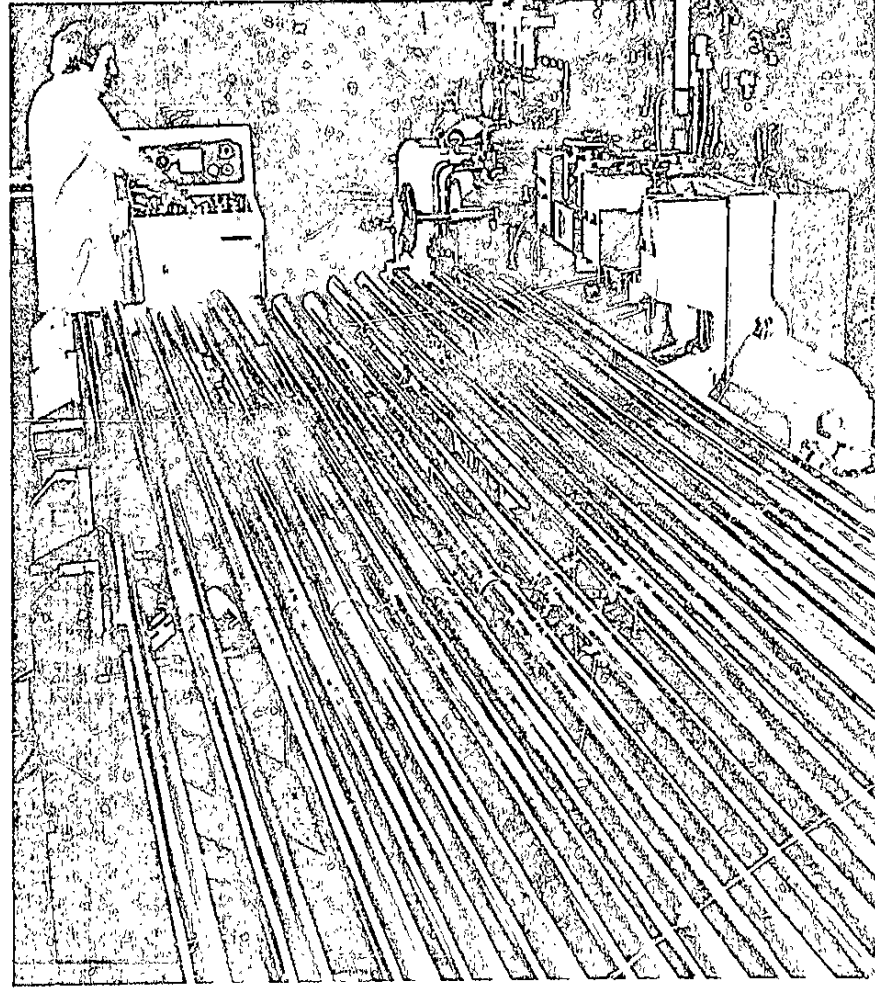
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Report of the Directors continued

Review of activities continued

Glynwed Integrated Services Ltd

Steelway

- * steel flooring
- * steel hand rails
- * steel stairways
- * steel fabrications

Steelfab Pipes & Vessels

- * fabrication of pipework
- * fabrication of pressure vessels

T B Mechanical Services

- * heating, ventilating, air conditioning and engineering contracting

Dalcon Joinery

- * contract joinery
- * building services

The year was satisfactory with the company showing a good return on capital investment. Notable changes were the disposal of Brent Metal Works, which specialised in architectural metal work, and the improvement of facilities at Steelfab for fabrication work. This formed part of the rationalisation and extension of the activities of Steelfab, of which a large part is directed towards the petro-chemical and processing industries. Considerable effort was made to establish conditions for further development.

The market situation, while remaining keenly competitive, showed signs of an upturn and order books were satisfactory. The greatest difficulties were in material supplies and, to an extent, the unavailability of skilled operatives, both of which were aggravated by general industrial unrest towards the end of the year.

Steelway produced its best ever contribution in its 50th anniversary year.

Steelfab improved its performance and established a better market position in which to take advantage of its improved potential. T.B. Mechanical Services maintained its position in the home market but extended operations overseas, whilst Dalcon Joinery successfully took advantage of an improving market in Scotland for contract joinery.

Steel and engineering

Glynwed Steels Ltd

George Gadd & Co

- * re-rollers of hot rolled steel, carbon and alloys

W Wesson

- * hot rolled steel strip
- * cold rolled flats
- * bright drawn steel bars, rods and flats

Steel Parts

- * bright drawn steel bars and rods
- * hot forgings
- * general press work

Joseph Gillott & Sons

- * re-rollers of hot rolled steel, carbon and alloys

Stourbridge Rolling Mills

- * cold rolled strip

All companies, apart from Steel Parts which experienced severe competition, increased sales compared with 1977, and against a background of continuing depression in the European steel industry the year's results were satisfactory. Significant benefits towards the end of the year resulted from the Davignon agreement to establish certain minimum steel prices.

During the year most markets were depressed. Imported steels at prices well below those of the U.K. played a part in reducing sales volume, and the British motor industry's performance in the face of an approximate 50% penetration by foreign car manufacturers led to a decline in demand for bright steel.

On the positive side the division was able to establish a foothold in America by Glynwed Limited taking a 40% equity in Steelways Inc., a company established primarily to sell bright bar.

Additionally, in the latter half of the year a determined sales effort in China resulted in orders worth about £2 million.

Glynwed Screws & Fastenings Ltd

Glynwed Fastenings

- * high tensile bolts, paint clearing screws, pre-assembled screw and washer units, self locking and prevailing torque bolts

Yarwood Ingram & Co

- * bright and high tensile studs and 'U' bolts

Wask Engineering

- * steel and malleable iron pipe fittings
- * malleable iron castings

Tower Manufacturing

- * semi tubular rivets
- * masonry nails and cable clips

Cooper & Turner

- * high strength friction grip bolts, load indicator washers, rivets, split cotter pins, railway, mining and construction bolts, standard and high tensile bolts and nuts

James H Smith

- * bolts and non-standard fasteners for the railway, coal, scaffolding and heavy plant industries

Paul Fabrications

- * precision welding and fabrication of sheet metal for high technology industries

The division's results for 1978 were somewhat disappointing against what appeared to be an encouraging growth in automotive activity predicted towards the end of 1977. In fact the sales of passenger cars in the U.K. was at the level forecast, but because of labour disputes at the major car producers' plants, imports took a higher market share. This resulted in a drastic pruning of schedules to the fastener companies in the division. The overall sales of fastenings in the U.K. were also affected by imports.

Glynwed Fastenings at Darlaston were the worst hit by the automotive situation, notably the Ford strike in the last quarter of the year, which seriously eroded profits. Yarwood Ingram were also affected by the motor industry's problems but because of the uniqueness of their product they were not so badly affected.

The results of Cooper & Turner and James H Smith reflected the general U.K. economy. They suffered from surplus capacity within this industry and imports, but nevertheless still produced results which were favourable. Tower Manufacturing continued for the third year to mirror the state of the building industry, while Wask Engineering fluctuated with the demands of gas and oil investment. Both, however, showed reasonable returns despite these factors.

During the year the division won overseas business worth £2½ million.

Glynwed Foundries Ltd

Sinclair Iron Works

- * cast iron drainage products
- * automotive castings

Coalbrookdale Works

- * engineering castings
- * automotive castings

Skipton Works

- * Meehanite engineering castings

South Bank Iron Works

- * cast iron drainage products
- * Meehanite engineering castings

Larbert Foundry

- * engineering castings
- * automotive castings

The considerable disruption in the U.K. motor car industry during the year coupled with a sharp downturn in business experienced by the agricultural machinery market, had a serious effect on the operations of Glynwed Foundries. Consequently, it was necessary to reduce manufacturing capacity by closing down a loss-making foundry in Scotland, to be followed by the closure in 1979 of a foundry in Shropshire specialising in castings for the motor industry.

Overall output in the U.K. ironfounding industry fell by a further 7% in the year compared with 1977, which made it barely 60% of the peak level achieved in 1964. Despite this continued downturn in demand, the division's activities in the general engineering sector increased after a relatively slow start to the year.

At Coalbrookdale and Skipton Works, which produce mainly engineering castings, facilities were uprated during the year, which inevitably incurred heavy start-up costs.

The drainage castings business improved profitability in 1978. Compared with the previous year, slightly higher sales were achieved in the home market but a significant increase in sales of drainage castings overseas was obtained by responding rapidly to changing requirements in some of our major markets.

Report of the Directors continued

Review of activities continued

Stockholding and distribution

Glynwed Steel Stockholding Ltd

Cashmores

- * stockholders of stainless and general steels, scrap merchants and machine tool dealers

Frank Stacey

- * stockholders of stainless steel products

Macreadys

- * stockholders of carbon and alloy steel bars in bright and hot rolled

The division was reorganised during the year following the sale of the mild steel sheet activities and the grouping of all bright carbon sales into Macreadys. Stockholding activities were affected by the surplus of steel-making capacity, and the impact of Davignon had varying effects on short-term price regulation. Margins were held and market share improved but costs were increasingly difficult to contain. The stockholding operations ended the year in better shape, and with stocks in good balance and all units trading profitably 1978 can be termed a year of good housekeeping.

A steady increase in recovery left the Scrap division in good order after a disastrous 1977. With results above those forecast, the Machine Tool activities maintained steady progress in difficult market conditions.

Glynwed Distribution Ltd

Miller Bridges Fastenings

- * stockists of all screwed products

Thames Bank Iron Co

- * Thamesflow roof outlets
- * stockists of builders' castings

MBS Bearings

- * stockists of bearings, chains and sprockets

Glynwed Distribution (Eurofast) GmbH

MBS Tools

- * stockists of engineers' tools

- * factors of fastenings

Despite a depressed industrial climate and the problems within the automotive industry, the division's results in 1978 were reasonable.

The fastenings operation increased its market share and entered a period of solid growth. Over the past four years it has continually expanded by opening new branches.

Thames Bank had a good year returning excellent results; its performance on exports was particularly noteworthy.

Bearings division entered a period of strong competition and the figures suffered as a result.

The small tool operation will be integrated into the Fastenings branches and a growth pattern should emerge during 1979.

Glynwed Wholesale Chemists Ltd

Rudge Roberts

Rudge Roberts (Northern)

Fylde Laboratories

- * wholesale supplies to retail chemists

The wholesale chemists industry in 1978 experienced intense price competition throughout all areas of the U.K. Despite this, each unit achieved higher sales and the division showed similar profits to the previous year.

During the year steps were taken to expand the company's range of business by the re-opening of a specialist sundries department at Manchester and the expansion of the surgical sundry range at Preston. In addition, several successful tenders were made for the supply to hospitals in the North-West.

Other divisions and trading companies

Glynwed Plastics Ltd

Arlington Plastics

- * PVC coated fabrics for wall coverings, upholstery, footwear and other industrial applications
- * polyurethane coated nylons for marine safety equipment, oil booms and various other industrial uses
- * acrylic coated fabrics for curtain linings and other domestic applications

J Burns

- * automotive trim, machined components and railway track insulations

Manu-Felt

- * felt manufacture and moulded felt components

The market for PVC coated nylon for marine and industrial applications continued to grow in the home market and initial orders were received from overseas which helped to counteract the downturn in demand for PVC coated fabrics.

The unpredictability in requirements from the automotive industry caused further rationalisation during 1978 which, together with improved efficiency, enabled the automotive trim manufacturing unit to enhance its trading position compared with 1977. The progress reported last year in the demand for machined components and railway track insulation continued and was reflected in the profitability of these sections.

Manu-Felt was formed to manufacture, under licence, mouldable felt material to make moulded felt components such as headlinings and package trays for the automotive industry. The necessary installation work was completed by the end of the year and initial production runs were made.

Certex Ltd

- * precision machined engineering components in plastic

- * uPVC window frames

1978 was a year of progress for Certex in terms of both new and established business. Sales of the company's traditional, precision-machined plastic components enabled this facet of the company's business to continue its record of consistent and profitable growth. Their success underlined the effectiveness of a broad product/market base.

Market reaction to the company's new uPVC window frame system was both positive and encouraging. It reinforced the company's belief that many sectors of the building and construction industry would welcome the introduction of a cost effective and genuinely maintenance-free window system. Contracts – both on new buildings and modernised property – were successfully completed during the year.

Fotherby, Willis Electronics Ltd

- * electronic controls for domestic and industrial applications

The company, in spite of a difficult year, successfully maintained its hold on the major share of the light dimmer market, with 10% of its total turnover being exported.

A complete rationalisation of the product range was carried out during the year and the emphasis in the future will be placed on domestic products.

Report of the Directors continued

Review of activities continued

Overseas companies Defy Industries Ltd

* the manufacture of electric, gas and solid fuel stoves, washing machines, cast iron and steel baths

* dishwashers, refrigerator, microwave ovens, vacuum cleaners and tumble dryers
* air conditioning

(major brand names: Defy, General Electric, Amana, Hotpoint and Vogue)

Defy entered into agreements in March 1978 to acquire the South African domestic appliance business of the General Electric Company of America as a result of which the latter now holds 23.5% of the equity of Defy. The acquisition had the effect of increasing Defy's annual turnover by about 45% by the addition of refrigerators, freezers and housewares (as well as GE's home laundry and air conditioning products) to Defy's product lines. The consolidation of Defy's and GE's branch offices, warehouses and administrative functions began to produce considerable savings for the company in the second half of 1978. The decline in real volumes in the South African durables market bottomed out in early 1978 after a 20-25% drop over the previous three years.

During the last quarter, Defy introduced a new fan oven stove which was well received in the market. Other new products introduced during the year were twin-tub washers and microwave ovens.

Defy continued to maintain a dominant share of the electric cooker market, and the combined Defy-GE share of home laundry and air conditioners is strong. Foundry products - baths and coal stoves - showed marginal declines over the previous year, due to the continued slump in the building industry.

Nederlandse Autofittings Fabriek BV

* chemical waste drainage systems and fabrications, injection moulding and commercial irrigation equipment

The company's performance in 1978 showed a good improvement over the previous year's trading. This was mainly due to a re-organisation and the successful introduction of new products.

NAFF had some success in overseas markets and laid plans for broadening both its product range and expanding its export markets.

Corporate services

Group Research and Development

In line with the world-wide micro electronic revolution, the Central Resources Unit was engaged on the development of a variety of products both in terms of products for sale and for manufacturing processes.

The Unit co-operated with several group companies on these new ventures, and its activities additionally included extensive work on domestic space heating units and environmental control products.

New test facilities were installed at the CRU centre during 1978 which further assisted component design and provided fully documented environmental information on all new products requiring it.

Export and Overseas Development

Glynwed Overseas continued to operate in close collaboration with the manufacturing units in 1978, both in co-ordinating the handling of sales inquiries involving single or several Glynwed companies and also in seeking out new areas of sales growth potential for the wide spectrum of group products. Package deal orders were won during the year.

Although the general tempo of business in the Middle East continued to moderate, opportunities nevertheless still abound, and the group's representation in the area was strengthened. The problems in Iran towards the end of the year necessitated a review of sales effort in that country, and as a result the group strengthened its sales penetration in other key areas of the region.

Inward trade missions from other countries were also received during the year, and the showroom facilities at group headquarters at Headland House, where the whole range of the group's products are exhibited, provided an important sales platform.

Personnel and Corporate Relations

There was a small net reduction in the number of employees in the United Kingdom during the year, mainly as a result of the rationalisation of the Foundries and Bathroom & Kitchen Products divisions' activities and the effects of the reduced demand from the major U.K. car producers for various of the companies' products.

Greater difficulties were experienced than hitherto in achieving pay settlements at plant and individual company-level negotiations with the trades unions because of the uncertainties associated with the government's Phase IV Incomes Policy. Negotiations tended to be protracted, with the union representatives and full-time officials showing a marked reluctance to agree to settlements until the national situation had become clearer.

This period of uncertainty resulted in unprecedented industrial action, including strikes, by the employees in some of the companies concerned. The general industrial unrest nationally, and the publicity given to it by the media, was not conducive to maintaining harmonious internal working relationships which had been developed over many years. Furthermore it resulted in temporary short-time working in some companies. Nevertheless, a number of self-financing productivity schemes were negotiated which enabled the employees concerned to improve their earnings whilst, at the same time, maintaining the companies' competitive positions.

Further restructuring took place, in particular in the Bathroom & Kitchen and Domestic & Heating Appliances divisions, and a number of changes were made in management. Most of these were by means of internal promotion and there was a significant increase in the number of senior management transferred from one operating division to another.

Considerable effort has been made throughout the group to develop a properly structured approach to the companies' responsibilities under the Health and Safety at Work Act. Each operating division has a nominated director whose task it is to implement the group policy.

The Glynwed Educational Scholarship Scheme was introduced and fifteen awards were made by the independent selection committee to the sons and daughters of employees, who were taking higher education courses in the academic year 1978/79.

Capital of the company

Issues of share capital

An allotment was made to certain holders of the company's 6% convertible unsecured loan stock on 16th October 1978 of 9,707 ordinary shares of 25p each at 246.772p per share in response to elections made on 30th September 1978 in respect of the conversion rights attaching to such stock. See also note 19 on page 33.

Share ownership scheme

Consequent upon the passing of the special resolution concerning the terms of the share ownership scheme proposed at the extraordinary general meeting of shareholders held on 8th June 1978, the board made the necessary arrangements to place the shares offered by scheme members under the revised rules through the company's stockbrokers at the then current market price. The transaction was completed on 16th June 1978 and resulted in all the 470,500 scheme shares outstanding becoming fully paid at a price of 100.58p each. The share ownership scheme is now terminated.

Share option scheme

No options have been granted under the scheme since its approval in May 1973.

Report of the Directors continued

Shareholders

At 30th December 1978, ordinary shareholders totalled 17,276 (1977 - 17,696) and these are analysed below:

No. of shares	% of shareholders	% of shares in issue
1 - 2,000	88.66	14.09
2,001 - 5,000	7.25	5.80
5,001 - 50,000	2.91	12.68
50,001 - 250,000	0.92	28.81
Over 250,000	0.26	38.62
	<u>100.00</u>	<u>100.00</u>

The directors have not received any notification under Section 26 of the Companies Act 1976 that any person or group of persons has an interest amounting to 5% or more in the ordinary share capital of the company.

Directors

The members of your board at the date of this report are listed on page 4. In accordance with the articles of association Sir William Barlow and Sir Denis Barnes retire by rotation and, being eligible, offer themselves for re-election.

Directors' interests

The interests of the directors of the company at 30th December 1978 according to the register kept under Section 29 of the Companies Act 1967 were:

		30th December 1978		1st January 1978	
		Sole beneficial owner	Family and other interests*	Sole beneficial owner	Family and other interests*
Ordinary shares of 25p each fully paid	L Fletcher	3,750	312	3,750	312
	G Davies	1,250	—	1,250	—
	MA Hastilow	1,025	4,825	1,025	7,075
	W Garner	4,687	312	4,687	1,312
	FCW Whitehouse	40,521	—	40,521	—
	JD Eccles	1,250	—	1,250	—
	Sir William Barlow	1,250	—	1,250	—
	Sir Denis Barnes	1,000	—	1,000	—
Share ownership scheme ordinary shares of 25p each, 1p paid	G Davies	—	—	17,500	—
	MA Hastilow	—	—	17,500	—
	W Garner	—	—	10,000	—
	FCW Whitehouse	—	—	8,000	—
10½% unsecured loan stock	MA Hastilow	25	—	25	—

The company has not been notified of any change in the above holdings during the period 31st December 1978 to 15th April 1979 inclusive. The directors had no interest during the year in any contract or arrangement with the company.

*Including non-beneficial trustee holdings

Fixed assets

In December 1974, a professional valuation of the freehold and leasehold land and buildings was made, on the basis of existing use as between a willing buyer and a willing seller. This valuation was up-dated in December 1975, and at that time there were indications that the 1974 surplus over the net book value had diminished. Following some years of uncertainty, the property market shows signs of a general improvement and in the light of this the directors will consider a revaluation in 1979. The directors do not believe either that the 1974 valuation should be entered into the accounts or that to state an apparent surplus would be helpful to shareholders.

**Finance Act 1965
and capital gains
tax**

The official price of Glynwed Limited ordinary shares on 6th April 1965 adjusted for the rights issue made in 1976 was 135½p.

Employees

In the United Kingdom the group has employed an average of 13,965 persons each week of the year. The aggregate gross remuneration paid or payable to them was £49.927 million (1977 - £45.971 million) for the year.

Average number of employees	1978	1977
United Kingdom	13,965	14,227
Overseas	3,537	2,991
	<u>17,502</u>	<u>17,218</u>

**South Africa—
EEC Code of
Conduct**

A report has been made to the Department of Trade on Defy Industries Ltd., in accordance with the requirements of the Government White Paper Cmnd 7233, May 1978.

**Political and
charitable
contributions**

The group made contributions for the following purposes in 1978:

	£
Charitable	30,004
Educational (universities)	814
Political	10,000
	<u>40,818</u>

The whole amount contributed for political purposes was paid to the Conservative Party.

'Close' company

The company is not a 'close' company within the meaning of the Income and Corporation Taxes Act 1970.

Auditors

A resolution to reappoint the auditors, Coopers & Lybrand, will be proposed at the annual general meeting.

By order of the board
JC Blakeley
Secretary

J. C. Blakeley

Birmingham
26th April 1979

Trading Subsidiaries

The following is a list of the company's subsidiaries which traded during the year ended 30th December 1978, all of which, unless otherwise stated, are wholly owned. The capital in each case consists wholly of ordinary shares.

Registered in England and operating in the United Kingdom

Allied Ironfounders Ltd†
§Cashmore Steel Ltd
Certex Ltd†
Crackley Ltd
Fotherby, Willis Electronics Ltd†
§F W Components Ltd†
Glynwed Bathroom & Kitchen Products Ltd†
Glynwed Distribution Ltd
Glynwed Domestic & Heating Appliances Ltd†
Glynwed Foundries Ltd†
Glynwed Group Services Ltd
Glynwed Integrated Services Ltd†
Glynwed Overseas Ltd
Glynwed Plastics Ltd
Glynwed Screws & Fastenings Ltd
Glynwed Steels Ltd
Glynwed Steel Stockholding Ltd
Glynwed Tubes & Fittings Ltd
Glynwed Wholesale Chemists Ltd
§Hickman (Aircraft) Ltd†

Incorporated and operating overseas

*Allied Ironfounders Pty Ltd (Australia)†
Cooper & Turner Inc (USA)
*Defy Industries Ltd (68% owned) and its subsidiaries (South Africa)†
Glynwed Distribution (Eurofast) GmbH (Germany)
Glynwed Eurotrade BV (Holland)
Nederlandse Autofittings Fabriek BV (Holland)

* Shares held by subsidiaries of Glynwed Limited.

† Companies not audited by Coopers & Lybrand. The aggregate assets of such companies at 30th December, 1978 amounted to 26% of the group assets.

§ Sold or became dormant during the year.

The Accounts

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Source and Application of Funds

For the 52 weeks ended 30th December 1978		1978 £m	1977 £m
Source	Profit before taxation	16.1	13.0
	Extraordinary items before taxation	(1.4)	(1.3)
		<u>14.7</u>	<u>11.7</u>
	Depreciation less transfer from deferred credit account	4.2	4.0
		<u>18.9</u>	<u>15.7</u>
	Total funds generated from operations		
	Funds from other sources:		
	Net increase in medium and long term indebtedness*	3.7	4.3
	Issues of shares by parent and subsidiary and increase in minority interest*	4.4	1.3
	Deferred taxation of subsidiary acquired	—	0.7
		<u>27.0</u>	<u>22.0</u>
Application	Dividends	5.4	4.7
	Taxation	5.2	4.7
	Capital expenditure (net)*	5.6	4.5
	Decrease in reserves due to exchange differences	2.1	0.8
	Increase in net current assets (see below)	8.7	7.3
		<u>27.0</u>	<u>22.0</u>
	Increase in net current assets:		
	Increase in stocks*	1.3	6.5
	Increase in debtors*	2.6	3.2
	Increase in creditors*	(3.2)	(1.3)
	Current taxation of subsidiary acquired	—	(0.1)
		<u>0.7</u>	<u>8.3</u>
	Increase/(decrease) in net liquid funds*	8.0	(1.0)
		<u>8.7</u>	<u>7.3</u>

*Summary of the effects of the acquisition of a business by a subsidiary company.

Net assets acquired		Discharged by	
	£m		£m
Stocks	4.2	Issue of shares by subsidiary company and increase in minority interest	2.5
Debtors	0.5		
Fixed assets	0.4		
Creditors	(1.2)		
Bank overdraft	(1.0)		
Medium and long term indebtedness	(0.1)		
	<u>2.8</u>		
less: surplus arising on acquisition	(0.3)		
	<u>2.5</u>		<u>2.5</u>

GLYNWED**Consolidated Profit and Loss Account**

For the 52 weeks ended 30th December 1978

Notes

1978
£0001977
£000**Turnover**

1

Home

269,559

249,878

Overseas (including exports)

46,678

35,562

316,437285,440**Group trading profit**

2

19,978

16,559

Interest charges

4

3,898

3,532

Group profit before taxation

16,080

13,027

Taxation

5

4,334

3,954

Group profit after taxation

11,746

9,073

Minority interests

91

47

Group profit before extraordinary items

11,655

9,026

Extraordinary items

6

727

680

Group profit after extraordinary items

10,928

8,346

Preference dividends

7

70

70

Group profit attributable to ordinary shareholders

10,858

8,276

Ordinary dividends

7

5,973

5,263

Profit retained

8

4,885

3,013

Earnings per share

basic
fully diluted

9

17.81p

13.93p

17.38p13.60p**Statement of retained profit**

Balance at beginning of year:

21,121

21,208

Previously reported

11,900

9,350

Change in treatment of deferred taxation

33,021

30,558

As restated

4,885

3,013

Retained profit for the year

37,906

33,571

Exchange differences

18

(1,487)

(550)

Balance at end of year

36,41933,021

Notes on the accounts, pages 26 to 33.

Consolidated Balance Sheet

30th December 1978		Notes	1978 £000	1977 £000
Assets employed	Current assets			
	Stocks and work in progress	10	66,486	65,142
	Debtors, bills receivable and prepayments		65,776	63,214
	Bank and cash balances		186	180
			<u>132,398</u>	<u>128,536</u>
	Current liabilities			
	Creditors and accrued charges		54,238	51,033
	Bank overdrafts and other short term borrowings		7,711	15,795
	Current taxation	11	6,218	5,280
	Proposed dividends		4,374	3,762
			<u>72,541</u>	<u>75,870</u>
	Net current assets		59,857	52,666
	Fixed assets	13	36,552	35,192
	Trade investments	15	1,068	1,071
			<u>97,477</u>	<u>88,929</u>
Financed by	Ordinary shares	17	16,320	16,205
	Reserves	18	47,559	43,067
			<u>63,879</u>	<u>59,272</u>
	Preference shares	17	1,291	1,291
	Total share capital and reserves		65,170	60,563
	Medium and long term indebtedness	19	24,758	20,974
	Deferred taxation	20	3,867	6,322
	Minority interests		3,682	1,070
			<u>97,477</u>	<u>88,929</u>

L Fletcher Chairman

G Davies Deputy Chairman

Notes on the accounts, pages 26 to 33.

Balance Sheet

GLYNWED

30th December 1978		Notes	1978 £000	1977 £000
Assets employed	Current assets			
	Debtors and prepayments		1,072	522
	Bank balances		28	26
			<u>1,100</u>	<u>548</u>
	Current liabilities			
	Creditors and accrued charges		2,456	1,481
	Bank overdrafts and other short term borrowings		9,865	16,957
	Current taxation		2,999	2,711
	Proposed dividends		4,374	3,762
			<u>19,694</u>	<u>24,911</u>
	Net current liabilities		<u>(18,594)</u>	<u>(24,363)</u>
	Interest in subsidiaries	12	94,532	96,893
	Trade investments	15	263	124
	Advance corporation tax recoverable		6,514	3,898
			<u>82,715</u>	<u>76,552</u>
Financed by	Ordinary shares	17	16,320	16,205
	Reserves	18	41,384	39,309
			<u>57,704</u>	<u>55,514</u>
	Preference shares	17	1,291	1,291
	Total share capital and reserves		<u>58,995</u>	<u>56,805</u>
	Medium and long term indebtedness	19	23,796	19,929
	Deferred taxation		(76)	(182)
			<u>82,715</u>	<u>76,552</u>

L Fletcher Chairman

G Davies Deputy Chairman

Notes on the accounts, pages 26 to 33.

Notes on the Accounts

1. Accounting policies

The following statements outline the main accounting policies of the group:

Basis of accounting

The historical cost convention has been used for the preparation of the accounts with assets generally carried in the balance sheet at or below the cost incurred at their date of acquisition. However, the convention does permit the inclusion in the balance sheet of certain assets at a value in excess of cost and those fixed assets which have been included at valuations in excess of original cost are detailed in note 13 on page 31.

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. The profit and loss account also includes the results of subsidiaries sold during the year up to the effective date of sale.

Turnover

All sales arising within the group are eliminated on consolidation and turnover comprises external sales excluding value added tax.

Research and development

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

Extraordinary items and prior year adjustments

Material profits and losses which derive from transactions outside the ordinary course of business and which are not expected to recur frequently or regularly are treated as extraordinary. Material adjustments arising from changes in accounting policy or the correction of fundamental errors in prior years are treated as prior year adjustments.

Foreign currencies

The accounts of overseas subsidiaries and assets and liabilities in foreign currencies are converted into sterling at the mid market rates of exchange ruling at the close of the financial year. Differences arising from changes in exchange rates are taken to reserve where they arise on capital items. Exchange differences on revenue transactions are reflected in the profits of the year.

Stocks and work in progress

Stocks and work in progress have been valued at the lower of cost and net realisable value and full provision has been made for obsolete and slow moving items.

Cost in the case of products manufactured by companies in the group consists of direct material and labour costs and all other expenditure which has been incurred in the normal course of business in bringing those products to their present location and condition.

Depreciation

Depreciation is calculated using the straight line method on the gross values of fixed assets without any deduction for government grants 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 the less.
- (iii) Plant, equipment and vehicles over a period of from 4 to 10 years according to their estimated working lives.

No depreciation has been charged on freehold land.

Government grants

Government grants in respect of capital expenditure are taken to deferred credit account which is deducted from the net book value of fixed assets (note 13 on page 50). A proportion is credited annually to the consolidated profit and loss account by reference to the average life of the relevant fixed assets.

Market value of trade investments

Trade investments are included in the balance sheet at cost unless there is a permanent reduction in their value.

Deferred taxation

Provision is made for deferred taxation at the rate of corporation tax ruling at the year end. In view of the projected levels of capital investment and stockholding, the deferred taxation liability has been restricted to an amount which, in the opinion of the directors, is likely to become payable in the foreseeable future.

Acquisitions

Shares issued as consideration for the acquisition of companies are issued at the value placed on them in the relevant contract or offer document. Where no value is specified they are issued at par. Expenses incurred in the issue of such shares are charged against share premium account.

Goodwill arising on consolidation is set against reserves.

If net tangible assets acquired exceed the purchase consideration, the difference is added to reserves on consolidation.

2. Group trading profit

This is stated after crediting:

Income from listed investments
Interest on deposits and loans

and after charging:

Depreciation (note 13 on page 30)
Less
Transfer from deferred credit account

Hire of plant, equipment and vehicles

Emoluments of directors of Glynwed Limited

As directors

As executives

Pension paid to former executive director

Payment to past director upon termination of service agreement

Auditors' remuneration (including £19,000 in respect of previous year):

Glynwed Limited
Subsidiaries

1978 £000	1977 £000
66	117
51	9
117	126
4,413	4,236
(182)	(256)
4,231	3,980
1,948	1,296
18	12
177	154
1	1
—	65
196	232
33	22
258	209
291	231

Notes on the Accounts continued

3. Directors' and employees' emoluments	The emoluments of the chairman and the number of directors whose emoluments fall within the following scales are stated below:				
	Emoluments	Net after tax (see note below)		Number of directors	
		1978	1977	1978	1977
		£	£		
<i>Chairman</i>					
1978	£33,592	14,000			
1977	£30,202		12,200		
<i>Other directors</i>					
	£				
30,001 to 32,500		13,900	—	1	—
25,001 to 27,500		—	11,700	—	1
22,501 to 25,000		12,600	11,300	1	1
20,001 to 22,500		11,900	—	2	—
12,501 to 15,000		—	8,900	—	1
10,001 to 12,500		—	7,900	—	1
5,001 to 7,500		5,600	5,400	1	1
2,501 to 5,000		—	—	2	3

Note:

The tax that has been deducted is calculated at the income tax rates in force at the end of each year on the maximum salary within the range where applicable. It has been assumed that the recipient is a married man without children, with no charges on income and with no other source of income.

The number of other employees in the United Kingdom who received emoluments in excess of £10,000 is as follows:

£	Number of employees	
	1978	1977
20,001 to 22,500	—	1
17,501 to 20,000	4	—
15,001 to 17,500	3	3
12,501 to 15,000	11	8
10,001 to 12,500	27	15

4. Interest charges		
	1978	1977
	£000	£000
Bank overdrafts and other short term borrowings	1,977	1,858
Loans repayable on or before 31st December 1983	662	373
Loans repayable after 31st December 1983	1,259	1,301
	<u>3,898</u>	<u>3,532</u>

5. Taxation		
	1978	1977
	£000	£000
On the profit of the year:		
United Kingdom corporation tax at 52%	5,086	4,411
Overseas taxation	244	136
Transfer from deferred taxation	(888)	(283)
	<u>4,442</u>	<u>4,264</u>
Previous year adjustments	(108)	(310)
	<u>4,334</u>	<u>3,954</u>

As noted in the Directors' Report on page 7 the basis of providing for deferred taxation has been changed.

5. Taxation
continued

The taxation charge has benefited from accelerated capital allowances, stock appreciation relief and certain other timing differences. It is not expected that all the taxation deferred by these timing differences will be payable in the future and this tax has therefore not been provided. Without the benefit of these allowances, the taxation charge would have been increased by £1,356,000 (1977 £2,550,000).

6. Extraordinary
items

	1978	1977
	£000	£000
Termination costs on discontinued activities	1,407	1,258
Less: taxation relief applicable	(680)	(578)
	727	680

7. Dividends

	1978	1977
	£000	£000
Preference dividends 5.425% (formerly 7½%)	70	70
Ordinary dividends:		
Interim dividend paid of 2.45p per share (1977: 2.45p)	1,599	1,536
Proposed final dividend of 6.70p per share (1977: 5.75p)	4,374	3,727
9.15p per share (1977: 8.20p)	5,973	5,263

8. Profit retained

	1978	1977
	£000	£000
Glynwed Limited	1,722	501
Subsidiary companies	3,163	2,512
	4,885	3,013

9. Earnings per
share

The basic earnings per share is calculated on earnings of £11,585,000 (1977: £8,956,000) and 65,038,000 ordinary shares of 25p each (1977: 64,270,000 shares).

Earnings and issued shares have been adjusted in respect of basic and fully diluted earnings to take account of the acquisition of new subsidiaries during each year whether for shares, cash, loan stock or a combination of all three.

The fully diluted earnings per share is based on adjusted earnings of £11,753,000 (1977: £9,124,000) and adjusted shares of 67,640,000 (1977: 67,106,000 shares).

Earnings and shares assume that the holders of 6% convertible unsecured loan stock 1983/85 have exercised fully in 1977 and 1978 the conversion rights described in note 19 on page 33 of the accounts.

10. Stocks and
work in
progress

	1978	1977
	£000	£000
Raw materials and consumable stores	19,849	17,443
Work in progress	8,831	9,333
Finished goods and distribution stocks	37,806	38,366
	66,486	65,142

Notes on the Accounts continued

11. Current taxation	1978 £000	1977 £000
United Kingdom corporation tax: Payable on or before 1st January 1980	3,297	2,383
Advance corporation tax	2,942	2,711
	6,239	5,094
Overseas taxation	(21)	186
	6,218	5,280

12. Interest in subsidiaries	1978 £000	1977 £000
Shares at or below cost	52,376	52,967
Amounts owing from subsidiaries	61,644	60,622
	114,020	113,589
Amounts owing to subsidiaries	(19,488)	(16,696)
	94,532	96,893

A list of subsidiaries which traded during the year is given on page 20.

13. Fixed assets	Land and buildings			Plant, equipment and vehicles	1978 Total fixed assets £000	1977 Total fixed assets £000
	Freehold £000	Leasehold Long Short £000 £000		£000		
Cost and valuation:						
At 31st December 1977	24,493	728	521	51,484	77,226	74,498
Reclassification	(26)	(19)	1	44	—	—
Exchange adjustments	(267)	—	—	(365)	(632)	(1,350)
New subsidiaries	—	—	—	—	—	1,489
Additions at cost	379	—	27	7,695	8,101	5,422
Disposals	(942)	—	(2)	(4,777)	(5,721)	(2,833)
At 30th December 1978	23,637	709	547	54,081	78,974	77,226
Cost	13,293	635	531	49,377	63,836	60,737
Valuation (see next page)	10,344	74	16	4,704	15,138	16,489
	23,637	709	547	54,081	78,974	77,226
Accumulated depreciation:						
At 31st December 1977	7,160	177	172	34,037	41,546	39,050
Exchange adjustments	(53)	—	—	(217)	(270)	(553)
New subsidiaries	—	—	—	—	—	798
Provision for the year	398	17	20	3,978	4,413	4,236
Disposals	(201)	—	—	(3,400)	(3,601)	(1,985)
At 30th December 1978	7,304	194	192	34,398	42,088	41,546
Net book value:						
At 30th December 1978	16,333	515	355	19,683	36,886	
At 31st December 1977	17,333	551	349	17,447		35,680
Deduct:						
Deferred credit account					(334)	(488)
					36,552	35,192

13. Fixed assets
continued

Valuations have been incorporated in fixed assets as follows:

	Land and buildings Freehold	Leasehold	Plant, equipment and vehicles	
	£000	Long £000	Short £000	£000
<i>Professional valuations</i>				
1953 – 1968	1,304	19		
1969	607			
1970	1,357			
1972	1,546			
1973	275			
<i>Directors' valuations</i>				
1963 – 1964	5,125	55	16	4,704
1970	130			
	10,344	74	16	4,704

14. Capital
expenditure

	Group	1977
	1978	£000
	£000	£000
Authorised by the board but not contracted for	520	640
Contracted for but not provided in the accounts	1,819	1,090
Total expenditure authorised	2,339	1,730

Glynwed Limited had no capital commitments (1977: nil).

15. Trade
investments

	Group		Glynwed Limited	
	1978	1977	1978	1977
	£000	£000	£000	£000
Listed equity shares, at cost	754	992	—	71
Unlisted equity shares, at or below cost	314	79	263	53
	1,068	1,071	263	124
Market value of listed shares	714	1,261	—	38

The directors estimate the value of unlisted investments to equate to book value. The following information is given in respect of the investment in unlisted equity shares, showing the country of registration or incorporation and the group's interest in the issued share capital.

Name	Country of registration or incorporation	Capital	% held
European Plumbing Materials Ltd	England	£50,000	50
*Gaycas (Pty) Ltd	South Africa	R200	50
*Inkongweni (Pty) Ltd	South Africa	R2	50
Irano British Building Products Ltd	Iran	Rials 25m	49
Lab-Line Industrial Corporation	U.S.A.	\$1,000	50
Steelways Inc	U.S.A.	400 shares no par value	40
Vulcathene South Africa (Pty) Ltd	South Africa	R32,000	50

None of the above companies have been dealt with as associated companies as their figures are not significant to the group. No loan capital has been created.

*Shares held by subsidiaries of Glynwed Limited.

Notes on the Accounts continued

16. Contingent liabilities

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

17. Share Capital

	Authorised		Issued	
	No. of shares	£000	No. of shares	£000
Ordinary shares of 25p each				
Balance at 31st December 1977	30,000	20,000	64,300	16,200
Issued to stockholders exercising rights under 6% convertible unsecured loan stock			10	2
Share ownership scheme shares made fully paid (1977 - £5,000 1p per share paid)			470	118
Balance at 30th December 1978	30,000	20,000	65,280	16,320
5.425% Cumulative Preference Shares of £1 each fully paid (formerly 7½%)	1,291	1,291	1,291	1,291

2,359,813 shares of the unissued ordinary share capital are reserved for issue to the holders of the 6% convertible unsecured loan stock who may exercise their conversion rights.

18. Reserves

	Share Premium £000	Other Reserves £000	Goodwill on Consolidation £000	Total £000
Group				
Balance at 31st December 1977:				
Previously reported	20,971	21,549	(11,353)	31,167
Deferred taxation—prior year adjustment		11,900		11,900
As restated	20,971	33,449	(11,353)	43,067
Premium on shares issued	358	1,121		1,479
Issue expenses	(5)			(5)
Exchange differences and adjustments in overseas subsidiaries:				
Retained profit		(1,487)		(1,487)
Other reserves		(232)		(232)
Movement on goodwill			(148)	(148)
Profit retained		4,885		4,885
Balance at 30th December 1978	21,324	37,736	(11,501)	47,559
Available for distribution		34,597		34,597
Not available for distribution	21,324	3,139	(11,501)	12,962
	21,324	37,736	(11,501)	47,559
Glynwed Limited				
Balance at 31st December 1977	20,971	18,388		39,309
Premium on shares issued	358			358
Issue expenses	(5)			(5)
Profit retained		1,722		1,722
Balance at 30th December 1978	21,324	20,060		41,384
Available for distribution		19,222		19,222
Not available for distribution	21,324	838		22,162
	21,324	20,060		41,384

19. Medium and long term indebtedness	Repayment date	Group		Glynwed Limited	
		1978 £000	1977 £000	1978 £000	1977 £000
Secured loans					
United Kingdom					
7.5% debenture stock	1989/94	3,087	3,196	3,087	3,196
South Africa					
12.0% loan	1978/83	321	429	—	—
12.2% loan	1978/92	90	102	—	—
14.3% loan	1978/82	188	361	—	—
Others	1978/82	191	213	—	—
No fixed repayment date	—	172	—	—	—
		4,049	4,241	3,087	3,196
Unsecured loans					
United Kingdom					
Variable interest term loan	1980/82	5,000	5,000	5,000	5,000
6% convertible loan stock	1983/85	5,823	5,847	5,823	5,847
Variable interest term loans	1986	4,000	—	4,000	—
10.75% loan stock	1994/99	5,886	5,886	5,886	5,886
		20,709	16,733	20,709	16,733
Total		24,758	20,974	23,796	19,929
Medium term (repayable within 5 years)		5,700	5,514	5,000	5,000
Long term		19,058	15,460	18,796	14,929
Total		24,758	20,974	23,796	19,929

The debenture stock (including accrued interest) is secured by floating charges on the assets and undertakings of Glynwed Limited and certain of its wholly-owned subsidiaries. The sinking fund requirement has been satisfied to date by the purchase and cancellation of £377,785 of stock. The convertible unsecured loan stock carries the right, exercisable in any of the years 1979 to 1983, to convert 246.772p nominal amount of stock into one ordinary share of 25p. The holders of £24,001 loan stock exercised the conversion option at 30th September 1978. All loan capital, including any unconverted stock, is repayable at par.

20. Deferred taxation

The provision made in the accounts for deferred taxation, and the full potential liability, are set out below:				
	1978		1977 (restated)	
	Provision made	Full potential liability	Provision made	Full potential liability
	£000	£000	£000	£000
Timing differences mainly between tax allowances and depreciation	3,233	9,085	3,430	7,630
Stock appreciation relief	2,788	11,992	4,812	12,512
Advance corporation tax recoverable	(2,154)	(2,154)	(1,920)	(1,920)
Corporation tax payable if properties were disposed of at revalued amounts	—	260	—	260
	3,867	19,183	6,322	18,482
Movement in deferred taxation provision				
At 31st December 1977:			1978 £000	1977 £000
As previously reported			18,222	15,699
Adjustment on change in policy			(11,900)	(9,350)
As restated			6,322	6,349
Profit and loss account			(888)	(283)
Disposal of a subsidiary and other movements			(1,567)	256
			3,867	6,322

Auditors' Report

To the members of Glynwed Limited

We report on the accounts set out on pages 20 and 22 to 33. These have been prepared under the historical cost convention, as explained in the statement of accounting policies set out on pages 26 and 27.

In our opinion the accounts give a true and fair view of the state of affairs at 30th December 1978 and of the profit and source and application of funds for the year ended on that date, according to the historical cost convention, and comply with the Companies Acts 1948 and 1967.

Coopers & Lybrand
Chartered Accountants
Birmingham

Coopers & Lybrand

26th April 1979

Financial Calendar

Annual general meeting	7th June, 1979
Final dividend payable	2nd July, 1979
Half year end	30th June, 1979
Interim dividend payable	19th December, 1979
1979 year end	29th December, 1979
Interest payments (United Kingdom):	
Preference shares	30th June, 31st December
7.5% debenture stock	6th June, 6th December
10.75% unsecured loan stock	31st March, 30th September
6% convertible unsecured loan stock	30th June, 31st December

Summary of Comparative Figures

GLYNWED

		1978 £000	1977 £000	1976 £000	1975 £000	1974 £000
Trading results:	Turnover	316,437	285,440	243,082	198,217	208,353
	Group trading profit	19,978	16,559	18,088	14,239	19,738
	Interest charges	3,898	3,532	3,462	3,806	4,028
	Group trading profit before taxation	16,080	13,027	14,626	10,433	15,710
	Taxation	4,334	3,954	7,596	5,444	8,282
	Group profit after taxation	11,746	9,073	7,030	4,989	7,428
	Minority interests	91	47	224	161	114
	Extraordinary items	727	680	590	895	410
	Preference dividends	70	70	73	68	70
	Ordinary dividends	5,973	5,263	4,537	3,167	2,930
	Profit retained	4,885	3,013	1,606	1,198	3,904
		11,746	9,073	7,030	4,989	7,428
Assets employed:	Fixed assets	36,552	35,192	34,718	31,446	30,633
	Trade investments	1,068	1,071	1,086	871	881
	Stocks and work in progress	66,486	65,142	58,629	43,831	46,420
	Debtors less creditors	11,538	12,181	10,634	6,924	8,662
		115,644	113,586	105,062	83,072	86,596
	Current taxation and proposed dividend	10,592	9,042	8,865	8,374	9,112
	Operating assets employed	105,052	104,544	96,197	74,698	77,484
	Bank overdrafts and other short term borrowings (net)	7,575	15,615	14,486	13,695	15,171
		97,477	88,929	81,711	61,003	62,313
Financed by:	Ordinary shares	16,320	16,205	15,565	11,730	11,671
	Reserves	47,559	43,067	30,813	20,590	19,549
		63,879	59,272	46,378	32,320	31,220
	Preference shares	1,291	1,291	1,291	1,291	1,291
	Total share capital and reserves	65,170	60,563	47,669	33,611	32,511
	Medium and long term indebtedness	24,758	20,974	16,682	16,394	21,525
	Deferred taxation	3,867	6,322	15,699	9,668	6,952
	Minority interests	3,682	1,070	1,661	1,330	1,325
		97,477	88,929	81,711	61,003	62,313
Statistics:	Trading profit before interest to turnover	%	6.3	5.8	7.4	7.2
	Trading profit before interest to operating assets employed	%	19.0	15.8	18.8	19.1
	Turnover to operating assets employed	X	3.0	2.7	2.5	2.7
	Earnings per share (basic) (note 1)	P	17.8	13.9	11.9	9.6
	Adjusted ordinary dividend per share (notes 1 & 2)	P	9.1	8.2	7.4	6.4
	Dividend cover	X	1.8	1.6	1.4	1.4

Notes:

1. 1974 and 1975 figures have been adjusted for the rights issue made in May, 1976.
2. Deferred taxation for the years 1974 to 1976 has not been recalculated on the basis of the accounting policy set out on page 27; the adjustment relating to years prior to 25th December, 1976 amounted to £9.35m.

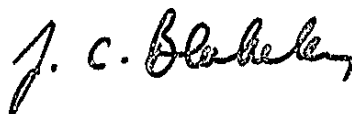
Notice of Meeting

Notice is hereby given that the thirty-eighth annual general meeting of Glynwed Limited will be held at Headland House, Sheldon, Birmingham, on Thursday the 7th day of June 1979 at 3 o'clock in the afternoon to transact the following business:

- 1 To receive and adopt the annual report and accounts for the 52 weeks ended 30th December 1978.
- 2 To declare a final dividend.
- 3 To elect directors.
- 4 To reappoint Coopers & Lybrand as auditors under Section 14(1) of the Companies Act 1976, and to authorise the directors to fix their remuneration.

A member entitled to attend and vote is entitled to appoint a proxy to attend and vote instead of him. A proxy need not be a member.

By order of the board
J C Blakeley
Secretary



Birmingham
16th May 1979

Notes

1. A form of proxy is inserted in the report and accounts and is for the use of shareholders who are unable to attend the meeting in person. This form should be completed, signed and returned so that it arrives at the office of the company's registrars not later than 3 p.m. on 5th June 1979. 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.
2. In accordance with the listing agreement - companies, which the company has given to The Stock Exchange, London - the appropriate contracts of service of the directors will be available for inspection at the company's registered office between 9.00 a.m. and 4.30 p.m. on any weekday (Saturday and public holidays excluded) from 17th May 1979 to 6th June 1979 inclusive, and at the place of the meeting for 15 minutes prior to the meeting and during the meeting.