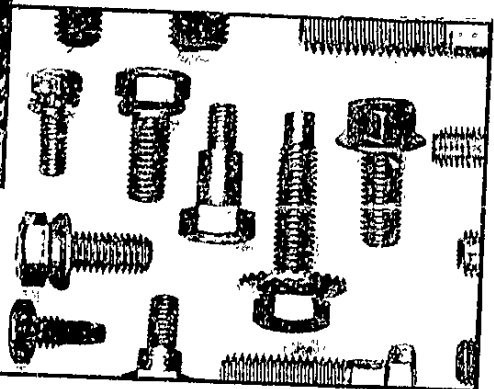
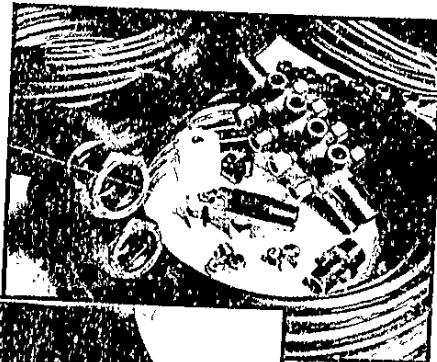


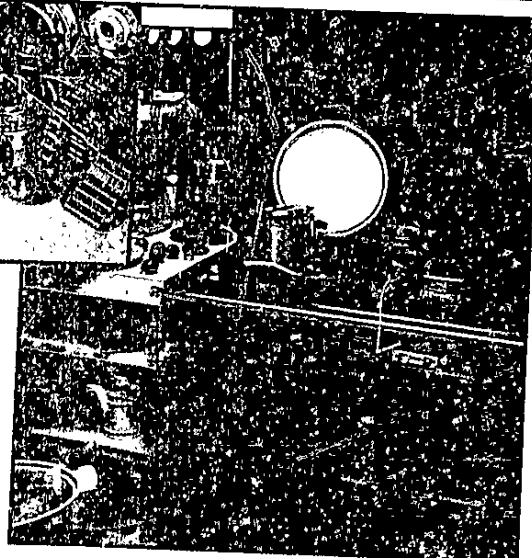
Glynwed Limited  
Report and Accounts 1976

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**GLYNWED**



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certificate 'A' on the Form En'

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*Glynwed Limited and subsidiary companies*

**GLYNWED**

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By Appointment to Her Majesty The Queen  
Manufacturers of Kitchen and Bathroom Equipment  
Glynwed Bathroom & Kitchen Products Ltd

**GLYNWED**

# Financial highlights

*Glynwed Limited and subsidiary companies*

	1976 £000	1975 £000
Turnover	243,032	198,217
Group trading profit	18,088	14,239
Interest charges	3,462	3,806
Group profit before taxation	14,626	10,433
Group profit attributable to ordinary shareholders	6,143	4,365
Ordinary dividends	4,537	3,167
Group profit retained	1,606	1,198
Operating assets employed	96,197	74,698
Capital expenditure	5,727	5,354
Depreciation	4,224	3,405
Earnings on ordinary capital	39.5%	37.2%
Earnings per ordinary share	basic 11.90p	9.64p
	fully diluted 11.61p	9.43p
Dividends per ordinary share	7.425p	6.75p

#### Results and dividends

It is pleasing to be able to report an improvement in profits before tax of some 40 per cent over those for 1975 with a figure for the year of £14.6m.; turnover increased by only 23 per cent indicating some improvement in margins.

In the light of this improvement in profits the directors have decided to pay a final dividend of 4.975p per share (on the capital increased by the rights issue) which reflects the maximum increase allowed under present dividend restraint and makes a total for the year of 7.425p per share compared with 6.75p per share last year.

#### The year's activities

More detailed comments are given about the activities of individual divisions elsewhere in the report but I will refer briefly to one or two particular aspects of the year. Although the second six months failed to sustain the growth which was showing during the second quarter of the year, nevertheless profits were sufficient to enable us to meet the half-year forecast.

Once again, the steel and engineering side of the business produced very good results and contributed greatly to the success of the year. Steel stockholding showed a considerable improvement over 1975.

Whilst the building and consumer products divisions continued to be adversely affected by the low level of activity in the house-building and new construction industries, there was nevertheless, a slight increase in the national demand for copper tube and copper tube fittings, sinks, baths and showers, emphasising the importance to Glynwed of the replacement and home improvement sectors of the market.

Our South African subsidiary produced a remarkable improvement in profit against a background of very tight economic pressures in that country.

In common with 1975 the cash position remained as tight as we forecast at this time last year. Approximately £10 million was raised by means of a rights issue during the middle of the year and as you will see from the balance sheet, this has been absorbed in financing working capital in those areas giving us better returns; this is reflected in the overall improvement in the results of the group.

#### Acquisition

Towards the end of the year we acquired Cooper & Turner Holdings Ltd, the Sheffield based high tensile nuts and bolts manufacturers at a total cost of 3,466,637 Glynwed shares and £285,738 in cash. This acquisition will broaden the product range of Glynwed Screws & Fastenings division and diversify the products available for distribution.

#### Organisation

During the year we put in hand the reorganisation of Glynwed Foundries and the Bathroom & Kitchen division of the group. Part of Glynwed Integrated Services has been disposed of and the remainder is being reorganised into a division which will include steel fabrication and the mechanical engineering activities of T.B. Mechanical Services.

As an investment for the future, a Central Resources Unit was created in order to develop new products and processes.

#### Exports

Glynwed Overseas Ltd was formed specifically to co-ordinate the group's overseas marketing activities and to make use of the collective expertise of the group in developing export sales.

The concentration on exports over the last few years has begun to bear fruit with an improvement of some 46 per cent in the value of exports during the year compared with 1975.

## Chairman's statement *continued*

*Glynwed Limited and subsidiary companies*

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### General

It is again true that the outlook for Glynwed which, through its diversity of interests represents a broad spectrum of British industry, depends to a large extent on decisions made by the Government which inevitably are a mixture of economics and politics and because of the latter tend to be very short range. It is one of the problems of industry that whereas we try to plan for many years ahead, Governments tend to respond to short term pressures and therefore to make short term decisions.

In common with the rest of British industry we support the need to contain inflation and to that extent have accepted the deflationary policies of the Government. However, I believe that some reflation must now be put in hand if some of the country's industries are not going to be closed for ever.

With pressures on cash due to the effect of inflation on working capital and with the tighter control of margins proposed for the Price Commission we are rapidly coming close to the position where those units serving sectors which are in a state of recession should no longer be supported in terms of financial logic. The elimination of regional employment premiums and the imposition of additional national insurance payments on employers will not help our efforts to maintain employment where the markets for our products are being run down to insupportable levels. However, we shall continue to support even loss-making subsidiaries where there is any real hope of a return to adequate profitability. One of the valuable aspects of large diversified groups is this ability to maintain operations and thereby employment through difficult times by using resources provided by other parts of the group.

Two other matters call for comment. Firstly, as far as the Bullock Report is concerned, it is appropriate to say that Glynwed is working towards more involvement and consultation at all levels but we believe that appointments to the main board from within the organisation should only be made as a result of merit and contribution. Non executive directors are selected on the basis of their knowledge of industry generally and the wider perspective they can offer. Secondly, it is appropriate to mention our views about the proposals on current cost accounting contained in Exposure Draft 18. We are in favour of some acknowledgment of the effects of inflation, preferably through the profit and loss appropriation account, but we believe that the proposals for fixed asset valuation, "holding" profits and cost of sales adjustments are far too complex. Our principal concern, however, is that there are some very serious practical consequences of departing from historical facts, such as an inevitable rise in prices. We shall continue to press for more time in which to review the implications of the proposals and for some very real amendments.

### Appreciation

I am very pleased to record my appreciation of the commitment of employees in what has been a very difficult period. Due to the lack of demand for certain products and the need to rationalise some of our facilities, we have had to cut back on a few of our activities during the last two years and this has, very regretfully, involved some closures and redundancies. The reasons for these actions were explained to the employees affected and to their union representatives and, in consequence, the amount of industrial unrest was minimal.

We hear and read a great deal about strikes and industrial unrest but, perhaps because it is not newsworthy, we rarely hear of non-strikes and industrial harmony. It is therefore with particular emphasis that I wish to record the gratitude and appreciation of the directors for the efforts and understanding of Glynwed employees.

### Prospects

Clearly from what has been already said, there will be continuing pressures on most of our building and consumer products activities and we have therefore put in hand a programme of TV. and newspaper advertising. The importance to us of home improvement has been emphasised already and it is our intention to give as much help as we can to the efforts of the recently established National Home Improvement Council. Our intention is to support the growing awareness of the need to improve our urban and city centres by the refurbishing of existing accommodation, thereby helping to resolve the housing problem without the major construction schemes which have been a feature of post-war years. On this basis we are hopeful of maintaining adequate profitability in this area in 1977.

The steel and engineering side of our business should be the first to reflect any movement to reflate the economy but in any event we believe that this side should contribute materially to the profits for the current year.

With a sustained effort in exports and subject, inevitably, to the state of the economy in the U.K., we shall therefore be looking at least to maintain the results of the last year.

### Conclusion

During the year the group moved into a new headquarters at Headland House which is close to the National Exhibition Centre and is ideally placed for communication. The new head office, with its magnificent showroom, is already proving its worth in the promotion of Glynwed's products and by simply making people aware of the size and diversity of the group. We were pleased that Viscount Watkinson, President of the Confederation of British Industry, agreed to perform the opening ceremony and it is with much pleasure that I repeat his principal message on that occasion:

"The sevenfold growth of the group since 1968 has been done by putting the principles of free enterprise into practical application, by seeking always to carry its own employees with it in what it wanted to do. It has not waited for the Government to do something for it."

13th April 1977

Leslie Fletcher  
*Chairman*

# Comparison of results

Glynwed Limited and subsidiary companies

	1976 £000	1975 £000	1974 £000	1973 £000	1972 £000
<b>Trading results</b>					
Turnover	243,032	198,217	208,353	171,164	126,180
Group trading profit	18,088	14,239	19,738	16,789	13,101
Interest charges	3,462	3,805	4,028	2,784	2,071
Group profit before taxation	14,626	10,433	15,710	14,005	11,030
Taxation	7,596	5,444	8,282	6,518	4,313
Group profit after taxation	7,030	4,989	7,428	7,487	6,717
Minority interests	224	161	114	1	9
Extraordinary items	590	395	410	103	220
Preference dividends	73	68	70	70	100
Ordinary dividends	4,537	3,167	2,930	2,880	3,677
Profit retained	1,606	1,198	3,904	4,433	2,711
	7,030	4,989	7,428	7,487	6,717

<b>Assets employed</b>					
Fixed assets	34,713	31,446	30,633	29,052	24,317
Trade investments	1,086	871	881	1,313	1,415
Stocks	58,629	43,831	46,420	34,215	25,430
Debtors less creditors	10,634	6,924	8,662	12,605	9,187
	105,062	83,072	86,596	77,185	60,349
Current taxation and proposed dividend	8,865	8,374	9,112	12,054	9,987
Operating assets employed	96,197	74,698	77,484	65,131	50,362
Bank overdrafts and other short term borrowings (net)	14,486	13,695	15,171	11,404	3,090
	81,711	61,003	62,313	53,727	47,272

<b>Financed by</b>					
Ordinary shares	15,565	11,730	11,671	11,533	10,658
Reserves	30,813	20,590	19,549	16,701	11,360
	46,378	32,320	31,220	28,234	22,018
Preference shares	1,291	1,291	1,291	1,291	1,291
Total share capital and reserves	47,669	33,611	32,511	29,525	23,309
Medium and long term indebtedness	16,682	16,394	21,525	21,248	21,879
Deferred taxation	15,699	9,668	6,952	2,940	2,070
Minority interests	1,661	1,330	1,325	14	14
	81,711	61,003	62,313	53,727	47,272

Operating and financial statistics	Trading profit before interest to turnover	%	7.4	7.2	9.5	9.8	10.4
	Trading profit before interest to operating assets employed	%	18.8	19.1	25.5	25.8	26.0
	Turnover to operating assets employed	x	2.5	2.7	2.7	2.6	2.5
	Earnings per share (basic) (notes 1 and 3)	p	11.9	9.6	14.7	14.3	12.3
	Adjusted ordinary dividend per share (notes 1 and 3)	p	7.4	6.4	6.0	6.0	5.5
	Dividend cover	x	1.4	1.4	2.3	2.5	1.7

## Notes:

1. The earnings per share have been calculated using a corporation tax rate of 52% each year.
2. The ordinary dividends per share have been adjusted to show the amount payable under the imputation system.
3. Prior year figures have been adjusted for the rights issue made in May 1976.



# Directors and officers of the company

*Glynwed Limited*

**GLYNWED**

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<b>President</b>	WGA Russell FCA
<b>Executive directors</b>	<i>Chairman</i> <i>Deputy chairman</i>
	L Fletcher DSC FCA G Davies FCA MA Hastilow BSc BCom
<b>Non executive directors</b>	<i>Vice-chairman</i>
	JD Eccles GW Barlow BSc CEng Sir Denis Barnes KCB
<b>Secretary</b>	DE Drake FCIS
<b>Group financial accountant</b>	JD Coulter FCA
<b>Auditors</b>	Coopers & Lybrand Chartered Accountants Birmingham B16 8PN
<b>Bankers</b>	Midland Bank Limited Lloyds Bank Limited J Henry Schroder Wagg & Co Limited Standard Chartered Bank Limited
<b>Registrars</b>	Midland Bank Limited Registrar's Department Courtwood House Silver Street Head Sheffield S1 3RD
<b>Head office and registered office</b>	Headland House New Coventry Road Sheldon Birmingham B26 3AZ Telephone 021-742 2366

## Executive officers

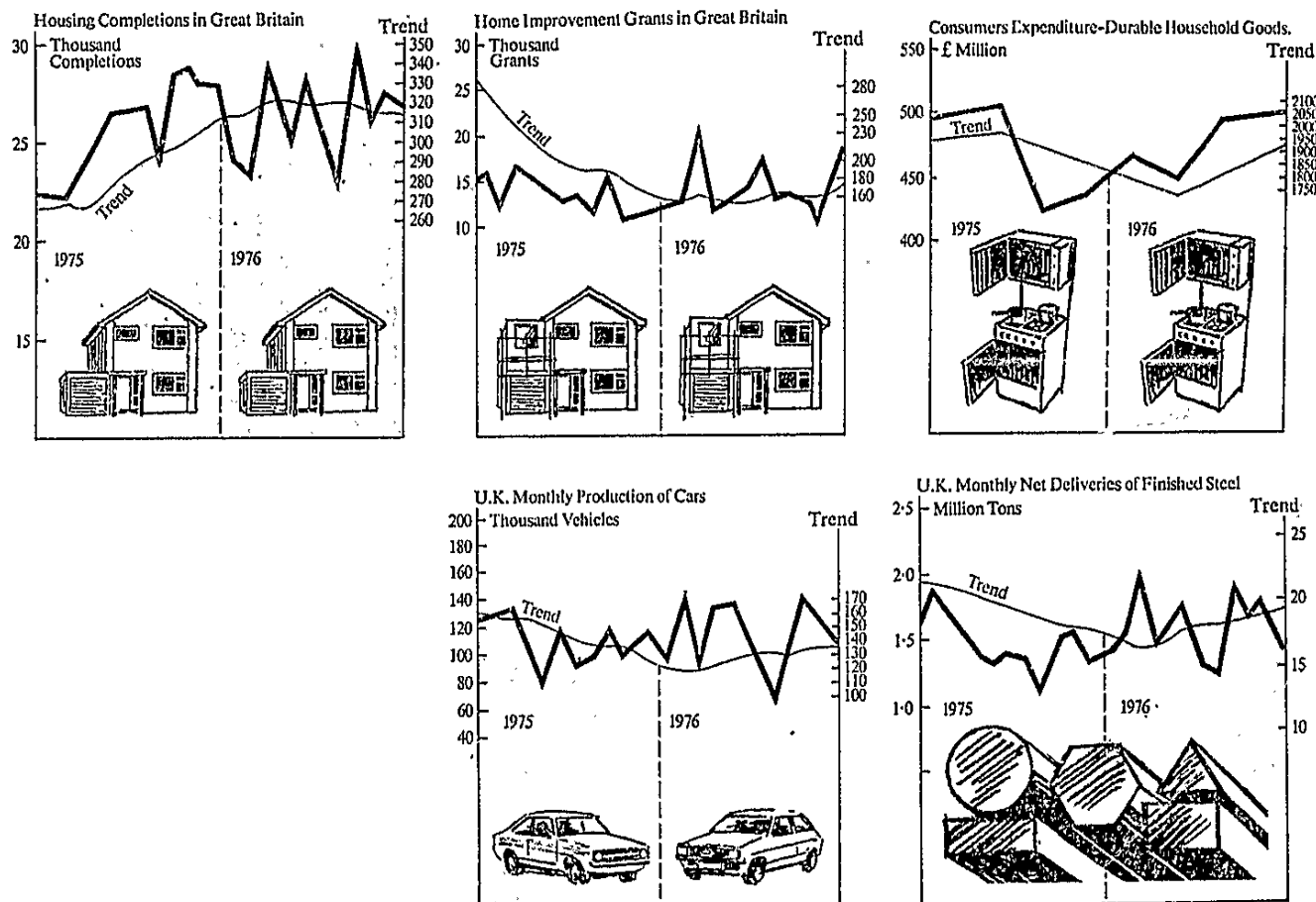
<b>Building and Consumer Products</b>
JM Hill, <i>Chief Executive – Glynwed Tubes &amp; Structures Ltd</i>
DF Briscoe, <i>Managing Director – Glynwed Bathroom &amp; Kitchen Products Ltd</i>
CRR Bennett, <i>Chief Executive – Glynwed Domestic &amp; Heating Appliances Ltd</i>
<b>Steel and Engineering</b>
W Garner, <i>Chief Executive – Glynwed Steels Ltd</i>
DW Richardson, <i>Chief Executive – Glynwed Screws &amp; Fastenings Ltd</i>
J Irwin, <i>Chief Executive – Glynwed Foundries Ltd</i>
<b>Stockholding and Distribution</b>
R Cashmore, <i>Chief Executive – Steel Stockholding</i>
FCW Whitehouse, <i>Chief Executive – Fastenings Distribution</i>
<b>Other division</b>
KD Rowlands, <i>Managing Director – Glynwed Integrated Services Ltd</i>
<b>Overseas operations</b>
WA Thomson, <i>Managing Director – Defy Industries Ltd (South Africa)</i>
<b>Corporate support services</b>
Dr RJ Clark, <i>Group Research and Development</i>
WP Evans, <i>Personnel and Corporate Relations</i>
JE Templeman, <i>Export and Overseas Development</i>

# Report of the directors

*Glynwed Limited and subsidiary companies*

The Directors of Glynwed Limited present their annual report, together with the accounts of the company for the 52 weeks ended 25th December 1976. These will be presented to the members at the annual general meeting to be held at Headland House, New Coventry Road, Sheldon, Birmingham, at 11 o'clock in the forenoon on Thursday 2nd June 1977.

## Economic background



Trend = 12 month moving average

During 1976 the world began to make a recovery from the deep recession into which it had fallen in 1975. This recovery, however, faltered in the second half of the year due to continuing tight monetary and fiscal policies designed to reduce the high levels of world inflation, and unemployment in both North America and Europe began to rise again.

For the UK economy, 1976 was a year of stagnating production, high but reducing inflation, high unemployment, a large balance of payments' deficit and a depreciating pound. The gross domestic product over the year rose by something under 2% whilst inflation fell from an annual rate of 23% at the beginning of the year to 15% at the end. However, this rate was down to 12.9% in July and the second half year showed a slight rise.

The most dramatic UK economic event of 1976 was the sterling crisis in the autumn, with the rapid depreciation of the pound and the subsequent IMF loan operation. This loan operation saw a reduction in the Government's internal borrowing requirement and a tighter control on money supply from the rapid growth that had been experienced in the late summer and autumn.

Housebuilding in the U.K. had a relatively depressed year with total starts up by under 1% on 1975 and completions static. Furthermore, an upward trend for both starts and completions early in the year gave way to a reduction from September onwards. 1976 also saw a very low level of fixed investment by manufacturing industry, 5% down on 1975, coupled with a slight increase of 3% in real consumer expenditure on durable goods. Motor vehicle production, meanwhile, recovered slightly to end 3.5% up on 1975.

## Group results

During 1976 total group sales increased by 23% to £243 million. Sales in the U.K. rose by 20% to £207.6 million and sales overseas, including exports from the U.K., by 40% to £35.4 million. Group trading profit increased to £18.1 million (1975 £14.2 million) and after the deduction of lower interest charges at £3.5 million the group profit before tax amounted to £14.6 million (1975 £10.4 million). Turnover and profits by division and turnover by geographical area are shown on page 12.

As a result of the higher profits, the charge for taxation increased to £7.6 million including £5.5 million transfer to deferred taxation in respect of stock appreciation relief and timing differences.

Extraordinary items in 1976 resulted in a net charge of £0.6 million (1975 £0.4 million). The details are given in note 7 to the accounts on page 25.

Group profit after minority interest and extraordinary items amounted to £6.2 million (1975 £4.4 million).

During the year, the group adopted Statement of Standard Accounting Practice No 9 concerning the valuation of stocks and work in progress. The additional value arising from this change amounted to £220,000 of which the group's share was £213,000 after allocating £7,000 to minority interests and, in accordance with SSAP 6, is dealt with in the statement of retained profit as a prior year adjustment (page 19).

## Ordinary dividend

A final ordinary dividend of 4.975p per share, which the annual general meeting will be asked to approve, is payable on 1st July 1977. This together with the interim dividend of 2.45p per share, makes a total ordinary dividend of 7.425p per share. The gross equivalent of this (including the related tax credit) is 11.423p per share, an increase of 10% over the 1975 rate and the maximum permitted by H.M. Treasury.

## Dividend and interest payments

The pattern of dividend and interest payments will be:

Ordinary shares	Final 1st July Interim 21st December
Preference shares	30th June and 31st December
7½% debenture stock	6th June and 6th December
10½% unsecured loan stock	31st March and 30th September
6% convertible unsecured loan stock	30th June and 31st December

# Report of the directors *continued*

*Glynwed Limited and subsidiary companies*

## Finance and working capital

On page 18 a statement, which forms part of the audited accounts, sets out the sources of the group's funds and how they were applied. The policy of strict cash control has been maintained.

In April 1976 a rights issue raised, net of expenses, £9.7 million.

During 1976 there was a sharp increase in the group's working capital requirements amounting to £17.0 million. In a year of continued high inflation the substantial increases in raw materials and other costs played a significant part. There were a number of other contributing factors. A special programme was instigated during the year for certain divisions to build up temporarily specified lines of stock. At the year end the balances of these additional stocks amounted to £1.9 million. The price of copper increased £200 per tonne in 1976 with wider fluctuations occurring during the year. The additional working capital required to finance this increase amounted to £1.5 million.

Group operating assets employed at the end of 1976 amounted to £96.2 million. Operating and financial statistics for the past five years are set out in the comparison of results on page 6.

## Capital of the company

### Increase of authorised share capital:

By a resolution passed at an extraordinary general meeting of the company held on 30th April 1976, the authorised share capital was increased from £15,420,364 to £21,291,184 by the creation of 23,483,280 ordinary shares of 25p each.

### Acquisitions and issues of share capital:

(a) The allotment of 11,848,656 ordinary shares of 25p each to existing shareholders in the proportion of one new share for every four ordinary shares held at a price of 85p each under the rights issue announced on 14th April 1976.

(b) The allotment to certain holders of the company's 6% convertible unsecured loan stock 1983/85 on 5th October 1976 of 14,913 ordinary shares of 25p each at 246.772p per share in response to elections made on 30th September 1976 in respect of the conversion rights attaching to such stock. See also note 22 on page 30.

(c) The satisfaction of the consideration for the purchase of the whole of the issued capital of Cooper & Turner Holdings Ltd with effect from 2nd July 1976 by the issue of 3,466,637 ordinary shares of 25p each credited as fully paid at a premium of 43p per share and the payment of £285,738 in cash.

### Share ownership scheme:

On 4th July 1973 the board resolved that there would be no further allotment under the scheme, and no shares have been issued since that date. 10,000 shares were made fully paid on 27th November 1976.

### Share option scheme:

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

### Shareholders:

At 25th December 1976, ordinary shareholders totalled 17,255 (1975 – 17,399) and these are analysed below:

No. of shares	% of shareholders	% of shares in issue
1 – 2,000	89.86	14.85
2,001 – 5,000	6.32	5.78
5,001 – 50,000	2.78	13.75
50,001 – 250,000	0.81	28.37
Over 250,000	0.23	37.25
	<u>100.00</u>	<u>100.00</u>

## Fixed assets

The movements of fixed assets during 1976 are set out on page 27.

In December 1974, a professional valuation of the freehold and leasehold land and buildings was made, on the basis of existing use as between a willing buyer and a willing seller. This valuation was up-dated in December 1975, and at that time there were indications that the 1974 surplus over the net book value had diminished. Since the state of the property market continues to be uncertain, the directors do not believe either that the valuation should be entered into the accounts or that to state an apparent surplus would be helpful to shareholders.

## Directors

The members of your board at the date of this report are listed on page 7.

Mr GE Richards retired from the board on 26th February 1976.

Sir Denis Barnes, KCB, was appointed a director on 1st April 1976.

Mr RS Heinrich retired from the board on 31st March 1977.

In accordance with the articles of association Mr L Fletcher and Mr MA Hastilow retire by rotation and, being eligible, offer themselves for re-election.

## Interests

The interests of the directors of the company at 25th December 1976 according to the register kept under Section 29 of the Companies Act 1967 were:

Number of shares or amount  
of stock held at:

		25th December 1976		28th December 1975†	
		Sole beneficial owner	Family and other interests*	Sole beneficial owner	Family and other interests*
Ordinary shares of 25p each fully paid	L Fletcher	3,750	312	3,000	250
	G Davies	1,250	—	1,000	—
	MA Hastilow	1,025	7,075	1,025	2,400
	RS Heinrich	20,000	9,000	20,000	9,000
	JD Eccles	1,250	587	1,000	470
	GW Barlow	1,250	—	1,000	—
Share ownership scheme ordinary shares of 25p each, 1p paid	Sir Denis Barnes	1,000	—	—	—
	G Davies	17,500	—	17,500	—
	MA Hastilow	17,500	—	17,500	—
10½% unsecured loan stock	RS Heinrich	17,500	—	17,500	—
	MA Hastilow	25	—	25	—

\* Including non-beneficial trustee holdings

† Or date of subsequent appointment

The company has not been notified of any change in the above holdings during the period 26th December 1976 to 9th April 1977.

So far as the directors are aware, no person or group of persons has an interest amounting to 5% or more in the ordinary share capital of the company.

The directors had no interest in any contract or arrangement that the company entered into during the year.

# Report of the directors *continued*

*Glynwed Limited and subsidiary companies*

## Finance Act 1965 and capital gains tax

The official price of Glynwed ordinary shares on 6th April 1965 adjusted for the rights issue made in 1975 was 135½p.

## 'Close' company

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

## Political and charitable contributions

The group made contributions for the following purposes in 1976:

	£
Charitable	26,447
Educational (universities)	5,334
Political	5,025
	<u>36,806</u>

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

## Review of activities

### Principal activities

#### Turnover and profit by division

	Turnover		Profit/(Loss)	
	1976 £000	1975 £000	1976 £000	1975 £000
<b>United Kingdom Operations</b>				
Building and consumer products	71,747	64,206	3,279	4,638
Steel and engineering	55,862	41,992	5,769	5,398
Stockholding and distribution	71,975	57,235	6,296	3,642
Other divisions and trading companies	14,863	14,284	200	(553)
	<u>214,447</u>	<u>177,717</u>	<u>15,544</u>	<u>13,125</u>
<b>Overseas Operations</b>				
Household and industrial appliances	28,585	20,500	2,544	1,114
	<u>243,032</u>	<u>198,217</u>	<u>18,088</u>	<u>14,239</u>

#### Turnover by geographical area

	1976		1975	
	£000	%	£000	%
Africa	28,606	11.8	20,452	10.4
Europe	2,541	1.0	1,718	0.9
Middle East	2,357	1.0	1,642	0.8
Asia and Australasia	1,244	0.5	995	0.5
North and South America	714	0.3	459	0.2
Total overseas	<u>35,462</u>	<u>14.6</u>	<u>25,266</u>	<u>12.8</u>
United Kingdom	<u>207,570</u>	<u>85.4</u>	<u>172,951</u>	<u>87.2</u>
	<u>243,032</u>	<u>100.0</u>	<u>198,217</u>	<u>100.0</u>

### Exports

Sales value of direct exports from the United Kingdom during the year was £6,877,236 (1975 £4,698,678). The group is a supplier to many major United Kingdom companies, and our products form a part of their exports.

## Review of activities

## Building and consumer products

### Glynwed Tubes & Structures Ltd

**The Wednesbury Tube Co**  
 ● copper tubes and fittings  
 ● steel tubes and fittings  
 ● steel tube fabrications

#### Glynwed Bros

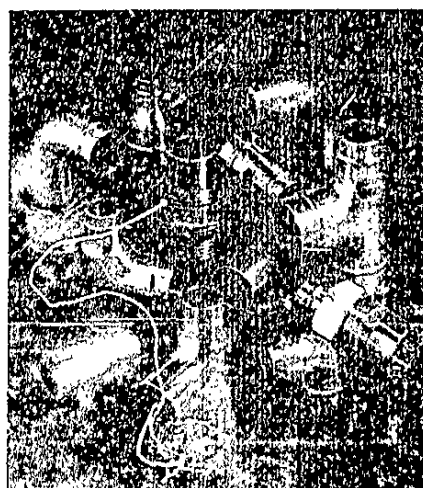
● lead sheet and pipes

#### Steelway

● steel flooring ● steel stairways  
 ● steel handrails ● steel fabrications

#### Coventry Tubes Permatube

● welded stainless steel and nickel alloy tubes



**Glynwed Tubes & Structures Ltd** The price of copper is a major influence on the performance of this division. In 1976 it rose from a base of around £600 per tonne to over £930 in July before settling back to about £800 per tonne in October. The Wednesbury Tube Company has worked at a high level of production throughout the year on both copper tube and fittings. This is due in part to our successful commercial policies in holding off imports and in part to the strength of the home improvement sector. The steel fabrication side of the business operated near to capacity and margins on steel tube and fittings were helped by increases in the price of steel. Demand for lead products remains low, but improved sales and profits have been achieved in stainless steel tubes through the integration of Permatube with Coventry Tubes.

### Glynwed Bathroom & Kitchen Products Ltd

#### Vogue Bathrooms

● baths, handbasins and shower trays

#### Leisure Kitchen Products

● sinks and handbasins  
 ● vanity units  
 ● shower cubicles  
 ● steel, acrylic and fibre glass baths  
 ● special fabrications



**Glynwed Bathroom & Kitchen Products Ltd** It has been a year of change and reorganization in Leisure Kitchen Products and Vogue Bathrooms, and both have now been brought together under one management. This will allow us to develop the market for showers, baths and vanity basins in a more purposeful way. Leisure launched a new range of "contract" stainless steel sinks in the summer and these have been very successful. The loss-making steel radiator business was discontinued. Vogue continues to hold a dominant share of the cast iron bath market. The division is now concentrating its marketing efforts on the home improvement sector in the UK and is co-operating closely with Glynwed Overseas Ltd to develop exports both in Europe and the Middle East.

### Glynwed Domestic & Heating Appliances Ltd

#### Sidney Flavel & Co

● Flavel gas cookers and fires

#### Leisure Domestic Division

● Leisure gas cookers and fires

#### Agaheat Appliances

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

#### Falcon Catering Equipment

● catering equipment



**Glynwed Domestic & Heating Appliances Ltd** In the domestic cooker market both Aga and Rayburn maintained their strong position, whilst Flavel and Leisure made less contribution than in the previous year due to difficulties experienced during model changes. In the caravan and boat markets Flavel cooking appliances continue to hold a dominant position. The new range of Falcon Catering Equipment has been very well received and has done well in a poor market. Overseas sales for Falcon equipment look extremely encouraging.

# Report of the directors *continued*

*Glynwed Limited and subsidiary companies*

## Review of activities

## Steel and Engineering

### Glynwed Steels Ltd

#### George Gadd & Co

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

#### W Wesson

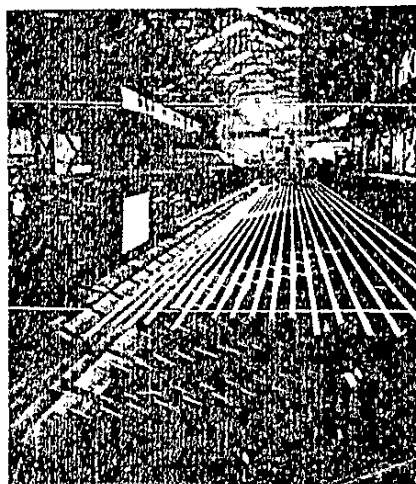
- hot rolled steel strip ● cold rolled flats
- bright drawn steel bars, rods and flats

#### Steel Parts

- bright drawn steel bars and rods
- hot forgings ● general presswork

#### Joseph Gillott & Sons

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



**Glynwed Steels Ltd** The division had a very successful year and was able to take advantage of changes in the market by careful control of stocks and production. The division has developed a very closely knit management team and has a production flexibility which allows it to provide customers with exceptional service. Profitable new markets were entered as a result of diversification into new sizes and specifications of hot and cold rolled steels.

### Glynwed Screws & Fastenings Ltd

#### Glynwed Fastenings

- high tensile bolts
- Yarwood Ingram & Co
- bright and high tensile studs and 'U' bolts

#### Wask Engineering

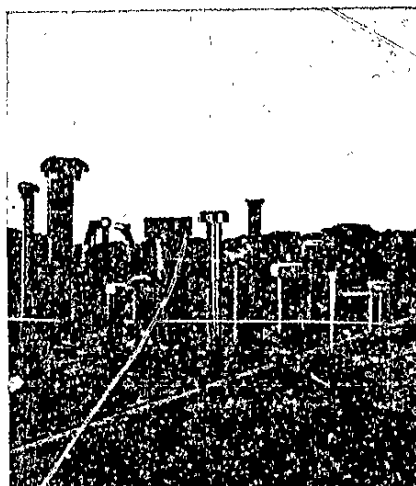
- steel and malleable iron tube fittings

#### Tower Manufacturing

- semi-tubular rivets
- masonry nails and cable clips

#### Cooper & Turner

- Nuts, bolts, washers and rivets



**Glynwed Screws & Fastenings Ltd** The benefits derived from the improved output in the automotive industry were largely offset by the recession which hit the energy and building industries during the year. Exports were marginally lower than 1975, largely due to the fall off in demand for Wask Engineering products. However, Tower Manufacturing raised export sales to exceed 25% of their output. The acquisition of Cooper & Turner gives the division added strength in export markets and broadens our base in both the building and engineering industries at home.

### Glynwed Foundries Ltd

#### Foundries located at:

Telford, Kirkintilloch, Larbert, and Skipton

- cast iron, rainwater, soil and drain pipes and fittings
- castings for the motor, engineering and domestic appliance trades
- Meehanite and SG iron castings



**Glynwed Foundries Ltd** The demand for our castings was generally at a low level throughout the year. As a result of this it was necessary to reduce production capacity by the closure of two of the smaller iron foundries in the Midlands and to dispose of the steel foundry in Scotland. In future, capital will be invested in the larger foundries, and there is confidence of remaining competitive in the UK, EEC and overseas markets. New products have been developed to meet world competition in the Middle East and there are already signs that these will be successful.



## Review of activities

## Stockholding and Distribution

### Glynwed Distribution Ltd (Steel Stockholding)

#### Cashmores

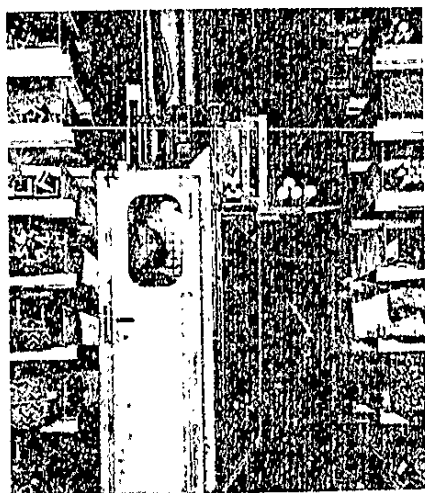
- stockholders, processors of steel sheet, plate, bars, sections, and stainless steel
- scrap merchants
- dealers in machine tools

#### Macreadys

- steel stockholders of bright, carbon and alloy steel bars

#### Frank Stacey

- stockholders of stainless steel products



**Steel Stockholding** The early months of 1976 saw a significant recovery in the demand for steel, but this was not maintained. Business remained highly competitive and our principles of supplying good quality with reliable delivery have ensured a satisfactory performance. The steel market is becoming increasingly international, especially among the EEC countries, and this tends to have a marked effect on the supply and price of certain types of steel.

Improved trading conditions allowed more realistic margins which, on higher sales, resulted in a marked increase in profits. Although steel producers raised prices at regular intervals, the resulting stock profit was insufficient to finance stocks at the higher prices. Operating costs have

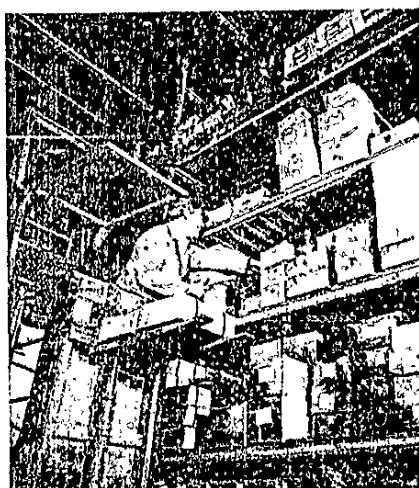
### Glynwed Distribution Ltd (Fastenings and Bearings)

#### Miller Bridges Fastenings

- stockists of all screwed products

#### MBS Bearings

- stockists of bearings, chains and sprockets



been kept down and one of the five sheet processing centres was closed as part of a programme of rationalization. Considerations of quality, reliability of delivery and price led to the import of a significant proportion of our strip-mill products and stainless sheet and plate. The scrap and machinery divisions both made a healthy contribution to profits, scrap division doing particularly well in view of the fall in the price of ferrous scrap. During the year it was decided to close down our shipbreaking operations which had been declining in importance for some years.

**Fastenings & Bearings** 1976 has been a year of consolidation with major restructuring to establish a broader base from which to operate. This in turn has

### Glynwed Wholesale Chemists Ltd

#### Rudge Roberts

#### Rudge Roberts (Northern)

#### Fylde Laboratories

- wholesale supplies to retail chemists



improved operational activities in providing a first class service throughout the UK. Three new branches were also opened, further strengthening the division geographically. Backed by extensive advertising the division is now identified under the title MBS. In view of the depressed market prevailing throughout the year, turnover and profits achieved were considered extremely satisfactory.

**Glynwed Wholesale Chemists Ltd** In contrast to the experience in many other sectors of industry, demand for pharmaceutical products remained constant during 1976. Competition in the wholesale trade remains intense, but despite this the division achieved substantially higher sales and a further good increase in profits.

# Report of the directors *continued*

*Glynwed Limited and subsidiary companies*

## Review of activities

### Certex Ltd

### Glynwed Plastics Ltd

#### Vulcathene and Enfield

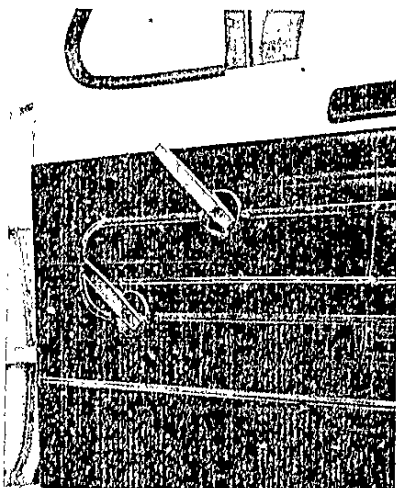
- chemical waste drainage systems, injection mouldings, vacuum forming

#### Arlington Plastics

- PVC and polyurethane coated fabrics for wall coverings, upholstery, footwear and other industrial applications

#### J Burns

- automotive trim, machined components and railway track insulations



**Certex Ltd** The development of a new PVC window frame system is nearing completion, whilst demand for traditional products is improving.

**Glynwed Plastics Ltd** Profitability throughout the division is at a more satisfactory level despite the low demand from the motor car, construction and footwear industries. Diversification and export success should more than offset the reduced home market.

**Thames Bank Iron Co Ltd** In spite of the continued decline in the demand from the building industry at home and against a background of declining margins, Thames Bank Iron Co Ltd again improved both sales and profits. The determined efforts to expand the company's exports have met with considerable success and this has more than compensated for the reduced demand at home.

## Other divisions and trading companies

### Thames Bank Iron Co Ltd

### Glynwed Integrated Services Ltd

#### TB Mechanical Services

- heating and air conditioning
- mechanical engineering

#### Brent Metal Works

- architectural metalwork

#### Dalcon Joinery

- joinery



**Glynwed Integrated Services Ltd** TB Mechanical Services which operates on long term contracts felt the effects of the downturn in the building industry towards the end of the year. Future prospects rest mainly with gaining work overseas and greater participation in work on mains laying with the Gas Boards. Brent Metal Works and Dalcon Joinery were also affected by the situation in the building industry and had a poor year. Diversification of activities is expected to improve performance and both companies are expected to benefit from re-organisation as part of a new division that is being formed.

**Defy Industries Ltd** Following a difficult year in 1975, Defy Industries Ltd recorded higher sales together with improved profitability. This was achieved chiefly through greater efficiencies in the manufacturing plants combined with a programme of product modifications. Despite the low level of building activity

### Overseas Companies

#### Defy Industries Ltd

- the manufacture in South Africa of products similar to those of Glynwed Bathroom & Kitchen Products Ltd and Glynwed Domestic & Heating Appliances Ltd
- electric cookers, deep freeze units and dishwashers
- air conditioning

#### Nederlandse Autofitting Fabriek BV

- manufacture of agricultural plastic products



in South Africa, bath foundry production was maintained at a satisfactory level. The market penetration of the 'Defy' brand of appliances continued to improve with the successful introduction during the year of a new dishwasher and refrigerator bearing the Defy name. Although conditions in the air conditioning industry remained highly competitive, re-organisation helped to improve results. The industrial heating division which supplies heating elements for electrical appliances and elements for industrial use both enjoyed a successful year.

**Nederlandse Autofitting Fabriek BV** As part of a rationalisation programme, NAFF merged with Vulcathene Holland (a branch of Glynwed Plastics Ltd) at the beginning of 1976. Both sectors of the business progressed with increased turnover and improved margins as a result of additions to the ranges and greater selling efforts.

## Review of activities

### Corporate support services

**Group Research & Development** The Central Resources Unit was set up in April 1976 to help implement the group's policy of expansion in world markets. The unit's role is to design and develop goods and services and appropriate strategies for both home and export markets. High calibre staff have been recruited and these are supplemented by drawing on appropriate academic and practical expertise from universities, libraries and Government bodies. The unit is not confined to developing products for the group's existing markets and is thus intended to play a leading part in the group's future diversification and growth. A number of projects have already been brought to the stage where the product can be launched in the near future.

**Export & Overseas Development** The group's increasing activity in export markets resulted in the establishment of Glynwed Overseas Ltd in January 1976 to co-ordinate overseas marketing operations. The division has already established a footing in Iran and Saudi Arabia and preparations are well advanced in the Middle East and Africa for the setting up of further distributorships and agencies.

**Personnel** While the Glynwed group companies operate largely as independent profit centres, the exchange of technical, commercial and management expertise is becoming increasingly important as the group increases in size and complexity and as external influences become more intrusive.

Personnel problems throughout the group need to be resolved in the light of local needs and the development of effective communication, consultation and negotiating systems are vital for the maintenance of good industrial relations. The existing personnel policies and practices withstood the increasing pressures in 1976 of high inflation, unemployment and government constraint and intervention. However, the further decline in the standard of living of the group's managers was a matter of particular concern at a time when they were having to cope with greater demands to increase profitability and improve productivity and to deal with new legislation which imposed new obligations but limited their authority to act. It is hoped that Government will soon acknowledge the need to motivate management and reflect this in future incomes policy.

It is the policy of the group to maintain an environment for employees that is as healthy and safe as is reasonably practicable. Each manager accepts the responsibility for implementing this policy in the area for which he or she is executively responsible. Successful implementation requires the whole-hearted co-operation of all employees and individual acceptance of the need to take reasonable care for personal health and safety and for that of any other person who may be affected by his or her action at work.

## Employees

In the United Kingdom the group has employed an average of 14,179 men and women each week of the year. The aggregate gross remuneration paid or payable to them was £40,442,000 (1975 - £35,212,000) for the year.

Average number of employees:	1976	1975
United Kingdom	14,179	14,544
Overseas	3,480	3,481
	<u>17,659</u>	<u>18,025</u>

## Auditors

The auditors, Coopers & Lybrand, will continue in office in accordance with section 159(2) of the Companies Act 1948.

Birmingham  
13th April, 1977

By order of the board  
D. E. DRAKE  
Secretary

# Source and application of funds

*Glynwed Limited and subsidiary companies*

For the 52 weeks ended 25th December 1976		1976 £m	1975 £m	
Source	Profit before taxation	14.6	10.4	
	Extraordinary items before taxation	(0.9)	(0.8)	
		13.7	9.6	
	Depreciation	4.0	3.1	
	Total funds generated from operations	17.7	12.7	
	Funds from other sources			
	Rights issue net of expenses	9.7	—	
	Shares issued for the acquisition of subsidiaries	2.3	—	
	Increase in reserves due to exchange differences	1.5	(0.6)	
	Change in basis of stock valuation	—	0.2	
	31.2	12.3		
Application	Dividends	3.6	3.0	
	Taxation	2.5	3.2	
	Capital expenditure (net)	6.1	3.9	
	Reduction in medium and long term indebtedness	0.2	5.1	
	Purchase of Cooper & Turner Holdings Ltd	2.6	—	
	Increase in net current assets (see below)	16.2	(2.9)	
		31.2	12.3	
	Increase in net current assets			
	Movements reducing funds			
	Increase in stocks	13.3	(2.6)	
	debtors	17.2	(3.4)	
	trade investments	0.2	—	
		30.7	(6.4)	
	Movements increasing funds			
	Increase in creditors	13.7	(2.0)	
	Net decrease in funds	17.0	(4.4)	
	Decrease in net liquid funds	0.8	(1.5)	
		16.2	(2.9)	
	Analysis of the acquisition of Cooper & Turner Holdings Ltd			
	Net assets acquired	£m	Discharged by	£m
Stocks	1.5	Shares issued	2.3	
Debtors	1.5	Cash paid	0.3	
Goodwill	1.1			
Fixed assets	1.1			
Creditors	(1.2)			
Long term indebtedness	(0.5)			
Deferred taxation	(0.5)			
Current taxation	(0.4)			
	2.6		2.6	

# Consolidated profit and loss account

*Glynwed Limited and subsidiary companies*

**GLYNWED**

For the 52 weeks ended 25th December 1976	Notes	1976 £000	1975 £000
<b>Turnover</b>	<b>1</b>		
Home		207,570	172,951
Overseas (including exports)		35,462	25,266
		<u>243,032</u>	<u>198,217</u>
<b>Group trading profit</b>	<b>3</b>	18,088	14,239
<b>Interest charges</b>	<b>5</b>	3,462	3,806
		<u>14,626</u>	<u>10,433</u>
<b>Group profit before taxation</b>			
<b>Taxation</b>	<b>6</b>	7,596	5,444
		<u>7,030</u>	<u>4,989</u>
<b>Group profit after taxation</b>			
<b>Minority interests</b>		224	161
		<u>6,806</u>	<u>4,828</u>
<b>Group profit before extraordinary items</b>			
<b>Extraordinary items</b>	<b>7</b>	590	395
		<u>6,216</u>	<u>4,433</u>
<b>Group profit after extraordinary items</b>			
<b>Preference dividends</b>	<b>8</b>	73	68
		<u>6,143</u>	<u>4,365</u>
<b>Group profit attributable to ordinary shareholders</b>			
<b>Ordinary dividends</b>	<b>8</b>	4,537	3,167
		<u>1,606</u>	<u>1,198</u>
<b>Profit retained</b>	<b>9</b>		
<b>Earnings per share</b>	<b>10</b>		
basic		11.90p	9.64p
fully diluted		11.61p	9.43p
		<u>18,798</u>	<u>17,826</u>
<b>Statement of retained profit</b>			
Balance at beginning of year		213	213
Previously reported			
Change in basis of stock valuation		<u>19,011</u>	<u>18,039</u>
<b>Retained profit for the year</b>		1,606	1,198
		<u>20,617</u>	<u>19,237</u>
<b>Amount credited direct to reserves</b>		591	(226)
<b>Balance at end of year</b>		<u>21,208</u>	<u>19,011</u>

Notes on the accounts, pages 22 to 31.

# Consolidated balance sheet

*Glynwed Limited and subsidiary companies*

	25th December 1976	Notes	1976 £000	1975 £000
<b>Assets employed</b>	<b>Current assets</b>			
	Stocks and work in progress	11	58,629	43,831
	Debtors, bills receivable and prepayments		60,002	41,351
	Bank and cash balances		168	1,075
			<u>118,799</u>	<u>86,257</u>
	<b>Current liabilities</b>			
	Creditors and accrued charges		49,368	34,427
	Bank overdrafts and other short term borrowings	12	14,654	14,770
	Current taxation	13	5,727	6,356
	Proposed dividends		3,138	2,018
			<u>72,887</u>	<u>57,571</u>
	<b>Net current assets</b>		<u>45,912</u>	<u>28,686</u>
	<b>Fixed assets</b>	15	34,713	31,446
	Trade investments	17	1,086	871
			<u>81,711</u>	<u>61,003</u>
<b>Financed by</b>	<b>Ordinary shares</b>	20	15,565	11,730
	<b>Reserves</b>	21	30,813	20,590
			<u>46,378</u>	<u>32,320</u>
	<b>Preference shares</b>	20	1,291	1,291
	<b>Total share capital and reserves</b>		<u>47,669</u>	<u>33,611</u>
	<b>Medium and long term indebtedness</b>	22	16,682	16,394
	<b>Deferred taxation</b>	23	15,699	9,668
	<b>Minority interests</b>		1,661	1,330
			<u>81,711</u>	<u>61,003</u>

L Fletcher *Chairman*  
G Davies *Deputy chairman*

Notes on the accounts, pages 22 to 31.

# Balance Sheet

*Glynwed Limited*

**GLYNWED**

	25th December 1976	Notes	1976 £000	1975 £000
<b>Assets employed</b>	<b>Current assets</b>			
	Debtors and prepayments		516	230
	Bank and cash balances		26	26
			<u>542</u>	<u>256</u>
	<b>Current liabilities</b>			
	Creditors and accrued charges		1,571	1,775
	Bank overdrafts and other short term borrowings		17,070	20,463
	Current taxation		1,683	1,357
	Proposed dividends		3,138	2,018
			<u>23,462</u>	<u>25,613</u>
	<b>Net current liabilities</b>		<u>(22,920)</u>	<u>(25,357)</u>
	Interest in subsidiaries	14	91,680	81,000
	Trade investments	17	149	106
	Advance corporation tax recoverable	23	1,668	1,086
			<u>70,577</u>	<u>56,835</u>
<b>Financed by</b>	<b>Ordinary shares</b>	20	15,565	11,730
	<b>Reserves</b>	21	38,688	28,753
			<u>54,253</u>	<u>40,483</u>
	<b>Preference shares</b>	20	1,291	1,291
	<b>Total share capital and reserves</b>		<u>55,544</u>	<u>41,774</u>
	<b>Medium and long term indebtedness</b>	22	15,101	15,167
	<b>Deferred taxation</b>		( )	(106)
			<u>70,577</u>	<u>56,835</u>

L Fletcher *Chairman*  
G Davies *Deputy chairman*

Notes on the accounts, pages 22 to 31.

## 1. Accounting policies

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

### **Basis of accounting**

The historical cost convention has been used for the preparation of the accounts with assets generally carried in the balance sheet at or below the cost incurred at their date of acquisition. However, the convention does permit the inclusion in the balance sheet of certain assets at a value in excess of cost and those fixed assets which have been included at valuations in excess of original cost are detailed in note 15 on page 27.

### **Consolidation**

The consolidated profit and loss account and balance sheet include the accounts of the parent company and all its subsidiaries made up to the end of the financial year. The results of subsidiaries which have been sold during the financial year are included up to the effective dates of sale.

The results of newly acquired subsidiaries are dealt with as follows:

- (a) Companies purchased with effect from dates prior to the parent company's last balance sheet are included for one year from that date and their results prior to that date are taken to reserves.
- (b) Companies whose effective dates of acquisition fall in the current year are included for the period from the date of the last balance sheet of the new subsidiary or the parent company whichever is the later. Any pre-acquisition proportion is shown as a deduction in the consolidated profit and loss account.

### **Turnover**

All internal sales arising within the group are eliminated on consolidation and turnover comprises external sales of the parent company and its subsidiaries excluding value added tax.

### **Research and development**

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

### **Extraordinary items and prior year adjustments**

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

### **Foreign currencies**

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

### **Stocks and work in progress**

Stocks and work in progress have been valued in accordance with the Statement of Standard Accounting Practice No. 9. The opening valuation has been adjusted accordingly and the resulting adjustment is shown in the statement of retained profit on page 19. The basis of valuation is the lower of cost and net realisable value, with the exception of copper stock, where due to the method of trading, copper in transit, in stock, in progress of manufacture, and in finished goods has, to the extent that it has been contracted to be sold forward, been valued at the net realisable value of the metal element forming part of the sale price. Where not sold forward it has been valued at the lower of cost and the ruling market price at the balance sheet date.



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

**Depreciation**

Depreciation is calculated using the straight line method on the gross values of fixed assets without any deduction for government grants as follows:

- (i) Freehold buildings at 2% per annum.
- (ii) Leasehold land and buildings over 50 years or the period of the lease whichever is the less.
- (iii) Plant, equipment and vehicles over a period of from 4 to 10 years according to their estimated working lives.

No depreciation has been charged on freehold land.

**Government grants**

Government grants in respect of capital expenditure are taken to deferred credit account which is deducted from the net book value of fixed assets (note 15 on page 27).

A proportion is credited annually to the consolidated profit and loss account by reference to the average life of the relevant fixed assets.

**Market value of trade investments**

No provision is made against the book value of long term investments merely to reflect short term fluctuations in their market value.

**Deferred taxation**

This is calculated on the liability method applying the following principles:

Taxation at current rates on:

- (i) The difference between the written down value for taxation purposes and the equivalent net book value of fixed assets based on their historical cost.
- (ii) Transactions included in the accounts but not allowable for taxation purposes until subsequent financial periods.
- (iii) Stock appreciation relief up to the balance sheet date. This represents the deferment of corporation tax liabilities for a period which, under the present legislation, is uncertain

less advance corporation tax recoverable.

No provision is made for any possible liability which might arise on a disposal of any property at current values.

**Acquisitions**

Shares issued as consideration for the acquisition of companies are issued at the value placed on them in the relevant contract or offer document. Where no value is specified they are issued at par.

Expenses incurred in the issue of such shares are charged against share premium account.

Goodwill arising on consolidation, being the excess of the purchase consideration of shares in new subsidiary companies over the net tangible assets acquired, is set against reserves in the year of acquisition.

**2. Comparative figures**

The 1976 figures include those of new subsidiaries whose aggregate turnover and profits before taxation for the six months to 25th December 1976 amounted to £3,181,000 and £409,000 respectively.

Notes on the accounts *continued*  
Glynwed Limited and subsidiary companies

**3. Group trading profit**

This is stated after crediting:  
Income from quoted investments  
Interest on deposits and loans

and after charging:  
Depreciation (note 15 on page 27)  
*Less*  
Transfer from deferred credit account  
Included in extraordinary items

Hire of plant, equipment and vehicles  
Emoluments of directors of Glynwed Limited  
As directors  
As executives  
Pension paid to former executive director

Auditors' remuneration  
Glynwed Limited  
Subsidiaries

1976 £000	1975 £000
107	89
10	2
<u>117</u>	<u>91</u>
4,224	3,405
244	281
40	—
<u>284</u>	<u>281</u>
<u>3,940</u>	<u>3,124</u>
996	611
11	5
148	201
1	1
<u>160</u>	<u>207</u>
17	16
184	165
<u>201</u>	<u>181</u>

**4. Directors' and employees' emoluments**

The number of directors whose emoluments for the year fall within the following scales is stated below:

Emoluments	Net after tax (see note below)		Number of directors	
	1976 £	1975 £	1976	1975
<i>Chairman</i>				
*1976 £30,176	11,100			
1975 £28,075		10,500		
<i>Other directors</i>				
£				
25,001 to 27,500	10,700	10,400	1	—
22,501 to 25,000	10,200	10,000	2	—
20,001 to 22,500	9,800	9,600	—	4
17,501 to 20,000	9,300	9,100	—	1
12,501 to 15,000	8,000	7,800	—	1
2,501 to 5,000			3	1
up to 2,500			1	1

**Note:**

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

The number of other employees in the United Kingdom who received emoluments in 1976 in excess of £10,000 is as follows:

£	Number of employees	
	1976	1975
15,001 to 17,500	4	1
12,501 to 15,000	4	4
10,001 to 12,500	16	19

\*The chairman has not received an increase in remuneration since 1st June 1975.

		1976 £000	1975 £000
<b>5. Interest charges</b>	Bank overdrafts and other short term borrowings	2,052	2,439
	Loans repayable on or before 26th December 1981	4	31
	Loans repayable after 26th December 1981	1,406	1,286
		<u>3,462</u>	<u>3,806</u>
<b>6. Taxation</b>	On the profit of the year:	1976 £000	1975 £000
	United Kingdom corporation tax at 52 %	1,643	4,792
	Overseas taxation	514	25
	Transfer to deferred taxation	5,487	649
		<u>7,644</u>	<u>5,466</u>
	Previous year adjustments	(42)	(22)
		<u>7,596</u>	<u>5,444</u>
<b>7. Extraordinary items</b>	Termination costs on discontinued activities	1976 £000	1975 £000
	Payment to secure additional pensions for former employees	819	668
	Loss on disposal of subsidiaries	130	153
		<u>949</u>	<u>821</u>
	Less: taxation relief applicable	359	426
		<u>590</u>	<u>395</u>
<b>8. Dividends</b>	Preference dividends 5.425 % (formerly 7½ %)	1976 £000	1975 £000
		73	68
	Ordinary dividends		
	Interim dividend paid of 2.450p per share (1975: 2.45p)	1,440	1,149
	Proposed final dividend of 4.975p per share (1975: 4.30p)	3,097	2,018
		<u>4,537</u>	<u>3,167</u>
<b>9. Profit retained</b>	Glynwed Limited	1976 £000	1975 £000
	Subsidiary companies	824	807
		782	391
		<u>1,606</u>	<u>1,198</u>

# Notes on the accounts *continued*

*Glynwed Limited and subsidiary companies*

## 10. Earnings per share

The basic earnings per share is calculated on earnings of £6,733,000 (1975 £4,760,000) and 56,601,000 ordinary shares of 25p each (1975 46,908,000 shares).

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

The fully diluted earnings per share is based on adjusted earnings of £6,903,000 (1975 £4,930,000) and adjusted shares of 59,472,000 (1975 49,672,000 shares). Earnings and shares assume that the holders of 6% convertible unsecured loan stock 1983/85 have exercised in 1975 and 1976 the conversion rights described in note 22 on page 30 of the accounts.

## 11. Stocks and work in progress

	1976 £000	1975 £000
Consumable stores	1,808	1,939
Raw materials	15,054	9,707
Work in progress	8,492	6,436
Finished goods and distribution stocks	33,275	25,749
	<u>58,629</u>	<u>43,831</u>

## 12. Bank overdrafts and other short term borrowings

Bank overdrafts amounting to £131,000 are secured on the assets of certain subsidiary companies.

## 13. Current taxation

	1976 £000	1975 £000
<b>United Kingdom corporation tax:</b>		
Payable on or before 1st January 1978	2,897	4,347
<b>Advance corporation tax:</b>		
On interim and final dividends	2,465	1,692
	<u>5,362</u>	<u>6,039</u>
<b>Overseas taxation</b>	365	317
	<u>5,727</u>	<u>6,356</u>

## 14. Interest in subsidiaries

	1976 £000	1975 £000
Shares at or below cost	53,745	52,497
Amounts owing from subsidiaries	54,105	45,793
	<u>107,850</u>	<u>98,290</u>
Amounts owing to subsidiaries	16,170	17,290
	<u>91,680</u>	<u>81,000</u>

A list of the trading subsidiaries is given on page 31.

15. Fixed assets

	Land and buildings			Plant, equipment and vehicles	1976 Total fixed assets	1975 Total fixed assets
	Freehold	Leasehold				
		Long	Short			
	£000	£000	£000	£000	£000	£000
<b>Cost and valuation</b>						
At 27th December 1975	23,999	665	504	41,778	66,946	65,345
Exchange adjustment	834	—	—	1,052	1,886	(666)
New subsidiaries	674	—	—	1,447	2,121	151
Additions at cost	592	—	6	5,129	5,727	5,354
Disposals	(498)	—	(7)	(1,677)	(2,182)	(3,238)
At 25th December 1976	25,601	665	503	47,729	74,498	66,946
Cost	13,793	591	488	41,664	56,536	49,752
Valuation (see below)	11,808	74	15	6,065	17,962	17,194
	25,601	665	503	47,729	74,498	66,946
<b>Accumulated depreciation</b>						
At 27th December 1975	7,170	140	145	27,095	34,550	33,541
Exchange adjustment	150	—	—	601	751	(253)
New subsidiaries	33	—	—	975	1,008	45
Provision for the year	363	13	15	3,833	4,224	3,405
Disposals	(117)	—	(6)	(1,360)	(1,483)	(2,188)
At 25th December 1976	7,599	153	154	31,144	39,050	34,550
<b>Net book value</b>						
At 25th December 1976	18,002	512	349	16,585	35,448	
At 27th December 1975	16,829	525	359	14,683		32,396
<b>Deduct:</b>						
Deferred credit account					735	950
					34,713	31,446
Valuations have been incorporated in fixed assets as follows:						
<i>Professional valuations</i>						
1953 – 1968	1,326	19		12		
1969	607					
1970	1,561					
1972	1,546					
1973	275					
<i>Directors' valuations</i>						
1963 – 1964	6,363	55	15	6,053		
1970	130					
	11,808	74	15	6,065		

# Notes on the accounts *continued*

*Glynwed Limited and subsidiary companies*

		Group	
		1976	1975
		£000	£000
<b>16. Capital expenditure</b>	Authorised by the board but not contracted for	667	386
	Contracted for but not provided in the accounts	1,016	2,092
	Total expenditure authorised	<u>1,683</u>	<u>2,478</u>

Glynwed Limited had no capital commitments (1975 nil).

		Group		Glynwed Limited	
		1976	1975	1976	1975
		£000	£000	£000	£000
<b>17. Trade investments</b>	Quoted equity shares, at cost	977	807	71	71
	Unquoted equity shares, at or below cost	109	64	78	35
		<u>1,086</u>	<u>871</u>	<u>149</u>	<u>106</u>
	Market value of quoted shares at 25th December 1976	<u>732</u>	<u>999</u>	<u>36</u>	<u>52</u>

The following information is given in respect of the investment in unquoted equity shares, showing the country of registration or incorporation and the group's interest in the issued share capital.

Name	Country of registration or incorporation	Capital	% held
European Plumbing Materials Ltd	England	£50,000	50
* Gaycas (Pty) Ltd.	South Africa	R200	50
* Inkongweni (Pty) Ltd.	South Africa	R2	50
* Irish Foundries Ltd.	Eire	£117,910	12.7
Irano British Buildings Products Ltd.	Iran	Rials 25m	49
Lab-Line Industrial Corporation	U.S.A.	\$1,000	50
Vulcathene South Africa (Pty) Ltd.	South Africa	R32,000	50

None of the above companies have been dealt with as associated companies as their figures are not significant. No loan capital has been created. The directors estimate the value of unquoted investments to equate to book value.

\* Shares held by subsidiaries of Glynwed Limited.

## **18. Profit retained overseas**

The reserves of overseas subsidiaries amounting to approximately £5,287,000 would be subject to additional taxation if remitted.

## **19. Contingent liabilities**

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

	Authorised		Issued	
	No. of shares		No. of shares	
	000	£000	000	£000
<b>20. Share capital</b>				
Ordinary shares of 25p each				
Balance at 27th December 1975	56,517	14,129	46,900	11,725
Increase of authorised capital	23,483	5,871		
Rights issue			11,849	2,962
Issued to stockholders exercising rights under 6% convertible unsecured loan stock			15	4
Share ownership scheme shares made fully paid			10	2
Issued during the year in connection with the acquisition of subsidiaries			3,466	867
Balance at 25th December 1976			62,240	15,560
Issued and fully paid			485	5
Share ownership scheme 1p per share paid				
Balances at 25th December 1976	80,000	20,000	62,725	15,565
5.425% Cumulative Preference Shares of £1 each fully paid (formerly 7½%)	1,291	1,291	1,291	1,291

2,385,013 shares of the unissued ordinary share capital are reserved for issue to the holders of the 6% convertible unsecured loan stock who may exercise their conversion rights.

	Share Premium	Retained Profit	Goodwill on Consolidation	Total
	£000	£000	£000	£000
<b>21. Reserves</b>				
<b>Group</b>				
Previously reported	13,106	18,798	(11,527)	20,377
Change in basis of stock valuation		213		213
Premium on shares issued	8,638			8,638
Issue expenses	(382)			(382)
Exchange differences and adjustments in subsidiaries	85	591	820	1,496
Goodwill arising on acquisition of subsidiaries			(1,135)	(1,135)
Profit retained		1,606		1,606
Balance at 25th December 1976	21,447	21,208	(11,842)	30,813
<b>Glynwed Limited</b>				
Balance at 27th December 1975	12,674	16,079		28,753
Premium on shares issued	8,638			8,638
Issue expenses	(382)			(382)
Dividends received out of prior year profits		855		855
Profit retained		824		824
Balance at 25th December 1976	20,930	17,758	—	38,688

# Notes on the accounts *continued*

*Glynwed Limited and subsidiary companies*

	Repayment date	Group		Glynwed Limited	
		1976 £000	1975 £000	1976 £000	1975 £000
<b>22. Medium and long term indebtedness</b>					
Secured loans					
United Kingdom					
10.95% term loan	1977/86	500	—	—	—
7.5% debenture stock	1989/94	3,330	3,358	3,330	3,358
South Africa					
10.5% loan	1977/83	582	568	—	—
12.2% loan	1978/92	122	85	—	—
Others	1977/82	377	574	—	—
		<u>4,911</u>	<u>4,585</u>	<u>3,330</u>	<u>3,358</u>
Unsecured loans					
United Kingdom					
6% convertible stock	1983/85	5,885	5,923	5,885	5,923
10.75% stock	1994/99	5,886	5,886	5,886	5,886
		<u>11,771</u>	<u>11,809</u>	<u>11,771</u>	<u>11,809</u>
Total		<u>16,682</u>	<u>16,394</u>	<u>15,101</u>	<u>15,167</u>
Wholly payable within 5 years		36	290	—	—
Not wholly repayable within 5 years		<u>16,646</u>	<u>16,104</u>	<u>15,101</u>	<u>15,167</u>

The debenture stock (including accrued interest) is secured by floating charges on the assets and undertakings of Glynwed Limited and certain of its wholly-owned subsidiaries. The sinking fund requirement has been satisfied to date by the purchase and cancellation of £198,500 of stock.

The convertible unsecured loan stock carries the right, exercisable in any of the years 1977 to 1983, to convert 246,772p nominal amount of stock into one ordinary share of 25p. The holders of £36,860 loan stock exercised the conversion option at 30th September, 1976.

All loan capital, including any unconverted stock, is repayable at par.

## 23. Deferred taxation

	1976 £000	1975 £000
Timing differences mainly between tax allowances and depreciation	6,993	5,642
Stock appreciation relief	10,374	5,112
Advance corporation tax recoverable	(1,668)	(1,086)
	<u>15,699</u>	<u>9,668</u>



# Trading subsidiaries

*Glynwed Limited*

**GLYNWED**

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1975  
£000

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3,358

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11,809

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1975  
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5,642  
5,112  
(1,056)

9,668

The following is a list of the company's trading subsidiaries at 25th December 1976, all of which, unless otherwise stated, are wholly owned. The capital in each case consists wholly of ordinary shares unless otherwise indicated.

## Registered in England and operating in the United Kingdom

Allied Ironfounders Ltd†

Certex Ltd (70% owned)†

Cooper & Turner Holdings Ltd (including preference shares)†

\*Cooper & Turner Ltd†

\*George Cooper (Sheffield) Ltd†

Crackley Ltd

Flavel Foundries Ltd†

Glynwed Bathroom & Kitchen Products Ltd†

Glynwed Distribution Ltd

Glynwed Domestic & Heating Appliances Ltd†

Glynwed Foundries Ltd†

Glynwed Group Services Ltd

Glynwed Integrated Services Ltd†

Glynwed Overseas Ltd

Glynwed Plastics Ltd

Glynwed Screws & Fastenings Ltd

Glynwed Steels Ltd

Glynwed Tubes & Structures Ltd

Glynwed Wholesale Chemists Ltd

Hickman (Aircraft) Ltd†

\*James H. Smith Ltd†

Thames Bank Iron Co. Ltd†

## Incorporated and operating overseas

\*Allied Ironfounders Pty Ltd (Australia)†

\*Cooper & Turner Inc (USA)†

\*Defy Industries Ltd (84% owned) and its subsidiaries (South Africa)†

Nederlandse Autofittings Fabriek BV (Holland)

\* Shares held by subsidiaries of Glynwed Limited

† Companies not audited by Coopers & Lybrand. The aggregate assets of such companies amount to 28% of the group assets.

# Auditors' report

*Glynwed Limited*

## To the members of Glynwed Limited

We report on the accounts set out on pages 18 to 31. These have been prepared under the historical cost convention, as explained in the statement of accounting policies set out on page 22.

In our opinion the accounts give a true and fair view of the state of affairs at 25th December 1976 and of the profit and source and application of funds for the year ended on that date, according to the historical cost convention, and comply with the Companies Acts 1948 and 1967.

We have also examined the supplementary statements and explanatory notes set out on pages 34 and 35. These have been prepared in accordance with the Provisional Statement of Standard Accounting Practice No. 7. In our opinion based on our examination they fairly restate in summarised form the profit for the year and the financial position of the group expressed in terms of the general purchasing power of money at 25th December 1976.

Birmingham,  
13th April 1977

Coopers & Lybrand  
Chartered Accountants

Information published in accordance with paragraph 4 of the Government Observations on the Fifth Report from the Expenditure Committee on Wages and Conditions of African Workers Employed by British Firms in South Africa. (Command 5845)

Defy Industries Ltd employs 2,219 African workers of whom 557 are in the lowest paid grade, the majority of whom are employed at Newcastle and Jacobs works. The average rate of pay of the lowest paid grade is R151.48 per month including bonuses and overtime.

The Minimum Living Level used by the company is that published by the Bureau of Market Research at the University of South Africa, the August 1976 figures being R103.26 per month for Durban and R95.29 for Newcastle (these figures are based on a family unit of five); all African employees receive more than the Minimum Living Level.

The Minimum Effective Level quoted in 1975 is no longer published by the University of South Africa. It is replaced by the Supplemented Living Level which is 29% above the Minimum Living Level, i.e. R133.09 per month in Durban and R120.78 per month in Newcastle; all African employees receive more than the Supplemented Living Level.

In addition the company:

- (i) pays 5% on basic pay to a pension fund for African workers which is operated by the Industrial Council and which is non-contributory from workers;
- (ii) pays African employees in full for up to two weeks sick leave during the course of the year; if the employee has 10 years' service or more the entitlement increases on a sliding scale to 18 weeks full pay and 24 weeks half pay after 25 years' service;
- (iii) provides free medical service for African employees at factories for both accidents and illness;
- (iv) pays 60 cents per week per employee towards subsidised meals;
- (v) grants employees with more than six years' service one extra week of paid leave.

The four African liaison committees in existence last year have continued to function and another committee has been formed at the company's distribution depot in Durban.

The company will ensure that the wage rates paid will continue to be ahead of increments authorised by the wage agreement for the engineering industry and also that adult productive African employees will be paid more than one and a half times the Minimum Living Level within a period of two years.

# Inflation adjusted accounts

Glynwed Limited and subsidiary companies

	52 weeks ended 25th December	Historical cost basis		Current purchasing power basis	
		1976	1975	1976	1975
		£m	£m	£m	£m
<b>Results</b>	<b>Turnover</b>	<b>243.0</b>	<b>198.2</b>	<b>260.4</b>	<b>247.3</b>
	<b>Group trading profit</b>	<b>18.1</b>	<b>14.2</b>	<b>16.3</b>	<b>12.9</b>
	<b>Interest charges</b>	<b>3.5</b>	<b>3.8</b>	<b>3.7</b>	<b>4.7</b>
	<b>Group profit before taxation</b>	<b>14.6</b>	<b>10.4</b>	<b>12.6</b>	<b>8.2</b>
	<b>Taxation</b>	<b>7.6</b>	<b>5.4</b>	<b>7.6</b>	<b>6.2</b>
	<b>Group profit after taxation</b>	<b>7.0</b>	<b>5.0</b>	<b>5.0</b>	<b>2.0</b>
	<b>Minority interests</b>	<b>0.2</b>	<b>0.2</b>	<b>(0.1)</b>	<b>(0.1)</b>
		<b>6.8</b>	<b>4.8</b>	<b>5.1</b>	<b>2.1</b>
	<b>Extraordinary items</b>	<b>0.6</b>	<b>0.4</b>	<b>0.7</b>	<b>0.6</b>
		<b>6.2</b>	<b>4.4</b>	<b>4.4</b>	<b>1.5</b>
	<b>Preference dividends</b>	<b>0.1</b>	<b>0.1</b>	<b>0.1</b>	<b>0.1</b>
		<b>6.1</b>	<b>4.3</b>	<b>4.3</b>	<b>1.4</b>
	<b>Ordinary dividends</b>	<b>4.5</b>	<b>3.1</b>	<b>4.5</b>	<b>3.6</b>
	<b>Group profit retained</b>	<b>1.6</b>	<b>1.2</b>	<b>(0.2)</b>	<b>(2.2)</b>
<b>Financial position</b>	<b>Fixed assets</b>	<b>34.7</b>	<b>31.4</b>	<b>65.3</b>	<b>64.9</b>
	<b>Trade investments</b>	<b>1.1</b>	<b>0.9</b>	<b>1.3</b>	<b>1.3</b>
	<b>Other operating assets (net)</b>	<b>60.4</b>	<b>42.2</b>	<b>61.5</b>	<b>49.3</b>
	<b>Operating assets employed</b>	<b>96.2</b>	<b>74.5</b>	<b>128.1</b>	<b>115.5</b>
	<b>Bank overdrafts and other short term borrowings (net)</b>	<b>14.5</b>	<b>13.7</b>	<b>14.5</b>	<b>15.7</b>
		<b>81.7</b>	<b>60.8</b>	<b>113.6</b>	<b>99.8</b>
	<i>Less</i>				
	<b>Preference shares</b>	<b>1.3</b>	<b>1.3</b>	<b>1.3</b>	<b>1.5</b>
	<b>Medium and long term indebtedness</b>	<b>16.7</b>	<b>16.4</b>	<b>16.7</b>	<b>18.8</b>
	<b>Deferred taxation</b>	<b>15.7</b>	<b>9.7</b>	<b>15.7</b>	<b>11.1</b>
	<b>Minority interest</b>	<b>1.6</b>	<b>1.3</b>	<b>2.2</b>	<b>1.8</b>
		<b>35.3</b>	<b>28.7</b>	<b>35.9</b>	<b>33.2</b>
	<b>Total equity interest</b>	<b>46.4</b>	<b>32.1</b>	<b>77.7</b>	<b>66.6</b>
<b>Operating and financial statistics</b>	<b>Trading profit before interest to turnover %</b>	<b>7.4</b>	<b>7.2</b>	<b>6.2</b>	<b>5.2</b>
	<b>Trading profit before interest to operating assets employed %</b>	<b>18.8</b>	<b>19.1</b>	<b>12.7</b>	<b>11.2</b>
	<b>Earnings per share – basic p</b>	<b>11.9</b>	<b>10.2</b>	<b>8.8</b>	<b>4.4</b>
	<b>Dividend cover x</b>	<b>1.4</b>	<b>1.4</b>	<b>0.9</b>	<b>0.4</b>
	<b>Return on total equity interest %</b>	<b>13.2</b>	<b>13.6</b>	<b>5.5</b>	<b>2.1</b>
	<b>Total equity interest per 25p ordinary share £</b>	<b>0.7</b>	<b>0.7</b>	<b>1.2</b>	<b>1.4</b>

# Notes on inflation adjusted accounts

Glynwed Limited and subsidiary companies

**GLYNWED**

## Basis

The effects of inflation are eliminated from the historical cost accounts by restating them in pounds of current purchasing power in accordance with movements in the General Index of Retail Prices since 1962 (or corresponding indices in overseas countries) and the United Kingdom Consumers' Expenditure Deflator prior to that date. The current purchasing power basis figures for both 1975 and 1976 are measured in pounds of purchasing power at 25th December 1976. In the United Kingdom the Retail Price Index at the end of 1976 was 168.0 based on January 1974 = 100. At the end of 1975 the index was 146.0.

## Group trading profit

The difference between the group profit on an historical cost basis and on a current purchasing power basis is made up as follows:

	1976 £m	1975 £m
Group trading profit (historical cost basis)	18.1	14.2
Adjustments to convert to current purchasing power basis		
Stock:		
Additional charge based on restating the cost of stock at the beginning and end of the year in pounds of current purchasing power, thus taking the inflationary element out of the profit on the sale of stock	(6.1)	(11.5)
Depreciation:		
Additional charge based on cost and valuation, measured in pounds of current purchasing power, of fixed assets	(3.8)	(2.8)
Monetary items:		
Net gain in purchasing power resulting from the effect of inflation on the company's net monetary liabilities	8.3	10.1
Sales, purchases and all other costs:		
These are restated by using the change in the index between the average date at which they occurred and the end of the year. This adjustment reduces profit as costs exceed the sales included in this heading	(0.2)	1.3
Group trading profit (current purchasing power basis)	16.3	11.3
Adjustment required to update last year's profit from last year's pounds to this year's pounds		1.6
Group trading profit (current purchasing power basis at 25th December 1976)	16.3	12.9

## Taxation

As the Inland Revenue does not at present accept the current purchasing power basis of accounting taxation liabilities are calculated by reference to profits or capital gains stated on an historical cost basis and no adjustment therefore has been made to the tax charge for 1976 or to the deferred tax account shown in the historical cost accounts.

## Net current assets, preference shares, loan capital and deferred taxation

Stocks have been converted to current purchasing power level at 25th December 1976 by reference to indices ruling at the average date of purchase. The remaining figures under these headings in the historical accounts as at 25th December 1976 are unaltered since these already reflect current purchasing power.

## Fixed assets including trade investments

The values of fixed assets have been brought up to a current purchasing power level at 25th December 1976 by converting the historical cost values by reference to changes in the indices mentioned in the 'basis' note above between the dates of acquisition or valuation and 25th December 1976.

The total increase in the net book amount of fixed assets including trade investments for 1976 measured in current purchasing power is £30.8m. This does not imply that the assets could actually be sold at this higher figure. This is particularly so in the case of land and buildings in the current uncertain state of the property market. No provision has been made for taxation on any capital gain which might arise if the fixed assets were sold at the above figure.

# Notice of meeting

*Glynwed Limited*

**GLYNWED**

Notice is hereby given that the thirty-sixth annual general meeting of Glynwed Limited will be held at Headland House, Sheldon, Birmingham, on Thursday the 2nd day of June 1977 at 11 o'clock in the forenoon to transact the following business:

1. To receive and adopt the annual report and accounts for the 52 weeks ended 25th December 1976.
2. To declare a final dividend.
3. To elect directors.

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

Birmingham  
9th May 1977

By order of the board  
DE Drake  
Secretary

## Notes

1. A form of proxy is inserted in the report and accounts and is for the use of shareholders who are unable to attend the meeting in person. This form should be completed, signed and returned so that it arrives at the office of the company's registrars not later than 11.00 am on 31st May 1977. By signing and returning the form of proxy a shareholder will not be precluded from attending and voting in person should he subsequently find it possible to be present.
2. In accordance with the listing agreement – companies, which the company has given to The Stock Exchange, London – the appropriate contracts of service of the directors will be available for inspection at the company's registered office between 9.00 am and 4.30 pm on any weekday (Saturday and public holidays excluded) from 9th May 1977 to 1st June 1977 inclusive, and at the place of the meeting for 15 minutes prior to the meeting and during the meeting.