

Contents

Financial calendar and other information	2
Financial highlights	3
Directors and officers of the company	4
Operating divisions and executives	5
Review of activities	6
Comparison of results	10
Chairman's statement	11
Directors' report	15
Defy Industries Limited	19
Source and application of funds	20
Consolidated profit and loss account	21
Consolidated balance sheet	22
Balance sheet of Glynwed Limited	23
Notes on the accounts	24
Trading subsidiaries	33
Auditors' report	33
Inflation adjusted accounts	34
Notes on inflation adjusted accounts	35
Notice of meeting	36



By Appointment to Her Majesty The Queen
Manufacturers of Kitchen and Bathroom Equipment
Glynwed Limited London

GLYNWED

Financial calendar and other information

Publication of results	Full year's results for 1975	Announced 14th April 1976
	Report and accounts for 1975	Posted to shareholders on 12th May 1976
	Half year's results for 1976	To be announced on 11th August 1976

Annual general meeting	To be held on Thursday, 3rd June 1976
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Dividend and interest payments	The pattern of dividend and interest payments will be:	
	Ordinary shares	Final 10th June Interim 20th 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

Finance Act 1965 and capital gains tax	The official price of Glynwed ordinary shares on 6th April 1965 was 148½p
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Employees	Average number of employees:	1975	1974
	United Kingdom	14,544	16,006
	Overseas	3,481	3,786
		<u>18,025</u>	<u>19,792</u>

Shareholders As at 27th December 1975, ordinary shareholders totalled 17,399 (1974—18,217) and these are analysed below:

No. of shares	% of shareholders	% of shares in issue
1-2,000	92.04	16.66
2,001-5,000	4.52	5.23
5,001-50,000	2.58	16.96
50,001-250,000	0.68	28.52
Over 250,000	0.18	32.63
	<u>100.00</u>	<u>100.00</u>

Corporate bodies, representing 10.76% of all shareholders, own 72.14% of the shares in issue.

Financial highlights

	1975 £000	1974 £000
Turnover	198,217	208,353
Group trading profit	14,239	19,738
Interest payable	3,806	4,028
Group profit before taxation	10,433	15,710
Group profit attributable to ordinary shareholders	4,365	6,834
Ordinary dividends	3,167	2,930
Group profit retained	1,198	3,904

Operating assets employed	74,478	77,484
Capital expenditure	5,354	5,406
Depreciation	3,405	3,453

Earnings on ordinary capital		37.2%	58.6%
Earnings per ordinary share	basic	10.15p	15.52p
	fully diluted	9.93p	14.92p
Dividends per ordinary share		6.75p	6.2785p

Directors and officers of the company

President		WGA Russell FCA
Executive directors	<i>Chairman</i>	L Fletcher DSC FCA
	<i>Deputy chairman</i>	G Davies FCA MA Hastilow BSc BCom RS Heinrich
Non executive directors	<i>Vice chairman</i>	JD Eccles
		GW Barlow BSc CEng Sir Denis Barnes KCB
Secretary		DE Drake FCIS
Group accountant		JD Coulter FCA
Auditors		Coopers & Lybrand Chartered Accountants Birmingham B16 8PN
Bankers		Midland Bank Limited Lloyds Bank Limited J Henry Schroder Wagg & Co Limited Standard Chartered Bank Limited
Registrars		Midland Bank Limited Registrar's Department Courtwood House Silver Street Head Sheffield S1 3RD
Head office		Dudley Road West Tividale Warley West Midlands B69 2PH Telephone 021-557 6451
Registered office		Oxford Street Bilston West Midlands WV14 7DS

Operating divisions and executives

Group executive committee



G Davies
Deputy chairman



L Fletcher
Chairman



RS Heinrich
Executive director

Building and consumer products



MA Hastilow
Chairman
Glynwed Tubes
& Structures Ltd
and
Vogue Bathrooms



JM Hill
Managing director
The Wednesbury
Tube Co

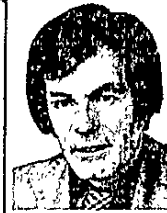


CRR Bennett
Chief executive
Glynwed
Domestic & Heating
Appliances Ltd
and
Leisure Kitchen
Products

Steel and engineering



W Garner
Chief executive
Glynwed Steels Ltd



DW Richardson
Chief executive
Glynwed Screws
& Fastenings Ltd



J Irwin
Chief executive
Glynwed
Foundries Ltd

Stockholding and distribution



R Cashmore
Chief executive
Steel stockholding



FCW Whitehouse
Chief executive
Fastenings
distribution

Other companies

Glynwed Wholesale Chemists Ltd

Glynwed Plastics Ltd

Glynwed Integrated Services Ltd

Thames Bank Iron Co Ltd

Overseas operations

Defy Industries Ltd (South Africa)

Allied Ironfounders Pty Ltd (Australia)

NAFF BV (Holland)

Group research & development



Dr RJ Clark

Group export & overseas development

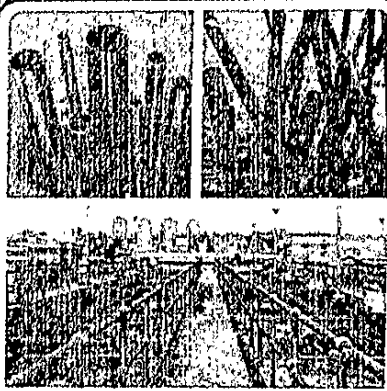


JE Templeman

Building and consumer products

Review of activities

Glynwed Tubes & Structures Ltd



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

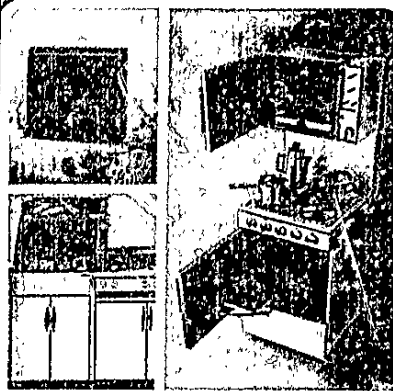
- Glynn Bros**
- lead sheet and pipes

- Steelway**
- steel flooring
 - steel stairways
 - steel handrails
 - steel fabrications

- Coventry Tubes Permatube**
- welded stainless steel and nickel alloy tubes

The depression in the UK building and construction industry became even more severe during 1975 but, nevertheless, an increased activity in this division partially offset the £6m reduction in turnover resulting from a reduction in the copper price, which helped considerably in the realisation of a satisfactory cash flow. Some success was achieved in meeting the increasing competition from overseas for both copper tube and fittings business and the steel fabricating companies made significant and encouraging contributions to the results. Demand for stainless steel tube and lead sheet and pipe remained at a low level.

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 and boilers

- Falcon Catering Equipment**
- catering equipment

The Domestic & Heating Appliances division showed an improved performance during the year with all areas on a profit earning basis.

Agaheat appliances was again the brightest spot in this division with a further advancement in profitability.

Falcon Catering Equipment also improved its position and during the year introduced a new product range, the design of which is considered to be ahead of the market.

The gas appliance units achieved moderate success under difficult market conditions.

Glynwed Bathroom & Kitchen Products Ltd



- Vogue Bathrooms**
- baths, handbasins and shower trays

- Leisure Kitchen Products**
- sinks and handbasins
 - vanity units
 - shower cubicles
 - radiators
 - special fabrications

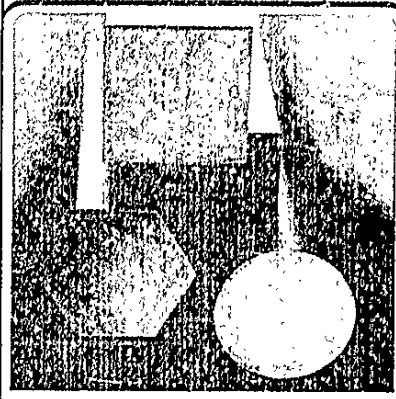
Following the closure of one bath production unit, supply of cast iron baths has been more in line with demand contributing to an improvement in divisional results as the year progressed.

Leisure Showers continued to hold a leading position in the market and despite difficult trading conditions for all products of the division demand showed a marked improvement towards the end of the year, particularly for stainless steel sinks.

Steel and engineering

Review of activities

Glynwed Steels Ltd



George Gadd & Co

- hot rolled steel bars

W Wesson

- hot rolled flats
- 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

- hot rolled steel and alloy bars and sections

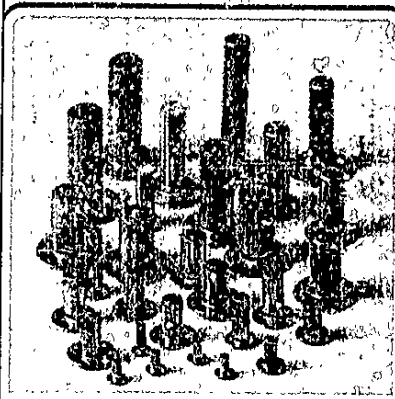
In a year of depression unprecedented in the world steel industry all companies comprising the division have performed remarkably well.

Due to the lack of demand for our hot rolled products short-time working and a small number of

• redundancies have occurred. Despite this we have continued to invest in improving methods and organisation and are well placed to take advantage of the upturn in trade when it comes.

The hot forge operation at Steel Parts was particularly encouraging with increased sales and profitability over the previous year.

Glynwed Screws & Fastenings Ltd



Glynwed Fastenings

- high tensile bolts

Yarwood Ingram & Co

- bright and high tensile studs

Hipkiss Slingsby

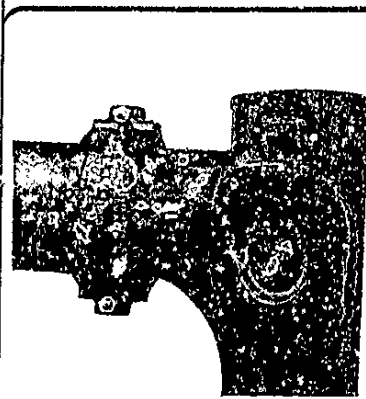
- steel tube fittings

Tower Manufacturing

- semi-tubular rivets
- masonry nails and cable clips

Despite an exceptional decline in demand from the motor industry and the sustained recession in the building trades, the division was able to maintain turnover and profit margins during 1975. Throughout the period, the oil and gas industries were very buoyant and proved to be a significant factor in stabilizing an unsettled year.

Glynwed Foundries Ltd



Foundries located at:

Coalbrookdale, Kirkintilloch, Larbert, Larkhall, Skipton, Telford and Tipton

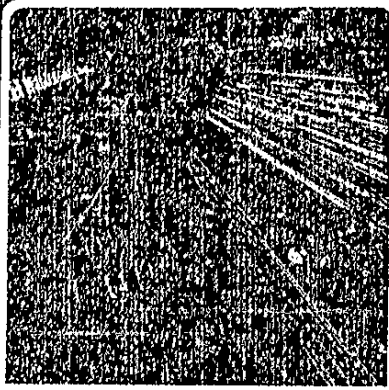
- cast iron, rainwater, soil and drain pipes and fittings
- castings for the motor, engineering and domestic appliance trades
- Meehanite and SG iron castings
- steel castings

Sales of building products achieved a high level overall with overseas business compensating for the shortfall on the home market. UK demand for automotive products was reduced in line with the industry activity but efforts made to increase business in the EEC are now beginning to show results. The recession in the engineering and domestic appliance markets halted temporarily the continued expansion of the division's sales to these industries.

Stockholding and distribution

Review of activities

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

The steel industry is noted for its cyclical nature but the transition from the strong market conditions of 1974 to the depressed trading levels of 1975 was more extreme and more rapid than had previously been experienced by the steel stockholding industry. This severe fall in demand was caused by lower steel consumption and a prolonged reduction in stock levels from the peaks of 1974. Increased competition amongst stockholders led to lower margins and sharply reduced profits for the year.

Glynwed Distribution Ltd Fastenings distribution



Miller Bridges Fastenings

- stockists of all screwed products

MBS Bearings

- stockists of bearings, chains and sprockets

This operation managed to achieve very creditable result during a year in which the industry generally has suffered. During 1975 a continuation of its organic expansion programme was achieved by opening branches at Newcastle, Glasgow, Milton Keynes and Leeds, and the resiting of existing branches in London and Liverpool. The wide base from which the division is now operating should enable the division to take advantage of any opportunities which arise when trade improves.

Glynwed Wholesale Chemists Ltd



Rudge Roberts

Rudge Roberts (Northern) Fylde Laboratories

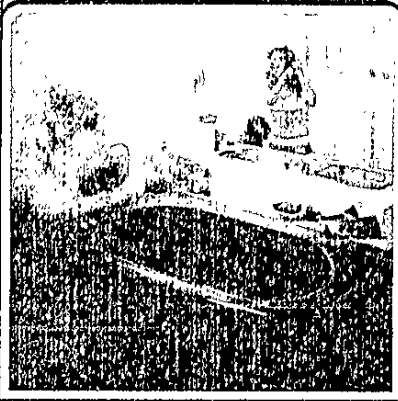
- wholesale supplies to retail chemists

The Wholesale Chemists division had another good year, with both sales and profits establishing new records.

Other companies and overseas operations

Review of activities

Glynwed Plastics Ltd Certex Ltd



Arlington Plastics

- plastic coated fabrics

J Burns

- injection moulding and automotive trim components

Jupiter Plastics

- acrylic bathroom products

Vulcathene and Enfield Plastics

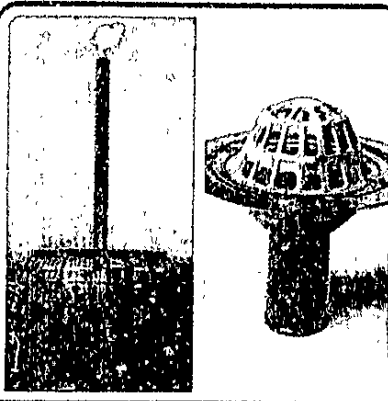
- plastic, chemical and domestic waste drainage systems

Certex Ltd

- thermoplastic extrusions and machined plastics

Demand from the British car industry for the division's products dropped precipitously during March and remained low until the last two months of the year. The depressed state of the building and shoe industries also held down demand for divisional products and greatly slowed down the launching of new developments in PVC window frames and acrylic bathroom products. The Vulcathene and Enfield trading unit improved its performance despite the difficult trading conditions, and a considerable improvement in cash flow was affected by the division as a whole.

Glynwed Integrated Services Ltd Thames Bank Iron Co Ltd



TB Mechanical Services

- heating and air conditioning
- mechanical engineering

Brent Metal Works

Dalcon Joinery

Syma System (UK)

James White (Shopfitters)

Integrated Equipment Services

- shopfitting and display equipment
- joinery
- architectural metalwork

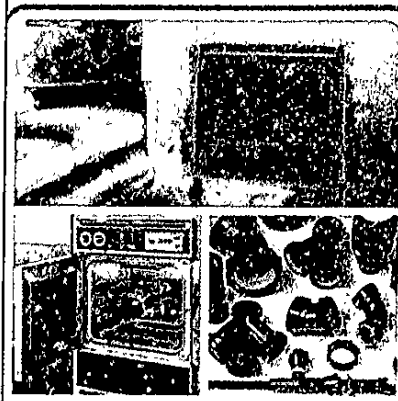
Thames Bank Iron Co Ltd

- drainage equipment specialists
- castings for the building industry

Owing to low investment generally in the UK, shopfitting and display equipment had a particularly difficult time during 1975. However, TB Mechanical Services had a satisfactory year, despite the state of the building industry and the reduction of public expenditure. The volume of work completed was increased during 1975 and further economies were derived from the centralisation of operations in Leamington Spa.

Thames Bank Iron Co Ltd improved turnover and profitability in real terms during 1975, despite the depression in the building industry.

Overseas operations



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 and deep freeze units

Allied Ironfounders Pty Ltd

- distribution in Australia of group products

Nederlandse Autofitting

Fabriek BV

- manufacture of agricultural plastic products

Defy Industries Ltd experienced difficult conditions in the home building and consumer durable market. The decrease in the profit was due in the main to reduced demand in the Bath division and adverse results in the airconditioning division. During the latter part of the year, however, there was a marked improvement in the demand for the company's products and in profitability.

Allied Ironfounders Pty Ltd and NAFF BV both had a successful year and made useful contributions to the group's profit.

Comparison of results

	1975 £000	1974 £000	1973 £000	1972 £000	1971 £000
Trading results					
Turnover	198,217	208,353	171,614	126,180	85,787
Group trading profit	14,239	19,738	16,789	13,101	9,445
Interest payable	3,806	4,028	2,784	2,071	1,888
Group profit before taxation	10,433	15,710	14,005	11,030	7,557
Taxation	5,444	8,282	6,518	4,313	2,816
Group profit after taxation	4,989	7,428	7,487	6,717	4,741
Minority interests	161	114	1	9	—
Pre-acquisition profit	—	—	—	—	84
Extraordinary items	395	410	103	220	22
Preference dividends	68	70	70	100	100
Ordinary dividends	3,167	2,930	2,880	3,677	2,869
Group profit retained	1,198	3,904	4,433	2,711	1,666
	4,989	7,428	7,487	6,717	4,741
Employment of funds					
Fixed assets	31,446	30,633	29,052	24,317	20,845
Trade investments	871	881	1,313	1,415	277
Stocks	43,611	46,420	34,215	25,430	17,676
Debtors less creditors	6,924	8,662	12,605	9,187	8,762
	82,852	86,596	77,185	60,349	47,560
Current taxation and proposed dividend	8,374	9,112	12,054	9,987	6,076
Operating assets employed	74,478	77,484	65,131	50,362	41,484
Bank overdrafts and other short term borrowings (net)	13,695	15,171	11,404	3,090	2,846
	60,783	62,313	53,727	47,272	38,638
Source of funds					
Ordinary shares	11,730	11,671	11,533	10,658	8,648
Reserves	20,377	19,549	16,701	11,360	11,068
	32,107	31,220	28,234	22,018	19,716
Preference shares	1,291	1,291	1,291	1,291	1,291
Total share capital and reserves	33,398	32,511	29,525	23,309	21,007
Medium and long term indebtedness	16,394	21,525	21,248	21,879	16,338
Deferred taxation	9,668	6,952	2,940	2,070	1,293
Minority interests	1,323	1,325	14	14	—
	60,783	62,313	53,727	47,272	38,638
Operating and financial statistics					
Trading profit before interest to turnover	% 7.2	9.5	9.8	10.4	11.0
Trading profit before interest to operating assets employed	% 19.1	25.5	25.8	26.0	22.8
Turnover to operating assets employed	x 2.7	2.7	2.6	2.5	2.1
Earnings per share (basic) (note 1)	p 10.2	15.5	15.1	12.9	11.0
Ordinary dividend per share (note 2)	p 6.75	6.28	6.28	5.82	5.13
Dividend cover	x 1.38	2.33	2.54	1.74	1.58

Note:

- The earnings per share have been adjusted to reflect the same rate of corporation tax as 1975.
- The ordinary dividends per share have been adjusted to show the amount payable under the imputation system.

Chairman's statement

Results and dividend

Glynwed was affected by the general recession in 1975, profits before tax falling by 34% compared with those of 1974. Turnover was reduced by some 5% but with an annual inflation rate of around 25%, the real value of turnover declined much more sharply and margins were inevitably under pressure in all activities.

However, recognising the level of inflation which has also borne heavily on shareholders and the improvement in the cash position to which I refer below, your directors have decided to recommend payment of an increased final dividend of 4.30p per share making a total for the year of 6.75p per share, compared with 6.2785p last year.

Indebtedness

Last year, I set out in detail the group's borrowing position and also described some of the control measures which had been set in train.

I am pleased to say that the improvement exceeded our expectations and it is perhaps worthwhile setting down the comparison between the end of 1974 and 1975

	1975	1974
	£m	£m
Medium term	0.3	6.1
Long term	16.1	15.4
	<hr/>	<hr/>
	16.4	21.5
Bank overdrafts and short term borrowings	14.8	15.7
	<hr/>	<hr/>
	31.2	37.2

Whilst positive management of cash materially contributed to this improvement, we were helped by other factors, including the continuation of the tax deferment on increased stock values and relatively stable copper prices.

The year's activities

United Kingdom

Overall, United Kingdom profits before taxation showed a fall of 30% against 1974. Whilst those activities of the group involving building and consumer products, and steel and engineering showed improvements in the aggregate of almost £1m compared with the previous year, steel stockholding and certain other operations produced either much reduced profits or, in some cases, losses.

On the building side of our activities, copper tube manufacture and foundries continued to contribute good figures but bathroom and kitchen products were badly affected. So much so that we closed our bath works at Greenford, although this was due in part to the encroachment of steel and plastic baths into what had been traditionally one of our stronger markets; one of the results of an over-inflated demand in 1973 which opened the door to substitute materials. We are looking for higher profitability from the two remaining works as a consequence of this rationalisation.

On the consumer products side, profits from gas appliances improved and Agaheat and Falcon Catering, in particular, maintained a good contribution to group profits.

Steel re-rolling, engineering and fastenings distribution produced really excellent results in a year of general recession and much praise is due to our executives in those areas.

Steel stockholding could not maintain the high profitability which we saw in 1974 and, although still managing to make a profit during 1975, represented the major part of the fall in the United Kingdom results. This part of Glynwed's business is

Chairman's statement

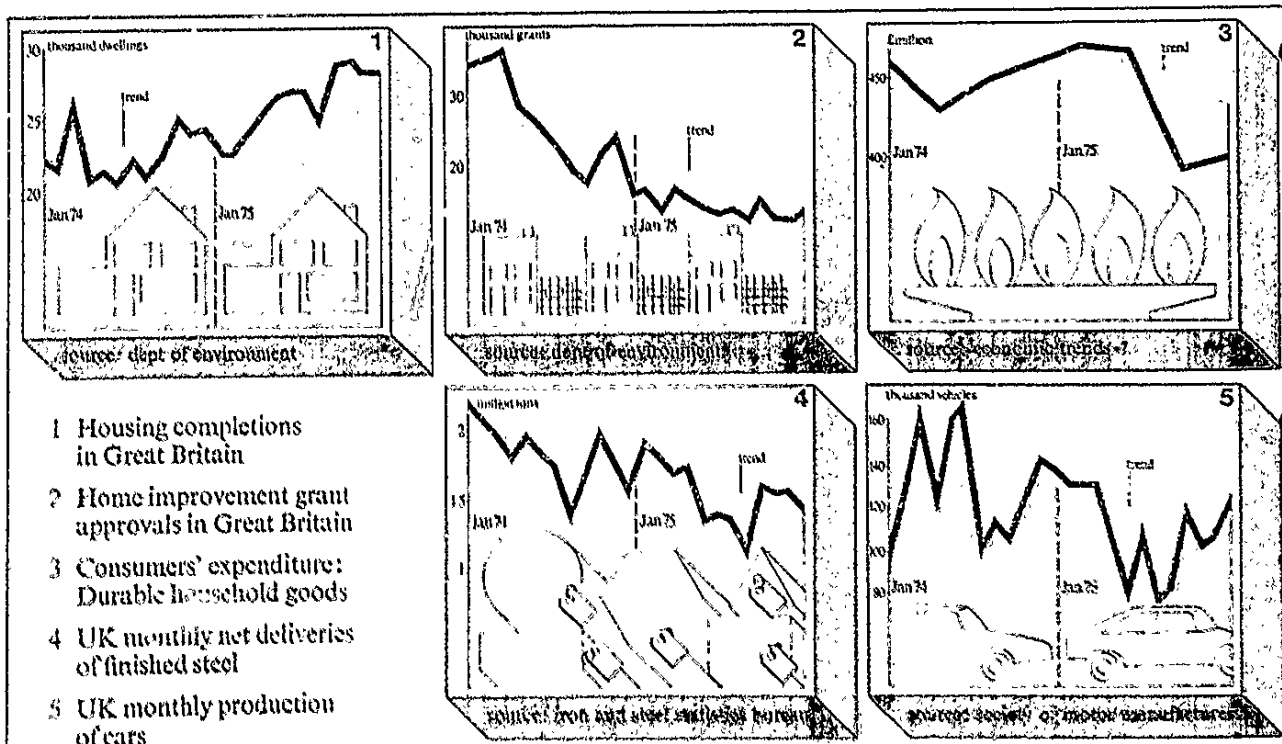
traditionally cyclical and the curves of the cycle are particularly accentuated when periods of high demand and shortage of production are followed quickly by low demand with much under-utilised capacity.

Other difficult areas were in the plastics division where baths and window frames incurred losses amounting to some £500,000. In both cases the losses incurred represent, in part, development costs and product launch expenses which were charged to revenue. In addition the extremely difficult market conditions coincided with the start of operations and all these factors combined to produce very poor figures.

Automotive trim components had a poor year due mainly to the troubles of the car industry, and Integrated Services which is concerned with shopfittings and the supply of fittings and display equipment to wholesale and retail outlets, also gave unsatisfactory results.

As an indication of the problems which faced the group in 1975, we show, in graph form, a comparison of the levels of activity in some of our principal markets during 1974 and 1975.

Last year I referred to the provision of housing in the United Kingdom. For many years and under successive governments, house building and improvements have been used as part of the economic controls of the country. Even in times of extreme financial stringency, the direction of public finance into this area must add to the real assets of the country as well as helping to resolve what is, probably, the most important single aspect of social need. To this end the group will be giving strong support to the campaign by the National Home Improvement Council for improving the present stock of housing, recognising that in this way, much needed social benefit can be met at relatively low cost.



Chairman's statement

In 1975, our management of cash flow was particularly successful; during 1976 this will continue but with increasing emphasis on cash generation from those stable companies which are in static markets, and the investment of cash into the areas where we believe there to be real growth prospects. Even though the main rush of inflation has been checked, the forecast rate for 1976 is still well in double figures and thus the next upturn in trade could cause severe strain on the working capital of the whole of British industry; our aim must be to ensure that our investments are made so as to provide the best growth for the future.

South Africa

Last year and in the half yearly statement made last August, we indicated that the South African subsidiary, Defy Industries Limited, was feeling the effects of a downturn in building activity and in the event, profits before tax for the year were £689,000 compared with £1,720,000 for 1974.

Having regard to the fact that the public was invited to subscribe for new shares in 1974, the board decided that for 1975 the same level of dividend should be maintained to outside shareholders and in order to enable this to be done, your directors decided not to call for dividends to be paid from Defy to the parent company out of the 1975 profits.

Meanwhile, we continued with our efforts in relation to all employees in South Africa with, naturally, particular emphasis on the African workforce. During the year works liaison committees were set up which meet monthly to discuss conditions of employment and similar problems. Shareholders can be assured that no one is paid less than the Minimum Living Level (and those at that level are very new employees for a very short period) and we have set ourselves a target for arriving at the Minimum Effective Level for all within three years, although in order to be able to achieve that in an economic sense, much more training has to be done. More detailed information is shown on page 19 of the report and accounts.

Prospects

The prospects for 1976 depend largely on factors which are outside the control of Glynwed. Any significant improvement in the economy could materially influence the level of activity and profitability of our steel, engineering and stockholding operations. The building materials activities are unlikely to benefit significantly during the year from any reflation because of the length of time which must elapse before it is reflected in new housing and other construction unless there is a stimulus to the improvement and rehabilitation of existing houses.

I have said that it is our intention to apply the main bulk of our working capital in areas of growth prospects and we may, therefore, find ourselves in the position of having to limit certain activities which do not measure up to the group requirements of profitability and cash generation.

With this in mind, therefore, your directors have decided to ask shareholders to subscribe for new shares and details of a right issue, which will raise almost £10m, were sent to you on 14th April 1976. This will broaden the equity base of the company thus enabling further finance to be raised when the economy is refflated.

Appreciation

The year under review saw the retirement of two of our senior main board directors, Mr ES Baker and Mr EM Harvey. Mr Baker, who retired from the position of deputy chairman in November, contributed greatly to the affairs of Glynwed for thirty years. During his long association with The Wednesbury Tube Company, of which he became chairman, he gained the sincere respect of all who knew him in the company, the building industry and, of course, the British Non-Ferrous Metals

Chairman's statement

Federation of which he became president in 1973. Mr Harvey joined the group in 1957 and was divisional chairman of steel and engineering, together with the distribution division; their splendid records of growth over recent years are a reflection of his contribution to Glynwed.

Following the end of the year, Mr GE Richards has also retired. Mr Richards who joined Allied Ironfounders in 1957, became a director of Glynwed following the merger in 1969 and during subsequent years was chairman of Leisure Pressings until he took over the role of director of research and development. We shall remember the enthusiasm and energy with which he willingly undertook these assignments and also his valued contributions at board level.

We shall miss the advice and encouragement of these three gentlemen and wish them every happiness in their retirements.

Upon Mr Baker's retirement, Mr G Davies, the finance director of the group, was appointed deputy chairman and Mr JD Eccles agreed to become vice chairman (non executive); I am pleased to be able to report these appointments. During the year, Mr GW Barlow, who is chairman and chief executive of Ransome Hoffmann Pollard Limited, joined the board as a non executive director and following the end of the year we have been similarly fortunate in prevailing upon Sir Denis Barnes, KCB, until recently chairman of the Manpower Services Commission, to join us.

The year 1975 produced very real strains for our loyal and hard working employees; due to the low level of activity in some of our operations, redundancies were forced upon us and at the very least, many units had less than full time working. Despite these problems, in all companies there was an understanding of the difficulties facing the group and the board wishes to acknowledge its gratitude and appreciation for the efforts by all our people.

It can be invidious to identify particular employees for special mention but it is a matter of concern to the board that the middle levels of management have been under heavy pressure in recent times. A very large burden falls upon these individuals in any industrial organisation and with the erosion of differentials, it is not possible to recognise their efforts in terms of financial rewards, but we are grateful to them for their loyalty.

Conclusion

It has been a hard year for all of us but it is the objective of the group management to continue the forward progress of Glynwed with the intention of safeguarding as many jobs in the group as possible and, longer term, the provision of new jobs from new activities. In order to achieve this, Glynwed, in common with the whole of British industry, needs to be able to generate its own resources and this is made much more difficult in times of inflation. Furthermore, the increasing level of government expenditure which in 1975 has run at around 60% of the gross national product, must make the problem even more acute. Not only is the government pre-empting the actual supply of money, it is also, by its taxation policies involving VAT, corporation tax and national insurance contributions, taking away from industry the resources which we must have. It is appropriate to acknowledge the deferred relief of corporation tax on increased stock values and also the funds which are being made available for certain specific parts of industry but there seems to us little doubt that the investment decisions in industry should be made by those charged with the management of companies, responding to the demands of the market place.

Leslie Fletcher
Chairman

Directors' report

To be presented to the members at the annual general meeting of the company to be held at the Midland Hotel, Birmingham, on Thursday 3rd June 1976 at 3 o'clock in the afternoon.

The directors have pleasure in submitting their report and the audited accounts of the company for the 52 weeks ended 27th December 1975.

1 Group results

The group results are set out on page 21.
The profit available for appropriation is

£000

4,365

2 Ordinary dividends

Your directors recommend payment of a final dividend of which together with the interim dividend already paid of

pence
per share

£000

4.30

2,018

2.45

1,149

makes a total for the year of

6.75

3,167

The interim dividend was paid on 22nd December 1975.

3 Principal activities of the group

The principal activities of the group embrace the manufacture and distribution of components for the building industry such as copper and steel tubes and fittings, rainwater, soil and drain goods, lead sheets and pipes, steel flooring, stairways and handrails. Heating and cooking appliances, bathroom and kitchen equipment are also manufactured for household and industrial uses.

Other activities include the manufacture of hot rolled steel bars and sections, bright drawn steel bars and rods, hot forgings, cold forged bolts, bright and high tensile studs, engineering fastenings and general light castings, and plastic products for the building and motor industries.

The group also acts as steel stockholders, distributors of fastenings and bearings and as wholesale chemists.

The following is a general analysis of the turnover of the group together with the trading profit before interest attributable thereto:

	Turnover		Profit (Loss)	
	1975 £000	1974 £000	1975 £000	1974 £000
United Kingdom operations				
Building and consumer products	64,206	64,479	4,638	3,853
Steel and engineering	41,992	38,500	5,398	5,287
Stockholding and distribution	57,235	70,674	3,642	8,022
Other divisions and trading companies	14,284	14,532	(553)	590
	<u>177,717</u>	<u>188,185</u>	<u>13,125</u>	<u>17,752</u>
Overseas operations				
Household and industrial appliances	20,500	20,168	1,114	1,986
	<u>198,217</u>	<u>208,353</u>	<u>14,239</u>	<u>19,738</u>

The review of activities is given on pages 6 to 9.

Directors' report

continued

3 Principal activities continued

The geographical analysis of turnover is as follows:

	1975		1974	
	£000	%	£000	%
Africa	20,452	10.4	20,663	9.9
Europe	1,718	0.9	1,848	0.9
Middle East	1,642	0.8	1,325	0.6
Asia and Australasia	995	0.5	1,134	0.5
The Americas	459	0.2	1,151	0.6
Total Overseas	25,266	12.8	26,121	12.5
United Kingdom	172,951	87.2	182,232	87.5
	<u>198,217</u>	<u>100.0</u>	<u>208,353</u>	<u>100.0</u>

4 Exports

The sales value of direct exports from the United Kingdom during the year was £4,698,678.

The group is a supplier to many major exporting companies and our products form part of the exports of those companies.

5 Acquisitions and issues of capital

The following transactions have taken place during the year:

- The satisfaction of the balance of the consideration for the purchase of the whole of the issued capital of Milson Bearing and Engineering Service Limited and Midland Bearing Stockists (Leicester) Limited pursuant to an agreement dated 11th September 1974 with effect from 1st January 1974 by the issue of 221,069 ordinary shares of 25p each credited as fully paid on 7th May 1975.
- The allotment to certain holders of the company's 6% convertible unsecured loan stock 1983/85 on 3rd October 1975 of 15,790 ordinary shares of 25p each at 260p per share in response to elections made on 30th September 1975 in respect of the conversion rights attaching to such stock. See also note 19 on page 32.
- The acquisition of 4,000 ordinary shares of £1 each (the balance of the issued capital) in Kind Store Equipment Limited for a cash consideration of £4,000 on 3rd December 1975.

6 Directors

The members of your board at the date of this report are listed on page 4.

Mr GW Barlow was appointed a director on 19th June 1975 and offers himself for re-election at the Annual General Meeting.

Mr EM Harvey retired on 3rd October 1975 and Mr ES Baker on 18th November 1975.

Mr G Davies was appointed deputy chairman and Mr JD Eccles vice chairman on 19th November 1975.

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

Sir Denis Barnes, KCB, was appointed a director on 1st April 1976, and offers himself for re-election at the Annual General Meeting.

In accordance with the articles of association Mr JD Eccles and Mr RS Heinrich retire by rotation and, being eligible, also offer themselves for re-election.

Directors' report

continued

7 Interests in shares, debenture and unsecured loan stocks of the company

The interests of the directors who held office at 27th December 1975 according to the register kept under Section 29 of the Companies Act 1967 were:

Number of shares or amount of stock held at:

		27th December 1975		29th December 1974†	
		Sole beneficial owner	Family and other interests*	Sole beneficial owner	Family and other interests*
Ordinary shares of 25p each fully paid	L Fletcher	3,000	250	3,000	300
	G Davies	1,000	—	1,000	—
	MA Hastilow	1,025	2,400	1,025	400
	RS Heinrich	20,000	9,000	20,000	9,000
	GE Richards	15,000	500	15,000	500
	JD Eccles	1,000	470	1,000	470
	GW Barlow	1,000	—	1,000	—
Share ownership scheme ordinary shares of 25p each, 1p paid	G Davies	17,500	—	17,500	—
	MA Hastilow	17,500	—	17,500	—
	RS Heinrich	17,500	—	17,500	—
	GE Richards	20,000	—	20,000	—
9% unsecured loan stock		£	£	£	£
	MA Hastilow	—	—	35	—
	GE Richards	—	—	2,114	—
10½% unsecured loan stock					
	MA Hastilow	25	—	25	—
	GE Richards	1,510	—	1,510	—

* Including non-beneficial trustee holdings
† Or date of subsequent appointment

No change in the above holdings has been notified to the company in respect of the period 28th December 1975 to 12th April 1976.

So far as the directors are aware, no person or group of persons has an interest amounting to 10% or more in the ordinary share capital of the company.

8 Directors' interests in contracts

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

9 Share ownership scheme

The board resolved on 4th July 1973 that no further allotment under the scheme would be made and no shares have been issued since that date.

10 Share option scheme

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

11 Employees

The average number of persons employed by the group in the United Kingdom in each week of the year was 14,544 and the aggregate gross remuneration paid or payable to them in respect of the year was £35,212,000.

Directors' report

continued

12 Fixed assets

The movements of fixed assets during the year are set out on page 29.

The professional valuation of the freehold and leasehold land and buildings made in December 1974 on the basis of existing use as between a willing buyer and a willing seller has been updated as at 27th December 1975. This indicates that the surplus over the net book values indicated last year has diminished and whilst the state of the property market remains 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.

No provision has been made for any possible liability to taxation which might arise on a disposal of any property at current values.

13 Political and charitable contributions

During the year the group made contributions for the following purposes:

	£
Charitable	13,241
Educational (universities)	4,656
Political	5,000
	<hr/>
	22,897
	<hr/>

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

14 'Close' company

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

15 Auditors

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

Bilston, West Midlands
14th April 1976

By order of the board
DE Drake
Secretary

Defy Industries Limited

incorporated in South Africa

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 Limited employs 2,463 African workers of whom 216 are in the lowest paid grade and are employed at Newcastle and Jacobs works. The lowest paid receive R126.44 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 latest figure being R101.88 per month; all African employees receive more than the Minimum Living Level.

The Minimum Effective Level is 50% above the Minimum Living Level, ie R152.82 per month; there are 2,358 African employees paid below this 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 10 days sick leave during the course of the year, and if the employee has 10 years' service or more the entitlement is increased to 12 weeks and a further 40 weeks at half-pay;
- (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 seven years' service one extra week of paid leave.

The two African liaison committees formed last year at Newcastle and Jacobs have continued to function and similar committees have been formed at the company's subsidiaries, Wireohms South Africa (Pty) Limited and Electrical Construction Company (Pty) Limited.

The company will ensure that the wage rates paid continue to be ahead of increments authorised by the wage agreement for the engineering industry and also that all African employees will be paid more than Minimum Effective Level within a period of three years.

Source and application of funds

for the 52 weeks ended 27th December 1975

	1975 £m	1974 £m
Funds generated from operations		
Group profit before taxation	10.4	15.7
Extraordinary items	(0.4)	(0.4)
	<u>10.0</u>	<u>15.3</u>
Adjustments for items not involving the movement of funds:		
Depreciation	3.1	3.2
Loss realised on disposal of trade investment	—	0.4
	<u>13.1</u>	<u>18.9</u>
Total from operations		
Funds from other sources		
Shares issued for the acquisition of subsidiaries	0.2	0.3
Share flotation by subsidiary	—	1.1
	<u>13.3</u>	<u>20.3</u>
Total from all sources		
Application of funds		
Dividends paid	(3.2)	(3.0)
Tax paid	(3.8)	(6.6)
Capital expenditure, net of disposals	(3.9)	(4.8)
(Reduction)/increase in medium and long term indebtedness	(5.1)	0.2
Goodwill arising on acquisition of subsidiaries	—	(0.7)
Reduction in reserves due to exchange differences	(0.6)	(0.3)
	<u>(16.6)</u>	<u>(15.2)</u>
Total funds applied		
	<u>(3.3)</u>	<u>5.1</u>
Effect on net current assets		
Increase/(decrease) in stocks	(2.8)	12.2
Increase/(decrease) in debtors	(3.8)	2.8
(Increase)/decrease in creditors and proposed dividends	1.8	(6.1)
Movement in net liquid funds	1.5	(3.8)
	<u>(3.3)</u>	<u>5.1</u>
Increase/(decrease) in net current assets		

Consolidated profit and loss account

for the 52 weeks ended 27th December 1975

	Notes	1975 £000	1974 £000
Turnover	2		
Home		172,951	182,232
Overseas (including exports)		25,266	26,121
		<u>198,217</u>	<u>208,353</u>
Group trading profit	3	14,239	19,738
Interest payable	5	3,806	4,028
Group profit before taxation		10,433	15,710
Taxation	6	5,444	8,282
Group profit after taxation		4,989	7,428
Minority interests		161	114
Group profit before extraordinary items		4,828	7,314
Extraordinary items	7	395	410
Group profit after extraordinary items		4,433	6,904
Preference dividends	8	68	70
Group profit attributable to ordinary shareholders		4,365	6,834
Ordinary dividends	8	3,167	2,930
Group profit retained	9	<u>1,198</u>	<u>3,904</u>
Earnings per share			
basic	10	10.15p	15.52p
fully diluted		9.93p	14.92p

Statement of retained profit

Retained profit at 28th December 1974	17,826	14,431
Retained profit for the year	1,198	3,904
	<u>19,024</u>	<u>18,335</u>
Amount charged direct to reserves	(226)	(509)
Retained profit at 27th December 1975	<u>18,798</u>	<u>17,826</u>

Notes on the accounts, pages 24 to 33.

Consolidated balance sheet

27th December 1975

Employment of funds

	Notes	1975 £000	1974 £000
Current assets			
Stocks and work in progress		43,611	46,420
Debtors, bills receivable and prepayments		41,351	45,127
Bank and cash balances		1,075	496
		<u>86,037</u>	<u>92,043</u>
Current liabilities			
Creditors and accrued charges		34,427	36,465
Bank overdrafts and other short term borrowings		14,770	15,667
Current taxation	11	6,356	7,325
Proposed dividend		2,018	1,787
		<u>57,571</u>	<u>61,244</u>
Net current assets		28,466	30,799
Fixed assets	13	31,446	30,633
Trade investments	15	871	881
		<u>60,783</u>	<u>62,313</u>

Source of funds

Ordinary shares	16	11,730	11,671
Reserves	17	20,377	19,549
		<u>32,107</u>	<u>31,220</u>
Preference shares	16	1,291	1,291
Total share capital and reserves		33,398	32,511
Medium and long term indebtedness	19	16,394	21,525
Deferred taxation	20	9,668	6,952
Minority interest		1,323	1,325
		<u>60,783</u>	<u>62,313</u>

L Fletcher *Chairman*
G Davies *Deputy chairman*

Notes on the accounts, pages 24 to 33.

Balance sheet

27th December 1975

Employment of funds

	Notes	1975 £000	1974 £000
Current assets			
Debtors and prepayments		230	239
Bank and cash balances		26	9
		<u>256</u>	<u>248</u>
Current liabilities			
Creditors and accrued charges		1,775	2,501
Bank overdrafts and other short term borrowings		20,463	19,889
Current taxation		1,357	811
Proposed dividend		2,018	1,787
		<u>25,613</u>	<u>24,988</u>
Net current liabilities		(25,357)	(24,740)
Interest in subsidiaries	12	81,000	85,558
Trade investments	15	106	96
Advance corporation tax recoverable	20	1,086	880
		<u>56,835</u>	<u>61,794</u>

Source of funds

Ordinary shares	16	11,730	11,671
Reserves	17	28,753	27,816
		<u>40,483</u>	<u>39,487</u>
Preference shares	16	1,291	1,291
Total share capital and reserves		41,774	40,778
Medium and long term indebtedness	19	15,167	21,167
Deferred taxation		(106)	(151)
		<u>56,835</u>	<u>61,794</u>

L Fletcher *Chairman*
G Davies *Deputy chairman*

Notes on the accounts, pages 24 to 33.

Notes on the accounts

1 Accounting policies

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

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. All internal sales and profits are eliminated on consolidation so that the figures shown by the consolidated accounts relate to external transactions only.

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. The pre-acquisition proportion thereof is shown as a deduction in the consolidated profit and loss account.

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

Assets and liabilities of overseas subsidiaries are converted into sterling at the 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. Differences arising as a result of a major revaluation of currencies are dealt with as extraordinary items in the profit and loss account.

Stocks and work in progress

Stocks and work in progress are consistently valued at the beginning and end of the year. 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 relevant fixed and variable production overheads.

Depreciation

Depreciation is calculated in equal annual instalments on the gross values of fixed assets without any deduction for government grants as follows:

- (i) Freehold buildings at 2% per annum on valuation or cost with certain additions since 1964 at 4%.
- (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 3 to 14 years.

Notes on the accounts

continued

Government grants

Government grants in respect of capital expenditure are taken to deferred credit account which is deducted from the net book value of fixed assets (note 13 on page 29).

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 values for taxation purposes and the equivalent net book values of fixed assets.
- (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:

- (iv) 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.

2 Turnover

Turnover represents sales of goods and services at invoice value excluding value added tax. For an analysis of the group's activities and the turnover and profitability of each activity see item 3 of the directors' report, page 15.

3 Group trading profit

This is stated after crediting:

Income from quoted investments
Interest on deposits and loans

and after charging:

Depreciation (note 13 on page 29)

less

Transfer from deferred credit account

Hire of plant, equipment and vehicles

1975 £000	1974 £000
89	161
2	29
<hr/> 91	<hr/> 190
3,405	3,453
281	246
<hr/> 3,124	<hr/> 3,207
611	379
<hr/>	<hr/>

Notes on the accounts

continued

	1975 £000	1974 £000
3 Group trading profit		
continued		
Emoluments of directors of Glynwed Limited:		
As directors	5	4
As executives	201	202
Pension paid to former executive director	1	1
	<u>207</u>	<u>207</u>
Auditors' remuneration:		
Glynwed Limited	16	12
Subsidiary companies (including £13,000 in respect of 1974)	165	134
	<u>181</u>	<u>146</u>

4 Directors' and employees' remuneration

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

Emoluments	Net after tax (see note below)		Number of directors	
	1975	1974	1975	1974
	£	£		
<i>Chairman</i>				
1975 £28,075	10,500			
1974 £23,545		10,100		
<i>Other directors</i>				
£				
20,001 to 22,500	9,600	9,900	4	1
17,501 to 20,000	9,100	9,400	1	-
15,001 to 17,500	8,500	8,700	-	5
12,501 to 15,000	7,800	8,000	1	1
2,501 to 5,000			1	1
up to 2,500			1	1

Note:

The tax that has been deducted is calculated at the income tax rates for 1975/76 (1974 - 1974/75 tax rates) on the maximum salary within the range. 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 UK who received emoluments in 1975 in excess of £10,000 is as follows:

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

Notes on the accounts

continued

		1975 £000	1974 £000
5 Interest payable	On bank overdrafts and other short term borrowings	2,489	2,226
	On loans repayable on or before 28th December 1980	31	544
	On loans repayable after 28th December 1980	1,286	1,258
		<u>3,806</u>	<u>4,028</u>
6 Taxation	On the profit of the year:		
	United Kingdom corporation tax at 52%	4,792	6,554
	Double taxation relief	—	(6)
	Overseas taxation	25	791
	Transfer to deferred taxation	649	735
		<u>5,466</u>	<u>8,074</u>
	Previous year adjustments (mainly due to stock appreciation relief)	(22)	208
		<u>5,444</u>	<u>8,282</u>
7 Extraordinary items	Loss arising on closure of factory	668	—
	Payment to secure additional pensions for former employees	153	—
	Loss on disposal of trade investment	—	482
		<u>821</u>	<u>482</u>
	Less: taxation relief applicable	426	72
		<u>395</u>	<u>410</u>
8 Dividends	Preference dividends	68	70
	Ordinary dividends		
	Interim dividend paid of 2.45p per share (1974 : 2.45p)	1,149	1,143
	Proposed final dividend of 4.30p per share (1974 : 3.8285p)	2,018	1,787
		<u>3,167</u>	<u>2,930</u>
	6.75p per share (1974 : 6.2785p)		

Notes on the accounts

continued

		1975 £000	1974 £000
9 Profit retained	By Glynwed Limited	807	2,894
	By subsidiary companies	391	1,010
		<u>1,198</u>	<u>3,904</u>
10 Earnings per share	<p>The basic earnings per share is calculated on earnings of £4,760,000 (1974 £7,244,000) and 46,908,000 ordinary shares of 25p each (1974 46,668,000 shares).</p> <p>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, loan stock or a combination of both.</p> <p>The fully diluted earnings per share is based on adjusted earnings of £4,930,000. (1974 £7,415,000) and adjusted shares of 49,672,000 (1974 49,701,000 shares). Earnings and shares assume that the holders of 6% convertible unsecured loan stock 1983/85 have exercised in 1974 and 1975 the conversion rights described in note 19 on page 32 of the accounts.</p>		
11 Current taxation	United Kingdom corporation tax: Payable on or before 1st January 1977	4,347	6,068
	Advance corporation tax: On interim and final dividends recoverable	1,692 —	1,751 (942)
		<u>6,039</u>	<u>6,877</u>
	Overseas taxation	317	448
		<u>6,356</u>	<u>7,325</u>
12 Interest in subsidiaries	Shares at or below cost	52,497	53,017
	Amounts owing from subsidiaries	45,793	49,574
		<u>98,290</u>	<u>102,591</u>
	Amounts owing to subsidiaries	17,290	17,033
		<u>81,000</u>	<u>85,558</u>

A list of the trading subsidiaries is given on page 33.

Notes on the accounts

continued

13 Fixed assets

	Land and buildings			Plant, equipment and vehicles	1975 Total fixed assets	1974 Total fixed assets
	Freehold	Leasehold				
		long leases	short leases			
	£000	£000	£000	£000	£000	£000
Cost and valuation						
At 28th December 1974	22,859	665	479	41,342	65,345	61,801
Exchange adjustment	(313)	—	—	(353)	(666)	(293)
New subsidiaries	—	—	—	151	151	525
Additions at cost	2,073	—	33	3,248	5,354	5,406
Disposals	(620)	—	(8)	(2,610)	(3,238)	(2,094)
At 27th December 1975						
Cost	12,922	591	488	35,751	49,752	46,998
Valuation (see below)	11,077	74	16	6,027	17,194	8,347
	23,999	665	504	41,778	66,946	65,345
Accumulated depreciation						
At 28th December 1974	6,910	127	138	26,366	33,541	31,476
Exchange adjustment	(59)	—	—	(194)	(253)	(117)
New subsidiaries	—	—	—	45	45	137
Provision for the year	383	13	14	2,995	3,405	3,453
Disposals	(64)	—	(7)	(2,117)	(2,188)	(1,408)
At 27th December 1975	7,170	140	145	27,095	34,550	33,541
Net book value						
At 27th December 1975	16,829	525	359	14,683	32,396	
At 28th December 1974	15,615	538	341	15,310		31,804
Deduct:						
Deferred credit account					950	1,171
					31,446	30,633
Valuations have been incorporated in fixed assets as follows:						
<i>Professional valuations</i>						
1953	815	19				
1955	187					
1956	51					
1960	232					
1964	53					
1967				9		
1968				3		
1969	607					
1970	1,362					
1972	1,462					
<i>Directors' valuations</i>						
1963			16	94		
1964	6,178	55		5,921		
1970	130					
	11,077	74	16	6,027		

Notes on the accounts

continued

		Group	
		1975 £000	1974 £000
14 Capital expenditure	Authorised by the board but not contracted for	386	1,159
	Contracted for but not provided in the accounts	2,092	3,150
	Total expenditure authorised	<u>2,478</u>	<u>4,309</u>

Glynwed Limited had no capital commitments (1974 nil).

		Group		Glynwed Limited	
		1975 £000	1974 £000	1975 £000	1974 £000
15 Trade investments	Quoted equity shares, at cost	807	807	71	71
	Unquoted equity shares, at cost	64	74	35	25
		<u>871</u>	<u>881</u>	<u>106</u>	<u>96</u>
Market value of quoted shares at 27th December 1975		<u>999</u>	<u>490</u>	<u>52</u>	<u>38</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:

	Total issued ordinary capital
Held by Glynwed Limited	
European Plumbing Materials Limited <i>England</i> (50%)	£50,000
Lab-Line Enfield Industrial Corp <i>USA</i> (50%)	\$1,000
Vulcathene South Africa (Pty) Limited <i>South Africa</i> (50%)	R32,000
Held by subsidiaries	
Gaycas (Pty) Limited <i>South Africa</i> (50%)	R200
Inkongweni (Pty) Limited <i>South Africa</i> (50%)	R2
Irish Foundries Limited <i>Eire</i> (12.7%)	£117,910

The 50% owned companies have not 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 be equal to book value.

Notes on the accounts

continued

16 Share capital

	Authorised No of shares		Issued No of shares	
	000	£000	000	£000
Ordinary Shares of 25p each				
Balance at 28th December 1974	56,517	14,129	46,663	11,666
Issued to stockholders exercising rights under 6% convertible unsecured loan stock			16	4
Issued during the year in connection with the acquisition of subsidiaries			221	55
Balance at 27th December 1975			46,900	11,725
Issued and fully paid			495	5
Share ownership scheme 1p per share paid				
	56,517	14,129	47,395	11,730
Cumulative Preference Shares of £1 each fully paid (5.0375% at current rate of tax)	1,291	1,291	1,291	1,291

2,277,848 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.

17 Reserves

	Share Premium £000	Retained Profit £000	Goodwill on Consolidation £000	Total £000
Group				
Balance at 28th December 1974	13,013	17,826	(11,290)	19,549
Premium on shares issued	130	—	—	130
Exchange differences and adjustments in overseas subsidiaries	(37)	(226)	(272)	(535)
Overprovision for costs of acquisitions	—	—	35	35
Profit retained	—	1,198	—	1,198
Balance at 27th December 1975	13,106	18,798	(11,527)	20,377
Glynwed Limited				
Balance at 28th December 1974	12,544	15,272	—	27,816
Premium on shares issued	130	—	—	130
Profit retained	—	807	—	807
Balance at 27th December 1975	12,674	16,079	—	28,753

Of the retained profits of £16,079,000 in Glynwed Limited, £838,000 is not available for distribution.

18 Profit retained overseas

The revenue reserves of overseas subsidiaries amounting to approximately £3,867,000 would be subject to additional taxation if remitted.

Notes on the accounts

continued

		1975 £000	1974 £000
19 Medium and long term indebtedness	Medium term		
	9% unsecured loan stock 1974 (repaid 31st December 1974)	—	5,850
	11.1% repayable 1977 (secured)	290	265
		<u>290</u>	<u>6,115</u>
	Long term		
	7.5% debenture stock 1989/94 (secured)	3,358	3,467
	10.75% unsecured loan stock 1994/99	5,886	5,886
	6% convertible unsecured loan stock 1983/85	5,923	5,964
	10.5% repayable 1977/83 (secured)	568	—
	Variable rate loan repayable 1979/82 (secured)	284	—
	12.2% repayable 1978/92 (secured)	85	93
		<u>16,104</u>	<u>15,410</u>
	Glynwed Limited	<u>15,167</u>	<u>21,167</u>
	Overseas subsidiaries	<u>1,227</u>	<u>358</u>
		<u>16,394</u>	<u>21,525</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 of £170,000 of stock.

The convertible unsecured loan stock carries the right, exercisable in any of the years 1975 to 1988, to convert 260p nominal amount of stock into one ordinary share of 25p.

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

		1975 £000	1974 £000
20 Deferred taxation	Timing differences	5,642	5,055
	Stock appreciation relief	5,112	2,777
	Advance corporation tax recoverable	(1,086)	(880)
		<u>9,668</u>	<u>6,952</u>

An amount of £1,294,000 for stock appreciation relief is no longer deferred and has been transferred to current taxation. No account has been taken of the April 1976 budget proposals which would appear to have only a negligible effect on the balance sheet.

21 Contingent liabilities	The parent company has given a number of guarantees on behalf of subsidiaries, the liabilities for which are included in the consolidated balance sheet.
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Trading subsidiaries and auditors' report

Trading subsidiaries

The following is a list of the company's trading subsidiaries at 27th December 1975, 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
 Cardinal Steels Ltd (including preference shares)
 Certex Ltd (70% owned)
 Crackley Ltd
 Flavel Foundries Ltd
 *Gillotts Forge and Rolling Mills 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 Plastics Ltd
 Glynwed Screws & Fastenings Ltd
 Glynwed Steels Ltd
 Glynwed Tubes & Structures Ltd
 Glynwed Wholesale Chemists Ltd
 Hickman (Aircraft) Ltd
 Kind Store Equipment Ltd
 Thames Bank Iron Co Ltd

Incorporated and operating overseas

*Allied Ironfounders Pty Ltd (*Australia*)
 Nederlandse Autofitting Fabriek BV (*Holland*)
 *Defy Industries Ltd (84% owned) and its subsidiaries (*South Africa*)

*Shares held by subsidiaries of Glynwed Limited

Auditors' report

To the members of Glynwed Limited

In our opinion, based on our examination and the reports of the auditors of certain subsidiaries not audited by us, the accounts set out on pages 20 to 33 give a true and fair view of the state of affairs at 27th December 1975 and of the profit and the source and application of funds for the year ended on that date and comply with the Companies Acts 1948 and 1967.

We have also examined the current purchasing power statement together with 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 and the reports of the auditors of subsidiaries not audited by us, 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 27th December 1975.

Birmingham,
 14th April 1976

Coopers & Lybrand
 Chartered Accountants

Inflation adjusted accounts

Results for the 52 weeks ended 27th December 1975

	Historical basis		Current purchasing power basis	
	1975 £m	1974 £m	1975 £m	1974 £m
Turnover	198.2	208.4	215.7	280.1
Group trading profit	14.2	19.7	11.3	23.7
Interest payable	3.8	4.0	4.1	5.5
Group profit before taxation	10.4	15.7	7.2	18.2
Taxation	5.4	8.3	5.4	10.2
Group profit after taxation	5.0	7.4	1.8	8.0
Minority interests	0.2	0.1	(0.1)	0.2
	4.8	7.3	1.9	7.8
Extraordinary items	0.4	0.4	0.6	1.1
	4.4	6.9	1.3	6.7
Preference dividends	0.1	0.1	0.1	0.1
	4.3	6.8	1.2	6.6
Ordinary dividends	3.1	2.9	3.2	3.7
Group profit retained	1.2	3.9	(2.0)	2.9
Financial position at end of year				
Fixed assets	31.4	30.6	56.7	59.3
Trade investments	0.9	0.9	1.1	1.1
Other operating assets (net)	42.2	46.0	42.8	57.2
Operating assets employed	74.5	77.5	100.6	118.2
Bank overdrafts and other short term borrowings (net)	13.7	15.2	13.7	18.6
	60.8	62.3	86.9	99.6
Less:				
Preference shares	1.3	1.3	1.3	1.6
Medium and long term indebtedness	16.4	21.5	16.4	26.8
Deferred taxation	9.7	6.9	9.7	8.7
Minority interest	1.3	1.3	1.6	1.6
	28.7	31.0	29.0	39.0
Total equity interest	32.1	31.3	57.9	60.6
Operating and financial statistics:				
Trading profit before interest to turnover	%	7.2	9.5	5.2
Trading profit before interest to operating assets employed	%	19.1	25.5	11.2
Earnings per share - basic	p	10.2	15.5	3.8
Dividend cover	x	1.38	2.33	0.39
Return on total equity interest	%	13.6	21.9	2.11
Total equity interest per 25p ordinary share	£	0.68	0.67	1.24

Notes on inflation adjusted accounts

1 Basis

The effects of inflation are eliminated from the historical 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 1974 and 1975 are measured in pounds of purchasing power at 27th December 1975. In the United Kingdom the Retail Price Index at the end of 1975 was 146.0 based on January 1974=100. At the end of 1974 the index was 116.9.

2 Group trading profit

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

	1975 £m	1974 £m
Group trading profit (historical basis)	14.2	19.7
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	(11.5)	(6.0)
Depreciation:		
Additional charge based on cost, measured in pounds of current purchasing power, of fixed assets	(2.8)	(1.8)
Monetary items:		
Net gain in purchasing power resulting from the effect of inflation on the company's net monetary liabilities	10.1	6.2
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 increases profit as sales exceed the costs included in this heading	1.3	0.7
Group trading profit (current purchasing power basis)	11.3	18.8
Adjustment required to update last year's profit from last year's pounds to this year's pounds		4.9
Group trading profit (current purchasing power basis at 27th December 1975)	11.3	23.7

3 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 basis and no adjustment therefore has been made to the tax charge for 1975 or to the deferred tax account shown in the historical accounts.

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

Stocks have been converted to current purchasing power level at 27th December 1975 by reference to indices ruling at the average date of purchase. The remaining figures under these headings in the historical accounts as at 27th December 1975 are unaltered since these already reflect current purchasing power.

5 Fixed assets including trade investments

The values of fixed assets have been brought up to a current purchasing power level at 27th December 1975 by converting the historical values by reference to changes in the indices mentioned in note 1 above between the dates of acquisition or valuation and 27th December 1975.

The total increase in the net book amount of fixed assets including trade investments for 1975 measured in current purchasing power is £25.5m. This does not imply that the assets could actually be sold at this higher figure. 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

Notice is hereby given that the thirty-fifth annual general meeting of Glynwed Limited will be held at the Midland Hotel, Birmingham, on Thursday the 3rd day of June 1976, at 3 o'clock in the afternoon to transact the following business:

- 1 To receive and adopt the annual report and accounts for the 52 weeks ended 27th December 1975.
- 2 To declare a final dividend.
- 3 To elect directors.
- 4 To consider and, if thought fit, pass the following resolution which will be proposed as an Ordinary Resolution, viz:

'That until otherwise resolved in general meeting the remuneration of the directors under Article 84 of the Company's Articles of Association shall not exceed £25,000 per annum'.

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.

Bilston, West Midlands
12th May 1976

By order of the board,
D E 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 3 pm on 1st June 1976. 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 am and 4.30 pm on any weekday (Saturdays and public holidays excluded) from 12th May 1976 to 2nd June 1976, inclusive and at the place of the meeting for 15 minutes prior to the meeting and during the meeting.