354715

Glynwed is a major processor of metals and plastics, providing a vital link between producers of basic materials and manufacturers of countless finished products.

With leading brands of its own, Glynwed also creates quality in finished products for the home and for industry.

And, through its distribution of metals and plastics, Glynwed delivers value in specialist materials to a multiplicity of customers worldwide.

Key Results

		1996	1995
Turnover		£1,323.7m	£1,251.7m
Operating profit		£95.4m	£93.7m
Pre-tax profit	– before exceptional charges	£86.3m	£84.9m
	– exceptional charges	£(16.2)m	£(0.7)m
	– after exceptional charges	£70.1m	£84.2m
Earnings per share (net basis)			
	– before exceptional charges	23.53p	26.08p
	– after exceptional charges	18.00p	25.76p
Dividend per share		12.75p	12.75p
Debt/equity ratio		26.3%	40.9%

Contents

Group Profile

1996 saw Glynwed change both its shape and its public face as it took steps to match its structure more closely to its home and international markets.

Matching our Markets

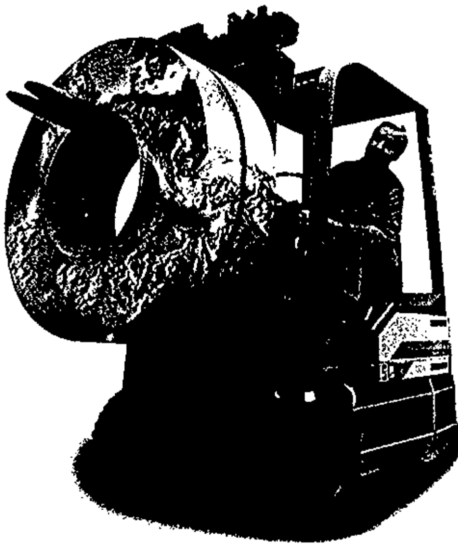
Until its reorganisation in May 1996, Glynwed was made up of six divisions, with 'other operations' effectively giving the Group seven components. Glynwed's businesses, however, had become increasingly focused on three main market areas: metals processing and distribution; consumer durable and construction products; and pipe systems, a worldwide market in which Glynwed is already a major player.

The divisional restructuring was designed to help emphasise the Group's market strengths and focus.

Commencing this year the Chief Executive's Operating Review (see pages 8 to 23) is based on Glynwed's three main market areas.

To complement the Group's new structure, Glynwed has introduced a new modern corporate identity.
This is a clearly focused, simple and straightforward scheme, which binds the Group together in a consistent and tangible way.

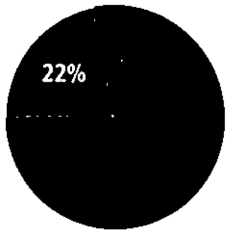
Glynwed's new organisational structure and its corporate identity are helping the Group's market focus and international perception; they also support the steps Glynwed is taking towards better balancing its activities across world markets.



Consumer and Construction Products

Aga-Rayburn • Albion • API Extrusion• Aquadart • Drainage Systems
Ductile Sections • Falcon Catering Equipment • Flavel-Leisure • Glynwed Brickhouse
Glynwed Foundries • Isosystems • Leavlite Electropaint • Leisure Sinks • Lindapter
Metoxal • Service Line • Steelway-Fensecure • Tower Manufacturing
Wholesale Catering Equipment

Proportion of continuing Group Sales

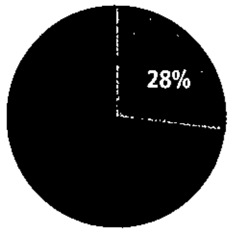


Pipe Systems

Action Hose Couplings • Capper P-C • Corroflo Harrington • Dairy Pipe-Lines
Durapipe-S&LP • Enfield Industrial Corp. • FIP • GPS Asia• GPS Central Eastern Europe
Glynwed Rohrsysteme • GPS Iberica • GPS North America • GPS Poland • GPI Industries*
Harrington Industrial Plastics • Helden • Innoge • Insoll Components
Kunststoffwerk Höhn • MCA Hire Services • Mariks* • MASA • PEI
PTFE Fabricators • Philmac • SED Ventilsysteme • Stainless Fittings • VIP-Heinke
Valvestock • Victaulic Systems • Viking Johnson • Viking Johnson Fabricators
Wask-RMF • Wilford Plastics

* JV = Joint Venture

Proportion of continuing Group Sales

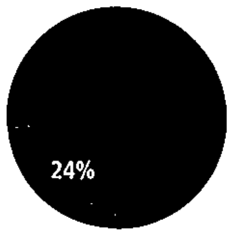


Metals

METALS – PROCESSING

Ansell Jones • Columbia-MBF • Ductile Stourbridge Cold Mills • Ductile Hot Mill
Ductile Steel Processors • Dudley Port Rolling Mills • Firth Cleveland Steel Strip
GB Steel Bar • George Gadd • HUB • JB & S Lees • London Steel Tube Mills
Longmore • Macreadys • Midland Engineering Steels • Monmore Tubes
Newman-Tipper Tubes • Oddbolt • Paul Fabrications • W. Wesson

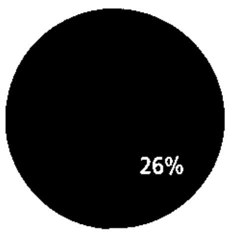
Proportion of continuing Group Sales



METALS – DISTRIBUTION

Aalco • Aalco Spain • Amari Aerospace • Amari Contract Services
Amari Dublin • Amari Special Alloys • Amari Metals Holland
Amari Plastics • Amari Transport Products • Baigent Stock Alloys • Cashmores
Günzler Metall • Jera Metall • LCK Metall • Port Plastics

Proportion of continuing Group Sales



See note 31 on page 61 for full details of the Group's businesses.

From the Chairman

"...demand for consumer durables is strengthening... metal prices have shown some recovery... the USA is showing steady growth... many markets in continental Europe remain subdued..."

Results

An excellent performance by our consumer products businesses was only partly able to offset the adverse effects on Group results caused by metal price pressures and weaknesses in continental European markets.

The Group operating profit and pre-tax profit before exceptional charges both showed some improvement over the previous year at £95.4m (£93.7m) and £86.3m (£84.9m) respectively. After deducting exceptional charges for losses on disposals of businesses totalling £16.2m (£0.7m), the pre-tax profit was reduced to £70.1m (£84.2m). A higher tax charge of 37.1% (32.3%), distorted by non-allowable provisions relating to business disposals, also helped to reduce earnings per share to 18.00p (25.76p), or 23.53p (26.08p) before exceptional charges.

A very strong cash flow from operations reduced the Group's gearing from 40.9% to 26.3%. The interest charge was covered 10.5 times by Group operating profit.

The Directors are recommending a final dividend of 8.35p per ordinary share, bringing the total for the year to an unchanged 12.75p. At this level the dividend cover, based on earnings before exceptional charges, is 1.8 times (1.8 times).

These results were achieved after a £9.6m reduction in profits due to the most dramatic fall for many years in the prices of high performance metals. In addition the Pipe Systems division incurred one-off costs of £6m associated with the integration of Victaulic businesses and the development and launch of a new international product range.

A detailed review of progress in the Group's operations is given by Bruce Ralph in his Chief Executive's Operating Review starting on page 8.

Strategy

An important step in implementing our strategy of focusing on three market areas was achieved with the sale for £12.5m. of the copper tube business of Wednesbury Tube announced on 3rd March 1997. Although further production efficiencies and some improvement of demand in the home market enabled the business nearly to break-even during 1996, further capital investment would have been needed over the next few years, and this reinforced our decision to sell this non-core activity at this time. The new owners, Mueller Industries, are a major North American copper tube and fittings manufacturer. Steps to dispose of other non-core operations will continue, as will those to acquire businesses in our defined growth areas.

Board Changes

I referred in my statement last year to certain forthcoming changes in the Board.

John Eccles, non-executive Deputy Chairman, retired from the Board following the AGM on 9 May 1996. Stephen Howard joined the

Gareth Davies CBE
Chairman

Board as a non-executive director on 1 June 1996. Stephen, who is joint Managing Director of Cookson plc and has extensive experience in the development of international operations, will bring an added perspective to the Group.

David Milne, who had been Group Finance Director for 17 years, retired on 10 September 1996, and was succeeded by Tony Wilson, who had previously been Managing Director of the Group's Steels and Engineering division.

Sadly, I have to record the death on 22 October 1996 of Bernard Doyle at the age of 56. Bernard joined Glynwed in 1983 and was promoted to the main board in 1992. He was a highly valued and effective colleague and had most recently taken over responsibility for implementing the group's strategy in the merger and acquisition field. This responsibility has now been taken on by John Blakeley, newly appointed as Corporate Development Director, who adds it to certain functions which he retains from his previous position as Corporate Services Director.

Our Company Secretary, Ian Shearman, retired in September 1996 having served the Group well for 13 years. Ian was succeeded by his deputy, Deryck Solomon, who had held a number of legal positions in the Group since joining Glynwed in 1984.

Outlook

There are a number of factors at work which will influence the outlook for 1997.

The current strength of sterling, if it is maintained, will have a significant impact on the UK economy. However, on the positive side, demand for consumer durables is strengthening, there are signs of improvement in the housing market, and metal prices have shown some recovery. Outside the UK, the USA is showing steady growth, although many markets in continental Europe remain subdued.

Balancing the trends overall, we are cautiously optimistic about the year ahead.

Gareth Davies CBE
Chairman
18th March 1997

Chief Executive's Operating Review

"The market conditions affecting the ninety businesses that make up the Glynwed group varied considerably during the year..."

1996 saw a significant change in our corporate affairs as we aligned the Group's management structures to its markets rather than to the technologies employed. The effect of this, in practice, was to cause a reduction in the number of operating divisions from 7 to 4, although the Group's properties remain separately managed from these divisions. Thus our 4 operating divisions now embrace pipe systems, for industrial and utility markets, metals processing, metals distribution and products for the construction and consumer durable markets.

The new organisation was well established by the end of the year with strong sub-divisional structures in place to facilitate more efficient management and take advantage of the better market focus. Following the Victaulic acquisition, some rationalisation has been both appropriate and necessary. We have further strengthened a number of our more successful growth operations with bolt-on acquisitions.

The change in the Group's structure has prompted the formation of the Combined Executive Committee. This provides a slimmer and more effective senior operations team and includes the three executive directors from the main board together with the four divisional managing directors.

The constituents of each of the new divisions are detailed in the Group Profile on pages 4 and 5 of this Annual Report.

Bruce Ralph
Chief Executive

Glynwed's four divisional managing directors. From left to right Stephen Rennie (Consumer and Construction Products), David Tracey (Pipe Systems), David Taylor (Metal Services) and Tony Bagshawe (Metals Processing)

The market conditions affecting the ninety businesses that make up the Glynwed group varied considerably during the year, depending on their geographical location and local economic conditions. Exports from the UK to continental Europe were decidedly difficult. Germany and France suffered poor market conditions throughout the period which, later in the year, became exacerbated by the strength of sterling. Exports to other parts of the world fared much better, in particular to the USA and the Far East, but the lower demand in Europe subdued our overall export performance.

The key to success for Glynwed's Consumer Products' businesses has been marketing innovation and new product development, for example the 1996 launch of 'The Falcon', the first professional range cooker designed for the consumer market by Falcon Catering Equipment providing a bridge between the successful Leisure Rangemasters and Aga-Rayburn's cookers

In the UK, industry was slow to recover from the downturn of late 1995 and this, together with the dramatic fall in metal prices, posed particular problems, especially in metals distribution. These issues apart, there was a steady, if slow, improvement in UK market conditions throughout 1996. One UK sector which did begin to show some buoyancy was that for consumer products and we were in a good position to benefit from that upturn. In addition, demand from the UK water industry, as it sought to improve its distribution networks, brought business to our Pipe Systems division.

It is encouraging that the improving conditions in the UK seem set to continue through 1997, although there are political and economic uncertainties and the position may become clearer by the time we report our half-year results in August.

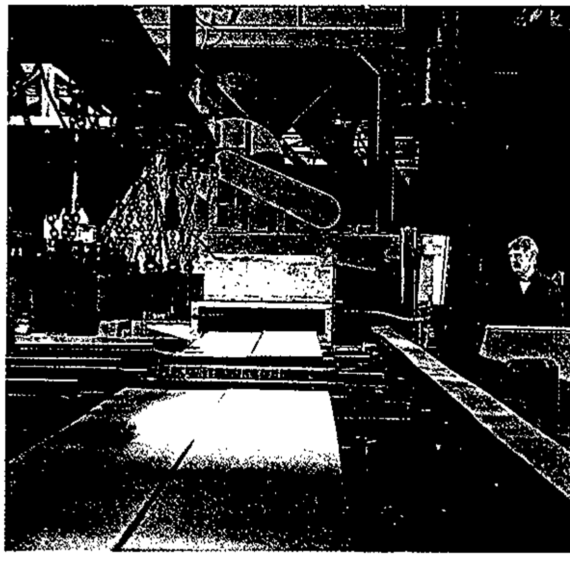
For 1996 Group sales totalled £1,323.7m, an increase of 5.7%. The effect of lower metal prices and reduced exports was offset by higher UK volumes and benefits from acquisitions. Our operating profit margin declined slightly to 7.2% giving operating profits of £95.4m.

I referred earlier to the realignment of our management structures. This not only allows a closer identity to be developed with our principal markets, but also serves to highlight the strategic options facing each of the new divisions. As a consequence, exceptional charges of £16.2m have been made to reflect actual or expected losses on the disposal of non-core, unprofitable businesses.

Our return on capital employed, before exceptional charges was 24.7%, with cashflow sufficiently strong to reduce the Group's gearing to 26.3% by the year-end.

I would now like to review our divisional performance in the context of the three major market areas to which they now relate – consumer and construction products, pipe systems and metals processing and distribution.

Capital investment in successful businesses is one way in which Glynwed brings about improved efficiencies. Here, recently installed automated shotblasting plant at W Wesson provides cost-effective finishing for hot-rolled steel flats



Consumer and Construction Products

"The second half of the year saw performance improve overall ... reduced costs and the success of new products ... coincided with improving consumer demand."

Market conditions during the first half of the year were, at best, extremely patchy. Reductions in public spending had a particularly adverse effect on the foundry businesses.

The second half of the year saw performance improve overall in the division as reduced costs and the success of new products made their impact and coincided with improving consumer demand.

As a consequence, the division's operating performance for the year as a whole was ahead of that of its constituent businesses in the previous year, with operating profits, before exceptional charges, for continuing businesses of £21.7m (£20.6m).

The Group's re-organisation in April created a much enlarged division and the opportunity was taken to form product-led sub-divisions. These currently comprise Domestic Appliances, Catering Equipment, Foundries and Engineering. Each of these sub-divisions has developed its own strategic plans, but each will benefit greatly from the pooled resources and experience within the division.

In the Domestic Appliances sub-division there were a number of highlights. Aga-Rayburn purchased most of the cast iron cookware assets of the Danish-based company, Morsø. The patterns, plant and equipment have been integrated into the Aga-Rayburn manufacturing activities, at Telford, and the complete cookware range was launched in the autumn under the Aga brand. Distributors of this range include the Aga chain of retail shops, of which there are now over 30 with the latest outlet in Stratford-Upon-Avon having been opened in December.

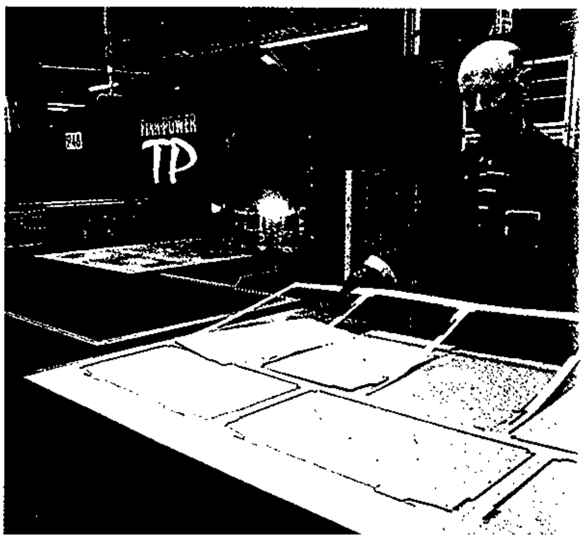
Also in Domestic Appliances, Flavel-Leisure continued to increase its market share and its sales grew by over 50%; a highly creditable performance. The Rangemaster cooker and its derivatives have been particularly successful in the UK home market. Export opportunities are now being pursued in continental Europe. Demand for this style of appliance is growing strongly. Glynwed is in the unique position of marketing complementary product ranges in cookers and sinks, since Leisure now produces sinks in 'Velstra' which are colour matched to the Rangemaster cookers.

Leisure itself also had an encouraging year, with a steady improvement in the home market. Its exports continued at a good level, helped latterly by the launch of the new 'Velstra-with-Granite' range.

In Catering Equipment, Falcon continued with its extensive programme of new product introductions which will eventually see the replacement of 70% of its original product range. Late in the year, the launch of "the Falcon", a 'professional' range cooker for the domestic kitchen, met with a very positive response. It fills a significant gap in the division's

The busy Rangemaster 110 production line. Flavel-Leisure's market strength has been much enhanced by the introduction of several such new products

New computer controlled presses have speeded up Flavel-Leisure's production of precision components for both fires and cookers



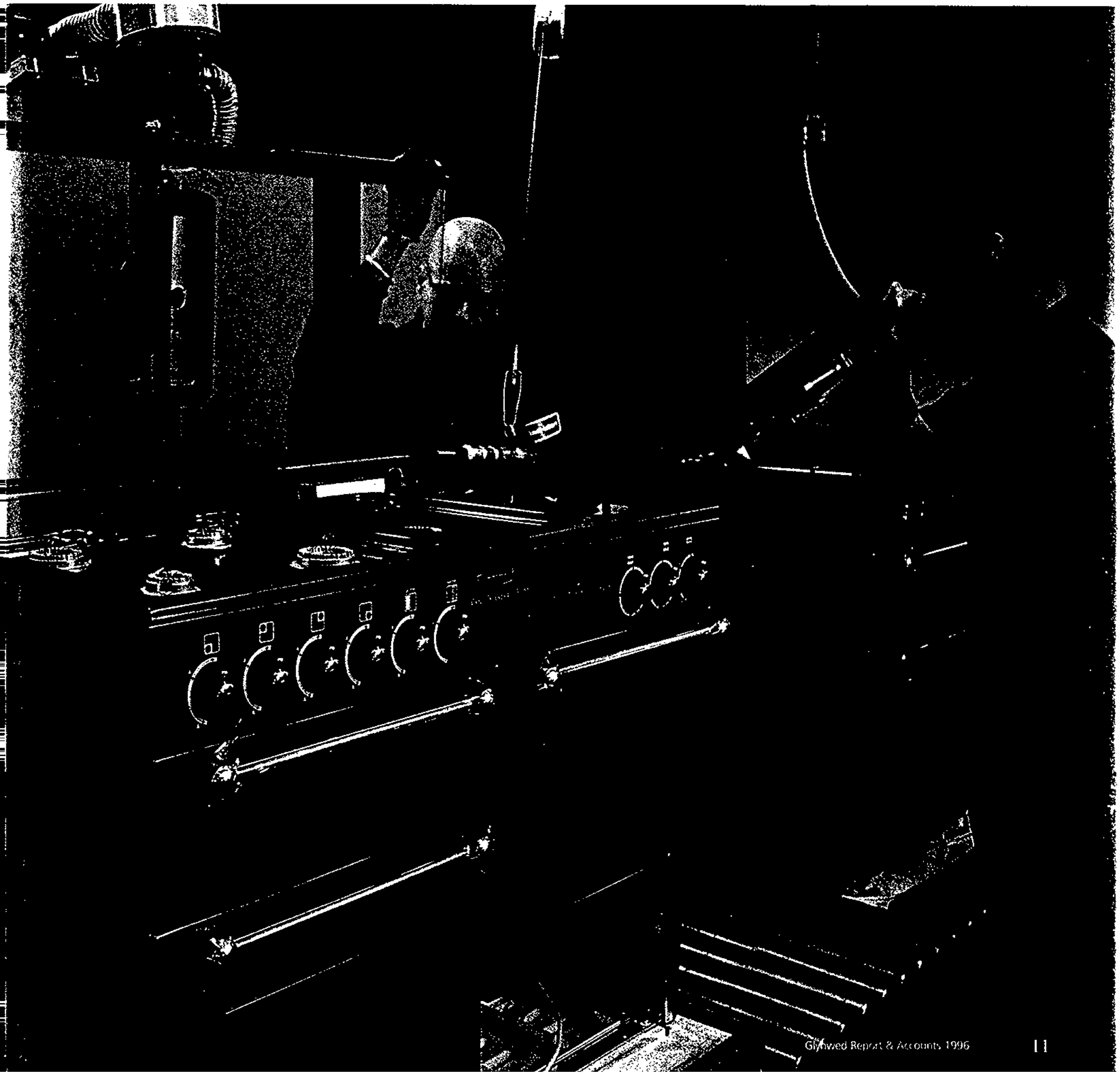
[illegible] colours for [illegible] began in August 1996. These include a range to match Rangemaster cookers and a granite finish for which there is significant export demand.

domestic kitchen product range. The market segments now covered by Glynwed's cookers are unmatched by any other UK supplier.

For the Foundries sub-division, continental European markets were weak, especially those of major importance such as Germany and France. Greater emphasis was, therefore, given to the Middle and Far East with considerable success in both regions.

In particular, Glynwed Brickhouse cast iron covers and frames achieved major new business in the Middle East.

Proportion of continuing Group Sales



Aga-Rayburn acquired most of the assets of the cookware business of Danish manufacturer Morso in 1996. The new range began UK production in the Autumn.

The distribution business, Drainage Systems, underwent significant rationalisation. The emphasis placed by management on improving and developing customer service, has led to the launch of a new generation of attractive 'One-Stop-Shop' trade counters which are able to present a much wider range of products and services.

The Engineering businesses, Tower Manufacturing, Steelway-Fensecure, Lindapter and Ductile Sections, contended with weak markets for the larger part of the year. However, there is every indication that 1997 should see them make progress as better demand patterns emerge.

The copper tube business of Wednesbury Tube was part of this division for only a limited period. The completion of its sale to a US-based specialist in the field of copper tube and fittings, after an extended period of unsatisfactory contribution to Glynwed's overall results, took place shortly after the end of the year. Although the business made steady progress during the year, more investment

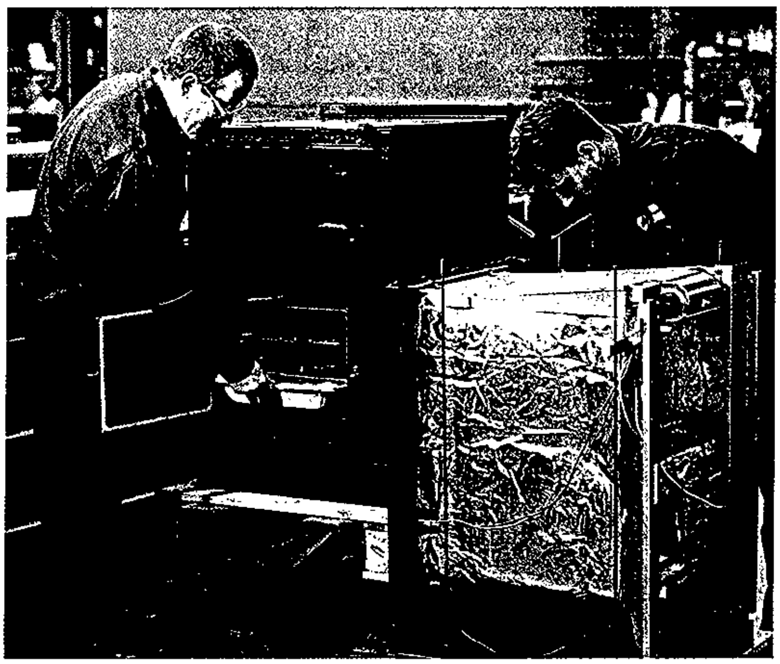
Falcon Catering's latest ovens and grills installed at one of Allied Domeq Leisure's Big Steak Pubs, 'The Gretna Green' at Newton Aycliffe, Co Durham.

1996 saw the opening by Drainage Systems in Cardiff of the first of a new generation of trade counters.

would have been required to develop it further. Wednesbury's new ownership should provide a more beneficial environment for its future progress. This now leaves the division's management free to concentrate on the activities which are core to its future growth.

'People' issues have received much attention within the division during 1996 in terms of both the workforce and customers. Several Investors-in-People programmes were put in place, together with other significant worker participation schemes. The division aims to ensure that customers will increasingly regard its businesses as their preferred suppliers.

Improving consumer confidence and higher levels of activity in the construction industry, together with manufacturing innovation and product launches, give rise to optimism for the division's performance in 1997.



1996 saw Aga introduce major innovations in the form of conventional cookers which match Aga ranges. These are the 'stand alone' Aga Companion, being assembled in the picture, and the Aga Module which is sold as a bolt-on addition for the latest Aga range-cookers.

Pipe Systems

"The formation of GPS has created a major worldwide force in the manufacture and distribution of high performance pipework systems ..."

The pipework and couplings businesses acquired with Victaulic have been integrated with the long-standing Plastics division to form the Glynwed Pipe Systems Division, known as GPS. This is now the Group's largest division generating sales of £357.7m and profits of £34.3m in the year under review.

The formation of GPS has created a major worldwide force in the manufacture and distribution of high performance pipework systems for process and general industries, as well as utilities. GPS' product ranges are extensive; they encompass pipes and fittings, valves and actuators, flow meters and sensors, as well as instrumentation, control equipment, couplings, jointing systems and seals. Materials include both plastics and metals.

The enlarged division has increased its global marketing opportunities through having broadened its product portfolio. To capitalise on these, and to exploit fully the operational benefits open to it, GPS underwent a significant reorganisation in 1996. This involved combining a number of its businesses and some costs were inevitably incurred.

A management structure has been created to focus clearly on the key market sectors for GPS in the UK, continental Europe and overseas. This has resulted in new unitary managements being established in the UK for both the plastic pipework manufacturing businesses, now known as Durapipe S & LP, and the rubber businesses under the VIP-Heinke name. The UK distribution and couplings operations have also been formed into separate sub-divisions.

The division's extensive mainland European activities in Germany, Italy, Spain, Monaco and the Netherlands, are now also co-ordinated by a sub-divisional management team.

Operations in North America, South Africa, Asia and Australia are managed through structures which maximise both marketing effectiveness and co-ordination of overall operational resources.

Turning to the market conditions experienced during the year, UK and mainland Europe were initially quiet, but activity increased as the year progressed to close on a more positive note.

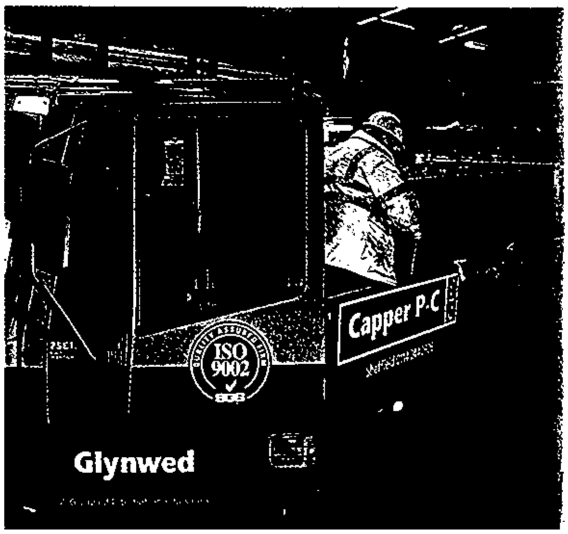
Demand for products for industrial applications was quiet, but some utility markets showed notable growth. In particular, demand in the UK water sector, which had picked up in late 1995 following that year's summer drought, continued to be strong throughout 1996 as action to tackle leakages continued; this benefited a number of the division's businesses.

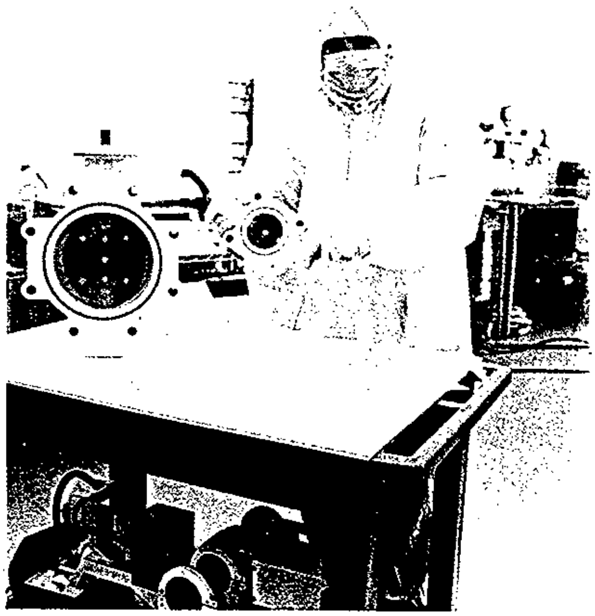
Conversely, the UK gas market was overshadowed by regulatory uncertainty and the construction sector continued to be depressed; both these factors led to low investment levels and restrained demand.

Nevertheless Capper P-C, the UK distribution business which now also includes MCA Hire Services, made encouraging progress in competitive conditions and achieved good results.

Water treatment plant manufacturer Arcrite of Chesterfield uses Durapipe (UK) and FIP (Italy) pipework and SED (Germany) diaphragm valves for its plant which has international applications from soft drinks production to power generation.

A new Capper P-C delivery vehicle, with a custom-built open back, being loaded at the Sheffield depot.



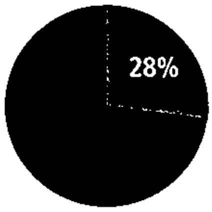


Harrington (US) supply equipment for ultrapure water systems used in semi-conductor manufacture. This installation in Phoenix, Arizona included Teflon lined butterfly valves mounted on PVDF piping.

In Spain, investment in gas distribution helped MASA whilst Innoge, based in Monaco, continued to make good progress in the French gas market and also began to penetrate the water sector. In Italy, FIP performed well, helped both by new product introductions and further capital investment.

Elsewhere in Europe, the utility sector was affected by reduced capital spending partly caused by fiscal stringency being imposed to meet the Maastricht convergence criteria. However, the division's German pipemaking business, Kunststoffwerk Höhn, achieved a

Proportion of continuing Group Sales



Viking Johnson couplings were used to connect Egypt's 700mm diameter Koraimat water supply pipeline

creditable level of sales and improved its performance; helped by the re-organisation of the business under new management.

A significant development in Germany for the coming year is the formation of GPS Rohrsysteme, based on the German businesses of FIP, Helden and WASK-RMF, which will handle the sales, marketing and distribution of all the division's products. This will prove highly beneficial to GPS' marketing activities in Europe's largest industrial economy.

In the US market, Harrington continued to gain ground in industrial sectors and had an excellent year despite a fiercely competitive environment. The acquisition of Corroflo in the first half of the year added seven branches and extended Harrington's geographical coverage across the Mid-west. Snow Plastics was also acquired, which gave full management control over the supply of sub-assemblies to Harrington's important environmental engineering operations. Illinois-based Enfield had a steady year with good return on capital.

In Australia, Philmac's performance proved particularly disappointing through a combination of domestic market weakness and one-off costs associated with the development and launch of a new international

This revolutionary 'card controller' made by Philmac in Australia enables the simple programming of residential and light commercial automatic watering systems.

product range. Improvement was evident in the fourth quarter.

The joint venture in South Africa with Main Industries commenced trading at the beginning of 1996 and made solid and encouraging progress. Similar initiatives elsewhere in the world are under consideration but, in the meantime, the division has sales offices located in strategic markets where GPS currently has no manufacturing resources. Each of these offices provided valuable and growing business in 1996. In particular, the division's sales to Far East and other Asian markets grew strongly from a low base, benefiting significantly from the establishment of the Singapore sales office as well as from the broader product portfolio which the enlarged division now offers.

Viking Johnson, one of the Group's major exporters, is supplying 4 metre diameter flexible couplings and adaptors for Libya's 'Great Manmade River Project'.

Steel sections from the Group's George Gadd hot rolled steel business are cold formed by Viking Johnson into coupling flanges on this computer controlled machine.

The year under review was one of major change for GPS and the commitment of its employees at every level contributed to the progress of the division.

Now that the integration of the various former Victaulic businesses into the division has been achieved, and sub-divisional structures are in place, GPS will continue to increase the effectiveness of its worldwide operations and marketing strategy. The year ahead should see these developments have tangible and positive effects on results.

Metals

Metals Processing

"...the Metals Processing division continued to give more emphasis to higher value-added products..."

During a difficult trading year for the steel industry, the Metals Processing division continued to give more emphasis to higher value-added products and produced a profit of £31.9m, only marginally behind that of 1995.

The large steel consuming markets of mainland Europe – Germany, France and Italy – which are major export markets for the division's hot rolling and bright drawing businesses, were heavily over-stocked at the beginning of 1996. This resulted in reduced demand and lower prices for much of the year. George Gadd, GB Steel Bar and Longmore Brothers, therefore, focused their efforts on the UK, although Dudley Port Rolling Mills still exported half of its output. The specialised hot rollers, Ductile Hot Mill and W. Wesson, on the other hand, enjoyed a healthy mix of demand from both home and export markets.

GB Steel Bar benefited from capital investment in a new bright drawing facility which produces larger sizes more economically.

Macreadys, the division's market leading, steel bar distribution business, suffered reduced demand due to industry destocking, but mitigated the effect through greater concentration on its processing facilities, which give higher added-value.

The specialist cold rolled strip operations of J B & S Lees and Firth Cleveland, continued to develop their reputations as premier international producers of metal cutting bandsaw strip and hardened and tempered narrow strip. As a result, and despite quiet mainland European markets, their exports remained relatively buoyant.

The traditional cold rolling business, Ductile Stourbridge Cold Mills, experienced reduced demand, but their financial performance was helped by the addition of more specialised grades of steel to their product range. Ductile Steel Processors continued to develop its laboratory services for both Group and external customers.

All businesses in the Steel Tubes sub-division maintained or increased sales, reaping the benefits of recent capital investment to increase product quality, range, volume and value-added processing. In particular, Newman Tipper developed customer-specific manufacturing cells, enabling it to offer a range of semi-finished components on a 'just-in-time' basis. Monmore, having suffered from the closure of its largest customer in late 1995, made up the shortfall from both new customers and new markets. London Steel Tube Mills and the UK distribution business, HUB, had a busy year with significantly increased volumes.

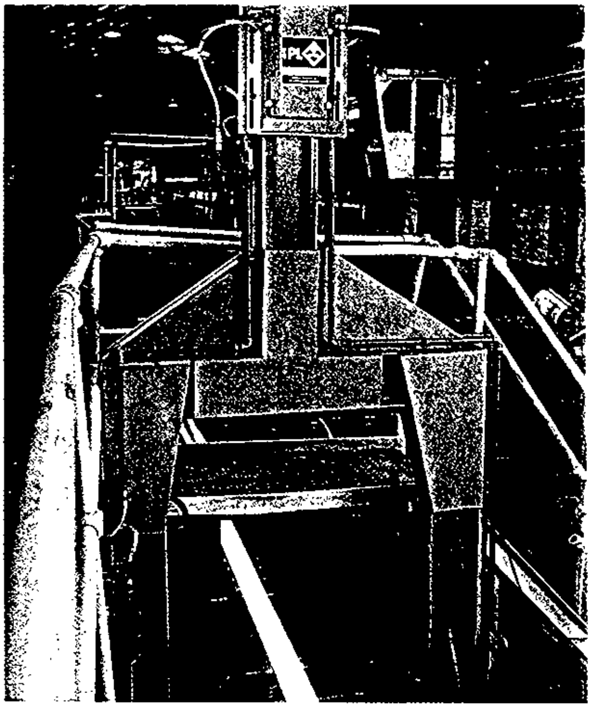
In Canada, Columbia MBF saw further domestic recovery as well as good US demand for conduit and fittings. Recent capital investment and rationalisation will help this business further in 1997.

The engineering businesses made progress with Ansell Jones benefiting from the 1995 acquisition of William Prentice Forgings. Paul Fabrications secured

The end of 1996 saw installation commence of the most up-to-date, welded-steel tube mill in Europe at Newman Tipper's Wednesbury plant, in the West Midlands. The most significant element in a £6.5m investment programme, the new mill will give operational flexibility and make a valuable contribution to productivity

New special bodied vehicles are being used by Macreadys to speed unloading and improve access to 'split' loads at the point of delivery.

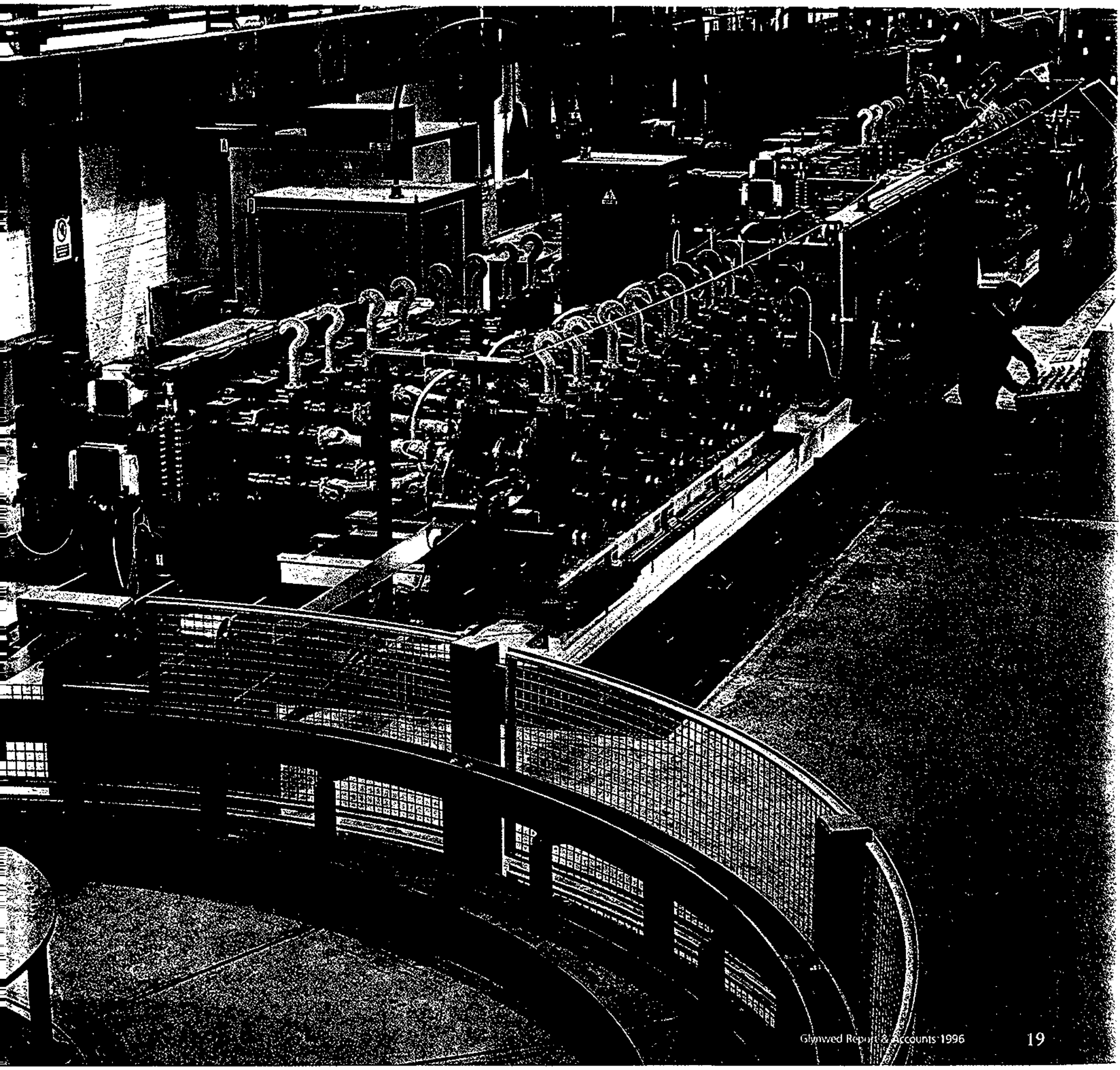
[illegible] Hot Mills new on-line, photo-sensing measurement of hot rolled flat steel products ensures high standards of precision and quality.



a new long term contract with a major customer and also saw increased aerospace industry demand.

The division is also working to develop the skills of its employees and to provide increased opportunities. A number of businesses will soon attain the Investors-in-People standard and the benefits from this, coupled with continued capital investment programmes, should bring further progress in 1997.

Proportion of continuing Group Sales



Metals

Metals Distribution

"After two years of escalating metal prices ... a substantial over-correction took place during 1996."

After two years of escalating metal prices and substantial build-up of stock in the supply chain, a substantial over-correction took place during 1996. This was set against a background of both general over-supply, due to increased primary material production capacity, especially in stainless steel, and economic slow-down in mainland Europe. The inevitable result was the sharpest fall in prices of high performance metals for many years.

Only in the fourth quarter were there signs of recovery in stainless steel prices, which both customers and producers expect to continue into 1997. Metal markets are increasingly subject to international rather than regional influences. In this respect, the division's strategy of spreading its core activities over broader product ranges and market sectors has helped to even-out some of the more extreme market movements.

The division's drive to reduce operating costs, whilst improving customer service, continued assisted by significant capital investments. These included improved plate and coil processing equipment, with Baigent Stock Alloys commissioning two new plasma profiling machines for cutting heavy stainless steel plate, and Cashmores installing a high-capacity, heavy-duty coil slitter.

1996 saw significant upgrading of our warehousing facilities, both in the UK and Europe. Aalco in Humberside, a longstanding branch with particular strengths in supply partnerships with local petro-chemical industries, was re-sited. In Germany, LCK Metall near Hamburg and Günzler Metall in Stuttgart were both relocated to larger, purpose-built premises to enable them to realise their full potential. Despite recent economic difficulties, Germany is still the largest potential market for the division's products in continental Europe and will continue to offer major long-term growth opportunities.

Amari Dublin benefited from the strong growth in the Irish economy which largely offset the adverse effects of low metal prices. A sales office was opened in Cork to capitalise further on the opportunities in this market.

Plastic sheet and rod distributor, Amari Plastics, achieved a good result despite difficult UK conditions. Port Plastics, in the US, continued to grow strongly, taking full advantage of the buoyant West Coast market. Its new branch in Phoenix, Arizona achieved profitability in the first operating year.

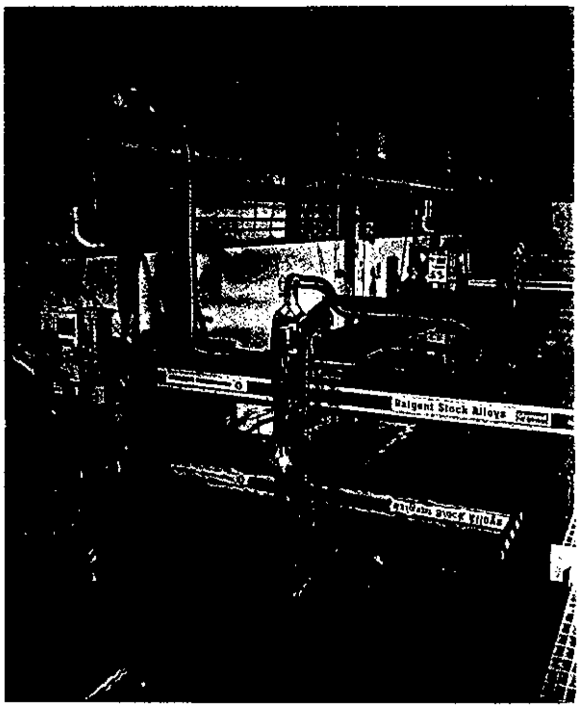
The reduction in the operating profit of the division was due principally to reductions in metals prices, despite improvements in sales volumes.
The division still achieved a creditable return on capital employed, accompanied by a strong, positive cash-flow.

It is believed that 1996 will have seen the low-point for metal prices. The division's progress in 1997 will be helped by further investment in new modern warehouses in Scotland, South Wales and Hampshire.

1996 saw further openings of the new generation of Aalco depots. This new warehouse in Hull is enhancing regional market penetration.

The 600 series of Roadsweepers is the most popular range from major international manufacturer Johnston Engineering of Dorking, UK. The holding tanks are made from corrosion and abrasion resistant Nirosta 4003 Stainless Steel supplied by Aalco.

→ major investment in underwater plasma profiling equipment has reinforced Baigent Stock Alloys' UK leadership in stainless steel plate

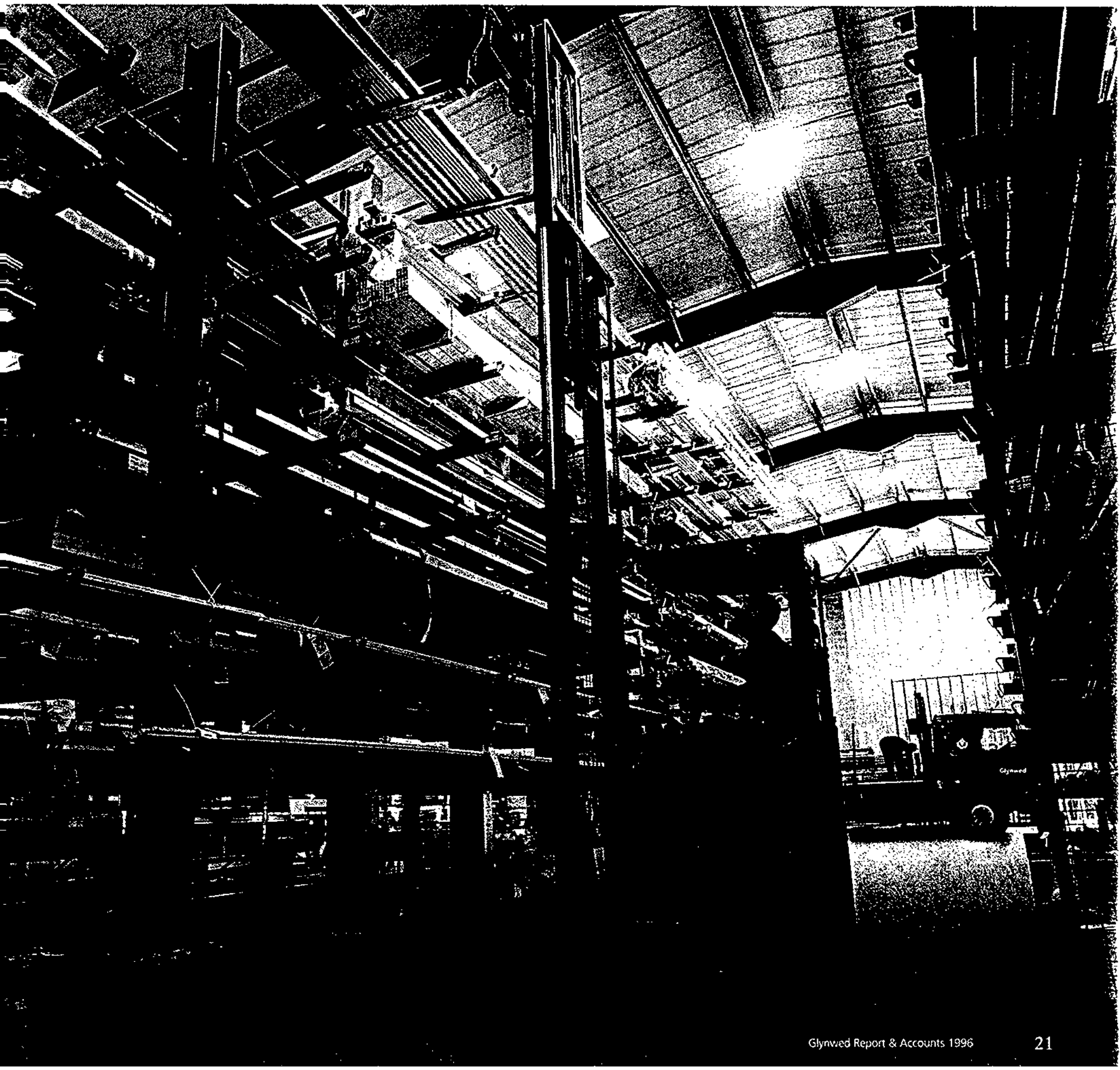


A new centre for stainless steel tubes and related products will also open to support the division's substantial growth in these higher value products.

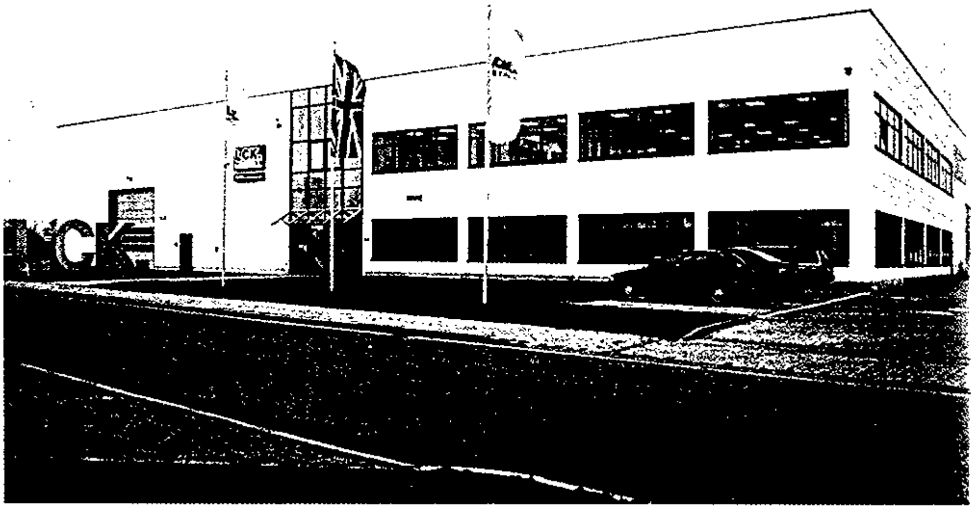
Quality staff are essential to quality service and the introduction of the division's apprenticeship scheme in 1996 has added a new dimension to the development of good people.

The division's policy of continuous improvement in service quality will help to ensure that it retains its ongoing competitive advantage.

Proportion of continuing Group Sales



The property assets of the Group are managed separately from the operating divisions and primarily support the manufacturing businesses.



A recent feature of Metal Services development is its increasing German market presence. LCK Metall's new premises near Hamburg were opened on the company's 50th anniversary.

A profit of £1.5m on the disposal of surplus property was achieved, principally on the sale of two major sites at Pentonville Road, London and High Road, Cowley, Uxbridge. There have been a number of smaller disposals of vacant Group properties including a former West Midlands foundry site and a warehouse in Philadelphia, USA. The Group was also successful in reducing the amount of surplus property that was under lease by means of surrender, assignment and sub-letting.

Capital investment in property was £6.9m in addition to which financial support and compensation was provided by the Black Country Development Corporation to reorganise factories and warehouses used by W. Wesson and Newman-Tipper Tubes, in the West Midlands. Further investment was also made to improve the facilities at George Gadd, in Dudley, and Glynwed Foundries, in Telford, and a range of other group locations.

New properties were secured at Hull and Chepstow for occupation by Aalco, in Hamburg for LCK Metall and in Stuttgart for Günzler Metall. In addition, an investment has been made in new offices for Baigent Stock Alloys, in Barnsley. An existing building was purchased and refurbished to accommodate the expanding business requirements of Drainage Systems, Cardiff, and additional Aga shops were leased to support their expanding geographic coverage.

During the year the Group's property portfolio was significantly improved and strengthened.

Towards the end of the year land was purchased at Tannochside and Cambuslang, both in Glasgow, and in Southampton, in preparation for the construction of various new warehouses and depots for the growing distribution businesses of Aalco, Amari Plastics and Capper P-C.

1996 was a busy year for Glynwed Properties through factory extensions and improvements together with distribution depot openings. Here Glynwed Properties' managing director Trevor Barnes (right), Group Insurance Manager Keren Bartlett and project architect Andrew Crump (of John Harris Design Partnership) confer at Aalco's new Hull depot.

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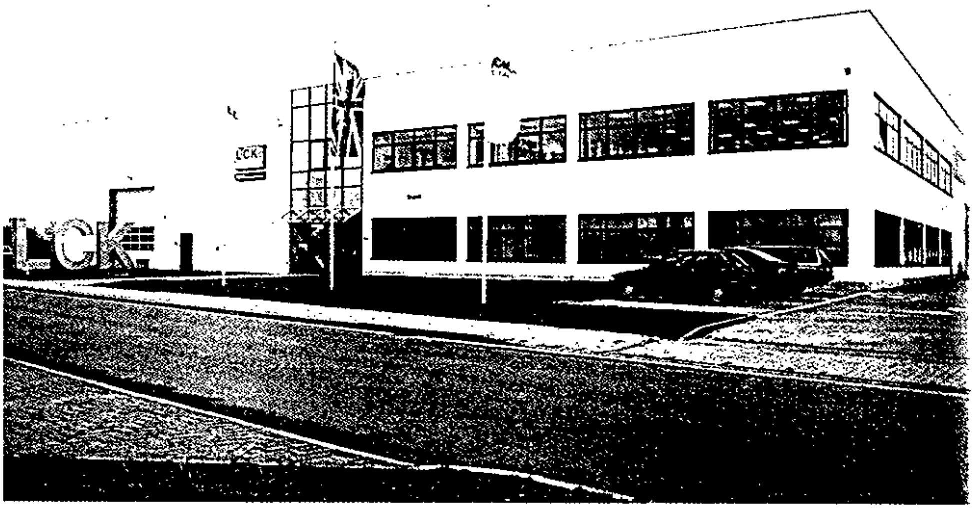

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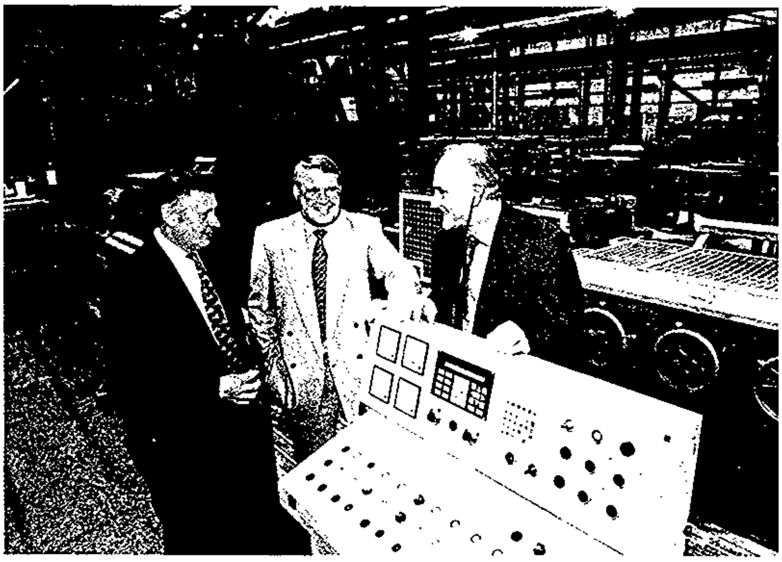
Conclusion

In conclusion, despite political and currency uncertainties, we anticipate that the steady improvements in our markets, evident in the latter part of 1996, will continue into 1997.

The significant emphasis we place on product development and quality will continue in tandem with the Group's pursuit of growth in overseas markets.

1997 is a year in which Glynwed's new corporate identity will become more visible This will be most publicly evident on vehicles such as this new Falcon Catering Equipment truck



Glynwed's Chief Executive (left) and Metals Processing divisional Managing Director Tony Bagshawe (centre) inspect GB Steel Bar's new £1m automated line with GB's Managing Director Ken Owen Flexible production, reduced costs, improved quality and efficiency result from the investment

Capital expenditure will be maintained at a healthy level and those of our businesses which have market leading positions will be reinforced, helped by the impetus generated from our new internal structure.

We therefore look forward to the future with confidence.

Bruce C. Ralph
Chief Executive
18th March 1997

Directors and Officers

Gareth Davies CBE
Chairman

Gareth Davies (age 67) joined Glynwed subsidiary Steel Parts as an accountant in January 1957. He became Group Computer Manager in 1964 and was appointed to the Glynwed Board as Group Finance Director in 1969. He was appointed Deputy Chairman in 1975, Managing Director in 1981, Group Chief Executive in 1984 and Chairman and Chief Executive in December 1986. In 1993 he split the roles of Chairman and Chief Executive; he became non-Executive Chairman of the Group in May 1995. Mr Davies is also a non-executive director of Midland Independent Newspapers plc and is a board member of the West Midlands Development Agency.

Bruce Ralph
Chief Executive

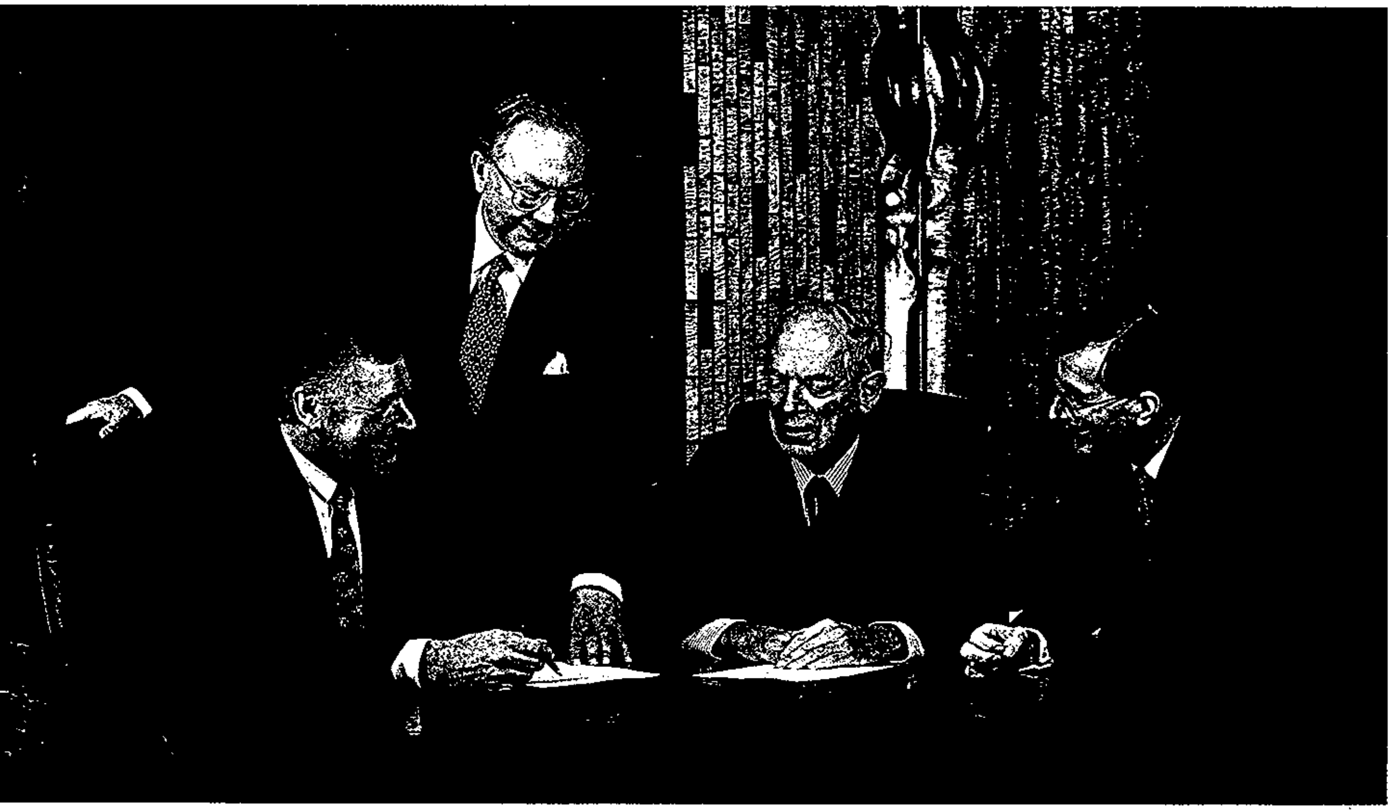
Bruce Ralph (age 57) joined Glynwed in February 1993, having previously been Chief Executive of Dowty Group plc which he had joined, as Managing Director of its industrial division, 10 years earlier. His previous career was with Ever Ready Ltd, where he had responsibility for international operations, and Hanson plc. Mr Ralph is also a non-executive director of Northern Star Insurance Co Ltd and EIS Group plc.

The Rt Hon John Biffen MP
Director

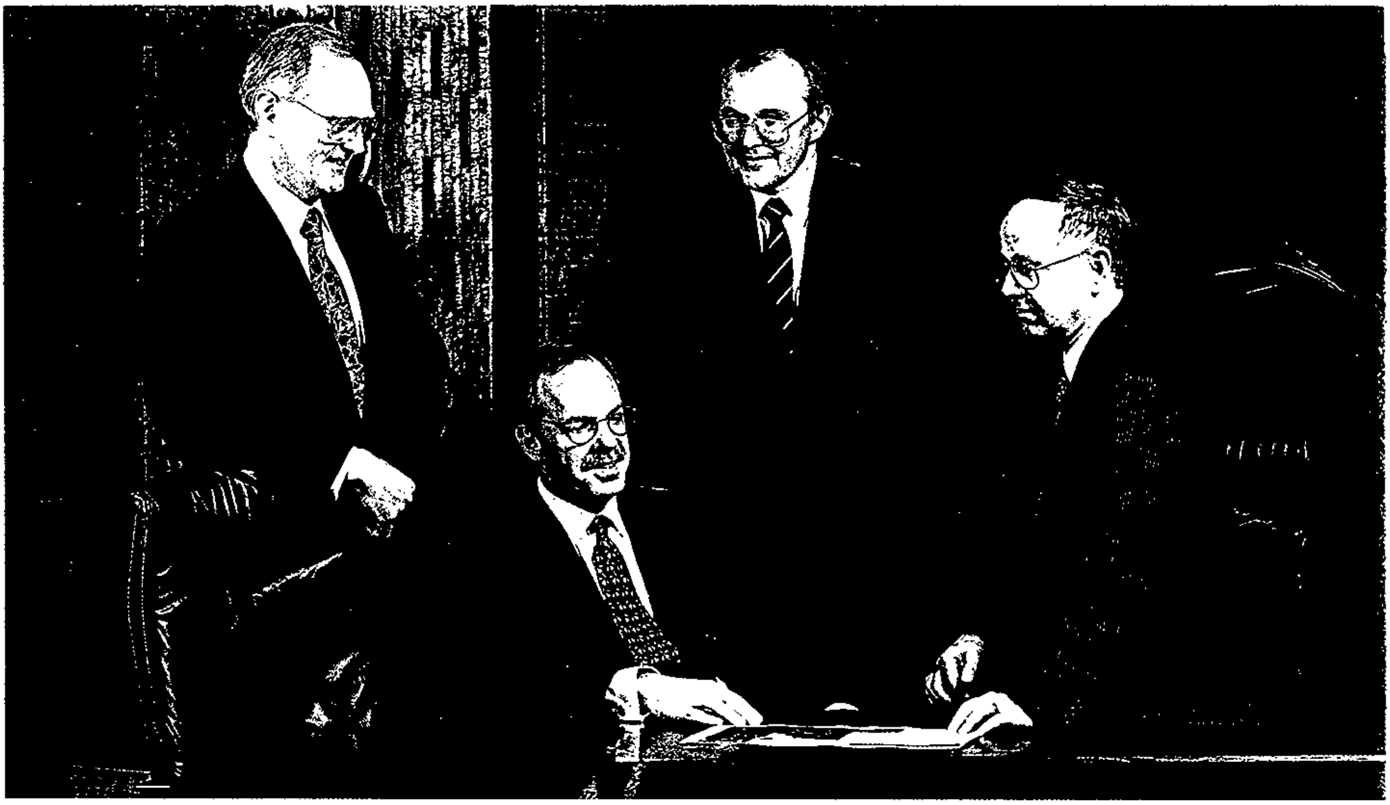
John Biffen (age 66) became a director of Glynwed in November 1987 and chairs its Remuneration Committee. He is the Member of Parliament for Shropshire North and Deputy Lieutenant of the County of Shropshire; he has held government office as Chief Secretary to the Treasury, Secretary of State for Trade, Lord President of the Council, Lord Privy Seal and Leader of the House of Commons.

Christopher (Kit) Farrow
Director

Kit Farrow (age 59) joined the Board of Glynwed in July 1993 and chairs its Audit Committee. He is Director General of the London Investment Banking Association, a director of the London Metal Exchange and a member of the Financial Reporting Review Panel. He was formerly a director of Kleinwort Benson Ltd



From left to right Bruce Ralph, Gareth Davies, John Biffen, Kit Farrow



and previously an Assistant Director of the Bank of England and an Under-Secretary at the DTI.

Anthony Wilson
Finance Director

Tony Wilson (age 52) joined Glynwed's steel stockholding business in 1974. He progressed within the growing steels division to become its Director of Administration and Finance in 1987. In 1991 he was appointed Finance Director of the Group's Metals & Engineering sub-group and two years later became Managing Director of Glynwed's then largest division, Steels & Engineering (now Metals Processing). He joined the main Glynwed Board as the Group's Finance Director in September 1996, in succession to David Milne. His responsibilities include Glynwed's accounting, treasury, tax, internal audit and insurance functions. He also chairs the management committee of Glynwed Properties.

Stephen Howard
Director

Stephen Howard (age 44), joint Managing Director of Cookson Group plc, began his career in his native USA as a mergers and acquisitions lawyer. He joined Cookson America Inc in 1985 and went on to be significantly involved in the development both of Cookson's major operations and its acquisition and international growth, becoming its joint Managing Director in 1995. He became a non-executive director of Glynwed in June 1996.

John Blakeley
Corporate Development Director

John Blakeley (age 54) joined the Group in 1978 as Legal Adviser. In 1979 he also became Group Secretary and held this post until his appointment to the Glynwed Board in October 1992 as Corporate Services Director. From 1st January 1997 he became Corporate Development Director with responsibility for implementation of the Group's mergers and acquisitions policy and practice. His responsibilities also include management personnel, pensions and public relations as well as legal and other central services.

Deryck Solomon
Group Secretary

Deryck Solomon (age 43) joined Glynwed as a solicitor in 1984 having begun his career in private practice. He became Deputy Group Legal Manager in 1988 and subsequently Commercial Director of Glynwed Properties. In 1993 he became Group Legal Manager and added the role of Assistant Group Secretary at the beginning of 1996. In September 1996 he took over the Group Secretary's position on the retirement of Ian Shearman.

Report of the Directors

The Directors of **Glynwed International** plc present their annual report, together with the accounts of the Company, for the 52 weeks ended 28th December 1996. These will be submitted to members at the annual general meeting to be held **at Headland House, New Coventry Road, Sheldon, Birmingham B26 3AZ, at 12 noon on Thursday 8th May 1997.**

Activities and Business Review

Glynwed International plc is the holding company of the Group; its principal subsidiaries and their activities are shown on pages 61 to 63. A review of the activities and prospects of the Group and of the principal businesses is given on pages 8 to 23.

Results and Dividends

The profit of the Group for the financial period was **£44.0m** (1995 £56.9m). After dividends of **£31.4m** (1995 £31.1m) the profit retained of **£12.6m** (1995 £25.8m) has been dealt with as shown on pages 39 and 58.

Earnings for the period were **£43.9m** (1995 £56.8m) as shown in note 11 on page 51, and earnings per share on the net basis **18.00p** (1995 25.76p).

An interim dividend of **4.40p** per ordinary share was paid on 4th December 1996. The directors recommend a final dividend of **8.35p** per ordinary share payable on 6th June 1997 to members on the register at the close of business on 18th April 1997, making a total for the period of **12.75p** per ordinary share (1995 12.75p).

Share Capital of the Company

Allotments of ordinary shares of 25p each of the Company were made during 1996 as set out in note 22 on page 57. Resolutions will be proposed at the annual general meeting to grant to the Board, until the next following annual general meeting, authority and power to allot new securities under sections 80 and 95 of the Companies Act 1985 ("the Act").

Resolution 7 renews the directors' authority under section 80 of the Act to issue relevant securities up to a nominal value of **£20,373,725**, being one-third of the nominal value of the Company's issued ordinary share capital at the date of this report. Resolution 8 renews the directors' authority under section 95 of the Act to allot ordinary shares for cash without first offering them pro rata to existing shareholders as otherwise required by section 89 of the Act; the authority sought is limited to issues of equity securities with a nominal value not to exceed **£3,056,058**, being equivalent to 5% of the nominal value of the Company's issued ordinary share capital at the date of this report.

Shareholders

At 28th December 1996, ordinary shareholders totalled 11,535 (1995 12,610). Their holdings are analysed below:

Number of shares	% of shareholders	% of shares in issue
1 – 5,000	87.12	4.95
5,001 – 50,000	8.90	6.39
50,001 – 100,000	1.34	4.52
100,001 – 500,000	1.87	21.17
Over 500,000	0.77	62.97
	100.00	100.00

The following interests of 3% or more of the issued ordinary share capital of the Company as at the date of this report have been notified to the Company:

Person notifying interest	Number of ordinary shares	% of issued ordinary capital
Britannic Assurance PLC	12,515,000	5.12
Prudential Corporation group of companies	11,898,889	4.87

Directors

The Members of the Board at the date of this report are shown on pages 24 and 25. Mr JD Eccles and Mr DL Milne retired from the Board on 9th May 1996 and 10th September 1996 respectively. Mr B Doyle sadly passed away on 22nd October 1996.

In accordance with the articles of association, Mr G Davies retires by rotation, and being eligible, offers himself for re-election. Mr SL Howard and Mr AJ Wilson having been appointed directors on 1st June1996 and 10th September 1996 respectively retire in accordance with the articles of association and, being eligible, offer themselves for re-election. Mr AJ Wilson has a service contract with the Company which is terminable on two years' notice. Mr SL Howard does not have a service contract with the Company.

Directors' Interests

The interests of the directors in shares of the Company shown in the register kept under section 325 of the Act, all of which are in ordinary shares of 25p each and all of which are beneficially owned, are as follows:

	At 18th March 1997	At 28th December 1996	At 30th December 1995*
G Davies	175,201	175,261	174,670
BC Ralph	–	–	–
AJ Wilson	1,475	1,475	1,475
JC Blakeley	59,129	59,075	51,098
WJ Biffen	–	–	–
CJ Farrow	1,000	1,000	1,000
SL Howard	–	–	–

* or date of appointment.

Details of options exercisable by directors over shares in the Company are given on page 32 as part of the Report of the Remuneration Committee.
No director had an interest in any contract of significance with any Group company.

Acquisitions

The principal acquisition during the period took place in May with the purchase of Corroflo for a consideration of US$10.3m.
The purchase has been accounted for as an acquisition in accordance with accounting standard FRS6.
Details relating to the fair value of net assets acquired and the consideration are set out in note 27 to the accounts on page 59.

Research and Development

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

Employees

It is consistent with the Group's underlying management philosophy of vesting a large measure of operational autonomy, accompanied by accountability, in its divisional and business unit managers that responsibility within the Group in personnel matters lies primarily at an operating rather than a central level, albeit within the framework of a requirement that good, modern and consistent practices are adopted which are appropriate to local circumstances.

Exceptions to this general precept of devolved responsibility include the operation of pension and share option schemes, and the management of all aspects of the employment of the Group's most senior staff. A particularly significant feature of the latter function is the work done to improve the quality of top management in our business units and to open pathways of advancement for employees of exceptional ability. A comprehensive assessment programme is in existence, covering all levels of management from first line supervision to Combined Executive Committee membership, and is paralleled by a variety of individual, divisional and Group-wide management development initiatives aimed at realising the management potential which has been identified by the assessment procedure. A further aspect of the attention paid to management development and succession is the operation of a Group graduate recruitment and development scheme. New savings-related and senior executive share option schemes were established in 1994. No options have yet been granted under the senior executive scheme: options under the savings-related scheme were granted in 1995 and 1996. Further information on the schemes is given in the Report of the Remuneration Committee of the Board, on pages 31 and 32.

A part of the requirement mentioned above is that policies be followed which ensure that there is equal opportunity of employment, regardless of race or sex, and that appropriate consideration is given to disabled applicants in terms of employment. The practice continues of providing training, career development and promotion for disabled persons as the case warrants, and special attention is given to the particular needs of individuals who become disabled whilst in employment.

Good communications and relations with employees are maintained, mainly by practices developed in each operating unit compatible with its own particular circumstances. Senior management is kept abreast of Group developments in financial, commercial, strategic and personnel matters and is thereby enabled to inform and discuss with employees as appropriate at individual operating units, a process which is supplemented and aided by the distribution of a regularly-published in-house newspaper.

Health and Safety and Environment

General Principles

Amongst the issues over which particular care is taken in the Group's relationships with employees and with the community are those relating to health and safety and the environment. The Group is conscious of the need for and aims to achieve high standards of operation under Health and Safety at Work and Environmental Protection legislation and through its senior management seeks to keep all concerned aware of, and to monitor adherence to, developments in terms both of good industrial practice and of statutory frameworks.

Policy Framework

Implementation of this overall policy is the responsibility of the Group Health and Safety Committee and Group Environmental Committee, each of which is under the immediate control of a director of the Company and comprises representatives from all the Group's operating divisions. Both committees meet at regular intervals during the year and are charged with reviewing standards and encouraging improvements within their respective spheres of interest.

Health and Safety

Under the aegis of the Group Health and Safety Committee, a Policy Statement applies at Group level to set the parameters within which each division and business unit sets its own more detailed policies on health and safety issues: under those parameters responsibility for health and safety is clearly placed with divisional and unit managing directors. Operating sites in the UK are appraised by external consultants under a programme of regular visits and managements are made aware of the social and financial costs of failures to meet standards set by legislation and the Company.

The Group makes an Annual Health and Safety Award, adjudicated by a panel comprising mainly independent experts. In 1996 the Award went to the Group's Australian subsidiary, Philmac Pty Ltd.

Environment

In relation to environmental matters a Group Policy Statement forms the basis for more detailed policies, with clearly devolved management responsibilities, appropriate to the varying circumstances of the Group's individual operating divisions and businesses. Recent practical developments include the undertaking of an environmental survey programme across all divisions and the commencement of a systematic training programme for all employees at all levels.

Personal Equity Plan

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

Creditor Payment Policy

Individual operating businesses within the Group are responsible for establishing appropriate policies with regard to the payment of their suppliers. The businesses agree terms and conditions under which business transactions with suppliers are conducted. It is Group policy that, provided a supplier is complying with the relevant terms and conditions, including the prompt and complete submission of all specified documentation, payment will be made in accordance with agreed terms. It is Group policy to ensure that suppliers know the terms on which payment will take place when business is agreed.

Charitable Donations and Community Relations

During 1996 the Group gave £118,470 for charitable purposes in the UK. Amongst the principal beneficiaries were organisations concerned with medical research, the elderly, people with physical or mental disabilities and inner city projects. The Group's charitable giving is one aspect of its relationships with the communities within which it works: importance is attached to those relationships, which encompass the provision of help and support, in financial and other ways, not just to the organisations as already mentioned, but also in the fields of education, the arts and sport.

Political Contribution

The Group gave £40,000 in 1996 for political purposes to the Conservative Party.

Capital Gains Tax

The official price of Glynwed International plc ordinary shares on 31st March 1982, adjusted for the bonus issues made in 1986 and 1988, was 62.4p.

Close Company Status

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

Crest

CREST is the electronic system which will permit title to certain listed shares to be evidenced and transferred without a written instrument. On 13th January 1997 the Company's ordinary shares of 25p each and preference shares of £1 each were admitted into the CREST system.

Auditors

A resolution to reappoint the auditors, Coopers & Lybrand, and to authorise the directors to determine their remuneration, will be proposed at the annual general meeting.

By order of the board
DJ Solomon
Secretary
Birmingham
18th March 1997

Corporate Governance

STATEMENT OF COMPLIANCE

The Company is complying with all of the recommendations in the Code of Best Practice promulgated by the Cadbury Committee and with the recommendations both on going concern and on internal financial control. The directors set out below the organisation and procedures employed to comply with these recommendations.

Board of Directors

* The Board meets regularly to exercise control over the Group.
* The roles of Group Chairman and Group Chief Executive are held by separate directors.
* The Board comprises three executive and four non-executive directors.
* The non-executive directors are independent of the Group's management and have no business relationship with the Group.
* All directors have access to the advice and services of the company secretary, who is responsible for the proper conduct of board procedures.
* A procedure has been established under which directors may, if necessary, obtain professional advice at the Company's expense.
* The executive directors have service contracts which in no case are terminable on longer than a rolling two-year period of notice.

Audit Committee

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

Internal Financial Control

The Board of Directors has overall responsibility for the systems of internal financial control within the Group. These systems, by their nature, are designed to provide reasonable assurance that the Group's assets are safeguarded and that the financial information and accounting records are reliable, though such assurance cannot be absolute. The Board has reserved, for its own approval, those major decisions considered significant to the strategy and operation of the Group as a whole and has devised a structure of responsibilities throughout the Group to ensure that at least two appropriate levels of authorisation are required for other decisions which have a major financial implication for the businesses concerned.

Internal financial control is operated within a clearly defined organisational structure with clear control responsibilities and authorities, and a practice throughout all the Group's operations of regular management and board meetings to review all aspects of the Group's various businesses including those aspects where there is a potential risk to the Group. Key procedures include planning, budgeting and investment appraisal. For each business there are regular monthly reports, reviewed by boards and management, which contain both written reports and financial statements. The financial statements include profit and loss accounts, balance sheets and cash flow statements for the period under review, year to date and forecasts and are compared to budget, previous year and previous forecasts. The financial statements also contain a variety of operational and financial ratios. Detailed procedures and reporting formats are set out in the Group manual of procedures.

Continual monitoring of the systems of internal financial control is conducted by management and by internal auditors who independently review the operation of controls. The external auditors, who are engaged to express an opinion on the Group financial statements, also consider the systems of internal financial control in conjunction with the internal auditors to the extent necessary to express that opinion. Internal and external auditors report regularly on the results of their work to management, including executive members of the Board, and to the Audit Committee.

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

REPORT OF THE REMUNERATION COMMITTEE

The Remuneration Committee meets under the chairmanship of Mr WJ Biffen, who succeeded Mr JD Eccles in that role upon the latter's retirement at the Company's 1996 Annual General Meeting. The Committee has five members, namely the four non-executive directors of the Company and the Group Chief Executive. In deciding that the latter's appointment to the Committee was desirable, the Board had regard in particular to the responsibility for the quality and effectiveness of the Group's top management, both at and below Board level, borne by the Group Chief Executive, to the importance of remuneration matters as part of that responsibility and to the close interaction between remuneration issues relating to executive directors of the Company and other members of the Group's top management. The Group Chief Executive is not present at meetings of the Committee during consideration of his own remuneration. Except in respect of the Group Chief Executive's membership of the Committee, the Company has complied throughout the year under review with section A of the best practice provisions annexed to the Stock Exchange's Listing Rules.

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

The individual elements of remuneration in 1995 and 1996 are set out below in respect of each director:

		Salary	Fees	Annual bonus*	Benefits-in-kind	Total
		£	£	£	£	£
Mr G Davies	1995	107,292	58,333	21,029	16,791	203,445
	1996	–	100,000	–	11,528	111,528
Mr BC Ralph	1995	270,000	–	52,920	12,803	335,723
	1996	285,000	–	–	10,266	295,266
Mr DL Milne	1995	150,000	–	29,400	12,197	191,597
	1996	118,875	–	–	8,967	127,842
Mr B Doyle	1995	125,000	–	24,500	11,520	161,020
	1996	112,500	–	–	11,388	123,888
Mr JC Blakeley	1995	120,000	–	23,520	10,726	154,246
	1996	135,000	–	–	12,216	147,216
Mr AJ Wilson	1995	–	–	–	–	–
	1996	41,777	–	–	3,534	45,311
Mr JD Eccles	1995	–	35,000	–	1,171	39,171
	1996	–	15,417	–	1,477	16,894
Mr WJ Biffen	1995	–	20,000	–	–	20,000
	1996	–	22,000	–	–	22,000
Mr CJ Farrow	1995	–	20,000	–	–	20,000
	1996	–	22,000	–	–	22,000
Mr SL Howard	1995	–	–	–	–	–
	1996	–	12,833	–	–	12,833

* *Performance-related emoluments for 1995 have been restated to show amounts relating to that year which were determined and paid in 1996. There are no performance-related emoluments in respect of 1996.*

Annual bonuses are determined by the extent to which the Company has enhanced shareholder value in the previous financial year, using three separate measures - outperformance by the Company's Ordinary Shares of the FT All-Share Index, increase in dividend, and increase of 10% or more in earnings per share. Payment in respect of each measure is capped, and the total bonus is capped at 25% of salary. Bonuses are not pensionable.

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

Mr DL Milne, Mr B Doyle, Mr AJ Wilson, Mr JC Blakeley and Mr JD Eccles are, or were, members of a defined-benefit pension scheme which provides for a pension of two-thirds of final pensionable remuneration on retirement at normal retirement age with 20 or more years of pensionable service. In relation to Mr BC Ralph, the Company makes contributions to separate personal pension arrangements. On his retirement as a director of the Company on 10th September 1996 Mr DL Milne was paid a gratuity of £8,500 in accordance with the usual practice of the Company for senior executives. During 1996 consultancy fees of £28,600 were paid to Mr A Miller, who retired as an executive director of the Company in June 1994.

REPORT OF THE REMUNERATION COMMITTEE (continued)

The Company has senior executive and savings-related share option schemes: it has no other form of long-term incentive scheme. In 1994 shareholders approved a new senior executive share option scheme and the Company undertook that no option would be granted under it until performance criteria for option exercises had been set. Following completion of a review of long-term incentive scheme arrangements for the Company generally, it was decided that options granted under the scheme would only be exercisable if the Company's earnings per share, calculated on the basis promulgated by the Institute of Investment Management and Research, have exceeded by at least 2% per annum the increase in the UK's Retail Price Index over a period of three years beginning not earlier than the Company's last financial year before the date of an option's grant.

The interests of directors at the beginning and end of the 1996 financial year in the currently-operating share option schemes were as follows:-

	Options under the Senior Executive Share Option Scheme approved in 1984					Options under the Savings-Related Share Option Schemes approved in 1984 and 1994		
	at 264pps	at 304pps	at 308pps	at 200pps	at 307pps	at 182pps	at 243pps	at 268pps
G Davies								
at beginning of 1996	37,500	60,000	125,000	50,000	–	8,241	–	–
exercised (market price 360p)	(37,500)	–	–	(50,000)	–	–	–	–
at end of 1996	–	60,000	125,000	–	–	8,241	–	727
BC Ralph								
at beginning of 1996	–	–	–	–	175,000	–	–	–
at end of 1996	–	–	–	–	175,000	–	–	–
AJ Wilson								
at date of appointment	–	30,000	30,000	–	–	–	7,098	–
at end of 1996	–	30,000	30,000	–	–	–	7,098	–
JC Blakeley								
at beginning of 1996	15,000	12,000	30,000	35,500	–	7,005	2,271	–
exercised (market price 341p)	(15,000)	(12,000)	(30,000)	–	–	–	–	–
at end of 1996	–	–	–	35,500	–	7,005	2,271	–
CJ Farrow								
at beginning of 1996	–	–	–	–	–	–	–	–
at end of 1996	–	–	–	–	–	–	–	–
WJ Biffen								
at beginning of 1996	–	–	–	–	–	–	–	–
at end of 1996	–	–	–	–	–	–	–	–
SL Howard								
at date of appointment	–	–	–	–	–	–	–	–
at end of 1996	–	–	–	–	–	–	–	–

The above interests have not changed since the end of the 1996 financial year.

The options concerned are ordinarily exercisable in the periods set out below:

Senior Executive Share Option Scheme

Option Price (p per share)	Period of 7 years to
264	April 1997
304	April 1998
308	September 1999
200	September 2002
307	September 2003

Savings-Related Share Option Scheme

Option Price (p per share)	Period of 6 months to
182	November 1997
243	December 2000
268	May 2000

The mid-market price of Glynwed International plc ordinary shares on 1st January 1996 and 28th December 1996 was 321p and 335.5p respectively. During the period the market price of the shares ranged between 317p and 388p.

The three executive directors (Mr BC Ralph, Mr AJ Wilson and Mr JC Blakeley) have service contracts terminable on two years' notice which, in the opinion of the Board, provides consistency both with long-established service contract arrangements applying to the other most senior UK-based executives in the Group and with the need for directors to take a long-term rather than a short-term view in their conduct and planning of the Company's affairs. None of the contracts contains any provision for predetermined compensation in the event of termination.

WJ Biffen John Biffen
Chairman
Remuneration Committee
18th March 1997

AUDITORS' REPORT ON CORPORATE GOVERNANCE

To the members of Glynwed International plc
In addition to our audit of the financial statements, we have reviewed the directors' statement on page 30 concerning the company's compliance with the paragraphs of the Cadbury Code of Best Practice specified for our review by the London Stock Exchange and the finance director's comments on going concern on page 37. The objective of our review is to draw attention to non-compliance with Listing rules 12.43(j) and 12.43(v) which is not disclosed.

Basis of opinion

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

Opinion

With respect to the directors' statement on internal financial control on page 30, and going concern on page 37, in our opinion, the directors have provided the disclosures required by the Listing Rules referred to above and such statements are not inconsistent with the information of which we are aware from our audit work on the financial statements.

Based on enquiry of certain directors and officers of the Company, and examination of relevant documents, in our opinion the directors' statement of compliance on page 30 appropriately reflects the Company's compliance with the other aspects of the Code specified for our review by Listing Rule 12.43(j).

Coopers & Lybrand
Chartered Accountants
Birmingham
18th March 1997

Financial Review

Introduction

This review complements the detailed financial information on pages 38 to 67, highlighting certain elements and explaining in more detail some aspects which may not be immediately evident from the statutory form of presentation.

Operating results

The former Victaulic businesses made a full year's contribution in 1996 compared with just over four months in 1995. The integration of many of these businesses with existing Glynwed units makes it difficult to define the precise amount of their contribution, but the Group estimates that, before interest, it was about £15m for 1996 compared with £3.6m for 1995 and that the acquisition was earnings enhancing for the period under review.

Despite a full year of Victaulic's earnings, the fall in metal prices and weaker UK exports resulted in Group turnover for the year of £1,323.7m being only 5.7% above the 1995 figure of £1,251.7m. For the same reasons the Group's operating profit of £95.4m, before exceptional charges, interest and taxation, was only slightly ahead of £93.7m for 1995.

UK exports and sales by overseas businesses

Sales to overseas customers during the year (including sales by overseas businesses) were £414.2m (£388.5m).

Those continuing Group operations which are based overseas had sales of £285.7m (1995 £262.5m) and profits of £18.1m (1995 £20.0m). Exchange rate translations did not have a significant effect on either sales or profits.

Pension costs

An actuarial review of the Group's two main UK pension schemes was undertaken as at 31st March 1995. This resulted in a higher regular pension cost under the SSAP24 rules than the 1992 review. For 1995 this increase was for only part of the year and was reduced by utilisation of a prior year provision. For 1996 there is a full year's charge, resulting in an increase of £3.5m over 1995.

The total increase in the Group's pension costs over 1995, including that on other schemes, was £4.4m. Both figures are before recognising a £5.0m credit relating to discontinued businesses.

Tony Wilson
Group Finance Director

Profit before and after exceptional charges

The table below shows the effect of exceptional charges on the profit for the year under review.

	1996 Before exceptionals £m	1996 Total £m	1995 Total £m
Operating profit	95.4	95.4	93.7
Exceptional charges	–	(16.2)	(0.7)
Profit before interest	95.4	79.2	93.0
Interest	(9.1)	(9.1)	(8.8)
Profit before tax	86.3	70.1	84.2

Exceptional charges

The re-organisation of the Group into market-specific divisions was accompanied by a review of the Group's portfolio of businesses.

The outcome of this review is reflected in the exceptional charges of £16.2m as follows:

- During the year the Group disposed of Ford & Barley, Timbron and Cassart. Realised losses on disposal of these three businesses were £1.9m after utilisation of prior year provisions of £1.3m.
- In addition provisions have been made totalling £14.3m for the disposal of certain non-core businesses. These include Wednesbury Tube, the sale of which was completed in February 1997. The provisions made are after recognising the £5.0m pension credit already mentioned.

Both exceptional charges and operating losses of businesses sold or closed before the date of this Report have been shown in the profit and loss account in a column for discontinued activities. The remaining exceptional charges, and the operating losses for the related businesses, have been included in the column for continuing activities.

Interest

The interest charge of £9.1m was £0.3m higher than 1995 due mainly to a £0.9m increase attributable to a full year of the borrowings incurred to fund the acquisition of Victaulic in 1995. This was offset by a reduction of £0.6m due in part to lower interest rates but principally resulting from strong cash flows from operations during 1996.

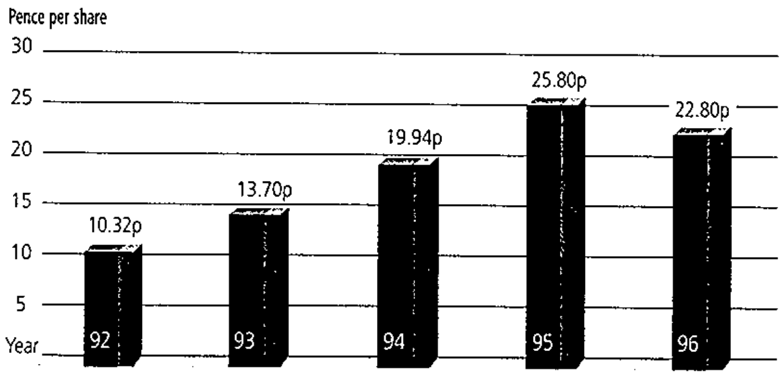
Interest cover on profit before exceptional charges was 10.5 times, and after exceptional charges was 8.7 times.

Taxation

The taxation charge for the year on the profit after interest but before exceptional charges amounts to £28.7m and represents an effective rate of 33.3% (1995 32.0%). Only £2.7m of tax relief is expected to be allowed against the exceptional charges, giving a net charge of £26.0m. When calculated against the overall profit before tax, this results in an overall effective rate of 37.1% (1995 32.3%).

Earnings

Earnings before exceptional charges were £57.4m and earnings per share 23.53p, a 2.55p decrease on last year. Earnings after exceptional charges declined from £56.8m to £43.9m. The related earnings per share decreased from 25.76p to 18.00p.



IIMR EARNINGS PER SHARE

Earnings per share calculated as defined by the Institute of Investment Management and Research exclude the effect of both losses on disposal of businesses and profits on sale of fixed assets. They decreased in the year from 25.80p to 22.80p.

The average shares in issue, on which the various earnings per share are calculated, increased from

220.5m to 243.9m. Of the increase, 21.8m was due to the inclusion, for a full year, of the shares issued for the Victaulic acquisition.

Dividends

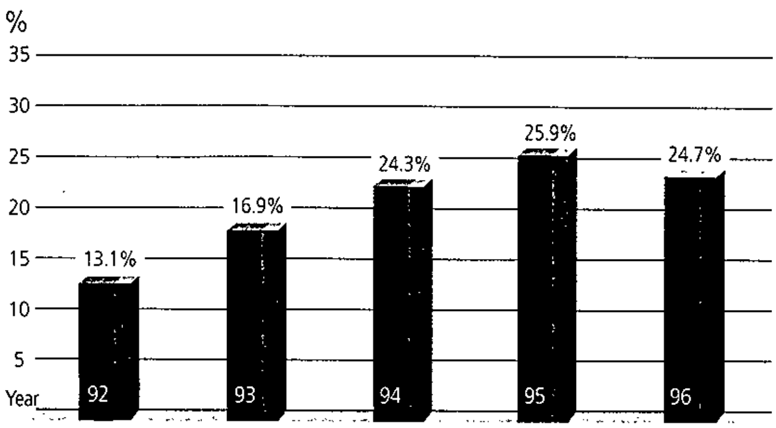
The total value of ordinary dividends declared or proposed in respect of the year is £31.3m.
On earnings before the exceptional charges dividend cover is 1.8 times, the same as the net cover for 1995.
On earnings after exceptional charges it is 1.4 times.

Net assets and funds employed

The Group's funding is analysed in the table below.

Group Funding	1996	1995
	£m	£m
Ordinary shareholders' funds	249.8	244.5
Preference shares	1.3	1.3
Glynwed shareholders' funds	251.1	245.8
Minority shareholders' interests	0.3	0.4
Total shareholders' interests	251.4	246.2
Taxation and dividends	35.7	42.0
Net borrowings	66.1	100.8
Total funding	353.2	389.0

The Group's net operating assets have decreased by £35.8m, of which £13.6m was due to an increase in the provisions for disposal of businesses. Return on capital employed decreased to 24.7% when calculated on profit before exceptional charges (1995 25.9%). After exceptional charges it was 20.5%. Capital turn was also slightly lower at 3.4 times (1995 3.5 times).



RETURN ON CAPITAL EMPLOYED (BEFORE EXCEPTIONALS)

The Group's ability to pay its debts in the short term, is measured by the current ratio, calculated by dividing current assets (including cash) by creditors falling due within one year (including short term borrowings).
At the end of 1996 the Group's current ratio was 1.3 times, the same as for 1995.

Shareholders' funds

Profit retained for the year was £12.6m. Shareholders' funds however increased in the year by only £5.3m as shown in the table below.

Change in Shareholders' Funds	
Profit retained	£m
- before exceptional charges	26.1
- exceptional charges	(13.5)
	12.6
Goodwill on acquisitions	(6.1)
Goodwill on disposals	0.8
New share capital subscribed (from exercise of share options)	3.4
Currency translation	(5.4)
Total	5.3

The £0.8m goodwill on disposals represents goodwill originally written off to reserves which in accordance with accounting standard FRS2 has to be reinstated and subsequently written off through the profit and loss account in the year of disposal.

Where appropriate the Group hedges overseas assets with foreign currency borrowings. The reduction in shareholders' funds of £5.4m due to currency translation, arises because the sterling value of overseas assets net of the foreign currency borrowings financing them, has decreased owing to the strengthening of sterling.

As such it represents a partial reversal of the translation gains made in the past when sterling was weakening.

Net borrowings

As can be seen from the table below, Glynwed's debt/equity ratio reduced substantially in the year and the Group can clearly meet all short term requirements from its existing borrowing facilities. It is also comfortably within all its borrowing covenants.

Group Borrowing Profile	1996	1995
Borrowings at year-end	£m	£m
Gross borrowings	91.4	131.5
Cash deposits	(25.3)	(30.7)
Net borrowings	66.1	100.8
Facilities		
Committed	138.4	140.9
Uncommitted	117.9	125.8
Total facilities	256.3	266.7
Debt/equity ratio	26.3%	40.9%

There are no significant restrictions which prevent the Group moving its funds to or from overseas subsidiaries, except that withholding tax may arise on certain transfers.

Cash flow

The Group welcomes the recent revision of the accounting standard FRS1 and has adopted it early in the cash flow statement on page 42.

£3.4m of the £34.7m reduction in the Group's net borrowings is from additional share capital from the exercise of share options. Effectively the remainder is from the profit retained before exceptional charges. The disposals completed during 1996 had virtually no cash impact, and reductions in working capital were sufficient to fund acquisitions.

Capital expenditure of £35.5m (1995 £39.8m) exceeded normal depreciation of £25.8m. However accelerated depreciation of £15.0m included in the exceptional charges plus disposals of property caused a £15.2m decrease in fixed assets overall.

Shareholder return

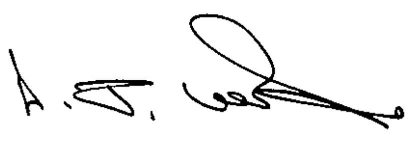
Goodwill written off on acquisition of businesses still in the Group's ownership amounted to £310.9m at the end of 1996 (1995 £305.6m).

If this is added back to total shareholders' interests, as is the practice of some analysts, the accounting return on equity (profit before tax as a percentage of total shareholders' interests at the end of the year) for 1996 is 15.4% on profit before exceptional charges (1995 15.4%).

What will be of significance to investors, however, is their total return from both dividends and capital appreciation adjusted to take into account the lapse of time. A simple way of calculating this total shareholder return is to establish the discount rate at which the present value of both the sale proceeds and the dividends (plus tax credits) received in the interim equals the original investment. For a Glynwed ordinary share sold at the close of 1996 and bought five years previously the rate of return on this basis is 16.3% p.a.

Going concern

After making enquiries, the directors have a reasonable expectation that the company has adequate financial resources to continue in operational existence for the foreseeable future. For this reason, we continue to adopt the "going concern basis" in preparing the accounts.



Anthony J. Wilson
Finance Director
18th March 1997

Consolidated Profit and Loss Account

For the 52 weeks ended 28th December 1996

	Notes	1996 52 Weeks to 28th December Continuing activities £m	Discontinued activities £m	Total £m	1995 52 Weeks to 30th December Continuing activities £m	Discontinued activities £m	Total £m
Turnover							
– acquisitions		9.7					
– other continuing activities		1,249.8					
Total turnover	2 & 3	1,259.5	64.2	1,323.7	1,174.9	76.8	1,251.7
Operating profit							
– acquisitions		1.2					
– other continuing activities		95.1					
Total operating profit/(loss)		96.3	(0.9)	95.4	96.7	(3.0)	93.7
Provision for loss on disposal of businesses		(1.5)	(12.8)	(14.3)	–	(0.7)	(0.7)
Loss on disposal of businesses		–	(3.2)	(3.2)	–	(0.4)	(0.4)
– prior period provisions		–	1.3	1.3	–	0.4	0.4
Total exceptional charges for losses on disposal of businesses	27(b)	(1.5)	(14.7)	(16.2)	–	(0.7)	(0.7)
Profit/(loss) on ordinary activities before interest	2 & 3	94.8	(15.6)	79.2	96.7	(3.7)	93.0
Interest payable (net)	6	(8.4)	(0.7)	(9.1)	(8.0)	(0.8)	(8.8)
Profit/(loss) on ordinary activities before taxation	2	86.4	(16.3)	70.1	88.7	(4.5)	84.2
Tax on profit/(loss) before exceptional charges	7	(29.1)	0.4	(28.7)	(28.3)	1.1	(27.2)
Tax credit on exceptional charges	7	–	2.7	2.7	–	–	–
Profit/(loss) on ordinary activities after taxation		57.3	(13.2)	44.1	60.4	(3.4)	57.0
Minority interests		(0.1)	–	(0.1)	(0.1)	–	(0.1)
Profit/(loss) for the financial period		57.2	(13.2)	44.0	60.3	(3.4)	56.9
Dividends (including non–equity)	9	(31.4)	–	(31.4)	(31.1)	–	(31.1)
Profit retained	10	25.8	(13.2)	12.6	29.2	(3.4)	25.8
Earnings per share	11	pence	pence	pence	pence	pence	pence
– before exceptional charges		24.03	(0.50)	23.53	27.30	(1.22)	26.08
– net basis		23.41	(5.41)	18.00	27.30	(1.54)	25.76

Notes to the accounts are on pages 44 to 63
Movements on reserves are set out in note 23

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

	Notes	1996 £m	1995 £m
Profit for the financial period		44.0	56.9
Unrealised deficit on revaluation of properties		-	(9.5)
Currency translation adjustment on foreign currency net investments	23	(5.4)	1.7
Total recognised gains and losses relating to the period		38.6	49.1

NOTES OF HISTORICAL COST PROFITS AND LOSSES

	Notes	1996 £m	1995 £m
Reported profit on ordinary activities before taxation		70.1	84.2
Realisation of property revaluation gains/(losses) of previous periods		1.7	(0.3)
Difference between an historical cost depreciation charge and the actual depreciation charge of the period calculated on the revalued amounts		0.4	0.5
Historical cost profit on ordinary activities before taxation		72.2	84.4
Tax on profit on ordinary activities	7	(26.0)	(27.2)
Equity minority interests		(0.1)	(0.1)
Dividends	9	(31.4)	(31.1)
Historical cost profit for the period retained after taxation, minority interests and dividends		14.7	26.0

RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	Notes	1996 £m	1995 £m
Profit for the financial period		44.0	56.9
Dividends	9	(31.4)	(31.1)
Profit retained	23	12.6	25.8
Currency translation adjustment on foreign currency net investments	23	(5.4)	1.7
New share capital subscribed – share capital	22	0.4	8.6
– share premium	23	3.0	119.1
Goodwill written off arising from acquisitions	23 & 27	(6.1)	(121.8)
Goodwill previously written off re disposals	23 & 27	0.8	-
Unrealised deficit on revaluation of properties		–	(9.5)
Net increase in shareholders' funds		5.3	23.9
Shareholders' funds at beginning of period		245.8	221.9
Shareholders' funds at end of period		251.1	245.8

Notes to the accounts are on pages 44 to 63

Consolidated Balance Sheet

As at 28th December 1996

	Notes	1996 £m	1995 £m
Fixed assets			
Tangible assets	12	192.0	207.2
Investments	14	1.4	1.2
Total fixed assets		193.4	208.4
Current assets			
Stocks	15	194.6	224.7
Debtors	16	259.0	266.1
Cash at bank and in hand	19	25.3	30.7
Total current assets		478.9	521.5
Creditors - amounts falling due within one year			
Short term borrowings	19	(41.4)	(31.1)
Other creditors	17	(337.9)	(357.5)
Total amounts falling due within one year		(379.3)	(388.6)
Net current assets		99.6	132.9
Total assets less current liabilities		293.0	341.3
Creditors - amounts falling due after more than one year			
Finance leases	17	(7.5)	(9.0)
Medium and long term borrowings	19	(32.9)	(81.3)
Provisions for liabilities and charges	21	(1.2)	(4.8)
Total net assets employed		251.4	246.2
Capital and reserves			
Ordinary shares	22	61.1	60.7
Preference shares	22	1.3	1.3
Called up share capital		62.4	62.0
Share premium account	23	22.2	19.2
Revaluation reserve	23	22.2	24.2
Profit and loss account	23	144.3	140.4
Total shareholders' funds (including non-equity interests)		251.1	245.8
Equity minority interests		0.3	0.4
Total capital and reserves and minority interests		251.4	246.2

G Davies Chairman

AJ Wilson Finance Director

Notes to the accounts are on pages 44 to 63

	Notes	1996 £m	1995 £m
Fixed assets			
Investments	14	163.0	163.0
Current assets			
Debtors	16	331.8	327.4
Cash at bank and in hand	19	1.5	0.2
Total current assets		333.3	327.6
Creditors - amounts falling due within one year			
Short term borrowings	19	(38.0)	(31.2)
Other creditors	17	(243.4)	(185.1)
Total amounts falling due within one year		(281.4)	(216.3)
Net current assets		51.9	111.3
Total assets less current liabilities		214.9	274.3
Creditors - amounts falling due after more than one year			
Medium and long term borrowings	19	(29.5)	(77.4)
Total net assets employed		185.4	196.9
Capital and reserves			
Ordinary shares	22	61.1	60.7
Preference shares	22	1.3	1.3
Called up share capital		62.4	62.0
Share premium account	23	22.2	19.2
Profit and loss account	23	100.8	115.7
Total shareholders' funds (including non-equity interests)		185.4	196.9

G Davies Chairman
AJ Wilson Finance Director

Notes to the accounts are on pages 44 to 63

CASH FLOW

	Notes	1996 £m	1996 £m	1995 £m	1995 £m
Cash flow from operating activities	24		137.0		103.5
Returns on investments and servicing of finance	25		(8.6)		(9.6)
Taxation			(31.2)		(28.0)
Capital expenditure and financial investment	26		(26.4)		(33.4)
Acquisitions and disposals	27		(9.2)		(43.3)
Equity dividends paid			(31.2)		(27.6)
Cash inflow/(outflow) before financing			30.4		(38.4)
Financing					
- issue of ordinary share capital	28	3.4		1.8	
- minority interest repaid	28	-		(0.1)	
- (decrease)/increase in debt	28	(40.9)		38.4	
			(37.5)		40.1
(Decrease)/increase in cash in the period	29		(7.1)		1.7

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET BORROWINGS

	Notes	1996 £m	1996 £m	1995 £m	1995 £m
(Decrease)/increase in cash in the period	29	(7.1)		1.7	
Decrease/(increase) in debt	28	40.9		(38.4)	
Change in net debt resulting from cash flows	29		33.8		(36.7)
Borrowings acquired with or issued for acquisitions			-		(6.1)
Borrowings transferred with disposals	27 & 29		0.3		-
Finance lease contracts taken out	29		(0.3)		(0.5)
Exchange adjustment: decrease/(increase) in sterling equivalent of foreign currency borrowings	29		0.9		(0.4)
Decrease/(increase) in net borrowings			34.7		(43.7)
Opening net borrowings			(100.8)		(57.1)
Closing net borrowings			(66.1)		(100.8)

Notes to the accounts are on pages 44 to 63

Source and Distribution of Value Added

For the 52 weeks ended 28th December 1996

SOURCE OF VALUE ADDED

	1996			1995		
	Continuing	Dis-continued	Total	Continuing	Dis-continued	Total
	£m	£m	£m	£m	£m	£m
Turnover	1,259.5	64.2	1,323.7	1,174.9	76.8	1,251.7
Cost of materials and services used	(884.4)	(59.9)	(944.3)	(830.7)	(67.3)	(898.0)
Total value added	375.1	4.3	379.4	344.2	9.5	353.7

DISTRIBUTION OF VALUE ADDED FROM CONTINUING ACTIVITIES

	1996		1995	
	£m	%	£m	%
Employees - costs	254.8	67.9	225.5	65.5
Taxation - UK and overseas	29.1	7.8	28.3	8.2
Providers of capital				
Interest payable on borrowings	8.4	2.2	8.0	2.3
Dividends to shareholders	31.4	8.4	31.1	9.1
Minority shareholders in subsidiaries	0.1	-	0.1	-
Total cost of capital provided	39.9	10.6	39.2	11.4
Re-investment in the business				
Depreciation	25.5	6.8	22.0	6.4
Profit retained	25.8	6.9	29.2	8.5
Total re-invested	51.3	13.7	51.2	14.9
Total value added	375.1	100.0	344.2	100.0

1. ACCOUNTING POLICIES

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

Basis of Accounting

The accounts are prepared under the historical cost convention except where adjusted for revaluations of certain fixed assets, and in accordance with applicable Accounting Standards.

Consolidation

The consolidated profit and loss account and balance sheet include the accounts of the parent company and all its subsidiaries made up to the end of the financial period and include the results of subsidiaries and businesses acquired and sold during the period from or up to their effective date of acquisition or sale. The consolidated accounts also include the Group's share of post-acquisition earnings and reserves of associated undertakings.

Acquisitions

Shares issued as consideration for the acquisition of companies have a fair value attributed to them, which is normally their market value at the date of acquisition. Net tangible assets acquired are consolidated at a fair value to the Group at date of acquisition. All changes to those assets and liabilities, and the resulting gains and losses, that arise after the Group has gained control of the subsidiary are credited and charged to the post acquisition profit and loss account or the statement of recognised gains and losses as appropriate. Differences arising between the purchase consideration and the fair value of the assets acquired are dealt with through consolidated reserves. In the Company accounts, where advantage can be taken of the merger relief rules, shares issued as consideration for acquisitions are accounted for at nominal value.

Allocations to acquisitions and discontinued activities

The principle used in allocating interest is that the interest cost in the case of acquisitions is the additional cost or credit arising during the period on both the consideration for the acquisition and the borrowings or surplus cash of the acquired business. In the case of discontinued activities it is the additional cost or credit arising during the period as a result of retaining the discontinued activity up to the date of discontinuance. The taxation charge or credit on both acquisitions and discontinued activities is that which arises on their activities while in the Group's ownership.

Research and development

Research and development expenditure is written off in the year in which it is incurred (see note 3).

Foreign currencies

The profit and loss account items of overseas subsidiaries and related companies are translated into sterling using average exchange rates. Assets and liabilities in foreign currencies are translated at the mid-market rates of exchange ruling at the balance sheet date unless matched by forward contracts. Where the translation of overseas subsidiaries and associated undertakings, and any foreign currency borrowing used to finance them, gives rise to an exchange difference, this is taken directly to reserves. Other exchange differences are dealt with through the profit and loss account.

Turnover

Turnover, which excludes value added tax, sales between group companies and trade discounts, represents the invoiced value of goods and services supplied to customers.

1. ACCOUNTING POLICIES (continued)

Stocks

Stocks are valued at the lower of cost and net realisable value. Cost includes all appropriate production overheads and full provision is made for obsolete and slow moving items.

Depreciation

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

(i) Freehold buildings at 2% per annum.

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

(iii) Plant and machinery and fixtures, fittings, tools and equipment over a period of 4 to 10 years.

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

Deferred taxation

Deferred taxation is taken into account to the extent that a liability will probably arise in the foreseeable future and is calculated at taxation rates expected to apply at that time. In the holding company and its subsidiaries the liability is assessed with reference to the individual company. On consolidation the liability is assessed with reference to the Group as a whole.

Leases

Assets held under finance leases and hire purchase contracts are integrated with owned tangible fixed assets and the obligations relating thereto, excluding finance charges, are included in borrowings. Costs in respect of operating leases are charged in arriving at the operating profit.

Borrowings

All financial instruments with a cost to the Group with the exception of share capital have been included in borrowings. Consequently finance leases and bills of exchange which have a cost to the Group are included in net borrowings, (see note 19). The cost of bills and finance leases have been included in net interest.

Pension costs

The cost of providing retirement pensions and related benefits is charged to the profit and loss account over the periods benefiting from the employees' services.

2. PRINCIPAL ACTIVITIES

Segmental Analysis

a) By division 1996

	Turnover				
	Gross	Inter-divisional	Net	Profit	Net assets employed
	£m	£m	£m	£m	£m
Consumer & Construction	275.3	(0.4)	274.9	20.2	68.5
Pipe Systems	361.2	(3.5)	357.7	34.3	118.7
Metals – Processing	302.8	(1.6)	301.2	31.9	86.7
– Distribution	327.7	(3.1)	324.6	12.0	68.7
Central Services	1.1	–	1.1	(5.1)	1.2
Property disposals	–	–	–	1.5	–
Total continuing actitivies	1,268.1	(8.6)	1,259.5	94.8	343.8
Discontinued activities	64.2	–	64.2	(15.6)	9.4
Total activities	1,332.3	(8.6)	1,323.7	79.2	353.2
Interest	–	–	–	(9.1)	–
Tax and dividends	–	–	–	–	(35.7)
Net borrowings	–	–	–	–	(66.1)
Total Group	1,332.3	(8.6)	1,323.7	70.1	251.4

Turnover of £9.7m and profit before interest of £1.2m relating to acquisitions are included above.

By division 1995

	Turnover				
	Gross	Inter-divisional	Net	Profit	Net assets employed
	£m	£m	£m	£m	£m
Consumer & Construction	253.1	(0.6)	252.5	20.6	65.2
Pipe Systems	246.8	(1.7)	245.1	25.7	127.1
Metals – Processing	325.9	(1.4)	324.5	32.8	86.4
– Distribution	354.3	(2.4)	351.9	21.6	76.1
Central Services	0.9	–	0.9	(4.3)	4.5
Property disposals	–	–	–	0.3	–
Total continuing activitites	1,181.0	(6.1)	1,174.9	96.7	359.3
Discontinued activities	76.8	–	76.8	(3.7)	29.7
Total activities	1,257.8	(6.1)	1,251.7	93.0	389.0
Interest	–	–	–	(8.8)	–
Tax and dividends	–	–	–	–	(42.0)
Net borrowings	–	–	–	–	(100.8)
Total Group	1,257.8	(6.1)	1,251.7	84.2	246.2

An analysis of net operating assets by category of asset is given on page 66.

The above tables reflect the change to the management structure of the Group made in the first half of 1996.

2. PRINCIPAL ACTIVITIES (continued)

Segmental Analysis

b) Geographically 1996

	Turnover				
	Gross	Inter-region	Net	Profit	Net assets employed
	£m	£m	£m	£m	£m
United Kingdom	995.3	(21.5)	973.8	76.7	273.1
Europe (except United Kingdom)	136.6	(7.9)	128.7	5.0	36.7
North America	136.8	(0.1)	136.7	13.2	21.8
Australia & Asia	20.7	(0.4)	20.3	(0.1)	12.2
Total continuing activities	1,289.4	(29.9)	1,259.5	94.8	343.8
Discontinued activities	64.2	–	64.2	(15.6)	9.4
Total activities	1,353.6	(29.9)	1,323.7	79.2	353.2
Interest	–	–	–	(9.1)	–
Tax and dividends	–	–	–	–	(35.7)
Net borrowings	–	–	–	–	(66.1)
Total Group	1,353.6	(29.9)	1,323.7	70.1	251.4

Geographically 1995

	Turnover				
	Gross	Inter-region	Net	Profit	Net assets employed
	£m	£m	£m	£m	£m
United Kingdom	936.9	(24.5)	912.4	76.7	282.3
Europe (except United Kingdom)	120.8	(0.3)	120.5	5.3	40.0
North America	118.4	–	118.4	10.5	23.0
Australia & Asia	24.2	(0.6)	23.6	4.2	14.0
Total continuing activities	1,200.3	(25.4)	1,174.9	96.7	359.3
Discontinued activities	76.8	–	76.8	(3.7)	29.7
Total activities	1,277.1	(25.4)	1,251.7	93.0	389.0
Interest	–	–	–	(8.8)	–
Tax and dividends	–	–	–	–	(42.0)
Net borrowings	–	–	–	–	(100.8)
Total Group	1,277.1	(25.4)	1,251.7	84.2	246.2

	1996		1995	
c) Turnover by customer location	£m	%	£m	%
Europe (except United Kingdom)	203.7	16.2	202.5	17.2
North and South America	158.8	12.6	138.1	11.8
Australia & Asia	34.9	2.8	34.4	2.9
Middle East	13.1	1.0	10.3	0.9
Africa	3.7	0.3	3.2	0.3
Total overseas	414.2	32.9	388.5	33.1
United Kingdom	845.3	67.1	786.4	66.9
Total continuing activities	1,259.5	100.0	1,174.9	100.0
Discontinued activities	64.2		76.8	
Total turnover	1,323.7		1,251.7	

Sales value of direct exports from the United Kingdom during the year was £154.6m (1995 £157.5m).

Exports from UK subsidiaries to overseas subsidiaries were an additional £21.5m (1995 £24.5m).

The Group is a supplier to many United Kingdom companies, and its products form a part of their exports.

3. NET OPERATING COSTS

	1996			1995		
	Continuing	Dis-continued	Total	Continuing	Dis-continued	Total
	£m	£m	£m	£m	£m	£m
Turnover	1,259.5	64.2	1,323.7	1,174.9	76.8	1,251.7
Less (profit)/loss before interest	(94.8)	15.6	(79.2)	(96.7)	3.7	(93.0)
Net operating costs	1,164.7	79.8	1,244.5	1,078.2	80.5	1,158.7
Net operating costs						
Raw materials and consumables	731.6	40.1	771.7	670.1	49.5	719.6
Staff costs (see note 5)	254.8	4.6	259.4	225.5	11.4	236.9
Other operating charges	163.4	13.7	177.1	149.8	10.4	160.2
Change in stocks of finished goods and work in progress	(47.7)	2.2	(45.5)	(26.8)	4.0	(22.8)
Own work capitalised	(0.3)	–	(0.3)	(0.5)	–	(0.5)
Other operating income	(8.3)	(0.1)	(8.4)	(6.1)	(0.1)	(6.2)
Other external charges	46.0	4.0	50.0	44.5	3.4	47.9
Depreciation and other amounts written off tangible fixed assets	25.5	15.3	40.8	22.0	1.8	23.8
Share of profits from associated undertakings	(0.3)	–	(0.3)	(0.2)	–	(0.2)
Total net operating costs	1,164.7	79.8	1,244.5	1,078.3	80.4	1,158.7

Net operating costs include the following:	1996	1995
	£m	£m
Reorganisation and redundancy	3.1	5.1
Profit on sale of tangible fixed assets	1.8	0.7
Operating lease rentals		
Hire of plant, equipment and vehicles	6.1	5.0
Other operating leases – property rentals	8.8	9.1
Total operating lease rentals	14.9	14.1
Auditors' remuneration		
Audit services		
– Primary auditors (Company £0.3m (1995: £0.3m))	1.1	1.1
– Other auditors of Group companies	0.2	0.2
Total audit services	1.3	1.3
Other services provided by Group auditors		
– stock exchange transactions	–	0.1
– other	0.2	0.2
Total other services	0.2	0.3
Research and development	4.0	4.3

Net expenditure in respect of discontinued activities in the current period amounted to £2.4m, of which £0.5m was provided for in previous years.

The figures for 1996 include the following amounts relating to acquisitions; turnover £9.7m, raw materials and consumables £6.8m, other operating costs £1.7m giving an operating profit of £1.2m.

4. DIRECTORS' EMOLUMENTS OF GLYNWED INTERNATIONAL PLC

	1996	1995
	£'000	£'000
Salary and benefit as executives	740	829
Performance-related	–	151
Pension contributions	229	202
Payments in respect of retirement	8	–
Non-executive directors' fees	190	145
Total directors' emoluments charged	1,167	1,327

Performance-related emoluments for 1995 have been restated to show amounts relating to that year which were determined and paid in 1996. There are no performance-related emoluments in respect of 1996.

Payments in the year to former directors in respect of services as directors amounted to £nil (1995: £12,938). Payments in the year to former directors as trustees of the Group Pension Scheme amounted to £5,000 (1995: £nil).

	1996	1995
Chairman	£	£
Salary and benefits	111,528	182,416
Performance-related	–	21,029
Total	111,528	203,445

	1996	1995
Highest paid director	£	£
Salary and benefits	295,266	282,803
Performance-related	–	52,920
Pension contributions	74,442	70,880
Total	369,708	406,603

Directors' emoluments disclosed in accordance with Part 1 of Schedule 6 to the Companies Act 1985, and excluding pension contributions, are as follows:–

£	Number of Directors	
335,001 to 340,000	–	1
295,001 to 300,000	1	–
200,001 to 205,000	–	1
190,001 to 195,000	–	1
160,001 to 165,000	–	1
150,001 to 155,000	–	1
145,001 to 150,000	1	–
125,001 to 130,000	1	–
120,001 to 125,000	1	–
110,001 to 115,000	1	–
45,001 to 50,000	1	–
35,001 to 40,000	–	1
20,001 to 25,000	2	–
15,001 to 20,000	1	2
10,001 to 15,000	1	–
Total number of directors	10	8

Further details of directors' emoluments are given in the report of the Remuneration Committee on pages 31 and 32.

5. EMPLOYEE INFORMATION

	Number of Employees	
Average number of employees	1996	1995
United Kingdom and Europe	12,294	11,266
United States of America	500	407
Canada	171	174
Australia	342	369
Total (including executive directors)	13,307	12,216

5. EMPLOYEE INFORMATION (continued)

	1996 Continuing	1996 Discontinued	1996 Total	1995 Continuing	1995 Discontinued	1995 Total
Staff costs	£m	£m	£m	£m	£m	£m
Wages and salaries	221.5	8.3	229.8	199.7	9.8	209.5
Social security costs	23.4	0.7	24.1	20.4	0.9	21.3
Other pension costs						
– Surplus released in exceptional charges (note 27)	–	(5.0)	(5.0)	–	–	–
– Other	9.9	0.6	10.5	5.4	0.7	6.1
Total staff costs (including executive directors)	254.8	4.6	259.4	225.5	11.4	236.9

Pension Costs

The Group operates a number of pension schemes throughout the world. The main schemes, which cover the majority of United Kingdom employees, are defined benefit schemes and the assets are held in funds separate from the Group's assets. The other schemes are small in size and generally of a defined contribution nature.

The latest valuations of the main schemes were carried out by Watson Wyatt Partners, consulting actuaries, as at 31st March 1995 using the projected unit credit method. The principal assumptions on which these valuations were based were that the investment return would be 3.0% greater than general salary increases and 4.5% greater than increases in future pension payments. The results of these valuations showed that together the schemes had a market value of £422.7m and were 127% funded. The valuations have been used in assessing the expected cost of providing pensions for 1996 and future years and the surplus has been spread over the expected future service of employees as a level percentage of wages and salaries.

6. INTEREST PAYABLE (net)

	1996 Continuing	1996 Discontinued	1996 Total	1995 Continuing	1995 Discontinued	1995 Total
	£m	£m	£m	£m	£m	£m
Interest payable and similar charges						
On bank loans and overdrafts	8.8	0.7	9.5	5.4	0.8	6.2
On all other borrowings	1.5	–	1.5	3.7	–	3.7
On finance leases	0.8	–	0.8	1.0	–	1.0
Total interest payable and similar charges	11.1	0.7	11.8	10.1	0.8	10.9
Less interest receivable and similar income	(2.7)	–	(2.7)	(2.1)	–	(2.1)
Interest payable (net)	8.4	0.7	9.1	8.0	0.8	8.8

Interest has been allocated to discontinued activities as explained in note 1.

7. TAXATION

	1996 Continuing	1996 Discontinued	1996 Total	1995 Continuing	1995 Discontinued	1995 Total
On the profit for the period	£m	£m	£m	£m	£m	£m
United Kingdom corporation tax (based on a rate of 33%, 1995 33%)	20.3	(0.6)	19.7	20.7	(1.1)	19.6
Overseas taxation	9.2	–	9.2	7.6	–	7.6
Taxation on the profit for the period	29.5	(0.6)	28.9	28.3	(1.1)	27.2
Previous year adjustments	(0.4)	–	(0.4)	–	–	–
Deferred taxation	–	(2.5)	(2.5)	–	–	–
Total tax on profit on ordinary activities	29.1	(3.1)	26.0	28.3	(1.1)	27.2
Tax on exceptional items included above	–	(2.7)	(2.7)	–	–	–

Taxation has been allocated to discontinued activities as explained in note 1.

8. PROFIT FOR THE FINANCIAL PERIOD

Group profit after taxation and minority interests for the period was £44.0m (1995 £56.9m). Glynwed International plc has taken advantage of section 230(3) of the Companies Act 1985 and has not included its own profit and loss account in these accounts: its corresponding profit was £16.5m (1995 £28.3m).

9. DIVIDENDS

	1996	1995
Ordinary dividends	£m	£m
Interim dividend paid of 4.40p per share (1995 4.40p)	10.9	10.7
Proposed final dividend of 8.35p per share (1995 8.35p)	20.4	20.3
Total ordinary dividends of 12.75p per share (1995 12.75p)	31.3	31.0
Preference dividends 5.425%	0.1	0.1
Total dividends	31.4	31.1

10. PROFIT RETAINED

	1996	1995
	£m	£m
Glynwed International plc	(14.9)	(2.8)
Subsidiary companies	27.5	28.6
Total profit retained	12.6	25.8

11. CALCULATION OF EARNINGS PER SHARE

Earnings per share have been calculated using the earnings set out below and an average of 243.9m (1995 220.5m) ordinary shares of 25p each in issue. The earnings per share under the Institute of Investment Management and Research (IIMR) definition are disclosed to show the basis of the calculations of the earnings per share that will be used by the financial press.

	1996		1995	
	net	IIMR	net	IIMR
	£m	£m	£m	£m
Profit on ordinary activities before taxation	70.1	70.1	84.2	84.2
Add back:				
Profit on sale of tangible fixed assets	-	(1.8)	-	(0.7)
Disposal of businesses				
- Provision for loss	-	14.3	-	0.7
- Loss on disposal	-	3.2	-	0.4
- Prior year provisions written back	-	(1.3)	-	(0.4)
Adjusted profit on ordinary activities before taxation	70.1	84.5	84.2	84.2
Taxation	(26.0)	(28.7)	(27.2)	(27.1)
Profit after taxation	44.1	55.8	57.0	57.1
Equity minority interests	(0.1)	(0.1)	(0.1)	(0.1)
Profit for the financial period	44.0	55.7	56.9	57.0
Less preference dividend	(0.1)	(0.1)	(0.1)	(0.1)
Earnings	43.9	55.6	56.8	56.9
	pence	pence	pence	pence
Earnings per share	18.00	22.80	25.76	25.80

Earnings per share of 23.53p (1995 26.08p) before exceptional charges have been calculated by adding back to earnings on the net basis, as shown above, the after-tax effect of the exceptional charges of £13.5m (1995 £0.7m).

12. TANGIBLE FIXED ASSETS

	1996						1995
	Land and buildings			Plant and machinery	Fixtures, fittings, tools and equipment	Total tangible fixed assets	Total tangible fixed assets
	Freehold	Leasehold Long	Leasehold Short				
	£m	£m	£m	£m	£m	£m	£m
Cost and valuation							
At beginning of period	96.5	6.4	0.8	241.5	76.5	421.7	347.7
Exchange adjustments	(1.1)	-	(0.1)	(4.4)	(1.3)	(6.9)	1.8
Businesses acquired	-	-	-	0.5	0.1	0.6	63.4
Additions at cost	4.1	2.7	0.1	19.1	9.5	35.5	39.8
Disposals	(4.6)	-	-	(6.4)	(7.0)	(18.0)	(14.0)
Deficit on revaluation	-	-	-	-	-	-	(17.0)
Reclassification	2.0	(2.3)	(0.1)	0.9	(0.5)	-	-
At end of period	96.9	6.8	0.7	251.2	77.3	432.9	421.7
Analysis of cost and valuation							
Cost	4.0	2.7	0.7	250.4	77.2	335.0	317.5
Professional valuations 1995	90.4	4.0	-	-	-	94.4	98.0
Directors' valuations	2.5	0.1	-	0.8	0.1	3.5	6.2
At end of period	96.9	6.8	0.7	251.2	77.3	432.9	421.7
Accumulated depreciation							
At beginning of period	-	-	0.6	161.5	52.4	214.5	176.3
Exchange adjustments	-	-	-	(3.4)	(1.0)	(4.4)	1.0
Businesses acquired	-	-	-	-	-	-	31.6
Provision for the period	1.1	0.1	0.1	15.5	9.0	25.8	23.8
Exceptional provision (note 27)	-	-	-	15.0	-	15.0	-
Disposals	(0.1)	-	-	(3.8)	(6.1)	(10.0)	(10.7)
Revaluation elimination	-	-	-	-	-	-	(7.5)
Reclassification	0.1	-	(0.1)	0.6	(0.6)	-	-
At end of period	1.1	0.1	0.6	185.4	53.7	240.9	214.5
Net book value							
At end of period	95.8	6.7	0.1	65.8	23.6	192.0	207.2
At beginning of period	96.5	6.4	0.2	80.0	24.1	207.2	171.4

Included in the cost of tangible fixed assets is **£4.8m** (1995 £3.7m) in respect of assets in course of construction.

The historical cost of tangible fixed assets amounts to **£408.1m** (1995 £402.5m) and the accumulated depreciation thereon is **£251.0 m** (1995 £225.0m), giving a net historical book value of **£157.1m** (1995 £177.5m).

The net book value of tangible fixed assets includes **£2.3m** (1995 £13.2m) in respect of assets held under finance leases. Depreciation for the period on these assets was **£10.2m** (1995 £2.0m).

13. COMMITMENTS

Group	1996	1995
a) Capital commitments	£m	£m
Contracted for but not provided in the accounts	6.6	3.1

	Land & buildings		Other operating leases	
b) Operating lease commitments for 1996	1996	1995	1996	1995
	£m	£m	£m	£m
For leases expiring				
After more than five years	5.9	6.6	–	1.4
Between two and five years	1.7	2.3	1.7	2.5
Between one and two years	0.5	1.1	1.7	0.9
Within one year	0.5	0.6	0.9	0.6
Total operating lease commitments	8.6	10.6	4.3	5.4

Glynwed International plc has no capital or operating lease commitments (1995 nil).

14. INVESTMENTS

	Share of net assets of associated undertakings	Other investments	Total
Group	£m	£m	£m
Fixed asset investments			
Cost at beginning of period	0.8	0.4	1.2
Exchange adjustment	(0.1)	(0.1)	(0.2)
Additions	0.1	–	0.1
Increase in value in period	0.1	0.2	0.3
Cost at end of period	0.9	0.5	1.4

	Cost of shares	Provisions	Net book value	Amounts due from subsidiaries	Amounts due to subsidiaries	Total
Company	£m	£m	£m	£m	£m	£m
Subsidiaries						
At beginning of period	208.1	(45.1)	163.0	309.4	(157.8)	314.6
Movements in period	–	–	–	0.9	(55.6)	(54.7)
At end of period	208.1	(45.1)	163.0	310.3	(213.4)	259.9

15. STOCKS

	1996	1995
	£m	£m
Raw materials and consumables	33.7	53.5
Work in progress	21.7	25.0
Finished goods and goods for resale	139.2	146.2
Total stocks	194.6	224.7

16. DEBTORS

	Group		Company	
Amounts falling due within one year	1996	1995	1996	1995
Operating debtors	£m	£m	£m	£m
Trade debtors	232.2	238.3	–	–
Amounts owed by Group undertakings	–	–	310.3	309.4
Amounts owed by associated undertakings	0.3	–	–	–
Other debtors	6.5	9.2	–	–
Prepayments and accrued income	12.4	13.5	–	–
Total operating debtors	251.4	261.0	310.3	309.4
Advance corporation tax	–	–	16.4	12.9
Total debtors falling due within one year	251.4	261.0	326.7	322.3
Amounts falling due after more than one year				
Advance corporation tax	5.1	5.1	5.1	5.1
Deferred taxation	2.5	–	–	–
Total debtors falling due after more than one year	7.6	5.1	5.1	5.1
Total debtors	259.0	266.1	331.8	327.4

Deferred taxation	Provided		Potential unprovided	
	1996	1995	1996	1995
	£m	£m	£m	£m
Timing differences mainly between tax allowances and depreciation	(0.4)	(0.1)	(7.1)	(10.1)
Other timing differences	2.9	0.1	2.2	5.0
Total deferred taxation	2.5	–	(4.9)	(5.1)

17. OTHER CREDITORS

	Group		Company	
Amounts falling due within one year	1996	1995	1996	1995
Operating creditors	£m	£m	£m	£m
Trade creditors	194.2	204.8	–	–
Bills of exchange payable – discounted other than at a cost to the Group	3.4	3.4	–	–
Amounts owed to Group undertakings	–	–	213.4	157.8
Social security	3.9	4.5	–	–
Accruals and deferred income	52.7	51.9	1.0	0.4
Other creditors	30.8	35.7	0.9	0.5
Total operating creditors	285.0	300.3	215.3	158.7
Bills of exchange payable – discounted at a cost to the Group (note 19)	8.0	8.2	–	–
Taxation	22.9	26.8	7.7	6.1
Dividends payable	20.4	20.3	20.4	20.3
Finance leases (note 18)	1.6	1.9	–	–
Total creditors falling due within one year	337.9	357.5	243.4	185.1
Amounts falling due after more than one year				
Finance leases (note 18)	7.5	9.0	–	–
Total amounts falling due after more than one year	7.5	9.0	–	–

18. OBLIGATIONS UNDER FINANCE LEASES

	1996	1995
Group	£m	£m
Payable after more than five years	1.5	3.0
Payable between two and five years	4.6	4.5
Payable between one and two years	1.4	1.5
Total payable after more than one year	7.5	9.0
Payable within one year	1.6	1.9
Total obligations under finance leases	9.1	10.9

19. BORROWINGS

a) Summary of Group borrowings from the balance sheet	1996				1995			
	Bills of exchange	Finance leases	Other borrowings	Total	Bills of exchange	Finance leases	Other borrowings	Total
	£m	£m	£m	£m	£m	£m	£m	£m
Floating Rate Loan Notes 1996/2002	-	-	3.8	3.8	-	-	4.1	4.1
Other short-term borrowings	-	-	37.6	37.6	-	-	27.0	27.0
Total short-term borrowings (page 40)	-	-	41.4	41.4	-	-	31.1	31.1
Discounted bills of exchange payable with a cost to the Group (note 17)	8.0	-	-	8.0	8.2	-	-	8.2
Finance leases (note 18)	-	1.6	-	1.6	-	1.9	-	1.9
Total falling due within one year	8.0	1.6	41.4	51.0	8.2	1.9	31.1	41.2
Finance leases (note 18)	-	7.5	-	7.5	-	9.0	-	9.0
Medium and long term borrowings (page 40)	-	-	32.9	32.9	-	-	81.3	81.3
Total borrowings	8.0	9.1	74.3	91.4	8.2	10.9	112.4	131.5
Cash at bank and in hand (page 40).				(25.3)				(30.7)
Total net borrowings				66.1				100.8

b) Maturity of borrowings	1996			1995		
	Secured	Unsecured	Total	Secured	Unsecured	Total
Group	£m	£m	£m	£m	£m	£m
Amounts repayable						
- after five years - by instalments	1.5	0.4	1.9	3.0	0.4	3.4
- between two and five years	4.6	4.4	9.0	4.5	59.7	64.2
- between one and two years	1.4	28.1	29.5	1.5	21.2	22.7
- within one year	1.6	49.4	51.0	1.9	39.3	41.2
Total borrowings	9.1	82.3	91.4	10.9	120.6	131.5
Cash at bank and in hand			(25.3)			(30.7)
Total net borrowings			66.1			100.8

Interest rates are not more than the appropriate market rate.

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

19. BORROWINGS (continued)

b) Maturity of borrowings	1996	1995
	Total (all unsecured)	Total (all unsecured)
Company	£m	
Medium and long term borrowings		
– between two and five years	4.1	59.1
– between one and two years	25.4	18.3
Total medium and long term borrowings (page 41)	29.5	77.4
Short term borrowings		
– within one year (page 41)	38.0	31.2
Total borrowings	67.5	108.6
Cash at bank and in hand (page 41)	(1.5)	(0.2)
Total net borrowings	66.0	108.4

20. CONTINGENT LIABILITIES

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

21. PROVISIONS FOR LIABILITIES AND CHARGES

	1996	1995
Pensions	£m	£m
Provision at beginning of period	4.8	1.7
Businesses acquired	–	0.5
Provision released re surplus on disposal of businesses (note 27)	(5.0)	–
Provided in period	1.4	2.6
Provision at end of period	1.2	4.8

22. SHARE CAPITAL

	Ordinary Shares of 25p each		5.425% Cumulative Preference shares of £1 each	
	1996	1995	1996	1995
Value	£m	£m	£m	£m
Authorised	**81.8**	81.8	**1.3**	1.3
Issued	**61.1**	60.7	**1.3**	1.3
Number	million	million	million	million
Authorised	**327.0**	327.0	**1.3**	1.3
Issued	**244.5**	243.1	**1.3**	1.3

The issued preference share capital of £1.3m (1995 £1.3m) represents the only non-equity interests included in total shareholders' funds.

During the period 1.4 million ordinary shares of 25p each (nominal value £0.4m) were issued in connection with the Company's share option schemes, for an aggregate consideration of £3.4m.

Options have been granted and were outstanding at 28th December 1996 under the following schemes as set out below:-

Glynwed International plc Senior Executive Share Option Scheme

Number of ordinary shares	Option price p per share	Exercisable in the 7 years to
45,000	264	April 1997
152,000	304	April 1998
611,000	308	September 1999
762,300	200	September 2002
175,000	307	September 2003
1,745,300	Total	

Glynwed International plc Savings-Related Share Option Scheme

Number of ordinary shares	Option price p per share	Exercisable in the 6 months to
1,630,288	182	November 1997
2,538,364	243	December 2000
549,776	268	May 2000
1,620,038	268	May 2002
6,338,466	Total	

Additionally certain options granted under Victaulic PLC schemes before the company's acquisition by Glynwed International plc have been converted to options for Glynwed International plc shares. At 28th December 1996 options outstanding under these schemes are set out below:

Executive Share Option Scheme

Number of ordinary shares	Option price p per share	Exercisable in the 7 years to
7,765	200.89	March 2000
32,030	243.39	April 2001
95,122	382.73	April 2002
75,712	302.88	April 2004
210,629	Total	

Savings-Related Share Option Scheme

Number of ordinary shares	Option price p per share	Exercisable in the 6 months to
51,920	247.25	May 1997
135,230	230.77	May 1998
144,007	245.19	May 1999
149,352	216.35	May 2000
480,509	Total	

23. RESERVES

	Share premium	Revaluation reserve	Profit and loss account	Total
	£m	£m	£m	£m
Group				
At beginning of period	19.2	24.2	140.4	183.8
Exchange differences	-	0.1	(5.5)	(5.4)
Premium on shares issued	3.0	-	-	3.0
Goodwill				
- written off arising from acquisitions (note 27)	-	-	(6.1)	(6.1)
- previously written off re disposals (note 27)	-	-	0.8	0.8
Transfer between reserves	-	(2.1)	2.1	-
Profit retained	-	-	12.6	12.6
At end of period	22.2	22.2	144.3	188.7
Company				
At beginning of period	19.2	-	115.7	134.9
Premium on shares issued	3.0	-	-	3.0
Profit retained	-	-	(14.9)	(14.9)
At end of period	22.2	-	100.8	123.0

The cumulative amount of goodwill written off to reserves in respect of continuing businesses since 1984 is **£310.9m.**

In accordance with SSAP 20, for each currency, exchange differences arising from the translation of foreign currency borrowing used to finance foreign currency investments, have been offset as reserves movements against exchange differences arising on the retranslation of the net investment in that currency. In total, net exchange losses on foreign currency borrowings of £0.9m (1995 £0.4m gain) have been taken to reserves.

24. RECONCILIATION OF OPERATING PROFIT TO NET CASH FLOW FROM OPERATING ACTIVITIES

	1996	1995
	£m	£m
Operating profit	79.2	93.0
Add back		
- exceptional charges	16.2	-
- reorganisation and redundancy costs	3.1	5.1
Operating profit before reorganisation and redundancy costs	98.5	98.1
Cash paid for reorganisation and redundancy	(5.5)	(3.1)
Depreciation provision (excluding exceptional provision of £15.0m see note 27)	25.8	23.8
Profit on sale of tangible fixed assets	(1.8)	(0.7)
Profit on sale of investments	-	(0.2)
Share of profits from associated undertakings	(0.3)	(0.2)
Decrease/(increase) in stocks	28.6	(26.7)
Decrease/(increase) in debtors	10.1	(15.0)
(Decrease)/increase in creditors	(13.5)	26.2
Exchange adjustment on current assets	(4.9)	1.3
Net cash inflow from operating activities	137.0	103.5

25. RETURNS ON INVESTMENTS AND SERVICING OF FINANCE

	1996	1995
	£m	£m
Interest charge per profit and loss account	(9.1)	(8.8)
Movement in prepayments and accruals	0.6	(0.7)
Net interest	(8.5)	(9.5)
Interest received	2.7	2.1
Interest paid	(10.4)	(10.6)
Interest element of finance lease rentals	(0.8)	(1.0)
Net interest	(8.5)	(9.5)
Preference dividend paid	(0.1)	(0.1)
Net cash outflow from returns on investments and servicing of finance	(8.6)	(9.6)

26. CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT

	1996	1995
	£m	£m
Purchase of tangible fixed assets		
– additions at cost (note 12)	(35.5)	(39.8)
– less purchased with finance leases (note 29)	0.3	0.5
Total capital expenditure	(35.2)	(39.3)
Sale of tangible fixed assets	8.9	4.0
(Purchase)/sale of investments	(0.1)	1.9
Net cash outflow from capital expenditure and financial investment	(26.4)	(33.4)

27. ACQUISITIONS AND DISPOSALS

a) Acquisitions

The principal acquisition during the period was Corroflo (May 1996).

Goodwill arising from acquisitions

	Book and fair value
Assets purchased	£m
Tangible fixed assets	0.6
Stocks	1.5
Debtors	2.3
Total assets	4.4
Less liabilities assumed	
– other creditors	(1.9)
Net operating assets acquired	2.5
Total consideration – cash paid	(8.6)
Goodwill written off arising from acquisitions (note 23)	(6.1)

Effect of acquisitions on the Group cash flow statement

Post–acquisition the effect on the Group cash flow statement was an additional inflow of £0.7m all being additional cash inflow from operations.

b) Disposals

During the period the Group disposed of Ford & Barley, Cassart and Timbron. Realised losses on disposal of these three businesses were £2.6m, of which £0.7m was previously provided. Losses on prior period disposals totalled £0.6m, all of which were previously provided.

In addition provisions have been made totalling £14.3m for the disposal of certain non-core businesses. These include Wednesbury Tube, the sale of which was completed in February 1997.

27. ACQUISITIONS AND DISPOSALS (continued)

b) Disposals (continued)

Analysis of exceptional charge

	Provisions for disposals	Disposals	Total
	£m	£m	£m
Fixed assets – exceptional depreciation (note 12)	(15.0)	–	(15.0)
Fixed assets – other	–	(0.3)	(0.3)
Total fixed assets	(15.0)	(0.3)	(15.3)
Stocks	(2.4)	(0.8)	(3.2)
Debtors	(0.8)	(0.8)	(1.6)
Creditors	(1.1)	1.0	(0.1)
Minority interest	–	0.1	0.1
Pension provision release (note 21)	5.0	–	5.0
Goodwill previously written off (note 23)	–	(0.8)	(0.8)
Total assets provided for or transferred with disposals	(14.3)	(1.6)	(15.9)
Cash costs less proceeds (see c) below)	–	(0.6)	(0.6)
Borrowings transferred with disposals (note 29)	–	0.3	0.3
Total cash costs less proceeds	–	(0.3)	(0.3)
Total exceptional charge	(14.3)	(1.9)	(16.2)

c) Net cash outflow

	1996	1995
	£m	£m
Cash paid for acquisitions	(8.6)	(36.5)
Net overdrafts acquired with acquisitions	–	(6.4)
Cash flow relating to acquisitions	(8.6)	(42.9)
Cash costs less proceeds from discontinued businesses (see b) above)	(0.6)	(0.4)
Net cash outflow from acquisitions and disposals	(9.2)	(43.3)

28. FINANCING

	1996		1995	
	£m	£m	£m	£m
Issue of ordinary share capital		3.4		1.8
Minority interest repaid		–		(0.1)
(Decrease)/increase in borrowings not repayable on demand	(38.6)		33.2	
Finance lease repayments	(2.1)		(2.8)	
(Decrease)/increase in bills discounted	(0.2)		8.0	
(Decrease)/increase in debt		(40.9)		38.4
Movement in financing		(37.5)		40.1

29. ANALYSIS OF MOVEMENT IN NET BORROWINGS

	Balance at beginning of period	Cash flow	Disposals*	Finance lease contracts taken out	Exchange translation adjustments	Balance at end of period
	£m	£m	£m	£m	£m	£m
Cash at bank and in hand(note 19)	(30.7)	4.7	–	–	0.7	(25.3)
Borrowings repayable on demand	22.9	2.4	–	–	–	25.3
Net cash	(7.8)	7.1	–	–	0.7	–
Other borrowings	89.5	(38.6)	(0.3)	–	(1.6)	49.0
Finance lease obligations	10.9	(2.1)	–	0.3	–	9.1
Bills discounted	8.2	(0.2)	–	–	–	8.0
Total net borrowings	100.8	(33.8)	(0.3)	0.3	(0.9)	66.1

* Excluding cash and borrowings repayable on demand (see note 27).

30. MAJOR NON-CASH TRANSACTIONS

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

31. TRADING SUBSIDIARIES

The following is a list of the Company's principal trading subsidiaries at 28th December 1996, and a brief description of their current activities. The capital in each case consists, unless otherwise stated, wholly of ordinary shares or common stock. Where subsidiaries are not wholly-owned the percentage of capital owned is stated in brackets. Unless otherwise stated the companies are registered in England and operate in the United Kingdom.

■ CONSUMER & CONSTRUCTION DIVISION

Glynwed Consumer & Construction Products Limited† trading as:
- Aga-Rayburn - manufacturer of high quality domestic multi-fuel cooking and heating appliances
- ● Albion - manufacturer of domestic and commercial hot water cylinders and storage systems
- Aquadart - manufacturer of shower screens
- ● Ductile Sections - manufacturer of cold rolled, formed sections, perforated steel strip and presswork, cable trays and support systems
- Falcon Catering Equipment - manufacturer of commercial catering equipment
- Flavel-Leisure - manufacturer of domestic cookers and gas fires
- Leisure - manufacturer of kitchen sinks and shower cubicles
- ● Lindapter International - supplier of technical fixing systems for steelwork and associated services
- ● Steelway-Fensecure - manufacturer of steel flooring, stairways, security fencing and fabrications
- ● Tower Manufacturing - manufacturer of cable clips, masonry nails, wall plugs and cold forged products
- Wholesale Catering Equipment - distributor of commercial catering equipment and associated products

Glynwed Foundry Products Limited† trading as:
- Drainage Systems - UK distributor of building products in cast iron and other materials
- Glynwed Brickhouse (Covers & Gratings) - manufacturer of cast iron and steel fabricated access covers and gratings
- Glynwed Foundries (Pipes & Fittings) - manufacturer of cast iron rainwater, soil and drainage products, in particular the Ensign and Timesaver ranges, and street furniture

Glynwed Tubes & Fittings Limited trading as:
- ◆ Wednesbury Tube - manufacturer of domestic water, plastic-coated, engineering and medical copper pipe

Adeptal Systems Limited - supplier of IsoSystems window and door systems
* **API Extrusion SA**† (Belgium) - extruder of plastic materials for the building industry
Leavlite Electropaint Limited - processor and finisher of metal and plastic extrusions
Metoxal UK Limited - specialist colour coater for aluminium extrusions
* **Aga Cookers Inc**† (USA) - distributor of Aga and Rayburn appliances
* **Service Line Catering Equipment Engineers Limited**† (50%) – service engineers for commercial catering equipment
* **Glynwed Singapore Pte Limited** (Singapore) - marketing of Glynwed construction products in South East Asia
* **Lindapter GmbH** (Germany) - marketing of technical fixing systems for steelwork and associated products in Germany
* **Lindapter SA** (France) - marketing of technical fixing systems for steelwork and associated products in France

■ PIPE SYSTEMS DIVISION

Glynwed Pipe Systems Limited trading as:
- Action Hose Couplings - supplier of quick action and safety hose couplings
- Capper P-C - UK distributor of plastic pressure and non-pressure pipework systems
- ● Dairy Pipe-Lines - manufacturer of hygienic stainless steel fluid handling equipment
- Durapipe-S&LP - manufacturer of high performance, high integrity plastic and composite piping systems, including fittings, valves, flowmeters and pipes
- ● Insoll Components - manufacturer of PTFE extrusions and machined components
- ● PTFE Fabricators - manufacturer of PTFE extrusions and machined components
- ● Philmac UK - distributor of plastic compression fittings, valves, micro-irrigation systems and electronic irrigation controllers
- ● Stainless Fittings - supplier of hygienic stainless steel pipework, fittings and fabrications
- Valvestock - distributor of valves, design and assembly of valves and actuator packages
- VIP-Heinke - manufacturer of high performance and precision moulded rubber seals and associated products
- ● Victaulic Systems - supplier of shouldered and grooved mechanical pipe joints and fittings
- ● Viking Johnson - manufacturer of pipe couplings, fittings and repair products for water, gas and industrial pipeline markets

◆ Business disposed of after the year-end.

Note 31 is continued overleaf . . .

31. TRADING SUBSIDIARIES (continued)

- ● Viking Johnson Fabricators - manufacturer of carbon steel coated pipework and specialist jointing systems mainly for the water industry
- ● Wask-RMF - manufacturer of transition fittings, small diameter couplings and equipment for the gas industry
- * **Enfield Industrial Corp** (USA) - manufacturer and distributor of thermoplastic pipework systems
- * **FIP Formatura Iniezione Polimeri SpA†** (Italy) - manufacturer of thermoplastic pressure pipe fittings and valves. FIP also trades as Flowline Systems - flow metering equipment for pipelines
- * **FIP GmbH** ** (Germany) - supplier of thermoplastic pipework systems in Germany
- * **GPS Iberica Srl** (formerly Glynwed Plasticos Iberica Srl) (Spain) - divisional sales and distribution operations for Spain and Portugal
- * **Glynwed Pipe Systems (Asia) Pte Limited** (Singapore) - divisional marketing operations for South East Asia
- * **Glynwed Pipe Systems Inc** (USA) - divisional marketing operations for USA
- * **Harrington Industrial Plastics Inc** (USA) - distributor of thermoplastic pipework systems - also incorporating Corroflo-Harrington and Harrington Environmental Engineering
- * **Helden Armaturen GmbH** ** (Germany) - supplier of pipe couplings and repair fittings for the gas and water industries in Germany
- * **Helden Couplings BV** (Holland) - supplier of pipe couplings and repair fittings for the gas and water industries in the Netherlands
- * **Innoge SAM** (Monaco) - manufacturer of polyethylene electrofusion systems
- * **Kunststoffwerk Höhn GmbH** (Germany) - manufacturer of polyethylene and polypropylene pipe and fittings
- * **Material de Airacion SA (MASA)** (Spain) (97%) - manufacturer of polyethylene pipe for water and gas distribution systems
- * **Philmac Pty Limited** (Australia) - manufacturer of pressure pipe fittings, valves, micro irrigation systems and electronic irrigation controllers
- * **SED Ventilsysteme GmbH** (Germany) - manufacturer of diaphragm valves, actuators and flowmeters
- * **WASK-RMF GmbH**** (Germany) - supplier of gas service fittings, metal to polyethylene pipe fittings and drilling equipment in Germany

** *Note: FIP GmbH, Helden Armaturen GmbH, WASK-RMF GmbH have been combined into the single business known as Glynwed Rohrsysteme GmbH with effect from 1 January 1997*

■ METALS PROCESSING DIVISION

Glynwed Metals Processing Limited (formerly Glynwed Steels Limited) trading as:

- Ductile Stourbridge Cold Mills - precision cold roller of steel strip
- Ductile Hot Mill - hot roller of steel flats
- Ductile Steel Processors - wide steel coil picklers and slitters and supplier of metallurgical and laboratory testing services
- Dudley Port Rolling Mills - hot rollers of steel flats and special sections
- Firth Cleveland Steel Strip - manufacturer of medium carbon, high carbon and low alloy hardened and tempered steel strip
- GB Steel Bar - manufacturer of cold finished, bright drawn, mild, freecutting, carbon and alloy steel
- George Gadd & Co - hot roller of steel bars, flats and sections
- HUB - distributors of welded and seamless steel tube
- JB&S Lees - specialist manufacturer of Trident cold rolled mild and carbon steel strip, hardened and tempered steel strip and bi-metal strip
- London Steel Tube Mills - manufacturer of precision, mechanically welded steel tube
- Longmore Brothers - manufacturer of bright drawn carbon and alloy steel bars
- Macreadys - UK distributor of bright and black carbon and alloy steels, stainless steel, silver steel, ground flat stock and tool steels
- Midland Engineering Steels - distributors of hot rolled and bright turned steel
- Monmore Tubes - manufacturer of ERW steel tube and sole manufacturer of Flo-Coat and Spectra-Coat steel tube
- Newman-Tipper Tubes - manufacturer of ERW, slotted, cold drawn seamless, sculptured, plastic coated and heat treated tube
- W Wesson - manufacturer of hot rolled steel flats, bright drawn steel bars, bright machine edge flats, bright machined squares

* **Firth Cleveland Steels Inc** (USA) - distributor of steel strip

Glynwed Engineering Limited trading as:

- Ansell Jones - manufacturer of specialist lifting and marine equipment, including Prentice Forgings' products
- Oddbolt - stockist of standard and non-standard fastenings

Paul Fabrications Limited - manufacturer of precision components and fabrications

Columbia International Inc (Canada) - manufacturer of metallic and non-metallic electric conduit accessories and fittings plus distribution of electric roughing-in products, power and communication ducts

31. TRADING SUBSIDIARIES (continued)

■ METAL SERVICES DIVISION (DISTRIBUTION)

Glynwed Metal Services Limited trading as:

Aalco - distributor of multi-metals supplying stainless steel, aluminium, copper, brass and bronze in all product forms
Amari Contract Services - specialists in sourcing and scheduling diverse packages of metal products
Amari Special Alloys - supplier of nickel alloys and other highly oxidation and corrosion resistant alloys in all forms
Amari Transport Products - specialist supplier of aluminium for the road transport industry
Baigent Stock Alloys - specialists in stainless steel plate and bar stockholding, plasma profiling and sawing
Cashmores - specialist distributors of processed stainless steel and aluminium components

Amari Aerospace Limited - specialist suppliers of high-performance aerospace materials
* **Amari Metals BV** (Netherlands) - multi-metal stockist for aluminium and stainless steel
* **Amari Dublin Limited** (Republic of Ireland) - distributor of multi-metals, stainless steel, aluminium, copper, brass and bronze in all product forms
* **Aalco SA** (Spain) - distributor of multi-metals, aluminium and stainless steel
* **Amari GmbH†** (Germany) trading as:

Günzler Metall - distributor of multi-metals, aluminium, stainless steel, copper, brass and bronze in South West Germany
Jera Metall - distributor of multi-metals, aluminium, stainless steel, copper, brass and bronze in South East Germany
LCK Metall - distributor of multi-metals, aluminium, stainless steel, copper brass and bronze in Northern Germany

* **Amari Plastics plc** - UK distributor of plastic sheet and rod
* **Port Plastics Inc** (USA) - distributor of plastic sheet in the USA

■ CENTRAL SERVICES

Glynwed Group Services Limited - management services
Glynwed Estates Limited - UK land and buildings
* **Glynwed Inc** - (USA) - management services
Glynwed Properties Limited - UK land and buildings
Glynwed Property Management Limited - leasehold property management
* **Headland Insurance Limited** (Bermuda) - insurance services
* **Glynwed Dublin Corp** (Republic of Ireland) - debt factoring

■ PRINCIPAL HOLDING COMPANIES

Astec Holdings Limited
Glynwed Overseas Holdings Limited
* **Glynwed Canada Limited** (Canada)
* **Glynwed Pacific Holdings Pty Limited** (Australia)
* **Glynwed USA Inc** (USA)
Victaulic plc

■ ASSOCIATED UNDERTAKINGS

* **GPI Industries Pty** (40%) (South Africa) - distribution and manufacture of compression fittings and clamp saddles for South Africa
* **Mariks SA** (40%) (France) - distributor of pipework systems to the French market
* **Atcor Corporation** (38%) (USA) - manufacturer of automatic de-contamination equipment.

* Investment held by a subsidiary of Glynwed International plc

† Subsidiary companies not audited by Coopers & Lybrand. The aggregate turnover of subsidiaries not audited by Coopers & Lybrand amounted to 23.9% of the Group's turnover

● Ownership of these businesses was retained in the Group companies to which they belonged at the beginning of 1996, until the year-end. However, from the time of the Group's divisional reorganisation, in May 1996, they were managed as part of the divisional companies to which they were legally transferred on 30th December 1996 and under which they have been shown in the Trading Subsidiaries listing above (on pages 61, 62 & 63).

The following statement, which should be read in conjunction with the auditors' responsibilities set out on page 65, is made with a view to distinguishing for shareholders the respective responsibilities of the directors and of the auditors in relation to the financial statements.

The directors are required by the Companies Act 1985 to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and the Group as at the end of the financial year and of the profit and loss for the financial year.

The directors consider that in preparing the financial statements on pages 38 to 63, the Company and the Group have used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates, and that all accounting standards which they consider to be applicable have been followed.

The directors have responsibility for ensuring that the Company and the Group maintain accounting records which disclose with reasonable accuracy the financial position of the Company and the Group and which enable them to ensure that the financial statements comply with the Companies Act 1985.

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

Auditors' Report

To the members of Glynwed International plc

We have audited the financial statements on pages 38 to 63

Respective responsibilities of directors and auditors

As described on page 64 the Company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with the Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's and the Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and the Group at 28th December 1996 and of the profit, total recognised gains and cash flow of the Group for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

Coopers & Lybrand

Coopers & Lybrand
Chartered Accountants and Registered Auditors
Birmingham
18th March 1997

Ten Year Financial Record

		1996	1995	1994	1993	1992
		£m	£m	£m	£m	£m
Trading results						
Turnover		1,323.7	1,251.7	1,024.9	965.8	908.3
Profit before interest		79.2	93.0	74.4	55.6	42.9
Interest payable(net)		(9.1)	(8.8)	(7.3)	(10.1)	(12.0)
Profit before taxation		70.1	84.2	67.1	45.5	30.9
Taxation		(26.0)	(27.2)	(22.6)	(14.6)	(11.8)
Profit after taxation		44.1	57.0	44.5	30.9	19.1
Equity minority interests		(0.1)	(0.1)	(0.1)	(0.1)	(0.1)
Preference dividends		(0.1)	(0.1)	(0.1)	(0.1)	(0.1)
Earnings for the period		43.9	56.8	44.3	30.7	18.9
Ordinary dividends		(31.3)	(31.0)	(25.6)	(24.1)	(24.0)
Profit retained/(transfer from reserves)		12.6	25.8	18.7	6.6	(5.1)
Net operating assets						
Fixed assets		193.4	208.4	174.0	175.1	179.6
Stocks		194.6	224.7	174.7	137.1	159.0
Operating debtors less creditors		(33.6)	(39.3)	(32.7)	(13.3)	(7.3)
Pension provision		(1.2)	(4.8)	(1.7)	(1.7)	(0.9)
Total net operating assets		353.2	389.0	314.3	297.2	330.4
Taxation and dividends		(35.7)	(42.0)	(34.4)	(23.7)	(21.9)
Total net borrowings		(66.1)	(100.8)	(57.1)	(69.8)	(102.2)
Total net assets employed		251.4	246.2	222.8	203.7	206.3
Financed by:						
Ordinary shares		61.1	60.7	52.1	51.7	51.4
Reserves		188.7	183.8	168.5	149.9	152.9
Ordinary share capital and reserves		249.8	244.5	220.6	201.6	204.3
Preference shares		1.3	1.3	1.3	1.3	1.3
Equity minority interests		0.3	0.4	0.9	0.8	0.7
Total funds		251.4	246.2	222.8	203.7	206.3
Net (decrease)/increase of funds arising from property revaluations		–	(9.5)	–	–	–
Statistics						
Profit before interest to turnover	%	6.0	7.4	7.3	5.8	4.7
Turnover to average net operating assets	x	3.4	3.5	3.4	3.1	2.7
Profit before interest to average net operating assets	%	20.5	25.7	24.3	17.7	12.9
Interest cover	x	8.7	10.6	10.2	5.5	3.6
Debt/equity ratio	%	26.3	40.9	25.6	34.3	49.5
Net assets per ordinary share	p	102.2	100.6	105.8	97.5	99.4
Dividend per ordinary share	p	12.75	12.75	12.25	11.65	11.65
Dividend cover	x	1.4	1.8	1.7	1.3	0.8
Earnings per share – net basis	p	18.00	25.76	21.34	14.91	9.20
– IIMR	p	22.80	25.80	19.94	13.70	10.32

* Net operating assets for 1996 have been shown without the inclusion of dividends payable or of amounts payable or recoverable in respect of taxation. Previous years' figures have been restated.

	1991	1990	1989	1988	1987
	£m	£m	£m	£m	£m
Trading results					
Turnover	987.3	1,103.8	1,126.6	839.8	556.2
Profit before interest	29.7	82.0	101.8	88.0	60.6
Interest payable(net)	(17.3)	(18.7)	(13.0)	(5.5)	(2.7)
Profit before taxation	12.4	63.3	88.8	82.5	57.9
Taxation	(6.3)	(23.0)	(31.3)	(28.4)	(20.5)
Profit after taxation	6.1	40.3	57.5	54.1	37.4
Equity minority interests	2.7	0.7	0.5	(0.2)	(0.1)
Preference dividends	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)
Earnings for the period	8.7	40.9	57.9	53.8	37.2
Ordinary dividends	(24.0)	(23.9)	(23.8)	(19.8)	(13.8)
Profit retained/(transfer from reserves)	(15.3)	17.0	34.1	34.0	23.4
Net operating assets					
Fixed assets	185.4	190.7	153.8	126.7	90.5
Stocks	157.6	208.0	206.7	185.6	108.9
Operating debtors less creditors	(5.8)	(26.7)	(13.5)	(12.6)	(2.8)
Pension provision	–	–	–	–	–
Total net operating assets	337.2	372.0	347.0	299.7	196.6
Taxation and dividends	(19.0)	(38.9)	(60.5)	(54.0)	(36.5)
Total net borrowings	(107.6)	(108.4)	(102.5)	(59.5)	(16.1)
Total net assets employed	210.6	224.7	184.0	186.2	144.0
Financed by:					
Ordinary shares	51.4	51.2	51.0	50.9	28.5
Reserves	155.9	169.7	129.3	131.9	113.7
Ordinary share capital and reserves	207.3	220.9	180.3	182.8	142.2
Preference shares	1.3	1.3	1.3	1.3	1.3
Equity minority interests	2.0	2.5	2.4	2.1	0.5
Total funds	210.6	224.7	184.0	186.2	144.0
Net (decrease)/increase of funds arising from property revaluations	–	29.4	–	0.6	–
Statistics					
Profit before interest to turnover	3.0	7.4	9.0	10.5	10.9
Turnover to average net operating assets	2.8	3.1	3.5	3.4	3.0
Profit before interest to average net operating assets	8.4	22.8	31.5	35.5	32.3
Interest cover	1.7	4.4	7.8	16.0	22.4
Debt/equity ratio	51.1	48.2	55.7	32.0	11.2
Net assets per ordinary share	102.5	109.6	88.4	89.7	83.1
Dividend per ordinary share	11.65	11.65	11.65	9.70	8.08
Dividend cover	0.4	1.7	2.4	2.7	2.7
Earnings per share – net basis	4.24	20.01	28.40	28.81	22.12

Notice of Meeting

Notice is hereby given that the fifty-sixth annual general meeting of Glynwed International plc will be held at **Headland House, New Coventry Road, Sheldon, Birmingham B26 3AZ on 8th May 1997** at 12 noon to transact the following ordinary business:

1. To receive and adopt the annual report and accounts for the 52 weeks ended 28th December 1996.
2. To declare a final dividend.
3. To re-elect G Davies as a director.
4. To re-elect SL Howard as a director.
5. To re-elect AJ Wilson as a director.
6. To re-appoint the auditors and to authorise the directors to determine the auditors' remuneration.
7. To consider the following resolution, which will be proposed as an ordinary resolution:

   That the authority conferred on the directors by Article 4(B) of the Company's Articles of Association be renewed for the period expiring on the earlier of the date 15 months after the passing of this resolution and the conclusion of the next annual general meeting of the Company following the passing of this resolution and for that period the "section 80 amount" is £20,373,725.
8. Subject to the passing of the foregoing resolution 7, to consider the following resolution which will be proposed as a special resolution:

   That the power conferred on the directors by Article 4(C) of the Company's Articles of Association be renewed for the period expiring on the earlier of the date 15 months after the passing of this resolution and the conclusion of the next annual general meeting of the Company following the passing of this resolution and for that period the "section 89 amount" is £3,056,058.

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.

D J Solomon

By order of the Board
D J Solomon
Secretary
Birmingham
11th April 1997

NOTES

1. A form of proxy is enclosed for the use of shareholders. This form should be completed, signed and returned so that it arrives at the office of the Company's registrars not less than 48 hours before the time of the meeting. By signing and returning 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. Copies of the contracts of service of directors (unless expiring or determinable by the Company within one year without payment of compensation) will be available for inspection at the Company's registered office between 9.00am and 4.30pm on any weekday (Saturdays and public holidays excluded) from the date of this notice up to and including the day before the meeting, and also at the place of the meeting for 15 minutes prior to the meeting and during the meeting.
3. An explanation of resolutions 7 and 8 is set out in the Report of the Directors on page 26 under the heading "Share Capital of the Company".

1997 Financial Calendar

Annual general meeting	8th May
Final ordinary dividend payable	6th June
Half-year end	28th June
Interim ordinary dividend payable	3rd December
Preference dividend payable	30th June, 31st December
1997 year end	27th December

HEAD OFFICE AND REGISTERED OFFICE

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Sheldon, Birmingham B26 3AZ
Telephone: 0121 742 2366
Fax: 0121 742 0403
Registered in England No. 354715

REGISTRARS

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Birmingham B30 3EP
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