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Contents

Glynwed 1997

Glynwed is an international engineering group which occupies leading market positions in all its major business operations. It has significant growth potential in pipe systems and in consumer and foodservice products. It also benefits from reliable cash generation from its strong metals operations. In 1997 Glynwed produced underlying earnings growth of 9% and reduced net debt to £2.5m.

Key Results

	1997	1996	Increase/ (decrease)
Turnover	**£1,242m**	£1,324m	(6.2)%
Pre-tax profit – before exceptional charges	**£89.4m**	£86.3m	3.6%
Earnings per share – IIMR basis	**24.8p**	22.8p	8.8%
Dividend per share	**13.20p**	12.75p	3.5%
Total shareholders' funds	**£277.5m**	£251.1m	£26.4m
Net borrowings	**£2.5m**	£66.1m	£(63.6)m

Glynwed

Engineering new momentum

Glynwed Group Profile

Glynwed Pipe Systems (GPS)

- GPS has grown over 15 years to become Glynwed's largest division and is the world's largest integrated manufacturer and distributor of high performance pipe systems used in the transmission of liquids and gases. GPS is a major supplier to gas, water and environmental utilities as well as to manufacturing and process industries.
- GPS occupies market-leading positions in the UK and mainland Europe. It has significant operations in Italy, France, Germany, Spain and Holland.
- In the USA GPS is the number one distributor in pressure pipe systems with 43-branch, coast-to-coast coverage.
- GPS has a major operation in Australia and is now expanding in S E Asia, having a distribution centre in Singapore which also feeds into China and Malaysia.

Glynwed Consumer & Foodservice Products

- Glynwed has the foremost brand names in domestic cooking appliances. Aga and Rayburn are household names in range cooking. Flavel-Leisure is now the UK's leading name in multi-fuel range-cookers through its innovative 'Rangemasters'.
- The division has a rapidly expanding retail presence through its chain of Aga Shops and, through AgaCare, is now the UK's third largest domestic appliance service provider.
- Commercial Foodservice operations include Falcon, the leading manufacturer of prime cooking appliances, and Wholesale Catering, a major UK distributor of foodservice equipment and consumables.

Glynwed Metals Operations

- Glynwed's Metals Processing operations produce an unrivalled range of engineering products from flexible, efficient, low-cost facilities concentrating on niche market sectors with strong emphasis on added-value.
- Glynwed Metals Processing produces hot rolled products and bright bar; specialist cold rolled strip; precision steel tube and specialised engineering products.
- Glynwed Metals Distribution is the UK's market leader in the distribution of high performance metals. It has 18 UK branches and a growing European presence, notably in Germany and Holland.

From the Chairman

Glynwed made significant progress during 1997: major advances were made with the programme of disposals, profits were ahead of the previous year and borrowings significantly reduced.

The disposal of 12 marginally profitable non-core businesses, with annual sales of over £150m, accounted for most of the 6.2% reduction in turnover to £1,242m. However, pre-tax profits before exceptional charges rose 3.6% to £89.4m (1996: £86.3m). After exceptional charges – which arose mainly from goodwill previously written off to reserves – the pre-tax profit showed an increase of 8.7% to £76.2m (1996: £70.1m). Earnings per share (on the IIMR basis) were 8.8% higher at 24.8p (1996: 22.8p), while the Group's net borrowings fell by the year-end to £2.5m (1996: £66.1m) leaving gearing at just 0.9%.

The interest charge was £6.7m in 1997, substantially lower than £9.1m in 1996. With debt levels reduced by disposals and with relatively expensive fixed rate interest agreements ending, interest costs are now running at significantly lower levels.

These results were achieved against a background of difficult worldwide markets, with currency effects alone restraining profits by at least £10m. The Group also absorbed an additional £3m pension charge resulting from the Government's abolition of ACT credits in the 1997 Budget.

The sound underlying performance and the Group's confidence in its future prospects, enables the Board to recommend an increase in the final dividend from 8.35p to 8.8p per ordinary share, which, with the interim dividend of 4.4p, brings the total for the year to 13.2p – an increase of 3.5%. Before exceptional charges, the dividend is covered 1.9 times (1996: 1.8 times). We are thus moving towards our preferred level of 2 times cover.

Board Changes

On a personal note, I indicated at our Annual General Meeting in 1997 that it was the last occasion on which I would seek re-election to the Board. Since that time a number of top level executive changes have taken place – the retirement of Bruce Ralph at the end of 1997, the appointment of Tony Wilson as Group Chief Executive and the recruitment of William McGrath as Group Finance Director.

I believe that 1998 is the right year in which to hand over the reins of the Chairmanship, after 40 years with the Group, and I therefore intend to leave the Board by the end of the year. My successor will be named in the near future.

I have every confidence in the strength of the management team and in its ability to improve the prospects of the Group.

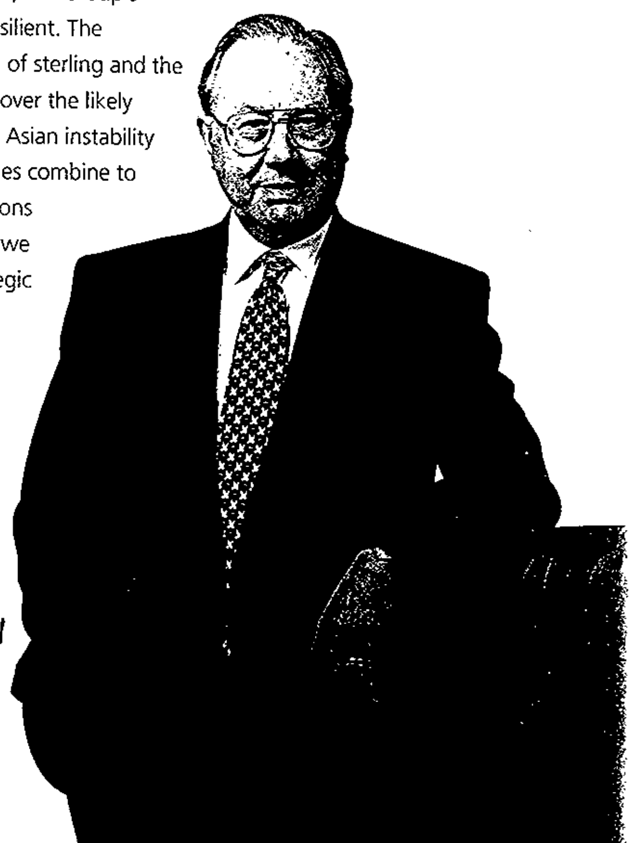
Strategy

The year saw Glynwed dispose of its cyclical copper tube and foundries businesses, as well as several other mainly construction-related non-core operations. Altogether £59m was realised with no dilution of earnings. All the businesses sold were mature UK operations and the larger ones had a high level of dependence on exports.

Glynwed has significant resources at its disposal and plans to drive forward the strategic change and development of the Group by acquisitions as well as stimulating further organic growth through carefully targeted capital expenditure. Investment will concentrate on Pipe Systems and Consumer & Foodservice Products where there is real potential for growth. The Metals operations will continue to develop their added value products and niche markets.

Outlook

Despite the many adverse factors which confronted Glynwed during 1997, the Group's operations proved resilient. The continuing high level of sterling and the widespread concern over the likely impact of South East Asian instability on Western economies combine to make market conditions uncertain. However, we are clear in our strategic and operational objectives and are confident about the future prospects for the Group.



Gareth Davies CBE
Chairman

Chief Executive's Review

The 1997 results show 9% growth in underlying earnings and a virtually ungeared balance sheet, providing firm foundations for strategic change as we move forward in 1998.

A Year of Change

1997 saw a quickening in the pace of strategic change.

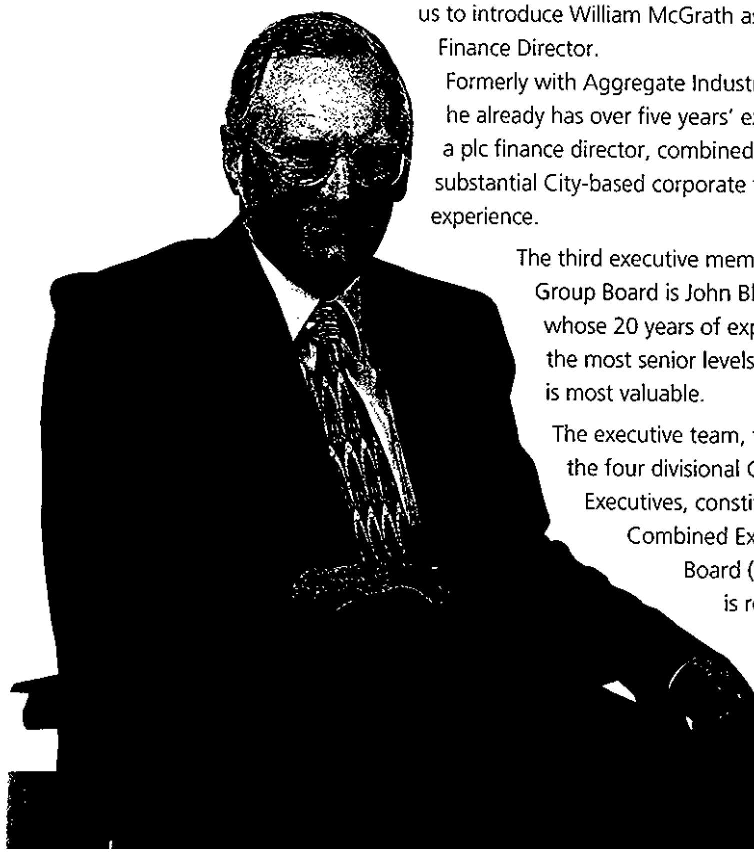
Some time ago the Board recognised certain pre-requisites for the Group's long-term growth: principally, the need to focus resources on fewer sectors; to become less UK-orientated; and to reduce cyclical exposure.

The necessary repositioning of the Group required a series of disposals, to be followed by focused acquisitions and capital investment in core products and processes.

During 1997 we disposed of twelve businesses, accounting for over £150m of marginally profitable turnover, largely dependent on the highly competitive and unpredictable UK construction sector.

These disposals included the 'Wednesbury' copper tube business and the foundry operations which made and distributed cast iron drainage systems and access covers. Far reaching changes in their markets precluded future growth and successful disposal at this stage has released valuable financial and management resources for the Group.

1997 also saw significant management change. My succession to the role of Chief Executive enabled us to introduce William McGrath as Group Finance Director.



Formerly with Aggregate Industries plc, at 39 he already has over five years' experience as a plc finance director, combined with substantial City-based corporate finance experience.

The third executive member of the Group Board is John Blakeley whose 20 years of experience at the most senior levels in the Group is most valuable.

The executive team, together with the four divisional Chief Executives, constitute the Combined Executive Board (CEB), which is responsible for day-to-day Group operations and the implementation of policies and strategies determined by the main Board.

The experienced and committed CEB team is determined to secure growth and enhance shareholder value into the next millennium.

Review of Operations

Having substantially completed the integration of the Victaulic businesses in 1996, the Glynwed Pipe Systems division (GPS) began to operate as a truly global business in 1997. With a powerful range of products it capitalised on its leading positions in the UK, mainland Europe and USA, as well as developing further in South East Asia and Eastern Europe. GPS is now into its stride as a cohesive international business and we will build further on this strength, as was demonstrated in 1997, with the acquisition in February of the Italian fittings manufacturer Astore, and in August with the purchase of the twelve-branch IPT distribution business in the eastern United States.

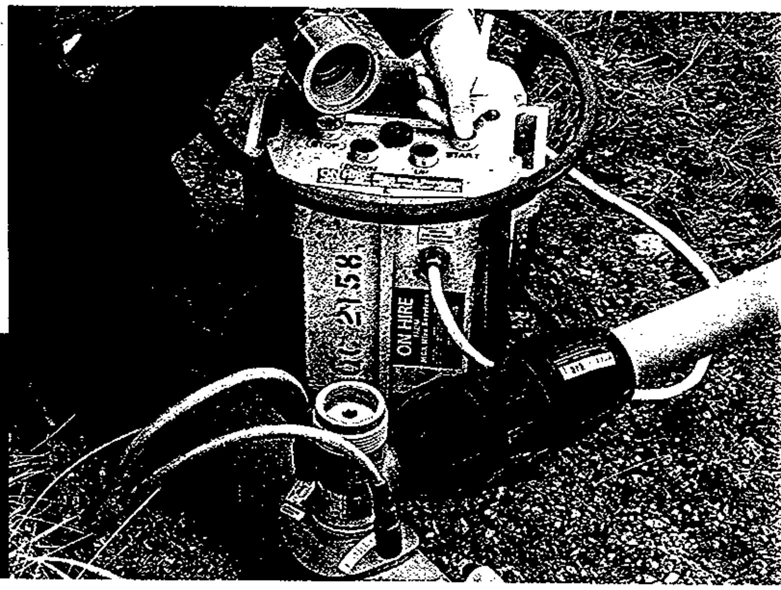
Virtually all of the non-core disposals in 1997 were from the Consumer & Construction Products division, which has now been re-named 'Consumer & Foodservice Products' to reflect accurately its current business portfolio and future direction. It already holds market leadership positions in UK domestic cooking appliances and commercial foodservice products. Exports are growing steadily, through Aga in the USA and Leisure cookers in mainland Europe. This division is constantly creating new opportunities through innovative design of premium quality products, supported by dynamic marketing programmes.

The Metals Processing division, having historically developed international export positions, suffered most from the strength of sterling and weak markets in continental Europe. However, its unique flexibility and wide product range enabled it to switch focus to the more active US economy. Its resilience was further enhanced by prudent investments in added-value products and processes, which contributed to robust profits and cash flow, despite difficult trading conditions.

Aga's "Cook of the Year" competition [illegible]

Our most significant growth for the future will come from the Pipe Systems and Consumer & Foodservice Products divisions and the greater part of our development and acquisition investment will be concentrated in these two areas.

The Metals businesses will be managed for profits and cash, supported by selective investment in niche, added-value activities.



The Metals Distribution division (Glynwed Metal Services) is the UK's leading distributor of high-performance metals. Although its margins were restrained by low metal prices in 1997, it continued to enhance its market position in the UK and to grow further its mainland European operations. The division is well positioned to benefit from any metal price improvements.

The Way Forward

1997 has seen Glynwed dispose of its construction-related businesses, virtually eliminate net borrowings and improve its profitability, despite adverse exchange rates.

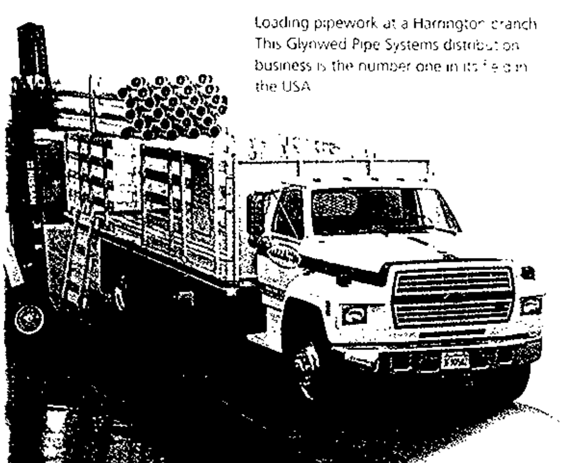
In 1997 Glynwed has become better focused, developed a more international outlook and reduced its cyclical vulnerability. These trends will accelerate in 1998.

Glynwed has significant financial resources at its disposal, and a management team that has the vision, the vigour and the determination to deliver value for shareholders.

Anthony J Wilson
Chief Executive

Above left:
Flavel-Leisure's innovative marketing has brought [illegible] closer to its domestic customers. This is its successful Customer Care Centre.

Above right:
[illegible] Pipe Systems [illegible] market for the [illegible] of [illegible]

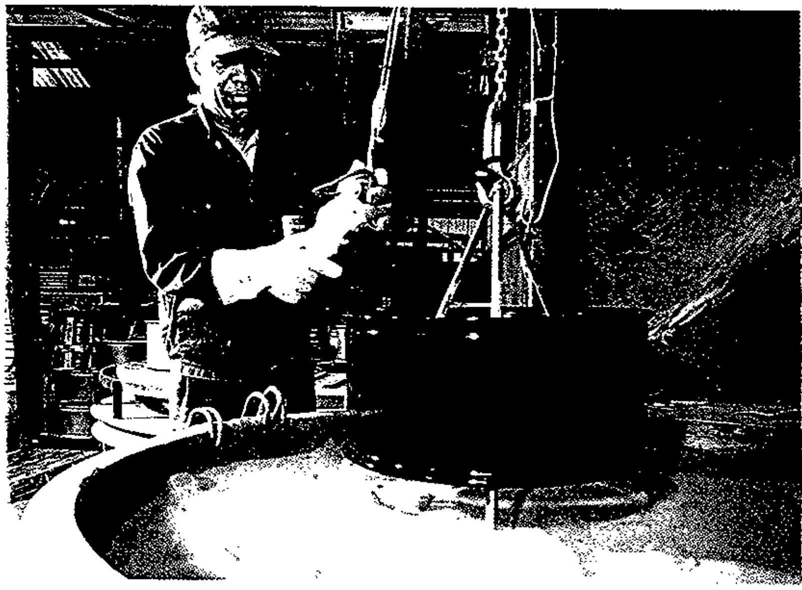


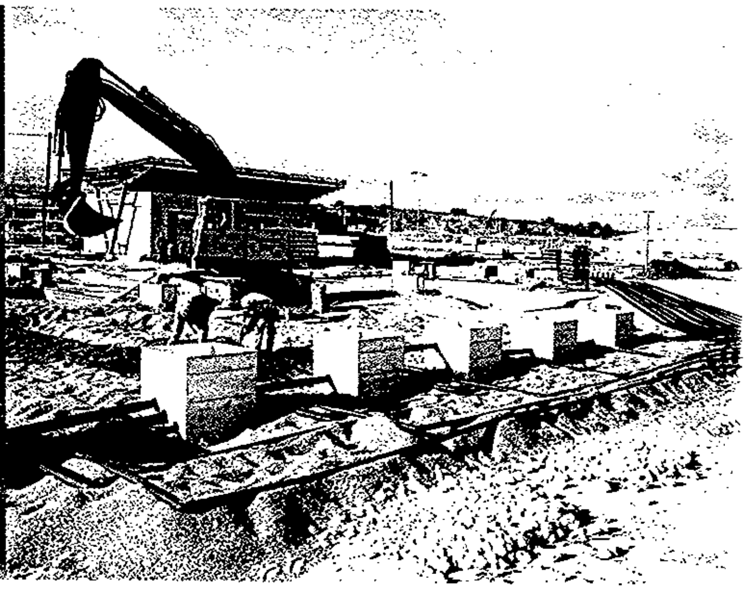
Loading pipework at a Harrington branch. This Glynwed Pipe Systems distribution business is the number one in its field in the USA.

The following pages (6-13) provide detailed operating reports from the four divisional Chief Executives.

Pipe Systems

1997 saw Glynwed Pipe Systems develop further its increasingly global positions in manufacturing, marketing and distribution.

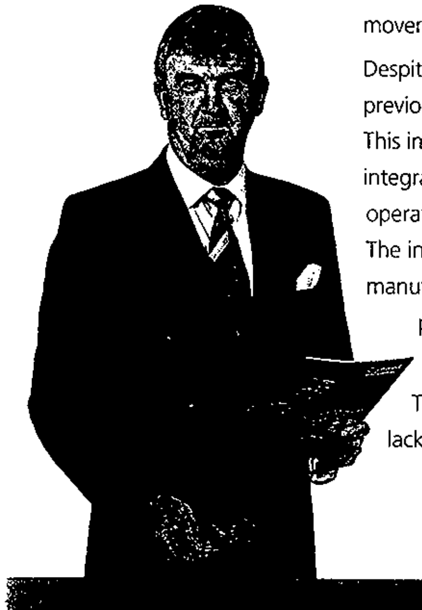




Above.
Viking Johnson [illegible] metal [illegible] Powder paint [illegible] gives a quality [illegible]

Above right
[illegible] Petrol-line, [illegible] in service station [illegible] recently [illegible] launched by GPS [illegible] manufacturing [illegible] Durapipe-S&LP

David Tracey
Divisional Chief Executive of
Glynwed Pipe Systems



During the past 15 years the Group has developed Glynwed Pipe Systems (GPS) from an embryonic plastic fittings business to become the Group's largest division. It now stands as a market leader in the UK, mainland Europe and the USA, supplying pressure pipe systems and equipment to engineering and process industries, gas, water and environmental utilities, worldwide.

1997 saw GPS develop further its increasingly global positions in manufacturing, marketing and distribution. It is Glynwed's most international division; however, its strong underlying performance during the year was somewhat hidden by the impact of exchange rate movements on overseas turnover and profits.

Despite this, profits were 11% higher than the previous year at £35.8m on turnover of £356m. This improvement reflects the benefits of having integrated the Victaulic businesses with existing operations in the UK and mainland Europe. The integration, combined with investment in manufacturing efficiencies, helped overcome the patchiness of world demand and the margin pressures resulting from a strong pound.

Throughout the year UK markets remained lacklustre, with competitive pricing on major contracts in an economy driven mainly by the consumer and service sectors, rather than by capital investment in industry and infrastructure. Against this background the UK plastic pipe systems businesses progressed well, benefiting from the economies of scale which resulted from the consolidation of manufacturing resources. GPS' UK distribution activities also increased profits. The Couplings and Seals sub-division experienced some reduction in both home and export demand for its products which was addressed by making organisational changes, the full benefit of which will be felt in 1998.

The majority of GPS' sales are made *outside* the UK. Its Mainland Europe sub-division is a leader in the manufacture of plastic pipe systems and equipment, having production plants and marketing resources in Italy, Germany, France, Spain and Holland.

The integrated marketing of total system solutions, capitalising on the strength of well-established, brand-leading businesses, such as FIP, Innoge and Durapipe-S&LP, enabled sound progress to be made in the sluggish markets which prevailed in western Europe throughout 1997. GPS also made valuable advances through its rapidly developing presence in eastern Europe.

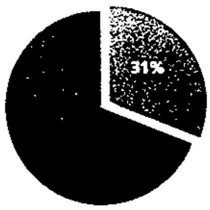
In the USA, GPS is the number one industrial pipework systems distributor and, through the acquisition of IPT in August, now has 43 branches coast-to-coast, together with a manufacturing presence in Chicago. Despite a slowing of demand for pure water systems from the semi-conductor manufacturing sector, the overall 1997 results in the USA proved satisfactory.

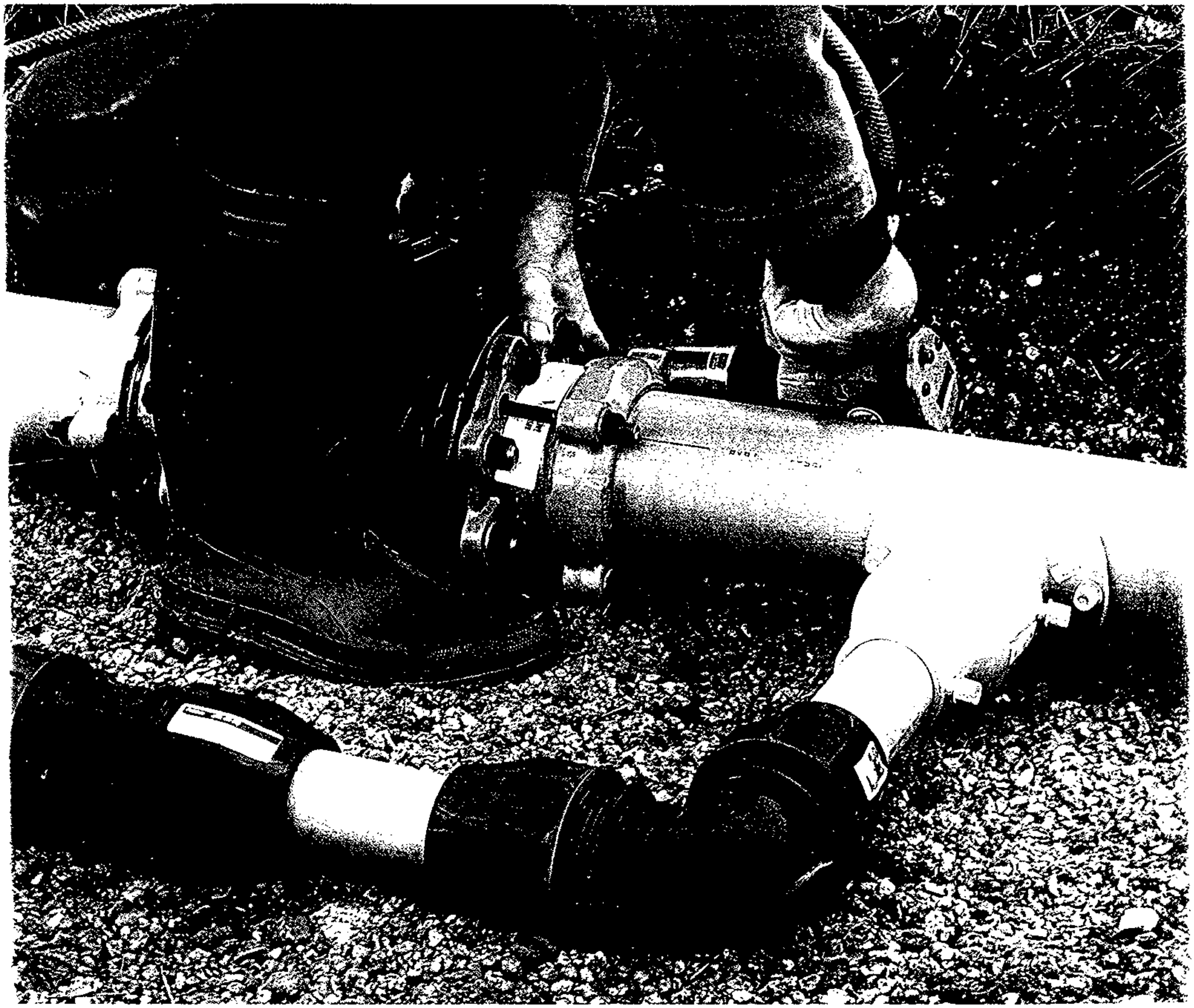
GPS also has considerable longer term potential in Asia. It has Chinese and Malaysian offices, and in 1997 Australian company had a much improved year through the growing success of its new product range and stronger domestic market demand.

Elsewhere GPS' small South African joint venture had a profitable first year.

1997 was a year of further progress for GPS. Through increasingly effective co-ordination of its worldwide operations and global marketing, the division

Proportion of continuing Group turnover





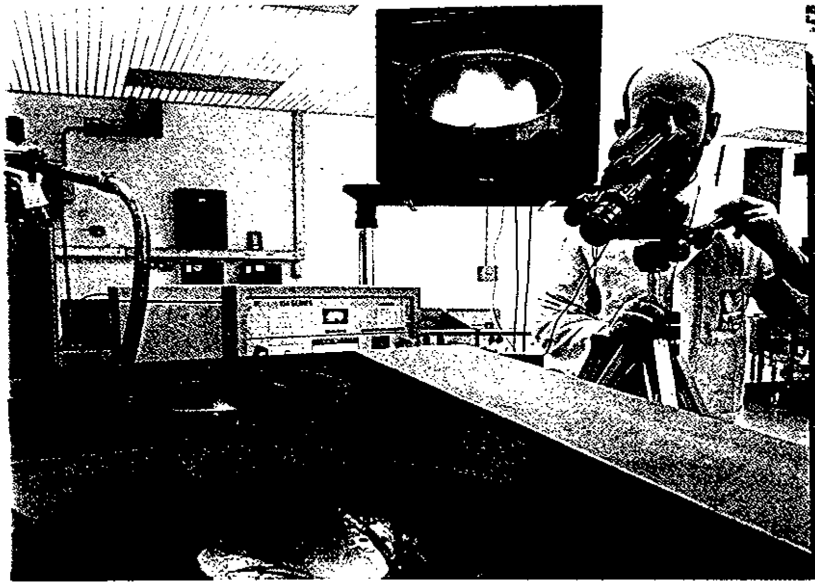
increased GPS Asia's existing presence in Singapore to include a new stockholding facility.

It may be that economic problems in the region will mean slower growth in the short term, but the long-term potential for infrastructure and industrial development is unquestionable. The division's established itself as the world's largest integrated manufacturer and distributor of high performance pipe systems. From this position, and with a highly committed workforce, GPS expects to make further progress in 1998.

Above
[illegible] plastic and metal fittings, valves, flowmeters and pipes for process and general industries, gas, water and environmental utilities worldwide

Consumer & Foodservice Products

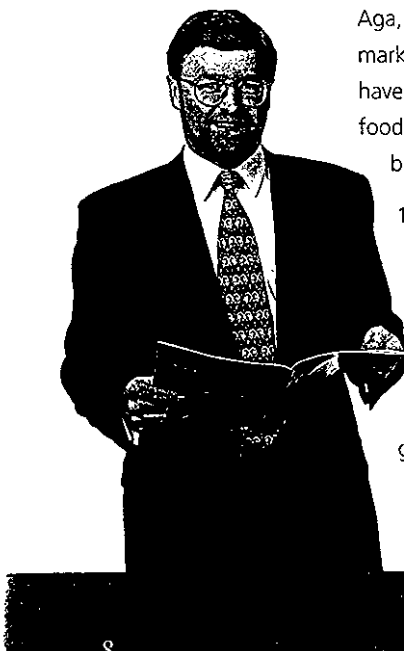
Aga, Rayburn and Leisure are outstanding brands – market leaders in domestic cooking appliances; all have real growth potential. The division's commercial foodservice activities are also a focus for growth, based on UK market leadership.



Above:
Glynwed have invested in new research and development facilities at Falcon Catering to maintain the brand's leadership position in foodservice products.

Above right:
Flavel-Leisure invited Jeff Banks to help its innovative approach. This is the terra-cotta version of the resulting "Ports of Call" designer range.

Stephen Rennie
Divisional Chief Executive of Glynwed Consumer & Foodservice Products



Now that the Group has successfully divested its construction products activities, the recently renamed Consumer & Foodservice Products division principally comprises the Aga-Rayburn, Flavel-Leisure, Leisure Sinks and Falcon commercial catering operations.

The division generated an operating profit of £15.7m, up 7% on the previous year, on turnover of £163m.

Although trading conditions were more patchy than 1997's news headlines about consumer spending might have indicated, the division's strategy is to create its own growth and not to rely on fluctuating markets.

Aga, Rayburn and Leisure are outstanding brands – market leaders in domestic cooking appliances; all have real growth potential. The division's commercial foodservice activities are also a focus for growth, based on UK market leadership.

1997 was a year of improving shares across all target market sectors.

In consumer products, range cooking spear-headed progress both in market development and sales. For example, Flavel-Leisure's Rangemaster and its derivatives saw sales growth of over 15% – well ahead of the general cooker market. Emphasis on aesthetic design and advanced product performance enabled the consumer products sub-division to consolidate its already strong UK market position in cookers. This was further helped by its expansion into mainland Europe through a developing partnership arrangement with a major continental cooker manufacturer.

Aga and Rayburn, the two pre-eminent brands in range cooking, made good progress with new models. The year also saw Aga's exports grow with particular success in North America.

Aga Shops grew to 38 branches, achieving sales over a third higher than 1996. The AgaCare team of service engineers, who cover the whole range of appliances produced by the division, also increased to 150. It is now the UK's third largest domestic appliance service operation, enabling the division to generate a closer relationship with its domestic customers.

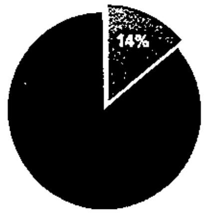
Leisure Sinks suffered from the strength of sterling and saw continental European sales dramatically reduced. Product launches in the UK and more intensive marketing activity began to redress the situation during the second half of 1997.

The Commercial Foodservice sub-division is another area Glynwed expects to grow. Progress in 1997 was encouraging with Falcon Catering Equipment advancing its position as UK market leader in commercial cooking products, with sales and profits ahead of the previous year. Although the public sector declined, demand for pub, hotel and restaurant equipment grew, and the Group has invested in Falcon's research and development

The sub-division's distribution arm, Wholesale Catering, completed a successful picture with sales growth of over 25%.

Consumer & Foodservice Products are an important focus for Glynwed's growth, not only through the development of products and markets, but also a continuous programme of manufacturing improvements. This is helping to bring about vital

Proportion of continuing Group turnover



facilities to give particular support to this sector. In addition, a Falcon range cooker for the domestic market was successfully launched, bridging the gap between the Leisure Rangemaster and Aga-Rayburn's products.

cost reductions. The disposal of non-core activities has enabled the division to concentrate on its key growth activities and it is investing strongly in people and their skills, confident that this will bring lasting benefits to the division.

Above.
Aga cooker exports grew during 1997 with promotion in the USA and mainland Europe, as seen in this specialist shop in Paris

Metals Processing

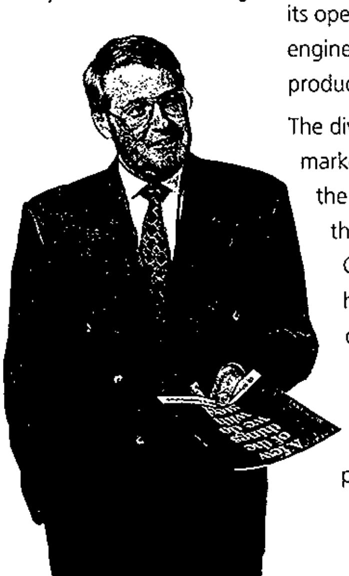
The division's resilient profit performance reflects the steady shift in its overall balance of operations to higher value-added specialist engineering activities and away from commodity products.

Above and above right: [illegible]

Despite difficult trading conditions, the Metals Processing division showed its resilience and made a substantial contribution to the Group's results, generating good cashflow and returning operating profits of £30.5m on turnover of £309m.

The strength of sterling proved to be the factor which most influenced the division's trading, making exporting generally difficult and home markets more competitive. However, the businesses demonstrated their flexibility in adapting to changing market conditions.

Tony Bagshawe
Divisional Chief Executive of
Glynwed Metals Processing



The division's resilient profit performance reflects the shift, over a period of time, in the overall balance of its operations to higher value-added specialist engineering activities and away from commodity products.

The division sought to retain hard-won export markets in mainland Europe wherever possible. At the same time it developed its activities in the USA, the dollar/pound relationship being less volatile. Quite apart from the strength of sterling, however, demand in mainland Europe remained disappointing early in the year as continental economies recovered at a relatively slow pace. Within the UK, demand remained fairly strong for most sectors, although competitive margin pressures often constrained profitability.

Despite the Hot Rolling sub-division's products being in highly competitive markets, its unique product range, allied to the flexibility and efficiency of its manufacturing processes, ensured a creditable performance. Sales volumes of engineering bar were high, but at very competitive prices, and strong export sales of special sections were achieved through targeting the buoyant U.S. market. The weakest area for the sub-division was wide, hot-rolled flats, with demand in both UK and export markets disappointing, again accompanied by intense price competition.

The Bright Bar sub-division achieved good sales and profitability, benefiting from modest but well-timed investment in 1996. The division's stockholding business, which is the UK's leading engineering steel bar distributor, also showed the benefit of recent improvements to facilities, enabling it to penetrate higher margin sectors.

The Cold Rolling sub-division saw its traditional products make good headway in export markets, helped by the introduction of higher value alloy grades of steel strip. The specialist strip producers maintained satisfactory performance levels in their worldwide markets; they also successfully developed new products from which they will benefit in future years.

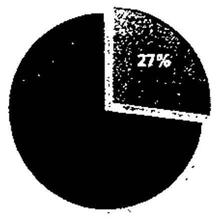
The sub-division's specialist laboratory services, slitting and pickling facilities made good progress through increasing their customer base.

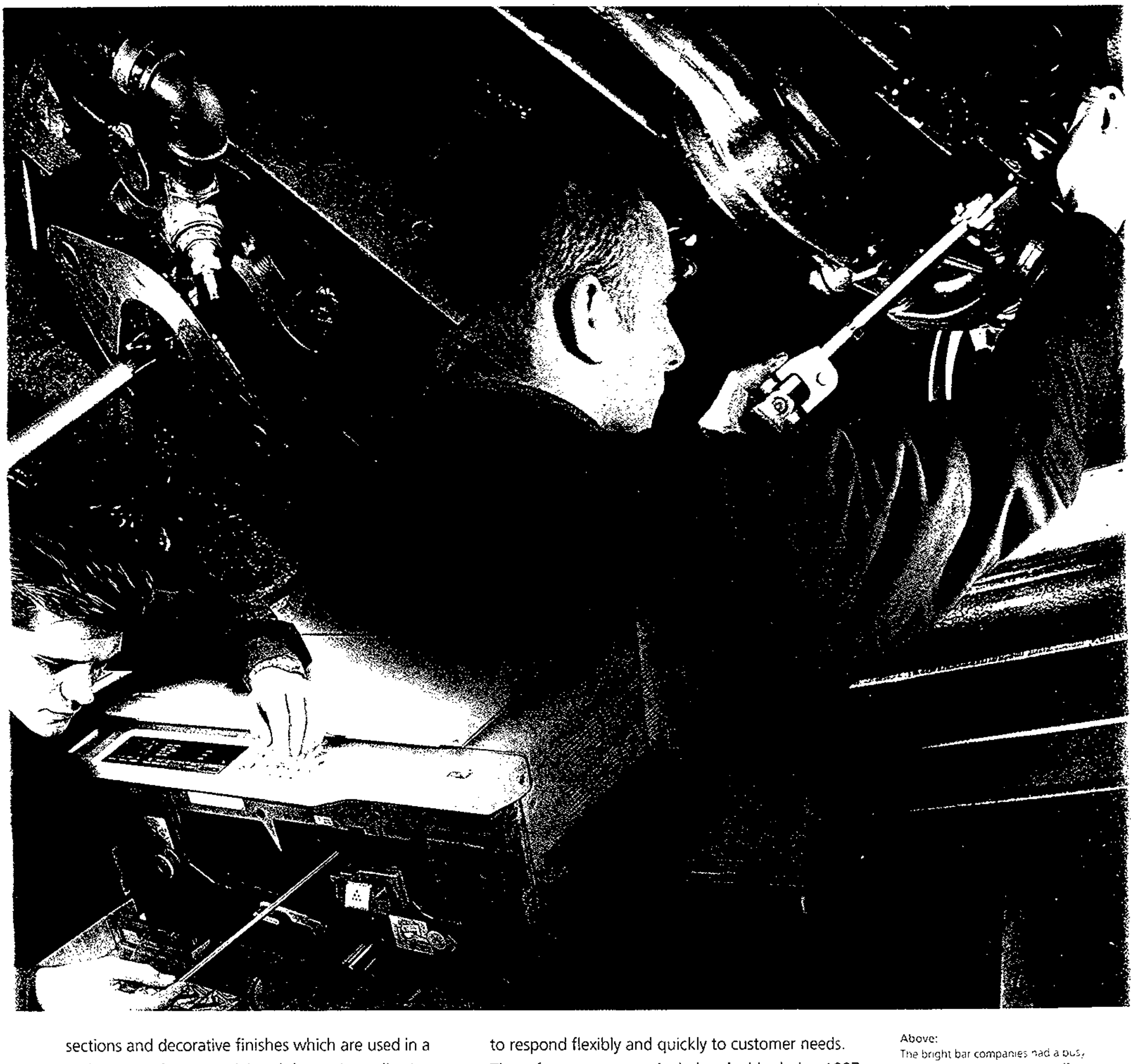
The Steel Tubes sub-division continued to reinforce its growing position in specialist, engineered products producing an unrivalled range of semi-finished tubular components for the automotive sector. It also developed further its extensive range of special sections and decorative finishes which are used in a wide range of commercial and domestic applications. The tube distribution activities experienced good demand throughout the year and the Canadian tube manufacturing operations enjoyed an excellent year.

The four specialist engineering businesses saw good demand from aerospace, marine and steel fastening markets, whilst the steel fabrication activities benefited from sales of new products to local authorities and the water utilities.

The Glynwed Metals Processing division benefits from the breadth of its activities, the development of added-value products in niche markets and its ability to respond flexibly and quickly to customer needs. These factors were particularly valuable during 1997 and new developments during the year will add further value to the division's future performance.

Proportion of continuing Group turnover

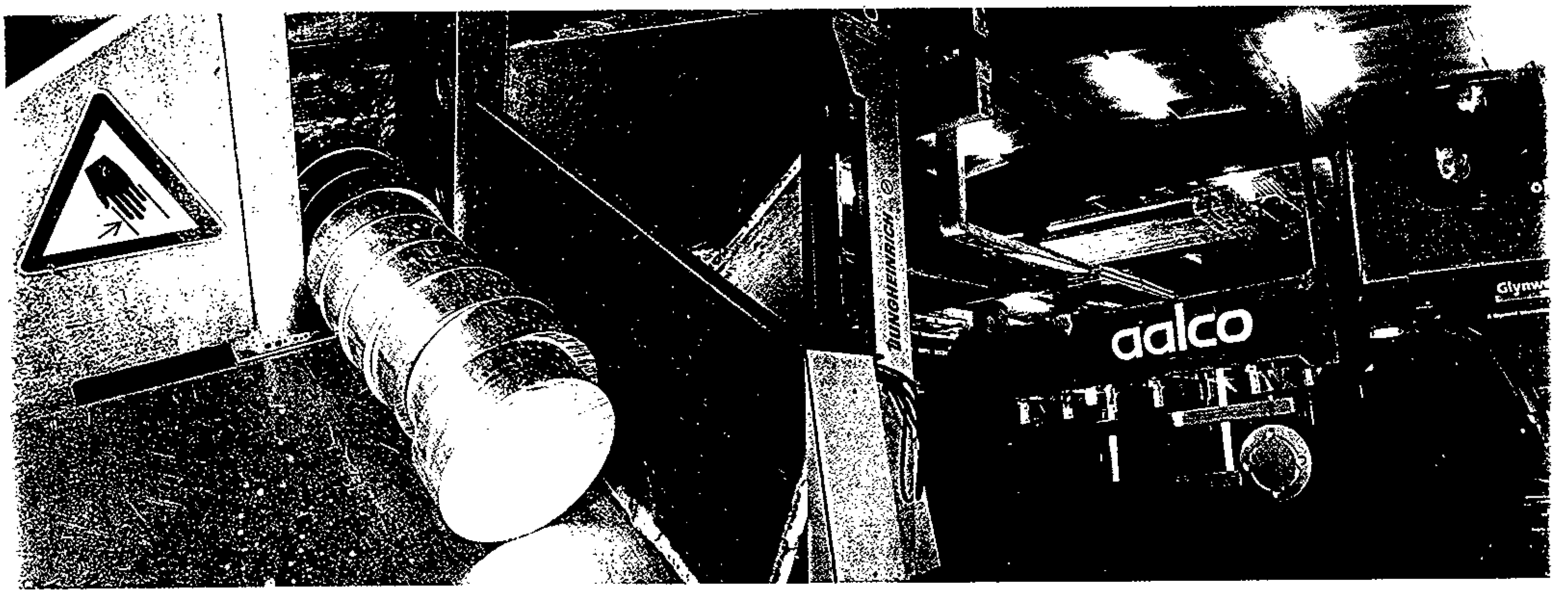




Above:
The bright bar companies had a busy year. Two major markets were office automation and automotive components. Customers featured are Marasawa who make shafts and rollers for office equipment in Telford, and Nastech who make steering assemblies in Coventry.

Metals Distribution

Margins came under considerable pressure ... However, volume growth continued and healthy market shares were achieved.



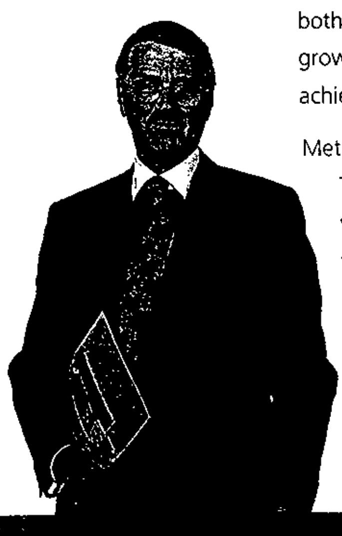
Above:
Glynwed's Metals distribution (GMS) business is the UK's leading stock holder and processor of multi-metals, such as this brass billet.

Above right:
GMS makes a delivery from its multi-metals range every 20 seconds to one of its tens of thousands of UK and continental customers.

For the Metals Distribution division, Glynwed Metal Services, 1997 saw contrasting market conditions between its UK operations and its mainland European and other overseas activities. The strong pound and the correspondingly weaker Deutschmark (DM) were the significant influences in causing such contrasts. Nevertheless the division achieved turnover of £327m and it made £11m operating profit.

In its main market, the UK, the division saw the value of the pound have a restraining effect on metal prices, which have become increasingly linked to either the US dollar or DM. Margins came under considerable pressure as the division's manufacturing customers sought to defend their own positions, in both home and export markets. However, volume growth continued and healthy market shares were achieved.

David Taylor
Divisional Chief Executive
of Glynwed Metal Services



Metal prices were also influenced by over-supply. This was most evident in cold-rolled stainless steel where substantial new capacity came on stream; this had been encouraged by the industry's over-optimistic projections for long-term growth in consumption. The result was too much capacity too soon; this helped to keep stainless steel prices around the previous year's low levels.

In aluminium markets, supply and demand were more evenly balanced and prices improved modestly through the year, although average UK prices still remained close to those of 1996.

Conversely, in mainland Europe, the division's German and Dutch businesses produced excellent results, as the weakening DM promoted an export-led recovery. In addition, continental European performance benefited from better aluminium prices which reflected the weakness of continental European currencies against the US dollar. The German operations also made full use of the Group's investment in their branch network undertaken in 1996.

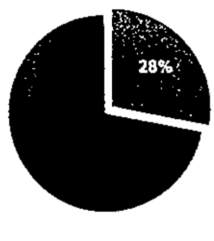
The Group continued to invest in the division's UK facilities in support of Glynwed Metal Services' strategy of providing high levels of customer service whilst reducing unit costs. Three new regional warehouses replaced five smaller existing units, and the central tube products warehouse was relocated within the Midlands to provide an improved national, 24-hour delivery service to the branch network. In addition, aluminium plate-cutting operations at four branches were consolidated on to the new Southampton site.

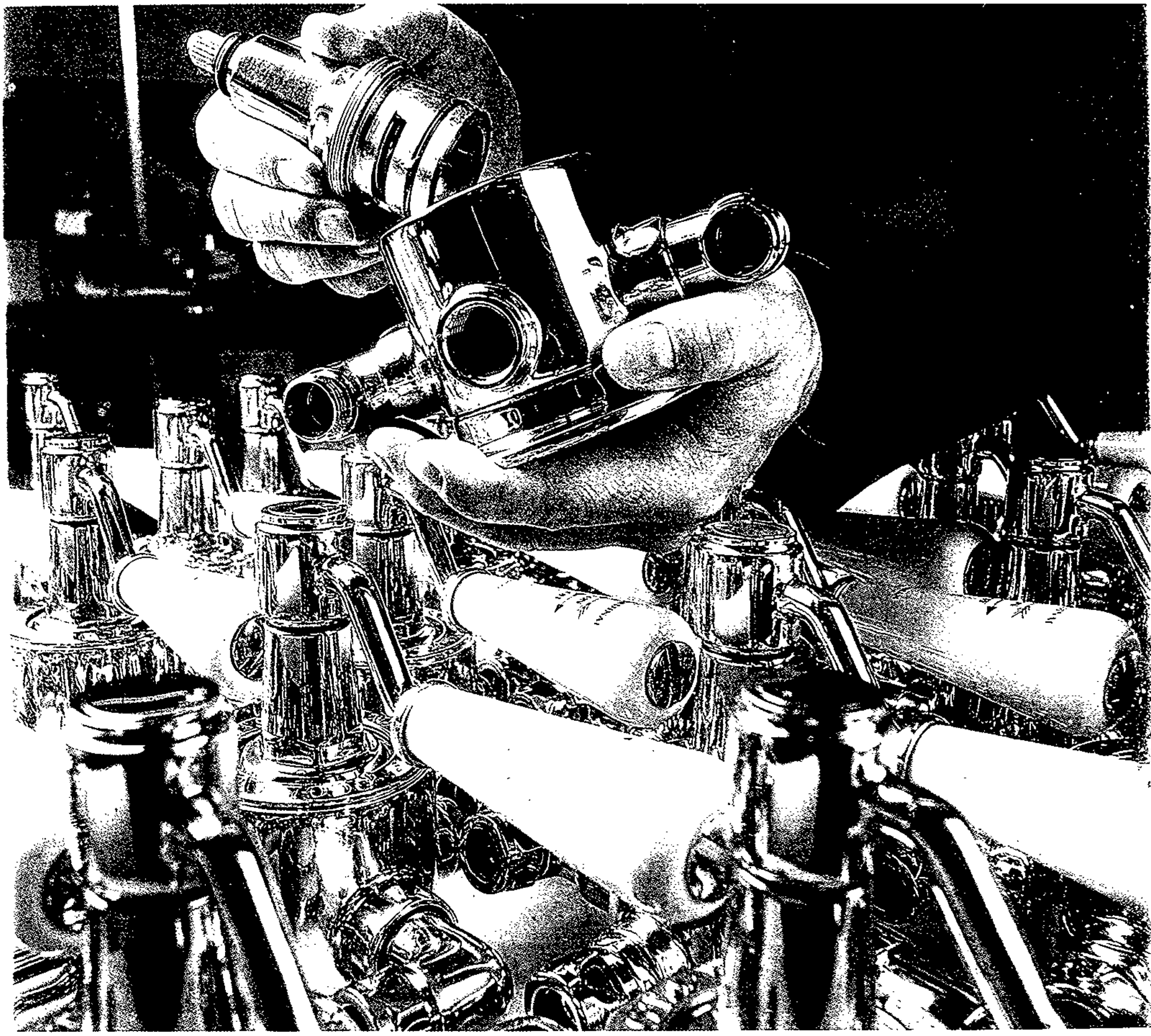
The investment programme in processing facilities at the division's Midlands-based service centre continued with the installation of major new slitting and decoiling equipment to support the business in its pursuit of further market penetration.

The division's UK plastic sheet and rod distribution operation experienced a satisfactory year. It became the exclusive distributor of 'Plexiglas', taking over the German manufacturer's own excellent distribution and materials processing facilities. The year also saw the acquisition of Dublin-based Lincoln Plastics which will promote growth of the business in the Irish Republic. The American plastic sheet and rod distribution network operating in the western United States had an excellent year, opening a new branch in Denver and planning two further new branches in Texas for 1998.

Outstanding customer service through well-trained and highly motivated staff remains the division's key driving force. The successful introduction in 1996 of a modern apprenticeship scheme continued with a fresh intake in 1997. This, together with the recruitment of graduates and vigorous programmes of training and staff development, will ensure that Glynwed Metal Services has the people to respond effectively to its customers' needs in the years ahead.

Proportion of continuing Group turnover



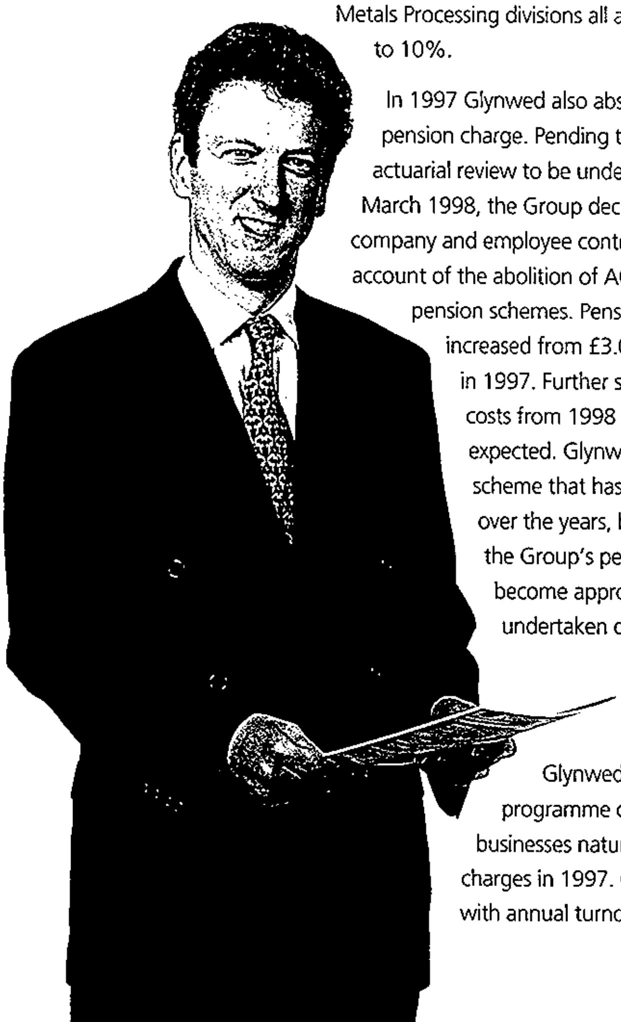


Above:
A & J Gummers are one of the UK's largest shower manufacturers under their own Sirrus and other brand names. Many key components are turned from GMS-supplied brass billet and bar

Financial Review

Glynwed's trading performance in 1997 was sound and, with the substantial reduction in borrowings, the Group's financial position at the end of the year was strong.

Profit before tax and exceptional charges was £89.4m, 3.6% ahead of 1996. With 35% of Glynwed's turnover arising from exports and from overseas operations, the exchange rate does have an appreciable effect. Growth was certainly checked by the strength of sterling which served to reduce reported operating profits by at least £10m taking 1997 against 1996. The translation impact on foreign profits was around £3m with the greater impact being on exports from the UK and an overall squeeze on margins caused by a less competitive exchange rate. Against this background the resilient performance, particularly in the second half of the year, of the metals businesses and the growth achieved by Glynwed Pipe Systems and Consumer & Foodservice Products were pleasing. Operating profit margins increased from 7.2% in 1996 to 7.7% in 1997. Pipe Systems, Consumer & Foodservice Products and Metals Processing divisions all achieved margins close to 10%.



In 1997 Glynwed also absorbed a higher pension charge. Pending the three-yearly actuarial review to be undertaken as at 31st March 1998, the Group decided to increase company and employee contributions to take account of the abolition of ACT credits available to pension schemes. Pension charges have now increased from £3.0m in 1994 to £14.4m in 1997. Further such rapid escalation in costs from 1998 onwards is not expected. Glynwed has a large strong scheme that has performed admirably over the years, but an overall review of the Group's pension provisions has become appropriate which will be undertaken during 1998.

Exceptional charges

Glynwed's active disposal programme of construction-related businesses naturally led to exceptional charges in 1997. Collectively, businesses with annual turnover of over £150m were disposed of for £55m. The disposals in themselves had little immediate impact on profit before exceptional charges and gave rise to a profit on disposal before the recognition of goodwill previously written off. These businesses had been operating in difficult markets. As a result of these disposals, the underlying quality of Group earnings has been improved.

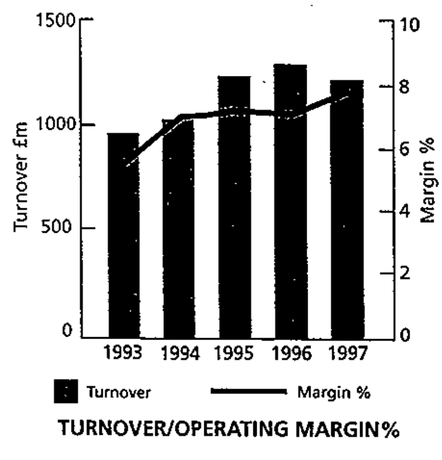
	1997	1996
	£m	£m
Operating profit	**96.1**	95.4
Interest	**(6.7)**	(9.1)
Profit before exceptional charges	**89.4**	86.3
Exceptional charges	**(13.2)**	(16.2)
Profit before tax	**76.2**	70.1

Interest

The interest charge was £6.7m, substantially lower than £9.1m in 1996. With debt levels reduced by the disposal programme and with relatively expensive fixed rate interest agreements ending, interest costs are now running at significantly lower levels.

Taxation

Glynwed's tax rate in 1997, on profit before exceptional charges, was 31%. With an appreciable proportion of



TURNOVER/OPERATING MARGIN%

Glynwed's profits arising outside the UK in countries with higher corporation tax rates Glynwed can, however, expect to be paying an overall rate slightly higher than the UK standard rate in the next few years.

Earnings

Excluding the impact of exceptional charges, earnings per share, on the IIMR basis, increased in 1997 by 8.8% from 22.8p per share to 24.8p.

The IIMR earnings per share graph below shows Glynwed's performance over the last 5 years. In assessing the record, currency fluctuations and increased pension charges need to be considered. Account should also be taken of the enhanced profits in 1995 arising from a temporary peak in world metal prices which distort the record of the Metals Distribution division.

Dividends

The dividend proposed for 1997 amounts to 13.2p per share compared with 12.75p per share in 1996. The proposed dividend is covered 1.9 times by earnings before exceptional charges. Glynwed's objective remains to achieve a dividend cover of 2 times.

Financial Position

The strong financial position of the Group at the end of 1997 resulted from the disposal programme and from another good year of cash generation. Net debt, which was £100.8m in 1995 and £66.1m in 1996, has fallen to £2.5m in 1997.

The cash flow helped fund Glynwed's continuing high investment programme with capital expenditure of £37m substantially exceeding depreciation of £25m. Trading capital in which Glynwed invested heavily in the first half of 1997 was little changed year-on-year. Glynwed again showed in 1997 how effective it is at generating cash.

The Group's shareholders' funds increased in 1997 and at 27th December were £277m compared with £251m a year earlier. The debt/equity ratio fell to less than 1% from 26%.

Internal Controls

Glynwed is seeking continuous improvements in its systems and internal controls. The need to undertake a number of projects to upgrade computer systems for millennium compliance is providing the opportunity to set higher standards across the Group.

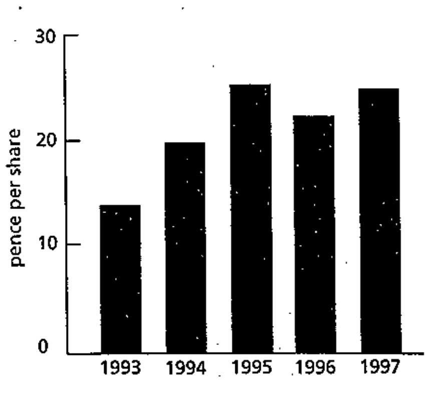
Outlook

Glynwed has strong foundations on which to build. Factors – often beyond its control – have, however, limited growth in recent years. The task now is to harness the resources available to generate better returns for shareholders creating a business capable of delivering sustained growth in earnings. An option that should be open to the Board is the purchase of the Company's own shares. Resolutions to effect this will be proposed at the Company's Annual General Meeting.

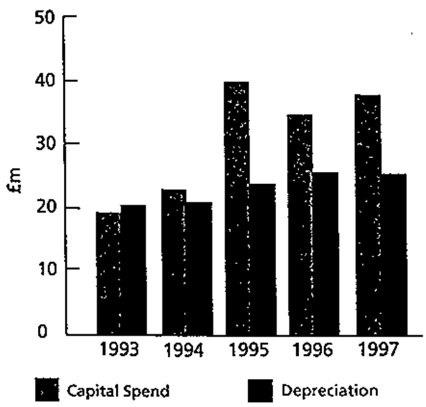
In support of its development plans, Glynwed can countenance significantly higher debt levels given its cash generative record. The focus has to be on rigorous investment analysis to drive forward returns for shareholders.

W. McGrath

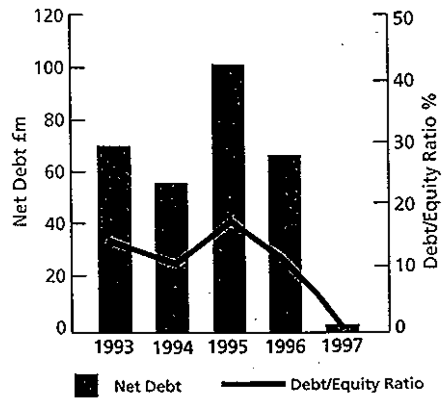
William McGrath
Finance Director



IIMR EARNINGS PER SHARE



CAPITAL SPEND/DEPRECIATION



NET DEBT: DEBT/EQUITY RATIO

Directors and Secretary

Gareth Davies CBE

Chairman

Gareth Davies (age 68) joined Glynwed subsidiary Steel Parts as an accountant in January 1957. He became Group Computer Manager in 1964 and was appointed to the Glynwed Board as Group Finance Director in 1969. He was appointed Deputy Chairman in 1975, Group Managing Director in 1981, Group Chief Executive in 1984 and Chairman and Chief Executive in December 1986. In 1993 he split the roles of Chairman and Chief Executive; he became non-Executive Chairman of the Group in May 1995.

Anthony Wilson

Chief Executive

Tony Wilson (age 53) 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, Steels & Engineering (now 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 AGM and took over the role of Chief Executive from the end of December.

William McGrath

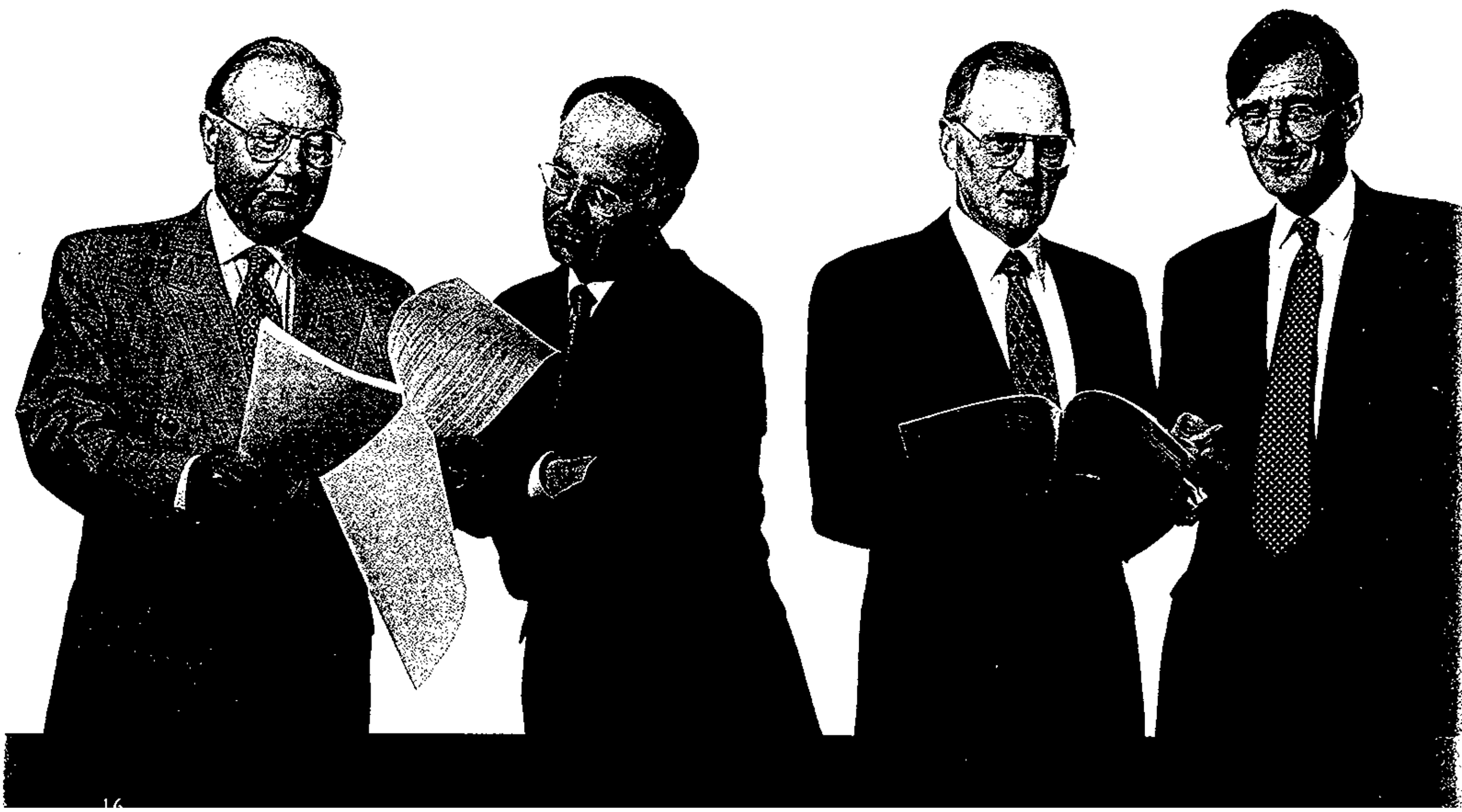
Finance Director

William McGrath (age 39) 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 in the City of London with Kleinwort Benson and Lloyds Merchant Bank.

John Blakeley

Corporate Development Director

John Blakeley (age 55) joined the Group in 1978 as Legal Adviser. In 1979 he also became Group Secretary and held this post until his appointment to the Glynwed Board in October 1992 as Corporate Services Director. In January 1997 he became Corporate Development Director with responsibility for implementation of the Group's mergers and acquisitions policy and practice. He is also the director responsible for the work of the Group's Health & Safety and Environmental Committees, and for legal, property, management personnel, pensions and other central services.



The Rt Hon The Lord Biffen of Tanat DL

Non-executive Director

John Biffen (age 67) became a director of Glynwed in November 1987 and chairs its Remuneration Committee. 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 J Bibby and Sons plc.

Christopher (Kit) Farrow

Non-executive Director

Kit Farrow (age 60) joined the Board of Glynwed in July 1993 and chairs its Audit Committee. 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

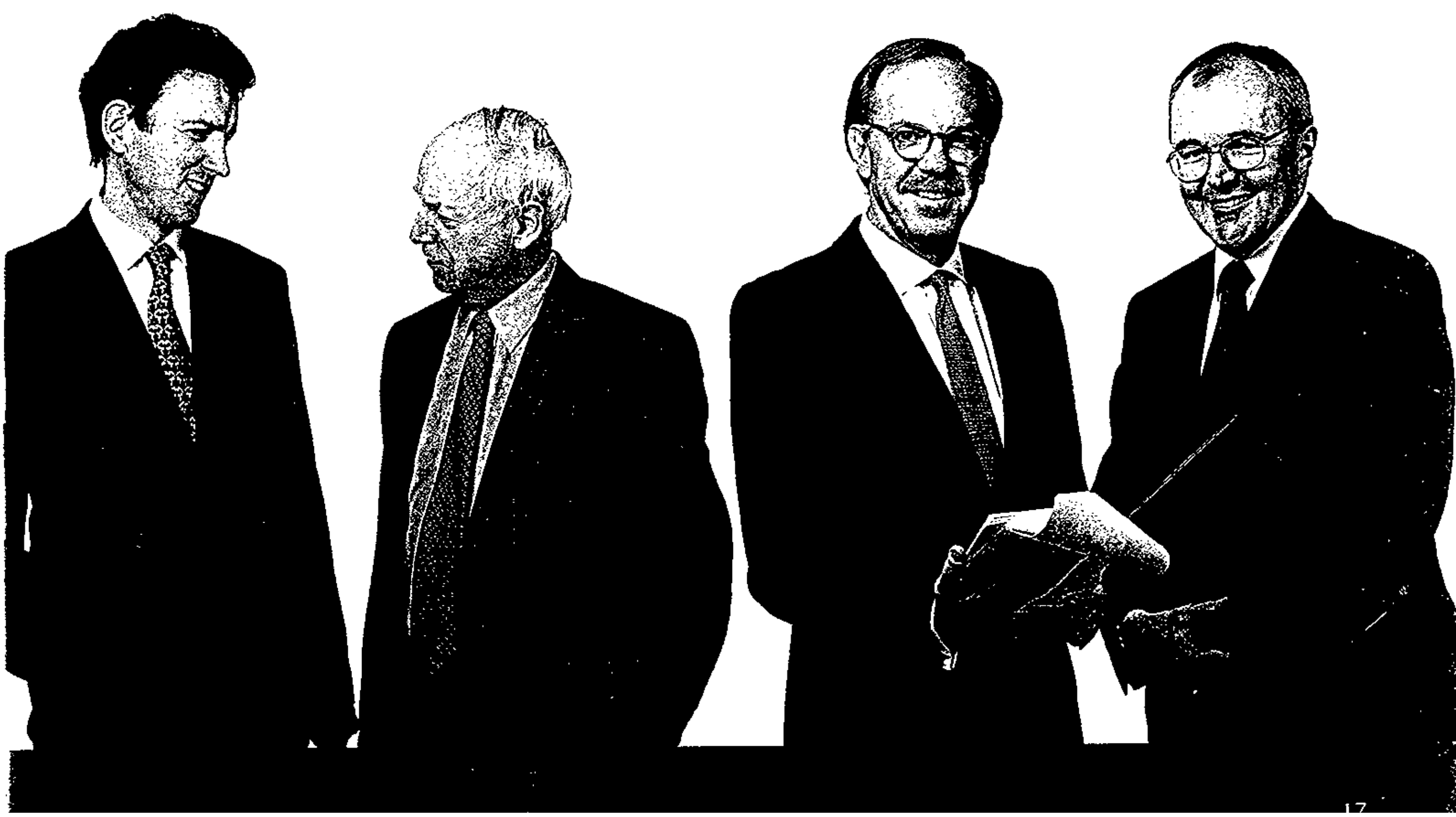
Non-executive Director

Stephen Howard (age 45), 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 of both 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.

Deryck Solomon

Group Secretary

Deryck Solomon (age 44) 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.



Report of the Directors

The Directors of Glynwed International plc present their annual report, together with the accounts of the Company, for the 52 weeks ended 27th December 1997. 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 14th May 1998.**

Activities and Business Review

Glynwed International plc is the holding company of the Group; its principal subsidiaries are shown on pages 49 and 50. A review of the activities and prospects of the Group and of the principal businesses is given on pages 2 to 15.

Results and Dividends

The profit on ordinary activities after taxation of the Group for the financial period was £45.8m (1996 £44.1m). After dividends of £32.6m (1996 £31.4m) the profit retained of £13.2m (1996 £12.7m) has been dealt with as shown on pages 28 and 46.

Earnings for the period on the net basis were £45.7m (1996 £44.0m) as calculated in note 11 on page 39, and earnings per share on the same basis were 18.6p (1996 18.0p).

An interim dividend of 4.4p per ordinary share was paid on 3rd December 1997. The directors recommend a final dividend of 8.8p per ordinary share payable on 5th June 1998 to members on the register at the close of business on 20th April 1998, making a total for the period of 13.2p per ordinary share (1996 12.75p).

Share Capital

Allotments of ordinary shares of 25p each of the Company were made during 1997 as set out in note 21 on page 45. Resolutions will be proposed at the annual general meeting to grant to the Board, until the next following 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 £20,519,007, 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 £3,077,851, being equivalent to 5% of the nominal value of the Company's issued ordinary share capital at the date of this report.

Under the Act and its Articles of Association, the Company may make purchases of its own ordinary shares, subject to obtaining the approval of shareholders. The Directors consider it prudent to seek the approval of shareholders for authority to make market purchases of up to 24,622,800 ordinary shares, representing 10% of the current issued ordinary share capital of the Company. Resolution 9, 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 approval of a separate class meeting of the holders of the Company's preference shares is required in respect of resolution 9 authorising the Company to purchase its own ordinary shares.
A notice of such a class meeting is therefore set out at the end of this document following the Notice of Annual General Meeting.

Pursuant to the Company's Articles of Association, the holders of the Company's preference shares are, by virtue of resolution 9, entitled to attend, speak and vote at this year's annual general meeting.

Shareholders

At 27th December 1997, ordinary shareholders totalled 11,738 (1996 11,535). Their holdings are analysed below:

Number of shares	% of ordinary shareholders	% of ordinary shares in issue
1 – 5,000	87.51	5.20
5,001 – 50,000	8.92	5.97
50,001 – 100,000	1.18	4.21
100,001 – 500,000	1.53	16.61
Over 500,000	0.86	68.01
	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
Prudential Corporation group of companies	28,847,764	11.72
Britannic Assurance plc	12,377,003	5.03

Directors

The members of the Board at the date of this report are shown on pages 16 and 17. Mr BC Ralph retired from the Board on 27th December 1997.

In accordance with the Articles of Association, Lord Biffen and Mr CJ Farrow retire by rotation and, being eligible, offer themselves for re-election. Mr WB McGrath, having been appointed a director on 13th October 1997, retires in accordance with the Articles of Association and, being eligible, offers himself for re-election. Details of Mr McGrath's service contract are set out in the Report of the Remuneration Committee on page 25.

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 1998	At 27th December 1997	At 28th December 1996*
G Davies	204,688	204,618	175,261
BC Ralph	–	–	–
AJ Wilson	11,475	11,475	1,475
JC Blakeley	67,853	67,753	59,075
WB McGrath	5,000	5,000	–
Lord Biffen	–	–	–
CJ Farrow	1,000	1,000	1,000
SL Howard	11,235	11,235	–

* or date of appointment

Details of options exercisable by directors over shares in the Company are given on page 24 as part of the Report of the Remuneration Committee.

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

Acquisitions and Disposals

The principal acquisitions during the period were as follows:

Acquisitions	
February	Astore
August	IPT

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

Details relating to the fair value of net assets acquired and the consideration are set out in note 26 of the Notes to the Accounts on page 47.

The principal disposals during the period were as follows:

Disposals	
February	Wednesbury Tube
October	Glynwed Foundries Glynwed Brickhouse Drainage Systems

Other businesses disposed of comprised API Extrusion SA (Belgium), Aquadart, Oddbolt, Ductile Sections, Albion, Leavlite Electropaint Limited, Isosystems and PTFE Fabricators.

Employees

The Group's management philosophy is to place a large measure of operational autonomy, accompanied by accountability, on its divisional and business unit managers. In line with that policy responsibility within the Group for personnel matters lies primarily at an operating rather than a central level. The Group, however, requires that good, modern and consistent practices are adopted 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, and special attention is given to the particular needs of individuals who become disabled whilst in employment.

Inevitably, certain exceptions exist to the general principle of devolved responsibility in personnel matters. One such exception is in the area of pensions, where central schemes operate for UK employees. A second exception is the operation, under UK legislation, of savings-related and senior executive share option schemes. Further information on pension and share option schemes is given in the Report of the Remuneration Committee (pages 24 and 25) and in the Notes to the Accounts (pages 37, 38 and 45). A third exception is the management centrally of all aspects of the employment of the Group's most senior executives.

A comprehensive assessment programme is in existence, covering all levels of management from first-line supervision upwards, and is paralleled by a variety of individual, divisional and Group-wide management development initiatives aimed at realising the management potential which has been identified by the assessment procedure. A further aspect of the attention paid to management development and succession is the operation of a Group graduate recruitment and development scheme.

Health and 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 and through its senior management seeks to keep all concerned aware of, and to monitor adherence to, developments in terms both of good industrial practice and of statutory frameworks.

Policy Framework

Implementation of this overall policy is the responsibility of the Group Health and Safety Committee and the Group Environmental Committee, each of which is under the chairmanship of a senior executive who has full-time responsibility for Group Health and Safety and Environmental matters and who reports directly to a main board director. Both committees comprise representatives from all the Group's operating divisions 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 directors. 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 failures to meet standards set by legislation and the Company. The Committee also seeks to work closely with regulatory authorities.

The Group makes two Annual Health and Safety Awards, adjudicated by a panel comprising mainly independent experts. In 1997 the Awards went to Aga-Rayburn, in the larger business category, and to Prentice Forgings, in the smaller business category.

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. There is a rolling programme of environmental surveys of operating businesses carried out by independent consultants in the UK and which it is currently planned to extend outside the UK. In 1998 an Environmental Award scheme is to be introduced in addition to that for Health and Safety.

Research and Development

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

Personal Equity Plan

Bradford & Bingley (PEPS) Limited act as plan managers for two personal equity plans - a general plan and a single company plan - which are tax-efficient ways of holding shares in the Company.

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 is complying with the relevant terms and conditions, including the prompt and complete submission of all specified documentation, payment will be made in accordance with agreed terms. It is Group policy to ensure that suppliers know the terms on which payment will be made when business is agreed.

The Group's trade creditors as at 27th December 1997 equated to 76 days of related purchases.

Political and Charitable Donations and Community Relations

During 1997 the Group gave £84,000 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 a Glynwed International plc ordinary share on 31st March 1982, adjusted for the bonus issues made in 1986 and 1988, was 62.4p.

Close Company Status

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

Going Concern

After making enquiries, the directors have a reasonable expectation that the Company 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

A resolution to re-appoint the auditors, Coopers & Lybrand, 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 1998

Corporate Governance

Statement of Compliance

The Company complies with the Code of Best Practice of the Cadbury Committee and with its recommendations on going concern and on internal financial control. The governance arrangements are summarised below.

Board of Directors

* The Board meets regularly to exercise control over the Group.
* The roles of Group Chairman and Group Chief Executive are held by separate directors.
* The Board comprises three executive and four non-executive directors.
* Except insofar as the Chairman was formerly Executive Chairman and Chief Executive, the non-executive directors are independent of the Group's management and have no business relationship with the Group.
* All directors have access to the advice and services of the Group Secretary, who is responsible for the proper conduct of board procedures.
* The non-executive directors are authorised to obtain professional advice at the Company's expense, if they so wish.
* None of the executive directors has a contract with a notice period exceeding two years.

Audit Committee

The Audit Committee is under the chairmanship of Mr CJ Farrow. Its membership comprises the non-executive directors of the Company apart from the Chairman. It has written terms of reference which follow closely the specimen terms recommended by the Cadbury Committee.

Nomination Committee

The Nomination Committee, established during 1997, consists of the Chairman of the Board, together with two non-executive directors and such executive directors as may be co-opted. It is responsible for nominating candidates for the approval of the Board to fill vacancies on the Board.

Internal Financial Control

The Board of Directors has overall responsibility for the systems of internal financial control within the Group. 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. 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.

Internal financial control is operated within a defined organisational structure with clear control responsibilities and authorities. Throughout the Group's operations regular management and board meetings review all aspects of the Group's various businesses including those aspects where there is a potential risk to the Group. Key procedures include planning, budgeting and investment appraisal. For each business there are 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 manual.

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

The Board has recently carried out its own review of the effectiveness of the Group's internal financial control systems and this will be regularly repeated.

Remuneration Committee

The Remuneration Committee comprises the four non-executive members of the Board and meets under the chairmanship of Lord Biffen. Prior to his retirement, Mr BC Ralph was a member of the Committee, but was not present at meetings of the Committee during consideration of his own remuneration. Mr AJ Wilson has not become a member of the Committee. Except in respect of the former Group Chief Executive's membership of the Committee, the Company has complied throughout the year under review with section A of the best practice provisions annexed to the Stock Exchange's Listing Rules.

It is confirmed that in carrying out its work the Committee has full regard to sections C and D of the Code of Best Practice and to section B of the best practice provisions annexed to the Stock Exchange's Listing Rules. It is the underlying policy of the Committee that the 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. To that end the Committee aims to set executive directors' remuneration by reference to relevant other UK listed companies, in relation to which data is obtained from leading external consultancy sources.

The individual elements of remuneration in 1996 and 1997 are set out below in respect of each director:

		Salary	Fees	Benefits-in-kind	Total
		£	£	£	£
G Davies	1996	–	100,000	11,528	111,528
	1997	–	150,000	11,745	161,745
BC Ralph *	1996	285,000	–	10,266	295,266
BC Ralph retired from the Board in December 1997.	1997	310,000	–	13,793	323,793
AJ Wilson	1996	41,777	–	3,534	45,311
AJ Wilson joined the Board in September 1996.	1997	180,000	–	14,495	194,495
WB McGrath	1997	41,506	–	2,665	44,171
WB McGrath joined the Board in October 1997.					
JC Blakeley	1996	135,000	–	12,216	147,216
	1997	160,000	–	12,428	172,428
SL Howard	1996	–	12,833	–	12,833
SL Howard joined the Board in June 1996.	1997	–	25,000	–	25,000
Lord Biffen	1996	–	22,000	–	22,000
	1997	–	25,000	–	25,000
CJ Farrow	1996	–	22,000	–	22,000
	1997	–	25,000	–	25,000
JD Eccles *	1996	–	15,417	1,477	16,894
JD Eccles retired from the Board in May 1996.					
DL Milne *	1996	118,875	–	8,967	127,842
DL Milne retired from the Board in September 1996.					
B Doyle	1996	112,500	–	11,388	123,888
B Doyle died in October 1996.					

* Upon retirement prior to his contractual retirement date BC Ralph received a termination payment in the sum of £158,108 including benefits. During 1997 consultancy fees of £18,463 were paid to DL Milne and pension scheme trustee fees of £1,875 and £5,625 were paid to DL Milne and JD Eccles respectively.

Annual bonuses are currently determined by the extent to which the company has significantly 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 is capped at 25% of salary. Bonuses are not pensionable. No annual bonuses have been paid to directors in respect of 1996 or 1997.

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.

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. It has no other form of long-term incentive scheme. 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's 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
307	September 2003
288	April 2007

Savings-Related Share Option Schemes

Option Price (p per share)	Period of 6 months to
243	December 2000
268	May 2000

The share options granted under the 1994 senior executive share option scheme at 288p per share were the only options granted during 1997.

The mid-market price of Glynwed International plc ordinary shares at the beginning and end of the financial period was 335.5p and 250p respectively. During the period the market price of the shares ranged between 194.5p and 335.5p.

The interests of directors at the beginning and end of the 1997 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 1984† and 1994***		
	at 304pps†	**at 308pps†**	**at 200pps†**	**at 307pps†**	**at 288pps***	**at 182pps†**	**at 243pps***	**at 268pps***
G Davies								
at beginning of 1997	60,000	125,000	–	–	–	8,241	–	727
exercised (market price 266.5p)	–	–	–	–	–	(8,241)	–	–
at end of 1997	60,000	125,000	–	–	–	–	–	727
BC Ralph								
at beginning of 1997	–	–	–	175,000	–	–	–	–
granted (2 April 1997)	–	–	–	–	125,000	–	–	–
at end of 1997	–	–	–	175,000	125,000	–	–	–
AJ Wilson								
at beginning of 1997	30,000	30,000	–	–	–	–	7,098	–
granted (2 April 1997)	–	–	–	–	100,000	–	–	–
at end of 1997	30,000	30,000	–	–	100,000	–	7,098	–
JC Blakeley								
at beginning of 1997	–	–	35,500	–	–	7,005	2,271	–
granted (2 April 1997)	–	–	–	–	100,000	–	–	–
exercised (market price 266.5p)	–	–	–	–	–	(7,005)	–	–
at end of 1997	–	–	35,500	–	100,000	–	2,271	–

The above interests have not changed since the end of the 1997 financial year.

Note: No other directors held any share options.

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. In relation to Mr BC Ralph, the Company made contributions to separate personal pension arrangements. The Group's contributions in 1997 were £115,068 (1996: £74,442).

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 period	Total accrued annual pension as at the period end	Transfer value increase	Contributions paid by directors during the period	Transfer value increase after deduction of directors' contributions
	£	£	£	£	£
AJ Wilson	29,031	88,713	414,978	1,575	413,403
JC Blakeley	15,982	92,860	239,292	1,200	238,092
WB McGrath	444	444	3,553	565	2,988

The transfer values shown above are not payable to the individuals concerned.

Service contracts for Mr AJ Wilson and Mr JC Blakeley have a notice period of two years, a period which, in the opinion of the Board, 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 Company's affairs. Mr WB McGrath, who joined the Company in October 1997, has a service contract terminable on one year's notice during the first year of employment. Thereafter his contract will be terminable on two years' notice in line with other executive directors. None of the contracts contains any provision for predetermined compensation in the event of termination.

John Biffen

Lord Biffen of Tanat DL
Chairman
Remuneration Committee
24th March 1998

Auditors' Report on Corporate Governance

To the members of Glynwed International plc

In addition to our audit of the financial statements, we have reviewed the directors' statement on page 22 concerning the company's compliance with the paragraphs of the Cadbury Code of Best Practice specified for our review by the London Stock Exchange and the directors' comments on going concern on page 21. The objective of our review is to draw attention to any non-compliance with Listing Rules 12.43(j) and 12.43(v) which is not disclosed.

Basis of opinion

We carried out our review in accordance with Bulletin 1995/1 'Disclosures relating to corporate governance' issued by the Auditing Practices Board. That Bulletin does not require us to perform the additional work necessary to, and therefore we do not, express any opinion on the effectiveness of either the Group's system of internal financial control or its corporate governance procedures, nor on the ability of the Group or Company to continue in operational existence.

Opinion

With respect to the directors' statements on internal financial control on page 22 and going concern on page 21, in our opinion, the directors have provided the disclosures required by the Listing Rules referred to above and such statements are not inconsistent with the information of which we are aware from our audit work on the financial statements.

Based on enquiry of certain directors and officers of the Company, and examination of relevant documents, in our opinion the directors' statement of compliance on page 22 appropriately reflects the Company's compliance with the other aspects of the Code specified for our review by Listing Rule 12.43(j).

Coopers & Lybrand

Coopers & Lybrand
Chartered Accountants
Birmingham
24th March 1998

Consolidated Profit and Loss Account

For the 52 weeks ended 27th December 1997

		1997			1996		
		52 Weeks to 27th December			52 Weeks to 28th December		
		Before Exceptional Charges	Exceptional Charges	After Exceptional Charges	Before Exceptional Charges	Exceptional Charges	After Exceptional Charges
	Notes	£m	£m	£m	£m	£m	£m
Turnover							
– acquisitions		**12.6**		**12.6**	–		–
– other continuing activities		**1,143.5**		**1,143.5**	1,158.5		1,158.5
		1,156.1		**1,156.1**	1,158.5		1,158.5
– discontinued activities		**85.4**		**85.4**	165.2		165.2
Total turnover	2 & 3	**1,241.5**		**1,241.5**	1,323.7		1,323.7
Operating profit							
– acquisitions		**1.2**		**1.2**	–		–
– other continuing activities		**92.4**		**92.4**	92.3		92.3
		93.6		**93.6**	92.3		92.3
– discontinued activities		**2.5**		**2.5**	3.1		3.1
Total operating profit		**96.1**		**96.1**	95.4		95.4
Provisions for loss on disposal of businesses released/(made)		**–**	**14.3**	**14.3**	–	(13.0)	(13.0)
Profit/(loss) on disposal of businesses		**–**	**0.7**	**0.7**	–	(2.4)	(2.4)
Goodwill previously written off to reserves		**–**	**(28.2)**	**(28.2)**	–	(0.8)	(0.8)
Total exceptional charges for losses on disposal of businesses	26	**–**	**(13.2)**	**(13.2)**	–	(16.2)	(16.2)
Profit/(loss) on ordinary activities before interest	3	**96.1**	**(13.2)**	**82.9**	95.4	(16.2)	79.2
Interest payable (net)	6	**(6.7)**	**–**	**(6.7)**	(9.1)	–	(9.1)
Profit/(loss) on ordinary activities before taxation	2	**89.4**	**(13.2)**	**76.2**	86.3	(16.2)	70.1
Taxation on profit/(loss) on ordinary activities	7	**(27.8)**	**(2.6)**	**(30.4)**	(28.7)	2.7	(26.0)
Profit/(loss) on ordinary activities after taxation		**61.6**	**(15.8)**	**45.8**	57.6	(13.5)	44.1
Dividends (including non–equity)	9			**(32.6)**			(31.4)
Profit retained	10			**13.2**			12.7
				pence			pence
Earnings per share							
– net basis	11			**18.6**			18.0
– IIMR basis	11			**24.8**			22.8

Notes to the accounts are on pages 32 to 50

Movements in reserves are set out in note 22

Supplementary Statements

For the 52 weeks ended 27th December 1997

Statement of Total Recognised Gains and Losses

	Notes	1997 £m	1996 £m
Profit for the financial period		**45.8**	44.1
Currency translation adjustment on foreign currency net investments	22	**(4.6)**	(5.5)
Total recognised gains and losses relating to the period		**41.2**	38.6

Note of Historical Cost Profit

	Notes	1997 £m	1996 £m
Reported profit on ordinary activities before taxation		**76.2**	70.1
Realisation of net property revaluation gains of previous periods		**1.9**	1.7
Difference between an historical cost depreciation charge and the actual depreciation charge of the period calculated on the revalued amounts		**0.3**	0.4
Historical cost profit on ordinary activities before taxation		**78.4**	72.2
Tax on profit on ordinary activities	7	**(30.4)**	(26.0)
Dividends	9	**(32.6)**	(31.4)
Historical cost profit for the period retained after taxation and dividends		**15.4**	14.8

Reconciliation of Movements in Shareholders' Funds

	Notes	1997 £m	1996 £m
Profit on ordinary activities after taxation		**45.8**	44.1
Dividends	9	**(32.6)**	(31.4)
Profit retained	22	**13.2**	12.7
Currency translation adjustment on foreign currency net investments	22	**(4.6)**	(5.5)
New share capital subscribed – share capital	21	**0.4**	0.4
– share premium	22	**2.8**	3.0
Goodwill written off arising from acquisitions	22 & 26	**(13.6)**	(6.1)
Goodwill previously written off on disposals	22 & 26	**28.2**	0.8
Net increase in shareholders' funds		**26.4**	5.3
Shareholders' funds at beginning of period		**251.1**	245.8
Shareholders' funds at end of period		**277.5**	251.1

Notes to the accounts are on pages 32 to 50

Consolidated Balance Sheet

As at 27th December 1997

	Notes	1997 £m	1996 £m
Fixed assets			
Tangible assets	12	**173.9**	192.0
Investments	14	**1.5**	1.4
Total fixed assets		**175.4**	193.4
Current assets			
Stocks	15	**181.7**	194.6
Operating debtors	16	**242.0**	251.4
Advance corporation tax and deferred taxation	16	**5.4**	7.6
Cash at bank and in hand	18	**32.5**	25.3
Total current assets		**461.6**	478.9
Creditors - amounts falling due within one year			
Operating creditors	17	**(281.0)**	(285.3)
Borrowings	18	**(18.4)**	(51.0)
Taxation and dividends payable	17	**(43.5)**	(43.3)
Total amounts falling due within one year		**(342.9)**	(379.6)
Net current assets		**118.7**	99.3
Total assets less current liabilities		**294.1**	292.7
Creditors - amounts falling due after more than one year			
Borrowings	18	**(16.6)**	(40.4)
Provisions for liabilities and charges	20	**-**	(1.2)
Total net assets employed		**277.5**	251.1
Capital and reserves			
Ordinary shares	21	**61.5**	61.1
Preference shares	21	**1.3**	1.3
Called up share capital		**62.8**	62.4
Share premium account	22	**25.0**	22.2
Revaluation reserve	22	**20.0**	22.2
Profit and loss account	22	**169.7**	144.3
Total shareholders' funds (including non-equity interests)		**277.5**	251.1

G Davies **Chairman**

WB McGrath **Finance Director** W. McGrath

Notes to the accounts are on pages 32 to 50

Company Balance Sheet

As at 27th December 1997

	Notes	1997 £m	1996 £m
Fixed assets			
Investments	14	**155.7**	163.0
Current assets			
Operating debtors	16	**296.6**	310.3
Advance corporation tax	16	**24.6**	21.5
Cash at bank and in hand	18	**0.5**	1.5
Total current assets		**321.7**	333.3
Creditors - amounts falling due within one year			
Operating creditors	17	**(179.2)**	(215.3)
Borrowings	18	**(40.9)**	(38.0)
Taxation and dividends payable	17	**(29.8)**	(28.1)
Total amounts falling due within one year		**(249.9)**	(281.4)
Net current assets		**71.8**	51.9
Total assets less current liabilities		**227.5**	214.9
Creditors - amounts falling due after more than one year			
Borrowings		**(13.7)**	(29.5)
Total net assets employed		**213.8**	185.4
Capital and reserves			
Ordinary shares	21	**61.5**	61.1
Preference shares	21	**1.3**	1.3
Called up share capital		**62.8**	62.4
Share premium account	22	**25.0**	22.2
Profit and loss account	22	**126.0**	100.8
Total shareholders' funds (including non-equity interests)		**213.8**	185.4

G Davies **Chairman**

WB McGrath **Finance Director** W. McGrath

Notes to the accounts are on pages 32 to 50

Cash Flow Statement

For the 52 weeks ended 27th December 1997

		1997		1996	
	Notes	£m	£m	£m	£m
Net cash inflow from operating activities	23		**115.8**		137.0
Returns on investments and servicing of finance	24		**(7.6)**		(8.6)
Taxation			**(29.2)**		(31.2)
Capital expenditure and financial investment	25		**(31.2)**		(26.4)
Acquisitions and disposals	26		**43.5**		(9.2)
Equity dividends paid			**(31.2)**		(31.2)
Cash inflow before financing			**60.1**		30.4
Financing					
– issue of ordinary share capital	27	**3.2**		3.4	
– decrease in debt	27	**(39.9)**		(40.9)	
			(36.7)		(37.5)
Increase/(decrease) in cash in the period	28		**23.4**		(7.1)

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET BORROWINGS

Increase/(decrease) in cash in the period	28	**23.4**		(7.1)	
Decrease in debt	27	**39.9**		40.9	
Change in net debt resulting from cash flows	28		**63.3**		33.8
Borrowings transferred with disposals			**–**		0.3
Finance lease contracts taken out	28		**(0.5)**		(0.3)
Exchange adjustment: decrease in sterling equivalent of foreign currency borrowings	28		**0.8**		0.9
Decrease in net borrowings			**63.6**		34.7
Opening net borrowings			**(66.1)**		(100.8)
Closing net borrowings			**(2.5)**		(66.1)

Notes to the accounts are on pages 32 to 50

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.

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 period and include the results of subsidiaries and businesses acquired and sold during the period from or up to their effective date of acquisition or sale. The consolidated accounts also include the Group's share of post-acquisition earnings and reserves of associated undertakings.

Acquisitions

Shares issued as consideration for the 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. Differences arising between the purchase consideration and the fair value of the assets acquired are dealt with through consolidated reserves. 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.

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 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.

Profit and loss account

The format of the consolidated profit and loss account on page 27 has been restated in 1997 to exclude immaterial movements in minority interests and to show more clearly the underlying performance of the Group before exceptional charges. In the analysis of net operating costs on page 36 changes in stocks of finished goods and work in progress have been restated in line with the change on the balance sheet, with a corresponding adjustment to raw materials and consumables.

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).

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 4 to 10 years.

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

1. Accounting Policies (continued)

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. 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 18). The cost of bills and finance leases have been included in net interest.

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.

Notes to the accounts
Continued

2. Segmental Analyses

a) By division 1997

	Turnover				
	Gross	Inter-divisional	Net	Profit	Net assets employed
	£m	£m	£m	£m	£m
Pipe Systems	**358.9**	**(2.5)**	**356.4**	**35.8**	**117.3**
Consumer & Foodservice Products	**163.8**	**(0.8)**	**163.0**	**15.7**	**40.4**
Metals – Processing	**313.0**	**(3.8)**	**309.2**	**30.5**	**98.8**
– Distribution	**330.0**	**(2.5)**	**327.5**	**11.0**	**64.2**
Property disposals	–	–	–	**0.6**	–
Total continuing actitivies	**1,165.7**	**(9.6)**	**1,156.1**	**93.6**	**320.7**
Discontinued activities	**85.4**	–	**85.4**	**2.5**	**(2.6)**
Interest	–	–	–	**(6.7)**	–
Total activities before exceptional charges	**1,251.1**	**(9.6)**	**1,241.5**	**89.4**	**318.1**
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**	**277.5**

Turnover of £12.6m and profit before interest of £1.2m relating to acquisitions are included above.

By division 1996

	Turnover				
	Gross	Inter-divisional	Net	Profit	Net assets employed
	£m	£m	£m	£m	£m
Pipe Systems	360.0	(3.5)	356.5	32.2	118.0
Consumer & Foodservice Products	155.4	(0.4)	155.0	14.7	32.4
Metals – Processing	323.7	(1.6)	322.1	33.1	94.7
– Distribution	328.0	(3.1)	324.9	10.8	69.0
Property disposals	–	–	–	1.5	–
Total continuing actitivies	1,167.1	(8.6)	1,158.5	92.3	314.1
Discontinued activities	165.2	–	165.2	3.1	38.8
Interest	–	–	–	(9.1)	–
Total activities before exceptional charges	1,332.3	(8.6)	1,323.7	86.3	352.9
Exceptional charges	–	–	–	(16.2)	–
Taxation and dividends	–	–	–	–	(35.7)
Net borrowings	–	–	–	–	(66.1)
Total Group	1,332.3	(8.6)	1,323.7	70.1	251.1

An analysis of net operating assets by category of asset is given on page 52.

The figures above for 1996 have been restated to reallocate Central Services turnover of £1.1m, net costs of £5.1m and net assets employed of £1.2m across the trading divisions.

2. Segmental Analyses (continued)

b) Geographically 1997

	Turnover				
	Gross	Inter-region	Net	Profit	Net assets employed
	£m	£m	£m	£m	£m
United Kingdom	**885.7**	**(22.0)**	**863.7**	**65.1**	**256.4**
Europe (except United Kingdom)	**131.0**	**(4.0)**	**127.0**	**9.6**	**36.8**
North America	**149.8**	**(0.5)**	**149.3**	**17.0**	**19.3**
Australia & Asia	**18.9**	**(2.8)**	**16.1**	**1.9**	**8.2**
Total continuing activities	**1,185.4**	**(29.3)**	**1,156.1**	**93.6**	**320.7**
Discontinued activities	**85.4**	–	**85.4**	**2.5**	**(2.6)**
Interest	–	–	–	**(6.7)**	–
Total activities before exceptional charges	**1,270.8**	**(29.3)**	**1,241.5**	**89.4**	**318.1**
Exceptional charges	–	–	–	**(13.2)**	–
Taxation and dividends	–	–	–	–	**(38.1)**
Net borrowings	–	–	–	–	**(2.5)**
Total Group	**1,270.8**	**(29.3)**	**1,241.5**	**76.2**	**277.5**

Geographically 1996

	Turnover				
	Gross	Inter-region	Net	Profit	Net assets employed
	£m	£m	£m	£m	£m
United Kingdom	894.5	(21.2)	873.3	74.2	243.8
Europe (except United Kingdom)	136.1	(7.9)	128.2	5.0	36.3
North America	136.8	(0.1)	136.7	13.2	21.8
Australia & Asia	20.7	(0.4)	20.3	(0.1)	12.2
Total continuing activities	1,188.1	(29.6)	1,158.5	92.3	314.1
Discontinued activities	165.5	(0.3)	165.2	3.1	38.8
Interest	–	–	–	(9.1)	–
Total activities before exceptional charges	1,353.6	(29.9)	1,323.7	86.3	352.9
Exceptional charges	–	–	–	(16.2)	–
Taxation and dividends	–	–	–	–	(35.7)
Net borrowings	–	–	–	–	(66.1)
Total Group	1,353.6	(29.9)	1,323.7	70.1	251.1

c) Turnover by customer location

	1997		1996	
	£m	%	£m	%
Europe (except United Kingdom)	**187.7**	**16.2**	194.4	16.8
North and South America	**179.4**	**15.5**	158.6	13.7
Australia & Asia	**29.5**	**2.5**	32.6	2.8
Middle East	**8.7**	**0.8**	9.3	0.8
Africa	**3.3**	**0.3**	3.6	0.3
Total overseas	**408.6**	**35.3**	398.5	34.4
United Kingdom	**747.5**	**64.7**	760.0	65.6
Total continuing activities	**1,156.1**	**100.0**	1,158.5	100.0
Discontinued activities	**85.4**		165.2	
Total turnover	**1,241.5**		1,323.7	

Sales value of direct exports from the United Kingdom during the year was **£121.3**m (1996 £154.6m).
Exports from UK subsidiaries to overseas subsidiaries were an additional **£22.0**m (1996 £21.5m).
The Group is a supplier to many United Kingdom companies and its products form a part of their exports.

Notes to the accounts
Continued

3. Net Operating Costs

	1997			1996		
	Continuing	Dis-continued	Total	Continuing	Dis-continued	Total
	£m	£m	£m	£m	£m	£m
Turnover	**1,156.1**	**85.4**	**1,241.5**	1,158.5	165.2	1,323.7
Less operating profit	**(93.6)**	**(2.5)**	**(96.1)**	(92.3)	(3.1)	(95.4)
Net operating costs	**1,062.5**	**82.9**	**1,145.4**	1,066.2	162.1	1,228.3
Net operating costs						
Raw materials and consumables	**630.4**	**37.6**	**668.0**	656.2	78.6	734.8
Staff costs (note 5)	**237.7**	**23.2**	**260.9**	227.2	37.2	264.4
Other operating charges	**141.9**	**15.2**	**157.1**	143.5	27.4	170.9
Change in stocks of finished goods and work in progress	**(1.3)**	**(1.2)**	**(2.5)**	(12.6)	4.0	(8.6)
Other operating income	**(7.5)**	**(0.8)**	**(8.3)**	(7.8)	(1.2)	(9.0)
Other external charges	**37.9**	**6.8**	**44.7**	37.6	12.4	50.0
Depreciation and other amounts written off tangible fixed assets (note 12)	**23.4**	**2.1**	**25.5**	22.1	3.7	25.8
Total net operating costs	**1,062.5**	**82.9**	**1,145.4**	1,066.2	162.1	1,228.3

The figures for 1997 include the following amounts relating to acquisitions:
Turnover £12.6m, raw materials and consumables £7.9m, staff costs £2.4m, other operating charges £1.7m, change in stocks of finished goods and work in progress £(1.3)m, other external charges £0.4m and depreciation £0.3m, giving an operating profit of £1.2m.

Total net operating costs include the following:	**1997**	1996
	£m	£m
Reorganisation and redundancy	**2.5**	3.1
Profit on sale of tangible fixed assets	**0.6**	1.8
Operating lease rentals		
Hire of plant, equipment and vehicles	**6.3**	6.1
Other operating leases – property rentals	**8.4**	8.8
Total operating lease rentals	**14.7**	14.9
Auditors' remuneration		
Audit services		
– Primary auditors		
(Company £0.3m (1996: £0.3m))	**1.1**	1.1
– Other auditors of Group companies	**0.1**	0.2
Total audit services	**1.2**	1.3
Other services provided by Group auditors	**0.3**	0.2
Research and development	**3.2**	4.0

4. Directors' Emoluments

	1997	1996
	£000	£000
Aggregate emoluments	**972**	925
Payments and benefits in respect of retirement	**158**	8
Company pension contributions to money purchase scheme	**115**	74
Total directors' remuneration charged	**1,245**	1,007
Gains made on exercise of share options	**13**	142

Payments in the year to former directors amounted to £7,500 (1996: £5,000) for pension trustee fees and to £18,463 (1996: nil) for consultancy.

	1997	1996
Highest paid director	£	£
Aggregate emoluments	**323,793**	295,266
Payments and benefits in respect of retirement	**158,108**	–
Company pension contributions to money purchase scheme	**115,068**	74,442
	596,969	369,708

Further details of directors' emoluments are given in the report of the Remuneration Committee on pages 23 to 25.

5. Employee Information

	Number of Employees	
Average number of employees	**1997**	1996
United Kingdom and Europe	**11,404**	12,294
United States of America	**690**	500
Canada	**186**	171
Australia	**302**	342
Total	**12,582**	13,307

	1997			1996		
	Continuing	Dis-continued	Total	Continuing	Dis-continued	Total
Staff costs	£m	£m	£m	£m	£m	£m
Wages and salaries	**203.9**	**20.4**	**224.3**	197.3	32.5	229.8
Social security costs	**20.5**	**1.7**	**22.2**	21.2	2.9	24.1
Other pension costs	**13.3**	**1.1**	**14.4**	8.7	1.8	10.5
Total staff costs	**237.7**	**23.2**	**260.9**	227.2	37.2	264.4

5. Employee Information (continued)

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. The other schemes are small in size and generally of a money purchase nature.

The latest full valuations of the main schemes were carried out by Watson Wyatt Partners, consulting actuaries, as at 31st March 1995 using the projected unit credit method. The principal assumptions on which these valuations were based were that the investment return would be 3.0% greater than general salary increases and 4.5% greater than increases in future pension payments. The results of these valuations showed that together the schemes had a market value of £422.7m and were 127% funded. The valuations were used in assessing the expected cost of providing pensions for 1996 and the first half of 1997 and the surplus was spread over the expected future service of employees as a level percentage of wages and salaries. Following the removal in July 1997 of the dividend tax credit to pension schemes, the 1995 valuations were provisionally reassessed by the actuaries resulting in a prediction of higher on-going costs and a reduced estimate of the net overall surplus. This has been reflected in a higher charge made for the second half of 1997.

6. Interest Payable (net)

	1997	1996
	£m	£m
Interest payable and similar charges		
On bank loans and overdrafts	**7.3**	9.5
On all other borrowings	**0.4**	1.5
On finance leases	**0.2**	0.8
Total interest payable and similar charges	**7.9**	11.8
Less interest receivable and similar income	**(1.2)**	(2.7)
Interest payable (net)	**6.7**	9.1

7. Taxation

	1997	1996
On the profit for the period	£m	£m
United Kingdom corporation tax (based on a rate of 31.5%, 1996 33%)	**15.6**	19.7
Overseas taxation	**11.7**	9.2
Taxation on the profit for the period	**27.3**	28.9
Prior years adjustments	**0.6**	(0.4)
Deferred taxation	**2.5**	(2.5)
Total taxation on profit on ordinary activities	**30.4**	26.0
Taxation on exceptional charges included above	**2.6**	(2.7)

8. Profit for the Financial Period

Group profit after taxation for the period was **£45.8**m (1996 £44.1m). 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 **£57.8**m (1996 £16.5m).

9. Dividends

	1997	1996
Ordinary dividends	£m	£m
Interim dividend paid of 4.4p per share (1996 4.4p)	**10.8**	10.9
Proposed final dividend of 8.8p per share (1996 8.35p)	**21.7**	20.4
Total ordinary dividends of 13.2p per share (1996 12.75p)	**32.5**	31.3
Preference dividends 5.425%	**0.1**	0.1
Total dividends	**32.6**	31.4

10. Profit Retained

	1997	1996
	£m	£m
Glynwed International plc	**25.2**	(14.9)
Subsidiary companies	**(12.0)**	27.6
Total profit retained	**13.2**	12.7

11. Calculation of Earnings per Share

Earnings per share have been calculated using an average of 245.3m (1996 243.9m) ordinary shares of 25p each in issue. Earnings for the calculation on the net basis are the profit on ordinary activities after taxation of **£45.8**m (1996 £44.1m) less preference dividends of £0.1m, giving an earnings per share on the net basis of **18.6** pence (1996 18.0 pence). The calculation of the earnings per share under the Institute of Investment Management and Research (IIMR) definition, which is a basis commonly used by financial analysts, is set out below.

	1997	1996
	£m	£m
Profit after taxation but before exceptional charges	**61.6**	57.6
Add back profit on sale of tangible fixed assets	**(0.6)**	(1.8)
Adjusted profit on ordinary activities after taxation	**61.0**	55.8
Less preference dividend	**(0.1)**	(0.1)
Adjusted earnings	**60.9**	55.7
	pence	pence
Earnings per share – IIMR basis	**24.8**	22.8

12. Tangible Fixed Assets

	1997						1996
	Land and buildings				Fixtures,	Total	Total
	Freehold	Leasehold		Plant	fittings,	tangible	tangible
		Long	Short	and machinery	tools and equipment	fixed assets	fixed assets
	£m	£m	£m	£m	£m	£m	£m
Cost and valuation							
At beginning of period	96.9	6.8	0.7	251.2	77.3	**432.9**	421.7
Exchange adjustments	(1.1)	–	–	(5.2)	(1.4)	**(7.7)**	(6.9)
Businesses acquired	–	0.1	–	2.5	0.4	**3.0**	0.6
Additions at cost	2.0	1.0	0.1	23.3	11.0	**37.4**	35.5
Disposals	(15.6)	(0.6)	(0.1)	(54.7)	(15.1)	**(86.1)**	(18.0)
Reclassification	(0.9)	0.9	–	–	–	–	–
At end of period	81.3	8.2	0.7	217.1	72.2	**379.5**	432.9
Analysis of cost and valuation							
Cost	4.9	4.7	0.7	216.3	72.2	**298.8**	335.0
Professional valuations 1995	74.6	3.5	–	–	–	**78.1**	94.4
Directors' valuations	1.8	–	–	0.8	–	**2.6**	3.5
At end of period	81.3	8.2	0.7	217.1	72.2	**379.5**	432.9
Accumulated depreciation							
At beginning of period	1.1	0.1	0.6	185.4	53.7	**240.9**	214.5
Exchange adjustments	–	–	–	(3.9)	(1.0)	**(4.9)**	(4.4)
Businesses acquired	–	–	–	0.5	0.3	**0.8**	–
Provision for the period	0.9	0.1	0.1	15.6	8.8	**25.5**	25.8
Exceptional provision	–	–	–	–	–	–	15.0
Disposals	(0.3)	–	(0.1)	(44.9)	(11.4)	**(56.7)**	(10.0)
At end of period	1.7	0.2	0.6	152.7	50.4	**205.6**	240.9
Net book value							
At end of period	79.6	8.0	0.1	64.4	21.8	**173.9**	192.0
At beginning of period	95.8	6.7	0.1	65.8	23.6	**192.0**	207.2

Included in the cost of tangible fixed assets is **£6.4**m (1996 £4.8m) in respect of assets in course of construction.

The historical cost of tangible fixed assets amounts to **£358.8**m (1996 £408.1m) and the accumulated depreciation thereon is **£215.6**m (1996 £251.0m), giving a net historical book value of **£143.2**m (1996 £157.1m).

The net book value of tangible fixed assets includes **£0.6**m (1996 £2.3m) in respect of assets held under finance leases. Depreciation for the period on these assets was **£0.3**m (1996 £10.2m).

13. Commitments

Group

	1997	1996
a) Capital commitments	£m	£m
Contracted for but not provided in the accounts	**6.3**	6.6

	Land & buildings		Other operating leases	
b) Operating lease commitments for 1997	**1997**	1996	**1997**	1996
	£m	£m	£m	£m
For leases expiring:				
– after more than five years	**4.9**	5.9	**0.1**	–
– between two and five years	**3.3**	1.7	**2.0**	1.7
– between one and two years	**1.5**	0.5	**1.1**	1.7
– within one year	**1.3**	0.5	**1.8**	0.9
Total operating lease commitments	**11.0**	8.6	**5.0**	4.3

Company

Glynwed International plc has no capital or operating lease commitments (1996 nil).

14. Investments

	Share of net assets of associated undertakings	Other investments	Total
Group	£m	£m	£m
Fixed asset investments			
Cost at beginning of period	0 9	0.5	**1.4**
Increase in value in period	0.1	–	**0.1**
Cost at end of period	1.0	0.5	**1.5**

				Amounts due		
	Cost of shares	Provisions	Net book value	from subsidiaries	to subsidiaries	Total
Company	£m	£m	£m	£m	£m	£m
Subsidiaries						
At beginning of period	208.1	(45.1)	**163.0**	310.3	(213.4)	259.9
Movements in period:						
– group transfers	(4.4)	–	**(4.4)**	–	–	(4.4)
– disposals	(0.8)	–	**(0.8)**	–	–	(0.8)
– other	–	(2.1)	**(2.1)**	(108.1)	35.1	(75.1)
At end of period	202.9	(47.2)	**155.7**	202.2	(178.3)	179.6

15. Stocks

	1997	1996
	£m	£m
Raw materials and consumables	**29.5**	33.7
Work in progress	**18.2**	21.7
Finished goods and goods for resale	**134.0**	139.2
Total stocks	**181.7**	194.6

16. Debtors

	Group 1997	Group 1996	Company 1997	Company 1996
	£m	£m	**£m**	£m
Operating debtors				
– falling due within one year				
Trade debtors	**219.6**	232.5	**–**	–
Dividends receivable from Group undertakings	**–**	–	**94.3**	–
Other amounts owed by Group undertakings	**–**	–	**202.2**	310.3
Other debtors	**12.0**	6.5	**0.1**	–
Prepayments and accrued income	**9.3**	12.4	**–**	–
	240.9	251.4	**296.6**	310.3
– falling due after one year				
Pension prepayment	**1.1**	–	**–**	–
Total operating debtors	**242.0**	251.4	**296.6**	310.3
Advance corporation tax and deferred taxation				
– falling due within one year				
Advance corporation tax	**–**	–	**19.2**	16.4
– falling due after more than one year				
Advance corporation tax	**5.4**	5.1	**5.4**	5.1
Deferred taxation	**–**	2.5	**–**	–
	5.4	7.6	**5.4**	5.1
Total advance corporation tax and deferred taxation	**5.4**	7.6	**24.6**	21.5

Deferred taxation	Provided 1997	Provided 1996	Potential unprovided 1997	Potential unprovided 1996
	£m	£m	**£m**	£m
Timing differences between tax allowances and depreciation	**(0.1)**	(0.4)	**(7.2)**	(7.1)
Other timing differences	**0.1**	2.9	**0.8**	2.2
Total deferred taxation	**–**	2.5	**(6.4)**	(4.9)

17. Creditors

	Group 1997	Group 1996	Company 1997	Company 1996
Amounts falling due within one year	**£m**	£m	**£m**	£m
Operating creditors				
Trade creditors	**196.1**	194.2	**–**	–
Bills of exchange payable				
– discounted other than at a cost to the Group	**–**	3.4	**–**	–
Amounts owed to Group undertakings	**–**	–	**178.3**	213.4
Social security	**3.8**	3.9	**–**	–
Accruals and deferred income	**42.4**	52.7	**0.3**	1.0
Other creditors	**38.7**	31.1	**0.6**	0.9
Total operating creditors	**281.0**	285.3	**179.2**	215.3
Taxation and dividends payable				
Taxation	**21.8**	22.9	**8.1**	7.7
Dividends payable	**21.7**	20.4	**21.7**	20.4
Total taxation and dividends payable	**43.5**	43.3	**29.8**	28.1

Group "other creditors" in 1996 have been restated to include £0.3m previously shown in equity minority interests.

18. Borrowings

a) Summary of Group borrowings from the balance sheet

	1997	1996
	£m	£m
Floating Rate Loan Notes 1996/2002	**2.4**	3.8
Bills of exchange discounted with a cost to the Group	**0.5**	8.0
Finance leases	**0.3**	1.6
Other borrowings	**15.2**	37.6
Total falling due within one year	**18.4**	51.0
Finance leases	**0.3**	7.5
Other borrowings	**16.3**	32.9
Total falling due after one year	**16.6**	40.4
Total borrowings	**35.0**	91.4
Cash at bank and in hand	**(32.5)**	(25.3)
Total net borrowings	**2.5**	66.1

b) Maturity of borrowings

	1997			1996		
	Secured	Unsecured	Total	Secured	Unsecured	Total
Group	£m	£m	£m	£m	£m	£m
Amounts repayable						
– within one year	0.3	18.1	**18.4**	1.6	49.4	51.0
– between one and two years	0.2	2.2	**2.4**	1.4	28.1	29.5
– between two and five years	0.1	4.2	**4.3**	4.6	4.4	9.0
– after five years						
– by instalments	–	9.6	**9.6**	1.5	0.4	1.9
– other than by instalments	–	0.3	**0.3**	–	–	–
Total borrowings	0.6	34.4	**35.0**	9.1	82.3	91.4
Cash at bank and in hand			**(32.5)**			(25.3)
Total net borrowings			**2.5**			66.1
Company						
Amounts repayable						
– within one year	–	40.9	**40.9**	–	38.0	38.0
– between one and two years	–	–	**–**	–	25.4	25.4
– between two and five years	–	4.1	**4.1**	–	4.1	4.1
– over five years by instalments	–	9.6	**9.6**	–	–	–
Total borrowings	–	54.6	**54.6**	–	67.5	67.5
Cash at bank and in hand			**(0.5)**			(1.5)
Total net borrowings			**54.1**			66.0

Interest rates are not more than the appropriate market rate.
Subsidiaries' secured borrowings are secured on the property and assets of those subsidiaries.

19. Contingent Liabilities

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. Provisions for Liabilities and Charges

	1997	1996
Pensions	£m	£m
Provision at beginning of period	**1.2**	4.8
Exchange adjustment	**(0.1)**	–
Provision released on disposal of businesses (note 26)	**(2.2)**	(5.0)
Provided in period	**–**	1.4
Transfer to debtors due after one year	**1.1**	–
Provision at end of period	**–**	1.2

21. Share Capital

	Ordinary Shares of 25p each		5.425% Cumulative Preference Shares of £1 each	
	1997	1996	1997	1996
Value	£m	£m	£m	£m
Authorised	**81.8**	81.8	**1.3**	1.3
Issued	**61.5**	61.1	**1.3**	1.3
Number	million	million	million	million
Authorised	**327.0**	327.0	**1.3**	1.3
Issued	**246.2**	244.5	**1.3**	1.3

The issued preference share capital of **£1.3**m (1996 £1.3m) represents the only non-equity interests included in total shareholders' funds.

21. Share Capital (continued)

During the period 1.7m ordinary shares of 25p each (nominal value £0.4m) were issued in connection with the Company's share option schemes, for an aggregate consideration of **£3.2m**.

Under the Glynwed 1994 Senior Executive Share Option Scheme 3,385,000 options were granted during the year. Options outstanding at 27th December 1997 under the following schemes are set out below:

Glynwed International plc Senior Executive Share Option Schemes

Number of ordinary shares	Option price p per share	Exercisable in the 7 years to
140,000	304	April 1998
526,000	308	September 1999
625,800	200	September 2002
175,000	307	September 2003
3,352,500	288	April 2007
4,819,300	Total	

Glynwed International plc Savings-Related Share Option Scheme

Number of ordinary shares	Option price p per share	Exercisable in the 6 months to
1,030	182	May 1998
2,034,137	243	December 2000
435,343	268	May 2000
1,333,216	268	May 2002
3,803,726	Total	

Additionally, certain options granted under Victaulic PLC schemes before the company's acquisition by Glynwed International plc have been converted to options for Glynwed International plc shares. At 27th December 1997 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
32,030	243.39	April 2001
73,768	382.73	April 2002
75,712	302.88	April 2004
189,275	Total	

Savings-Related Share Option Scheme

Number of ordinary shares	Option price p per share	Exercisable in the 6 months to
66,888	230.77	May 1998
114,017	245.19	May 1999
118,276	216.35	May 2000
299,181	Total	

22. Reserves

	Share premium	Revaluation reserve	Profit and loss account	Total
	£m	£m	£m	£m
Group				
At beginning of period	22.2	22.2	144.3	**188.7**
Exchange differences	–	–	(4.6)	**(4.6)**
Premium on shares issued	2.8	–	–	**2.8**
Goodwill – written off arising from acquisitions (note 26)	–	–	(13.6)	**(13.6)**
– previously written off on disposals (note 26)	–	–	28.2	**28.2**
Transfer between reserves	–	(2.2)	2.2	–
Profit retained	–	–	13.2	**13.2**
At end of period	25.0	20.0	169.7	**214.7**
Company				
At beginning of period	22.2	–	100.8	**123.0**
Premium on shares issued	2.8	–	–	**2.8**
Profit retained	–	–	25.2	**25.2**
At end of period	25.0	–	126.0	**151.0**

The cumulative amount of goodwill written off to reserves in respect of continuing businesses since 1984 is £296.3m.

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 losses on foreign currency borrowings of **£0.8**m (1996 £0.9m) have been taken to reserves.

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

	1997	1996
	£m	£m
Operating profit	**96.1**	95.4
Add back reorganisation and redundancy costs	**2.5**	3.1
Operating profit before reorganisation and redundancy costs	**98.6**	98.5
Cash paid for reorganisation and redundancy	**(3.6)**	(5.5)
Depreciation	**25.5**	25.8
Profit on sale of tangible fixed assets	**(0.6)**	(1.8)
(Increase)/decrease in stocks	**(3.5)**	28.6
(Increase)/decrease in debtors	**(0.1)**	10.1
Increase/(decrease) in creditors	**2.3**	(13.5)
Exchange adjustment on profit for the period	**(2.8)**	(5.2)
Net cash inflow from operating activities	**115.8**	137.0

24. Returns on Investments and Servicing of Finance

	1997	1996
	£m	£m
Interest charge per profit and loss account	**(6.7)**	(9.1)
Movement in prepayments and accruals	**(0.8)**	0.6
Net interest paid	**(7.5)**	(8.5)
Interest received	**1.2**	2.7
Interest paid	**(8.5)**	(10.4)
Interest element of finance lease rentals paid	**(0.2)**	(0.8)
Net interest paid	**(7.5)**	(8.5)
Preference dividend paid	**(0.1)**	(0.1)
Net cash outflow from returns on investments and servicing of finance	**(7.6)**	(8.6)

25. Capital Expenditure and Financial Investment

	1997	1996
	£m	£m
Purchase of tangible fixed assets		
– additions at cost (note 12)	**(37.4)**	(35.5)
– less purchased with finance leases (note 28)	**0.5**	0.3
Total capital expenditure	**(36.9)**	(35.2)
Sale of tangible fixed assets	**5.7**	8.9
Purchase of investments	**–**	(0.1)
Net cash outflow from capital expenditure and financial investment	**(31.2)**	(26.4)

26. Acquisitions and Disposals

a) Acquisitions

The principal acquisitions during the period were IPT and Astore.

Goodwill arising from acquisitions	Consideration	Book and fair value
Assets purchased	£m	£m
Tangible fixed assets		2.2
Stocks		2.6
Debtors		2.9
Total assets		7.7
Less liabilities assumed		
– other creditors		(3.9)
Net operating assets acquired		3.8
Total consideration – cash paid	(15.5)	
– cash payable	(1.9)	
		(17.4)
Goodwill written off arising from acquisitions (note 22)		(13.6)

Effect of acquisitions on the Group cash flow statement

Post-acquisition the effect on the Group cash flow statement was a reduction of £0.2m in net cash inflow from operating activities.

b) Disposals

During the period the Group disposed of Wednesbury Tube, API Extrusion SA (Belgium), Aquadart, Oddbolt, the Foundries sub-division, Albion, Ductile Sections, Leavlite Electropaint Limited, Isosystems and PTFE Fabricators. The total net realised loss on disposal of these businesses was £27.5m, of which £14.3m was previously provided.

26. Acquisitions and Disposals (continued)

b) Disposals (continued)

Analysis of exceptional charges

	Total
	£m
Fixed assets	24.3
Stocks	19.0
Debtors	19.7
Creditors	(20.4)
Pension provision release (note 20)	(2.2)
Goodwill previously written off (note 22)	28.2
Total assets provided for or transferred with disposals	68.6
Proceeds received less costs incurred	59.0
Cash payable less proceeds receivable	(3.6)
Total proceeds less total costs	55.4
Total exceptional charges	(13.2)

c) Net cash inflow/(outflow)

	1997	1996
	£m	£m
Cash paid for acquisitions	**(15.5)**	(8.6)
Proceeds less cash costs from discontinued businesses	**59.0**	(0.6)
Net cash inflow/(outflow) from acquisitions and disposals	**43.5**	(9.2)

27. Financing

	1997		1996	
	£m	£m	£m	£m
Issue of ordinary share capital		**3.2**		3.4
Decrease in borrowings not repayable on demand	**(23.4)**		(38.6)	
Finance lease repayments	**(9.0)**		(2.1)	
Decrease in bills discounted	**(7.5)**		(0.2)	
Decrease in debt		**(39.9)**		(40.9)
Movement in financing		**(36.7)**		(37.5)

28. Analysis of Movement in Net Borrowings

	Balance at beginning of period	Cash flow	Finance lease contracts taken out	Exchange translation adjustments	Balance at end of period
	£m	£m	£m	£m	£m
Cash at bank and in hand (note 18)	(25.3)	(7.8)	–	0.6	(32.5)
Borrowings repayable on demand	25.3	(15.6)	–	–	9.7
Net cash	–	(23.4)	–	0.6	(22.8)
Other borrowings	49.0	(23.4)	–	(1.4)	24.2
Finance lease obligations	9.1	(9.0)	0.5	–	0.6
Bills discounted	8.0	(7.5)	–	–	0.5
Total net borrowings	66.1	(63.3)	0.5	(0.8)	2.5

29. Major Non-Cash Transactions

There were no major non-cash transactions during the period.

30. Related Party Transactions

The Group recharges the Glynwed Group pension schemes with the cost of administration and independent advisers paid by the Group. The total amount re-charged in the period to 27th December 1997 was **£0.9**m (1996 £1.0m).

In October 1997 the Group sold its Albion business to managment for a total consideration of £2.8m. The management concerned were not Directors of the Company.

31. Trading Subsidiaries

The following is a list of the Company's principal trading subsidiaries at 27th December 1997. A brief description of each division's activities is given on page 2 of this Report and in the divisional reports on pages 6 to 13. 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 capital is stated in brackets.
Unless otherwise stated the companies are registered in England and operate in the United Kingdom.

GLYNWED PIPE SYSTEMS DIVISION

Glynwed Pipe Systems Limited trades in the UK principally under the trade and business names of Capper, Durapipe-S&LP, Viking Johnson, Victaulic Systems and VIP-Heinke.

Glynwed Pipe Systems' principal overseas businesses:-

* **AVF-Astore Valves & Fittings Srl**† (Italy)
* **Enfield Industrial Corp Inc** (USA)
* **FIP Formatura Iniezione Polimeri SpA**† (Italy)
* **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 Airacion SA (MASA)** (Spain)
* **Philmac Pty Limited** (Australia)
* **SED Ventilsysteme GmbH** (Germany)

GLYNWED CONSUMER & FOODSERVICE PRODUCTS DIVISION

Glynwed Consumer & Foodservice Products Limited† *(formerly known as Glynwed Consumer & Construction Products Limited)* trades in the UK principally under the trade and business names of Aga-Rayburn, Falcon Catering Equipment, Flavel-Leisure, Leisure (Sinks) and Wholesale Catering Equipment. The Company has a 50% holding in Service Line, Catering Equipment Engineers Limited.

Glynwed Consumer & Foodservice Products' principal overseas business:-

* **Aga Cookers Inc**† (USA).

GLYNWED METALS PROCESSING DIVISION

Glynwed Metals Processing Limited trades 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 operates in the UK as:-

Glynwed Engineered Products Limited (formerly known as Paul Fabrications Limited) which trades principally under the trade and business names of Ansell Jones, Lindapter International, Paul Fabrications and Steelway-Fensecure.

Glynwed Metals Processing's principal overseas businesses:-

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

GLYNWED METALS DISTRIBUTION DIVISION

* **Glynwed Metal Services Limited** trades in the UK principally under the trade and business names of Aalco, Amari Contract Services, Amari Special Alloys, Amari Transport Products, Baigent Stock Alloys and Cashmores.
The division also operates in the UK as **Amari Aerospace Limited.**

Glynwed Metal Services' principal overseas businesses:-

- * **Aalco SA** (Spain)
- * **Amari Metals BV** (Netherlands)
- * **Amari Dublin Limited** (Republic of Ireland)
- * **Glynwed Metall GmbH**† (Germany)

* **Amari Plastics plc,** a UK business, and ***Port Plastics Inc** (USA) are both managed as part of the Group's Metals Distribution division.

CENTRAL SERVICES - management and other support services for Group companies and businesses including:

Glynwed Group Services Limited
Glynwed Properties Limited
* **Headland Insurance Limited** (Bermuda)
* **Glynwed Dublin Corp** (Republic of Ireland)

* Investment held by a subsidiary of Glynwed International plc.

† Subsidiary companies not audited by Coopers & Lybrand. The aggregate turnover of subsidiaries not audited by Coopers & Lybrand amounted to 23% of the Group's turnover.

Directors' Responsibilities

The following statement, which should be read in conjunction with the auditors' responsibilities set out below, 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 27 to 50, the Company and the Group have used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates, and that all accounting standards which they consider to be applicable have been followed.

The directors 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 27 to 50.

Respective responsibilities of directors and auditors

As described above the Company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with the Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's and the Group'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 27th December 1997 and of the profit, total recognised gains and cash flow of the Group for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

Coopers Lybrand

Coopers & Lybrand
Chartered Accountants and Registered Auditors
Birmingham
24th March 1998

Five Year Financial History

		1997	1996	1995	1994	1993
		£m	£m	£m	£m	£m
Trading results						
Turnover		**1,242**	1,324	1,252	1,025	966
Operating profit		**96.1**	95.4	93.7	74.4	53.1
Interest payable (net)		**(6.7)**	(9.1)	(8.8)	(7.3)	(10.1)
Profit before exceptional charges		**89.4**	86.3	84.9	67.1	43.0
Exceptional charges		**(13.2)**	(16.2)	(0.7)	–	2.5
Profit before taxation		**76.2**	70.1	84.2	67.1	45.5
Taxation						
– before exceptional charges		**(27.8)**	(28.7)	(27.2)	(22.6)	(14.6)
– exceptional charges		**(2.6)**	2.7	–	–	–
Profit after taxation		**45.8**	44.1	57.0	44.5	30.9
Balance sheet summary						
Net operating assets						
Fixed assets		**175.4**	193.4	208.4	174.0	175.1
Stocks		**181.7**	194.6	224.7	174.7	137.1
Operating debtors less creditors and pension provision		**(39.0)**	(35.1)	(44.1)	(34.4)	(15.0)
Total net operating assets		**318.1**	352.9	389.0	314.3	297.2
Taxation and dividends		**(38.1)**	(35.7)	(42.0)	(34.4)	(23.7)
Total net borrowings		**(2.5)**	(66.1)	(100.8)	(57.1)	(69.8)
Total net assets employed		**277.5**	251.1	246.2	222.8	203.7
Financed by						
Ordinary shares		**61.5**	61.1	60.7	52.1	51.7
Reserves		**214.7**	188.7	183.8	168.5	149.9
Ordinary share capital and reserves		**276.2**	249.8	244.5	220.6	201.6
Preference shares/minority interests		**1.3**	1.3	1.7	2.2	2.1
Total shareholders' funds		**277.5**	251.1	246.2	222.8	203.7
Statistics						
Operating profit to turnover	%	**7.7**	7.2	7.5	7.3	5.5
Turnover to average net operating assets	x	**3.5**	3.4	3.5	3.4	3.1
Interest cover	x	**12.4**	8.7	10.6	10.2	5.5
Debt/equity ratio	%	**0.9**	26.3	40.9	25.6	34.3
Dividend per ordinary share	p	**13.20**	12.75	12.75	12.25	11.65
Dividend cover before exceptional charges	x	**1.9**	1.8	1.8	1.7	1.2
Earnings per share – IIMR basis	p	**24.8**	22.8	25.8	19.9	13.7

Notice of Annual General Meeting

Notice is hereby given that the fifty-seventh annual general meeting of Glynwed International plc will be held at Headland House, New Coventry Road, Sheldon, Birmingham B26 3AZ on 14th May 1998 at 12 noon to transact the following business:

Ordinary Business:

1. To receive and adopt the annual report and accounts for the 52 weeks ended 27th December 1997.
2. To declare a final dividend.
3. To re-elect Lord Biffen as a director.
4. To re-elect CJ Farrow as a director.
5. To re-elect WB McGrath as a director.
6. To re-appoint the auditors 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 £20,519,007.
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 £3,077,851.

Special Business:

9. To consider the following resolution, which will be proposed as a special resolution:
   That the Company be generally and unconditionally authorised to make one or more market purchases (within the meaning of section 163(3) of the Companies Act 1985) of ordinary shares of 25p in the capital of the Company ('ordinary shares') provided that:
   (a) the maximum aggregate number of ordinary shares authorised to be purchased is 24,622,800 (representing 10 per cent of the issued ordinary share capital);
   (b) the minimum price which may be paid for an ordinary share is 25p (exclusive of expenses and advance corporation tax 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 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.

By order of the Board
DJ Solomon
Secretary
Birmingham
16th April 1998

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.
2. Only holders of preference or ordinary shares whose names appear on the register of members of the Company at 12 noon on 12th May 1998 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.
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 9.00am and 5.30pm on any weekday (Saturdays and public holidays excluded) from the date of this notice up to and including the day before the meeting, and also at the place of the meeting for 15 minutes prior to the meeting and during the meeting.
5. An explanation of resolutions nos. 7, 8 and 9 is set out in the Report of the Directors on page 18, under the heading 'Share Capital'.

Notice of Class Meeting

Notice is hereby given that a separate class meeting of the holders of the 5.425 per cent cumulative preference shares of £1 each in the Company will be held at Headland House, New Coventry Road, Sheldon, Birmingham B26 3AZ on 14th May 1998 at 12.15pm (or so soon thereafter as the annual general meeting of the members of the Company convened for the same day and place has been concluded or adjourned) for the purpose of considering and, if thought fit, passing the following resolution which will be proposed as an extraordinary resolution.

EXTRAORDINARY RESOLUTION

THAT this meeting of the holders of the 5.425 per cent cumulative preference shares of £1 each in Glynwed International plc ('preference shares') approves and sanctions:

(a) the purchase and cancellation by the Company of ordinary shares of 25p each in the capital of the Company, either pursuant to the authority contained in the special resolution no. 9 set out in the notice dated 16th April 1998 convening an annual general meeting of the Company or pursuant to any renewal or further grant of such authority on like terms, up to a maximum of 24,622,800 ordinary shares; and

(b) approves and sanctions every modification and abrogation of the rights of the holders of the preference shares involved or inherent in the implementation of the purchase and cancellation.

By order of the Board
DJ Solomon
Secretary
Birmingham
16th April 1998

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.
2. Only holders of preference shares whose names appear on the register of members of the Company at 12.15pm on 12th May 1998 shall be entitled to attend the Class Meeting either in person or by proxy and the number of preference shares then registered in their respective names shall determine the number of votes such persons are entitled to cast at the meeting.
3. A pink form of proxy is enclosed for the use of preference shareholders in relation to the Class Meeting. This form should be completed, signed and returned so that it arrives at the office of the Company's registrars not less than 48 hours before the time of the meeting. By signing and returning such form of proxy, a preference 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 9.00am and 5.30pm 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 the above resolution, and of resolution no.9 to be proposed at the annual general meeting of the Company, is set out in the Report of the Directors on page 18 under the heading 'Share Capital'.

1998 Financial Calendar

Annual general meeting	14th May
Class meeting of preference shareholders	14th May
Record date for final ordinary dividend	20th April
Final ordinary dividend payable	5th June
Half-year end	27th June
Record date for interim ordinary dividend	23rd October
Interim ordinary dividend payable	2nd December
Preference dividend payable	30th June, 31st December
1998 year end	26th December

Main Addresses & Advisers

Head Office and Registered Office
Headland House, 54 New Coventry Road
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Fax: 0121 742 0403
Website: http://www.glynwed.com
Registered in England No. 354715

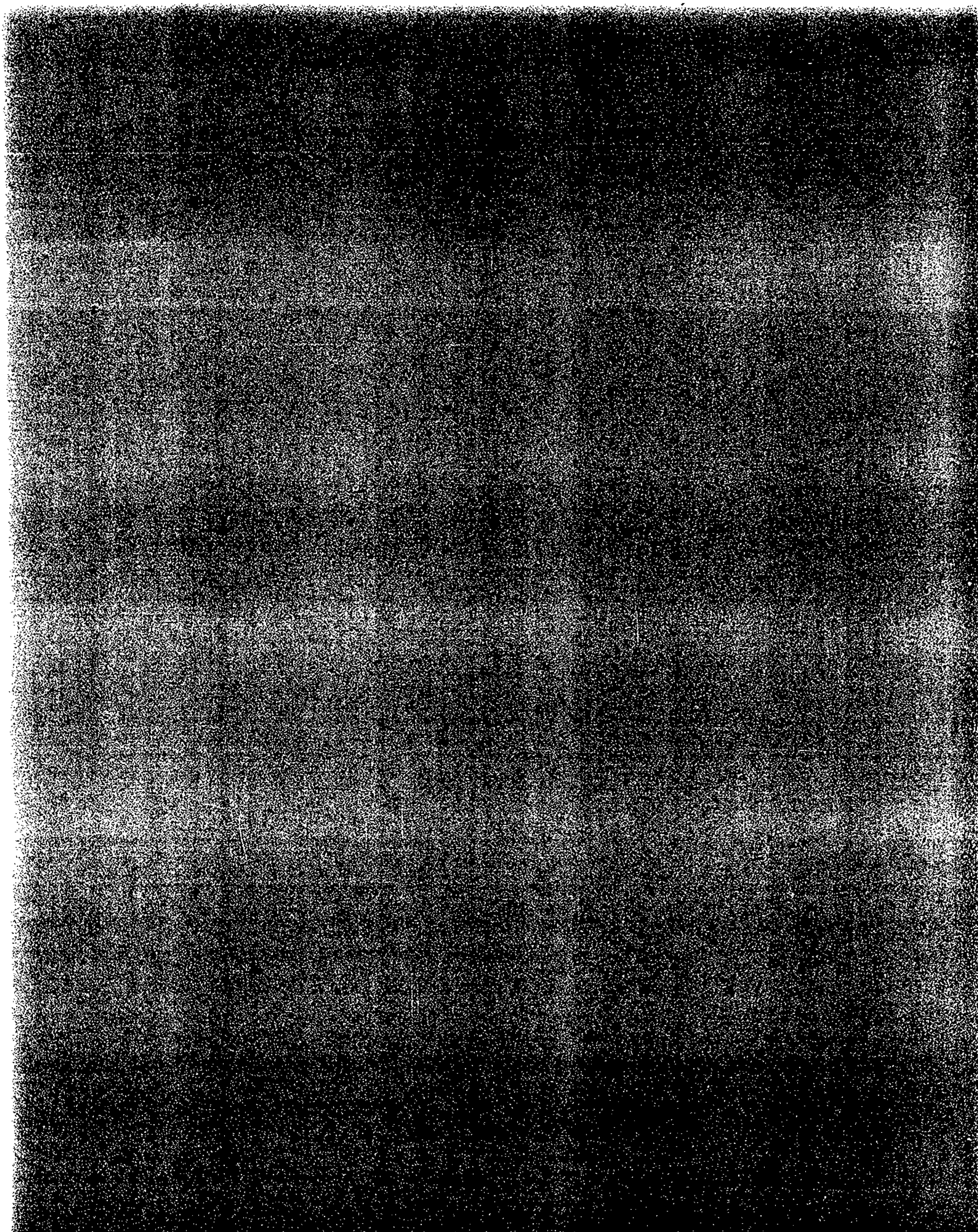
Registrars
Lloyds Bank Registrars
54 Pershore Road South, Kings Norton
Birmingham B30 3EP
Telephone: 0121 433 8000
Fax: 0121 433 8209

Auditors
Coopers & Lybrand

Financial Advisers
Dresdner Kleinwort Benson

Bankers
HSBC Midland
Lloyds TSB
Bayerische Landesbank
PNC Bank Corp

Stockbrokers
Dresdner Kleinwort Benson Securities
Albert E Sharp



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