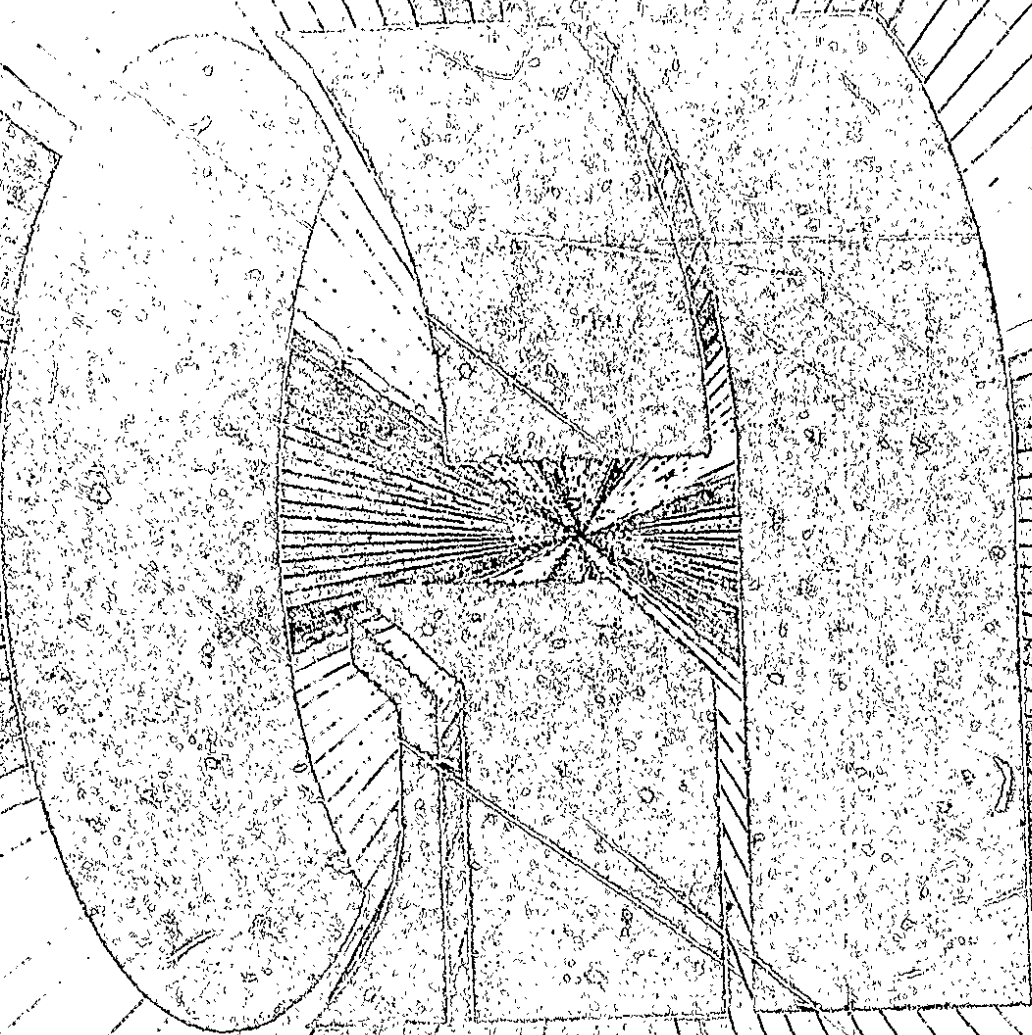


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Glynwed International



Annual Report and Accounts 1988

**50th Anniversary
1939-1989**



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Glynwed International

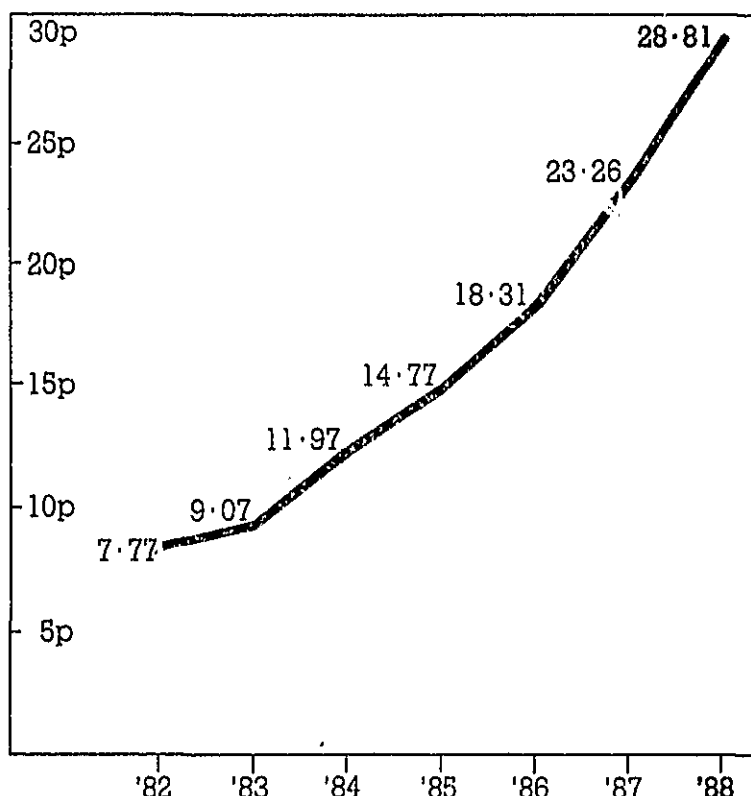
Glynwed International plc is a group which manufactures and distributes, in a variety of plastic and metal materials, building, consumer and engineering products. It operates mainly in the UK but has growing businesses on the Continent, in the USA and Australia.

The Consumer & Building Products Division manufactures kitchen and heating products which are marketed under such well-known brand names as Aga, Rayburn, Falcon, Flavel and Leisure. It also manufactures and distributes cast iron rainwater, soil and drainage pipes and fittings, and an extensive range of municipal castings.

In the Steel and Engineering Division, the steel processing businesses are involved in the conversion of mild, carbon and stainless steel billet, slab, bar and coil through hot and cold rolling and bright drawing into an extensive range of profiles. The engineering businesses manufacture a wide variety of products ranging from high technology fabrications to plastic cable clips.

The Tubes & Fittings Division contains Wednesbury Tube, which is the UK's leading manufacturer of copper tube for domestic water services and central heating systems. The welded steel tube and sections businesses supply wide and varied markets ranging from garden furniture and shop fittings to automotive exhausts. In plastics, the group serves the gas and water industries throughout the world with pipe, fittings and valves which are also supplied for use in chemical waste and drainage systems and numerous other applications.

Amari plc, which joined the group in July 1988, is a major force in the distribution of aluminium, stainless and special steels, nickel and copper alloys and a wide range of plastics; it also has significant interests in the processing and finishing of aluminium and stainless steel. The company is the basis of a new division, Metal Services, with a network of distribution centres established in the UK, Continental Europe, North America and Australasia.



EARNINGS PER SHARE GROWTH

Glynwed's key financial objective

Glynwed International





Chairman's Statement



I am very pleased to report another year of record sales and profits and a further significant improvement in performance in all areas of the group's business —

- Record Sales up 51.0% to £839.8 million
- Record Pre-tax Profits up 36.6% to £82.6 million
- Record Earnings per Share up 23.9% to 28.81p
- Record Return on Capital up 2.3% to 43.6%

The figures include a first-time contribution from Amari plc which itself produced record profits and encouraging improvements in its operating ratios. For the rest of the group too, performance ratios again show a substantial improvement over those of the previous year.

Glynwed has now established an impressive record of consistent growth, not only in profits, but also in the dividend paid to its shareholders. Once again the board is proposing to increase the annual dividend by 20%, to 9.7 pence net per share for the year. There is no doubt that this record of success is mainly due to

the united efforts of our management and workforce, and I take this opportunity to express my thanks, and those of my board colleagues, for their dedication and commitment.

GROUP OPERATIONS

All the operating divisions of the group once again achieved record trading profits, much being generated through the organic growth of our continuing activities.

An analysis of profits and external sales by operating sectors can be seen in note 2 to the accounts, and the principal operational features of the year are described on pages 8 to 16.

A reading of those pages will show that in developing our operations we have been guided by our proven strategy of:

- Growth through market leadership in all our core businesses;
- Growth through investment in lowest-cost flexible production, linked wherever possible to the strongest distributor of those products;
- Growth through domestic and international expansion by strategic product-related acquisitions;

all within the limits of our well established performance ratios of asset management.

The Consumer & Building Products Division has produced consistent organic growth during the six years up to the end of 1987, and in 1988 continued to show an excellent overall performance despite a slowing down in the demand for gas cookers and stainless steel sinks during the last quarter of the year.

During a period of relatively high demand our Steel and Engineering Division achieved excellent growth in profits whilst bearing the costs of the reorganisation of its bright drawing activities. I am sure that the investment which has been made will ensure that we have a high-quality, cost-efficient and competitive operation. Our strategy in steel has been to expand our interests into higher value added products which lend themselves to our low-cost, flexible production units, and this has been supported by investment in technology, plant and equipment and by strategic acquisitions. The engineering sub-division is now in good shape following the sale of non-strategic or non-profitable companies.

There was much acquisition activity as well as a high level of capital expenditure during the year in all areas of the Tubes & Fittings Division. The non-ferrous sub-division entered a new but related product area, hot water copper cylinders, through a number of selective acquisitions which will provide a useful base for profit expansion in the future. Our steel tube sub-division is now reorganised to be the lowest cost producer in the industry, which when linked to our specialist distribution outlets gives it an enviable position in the market.

Once again, our international plastics interests have shown excellent organic growth whilst continuing to set the scene for future expansion through a number of small but important acquisitions. The development of this business has been highly successful since it was planned in 1982 and prospects for future growth are extremely encouraging.

The results from Amari have been included from the date of acquisition in July and were well up to expectations against a background of strong industrial growth in the areas served by the company. Certainly, the timing of the acquisition was opportune, with profits beginning to emerge from investments made in earlier years. I am sure that the combined strengths of Glynwed's financial disciplines and Amari's sales and marketing expertise will yield excellent results in the future, and I am greatly encouraged by the professionalism and commitment of their management and staff to continuing growth in profitability.

ACQUISITIONS AND DIVESTMENTS

The past year saw the largest single acquisition, in financial terms, in the group's history when Amari was acquired at a cost, based on the market price of the ordinary shares of Glynwed at the time, of approximately £106 million, of which £5.9 million was paid in cash. Amari has developed a strong group of businesses, specialising in the stockholding and distribution of stainless steel, aluminium, high nickel alloys and plastic sheet, rod and pipes in the UK, continental Europe and the USA. These, when combined with Glynwed's own activities, will position our enlarged group to take advantage of the opportunities created by the formation of a single European Market in 1992.



Chairman's Statement

Another major acquisition during the year was J. B. & S. Lees which cost £25 million in cash. Based in the West Midlands, and with associated operations in the USA and West Germany, Lees manufactures and distributes specialist cold-rolled strip products, with particular emphasis on bi-metal and other strip used for metal cutting applications.

There were also a number of smaller add-on acquisitions and several divestments of peripheral businesses including our last remaining South African subsidiary.

BOARD AND ORGANISATION

The acquisition of Amari presented an opportunity to reorganise the group's corporate structure with a view to integrating the Amari operations and management into a restructured Glynwed group.

A new Metal Services Division was established at the beginning of 1989 with Jon Pither, the former managing director of Amari, appointed as its chief executive. The division comprises Amari's Aalco and Amari World Steel businesses, together with the Cashmores Stainless business, which has been transferred from the Steel and Engineering Division.

Jon Pither joined the Glynwed board on the 1st February 1989 and I know from the constructive way in which he has worked to ensure Amari's successful assimilation into the Glynwed group, that his will be a valuable contribution to the board.

Our rapidly growing plastics interests have now been separated into a division of their own and will continue to have Derrick Richardson as chief executive.

SHARE OPTIONS

The grant of share incentives to key members of staff under the Glynwed International Senior Executive Share Option Scheme continues to be an effective means of recruiting, retaining and motivating our senior managers.

Last year, the Association of British Insurers announced a relaxation to its guideline which limits the value of shares that may be put under option in favour of an individual in any 10-year period to four times his salary, by permitting the grant of options in place of options that have already been exercised. At the forthcoming annual general meeting, you will be asked to approve an amendment to the rules of the Scheme to reflect this relaxed guideline which will give greater flexibility to a committee of the board, comprising mainly non-executive directors, to administer the Scheme and supervise the grant of options.

In compliance with the terms of the relaxed guideline, I can confirm that replacement options will be granted within the current 5% limit on the number of shares available for the Scheme (which I believe is entirely appropriate and adequate for our purposes) and that any replacement options granted will have regard to the performance of the company. Further details of the proposed amendment are given in the Report of the Directors.

50TH ANNIVERSARY

During 1989 the group will be commemorating the 50th anniversary of its foundation in July 1939 by Frederick Wallis, a Birmingham entrepreneur.

Glynwed's history is short compared with that of many of the constituent parts of the group, such as The Coalbrookdale Company in Shropshire, where in 1709 Abraham Darby first used coke instead of charcoal for the smelting of iron, so making the Industrial Revolution possible.

To mark the anniversary, we are preparing a celebratory brochure which will be circulated later in the year and which I am sure employees, shareholders and others will find informative and interesting.

Whilst celebrating our Golden Jubilee, our employees at all levels across the group are joining in a corporate endeavour to raise money for the benefit of local and national charities.

CONCLUSIONS

Six years ago the Glynwed management set about the task of reshaping the group, which at that time was regarded as a run-of-the-mill engineering group, into a broadly based organisation with a variety of strategically strong core businesses, providing further potential for growth.

Over those six years we have increased pre-tax profits by an average of 35% per annum. We have also improved earnings per share by an annual average of 25%, which is more than 50% better than the average annual earnings per share growth of companies in the Financial Times All-Share Index.

Now, with the sale of non-strategic or non-profitable companies virtually complete and with the addition of a number of important well-chosen acquisitions, we exit 1988 having completed the first phase of our strategy and having consistently beaten all our internal targets, year on year.

As for the future, I am convinced that our managers have the determination and ability to maintain the successful development of the group. We have made an encouraging start to the current year and I am confident that 1989 will be another year of further progress for your group.

Gareth Jones
Gareth Jones

12th April 1989

Glynwed International



Financial Review

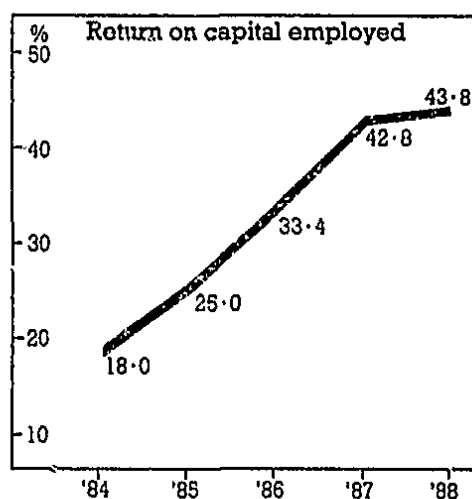
Introduction

The profile of the group changed substantially during 1988, particularly with the acquisition of Amari plc and J.B. & S. Lees Limited. There were also a number of smaller acquisitions and disposals, including the sale of Falkirk Industries (Pty) Limited in South Africa.

Ratios

Return on capital employed is, apart from earnings per share, the group's most important financial ratio. In 1988 this increased yet again, with a figure of 43.8% against 42.8% in 1987.

A graph showing the return on capital employed for each of the last five years is given below.



The management of assets so as to obtain the most efficient level of capital employed is very important to the group. The capital employed at the end of the year was £232.6 million which was funded as follows:

| | |
|---------------------|--------------|
| | £m |
| Shareholders' funds | 184.1 |
| Minority interests | 2.1 |
| Borrowings | 46.4 |
| Total | <u>232.6</u> |

The average for the year was a lower figure because the major acquisitions occurred in the second half.

There are two related ratios which are also monitored closely. These are the margin (profit before interest as a percentage of turnover) and the capital turn (turnover divided by average capital employed). In 1988 the margin dropped to 10.4% from 11.3% in 1987, largely because of the inclusion of Amari's lower-margin business, and the capital turn increased to 4.1 times from 3.8 times in 1987.

Shareholders' Funds

During 1988 shareholders' funds increased by £40.6 million. The elements of this increase were, profit retained of £34.0 million, shares issued of £99.7 million, exchange differences of £1.1 million and revaluations of £0.6 million, less goodwill written off of £94.8 million which resulted from acquisitions made during the year.

Cash Flow and Borrowings

During the year new businesses cost £77.4 million in cash, and £37.7 million was paid out in dividends and tax. These payments were funded by cash generated from operations (£65.1 million), the sale of businesses (£8.6 million) and an increase in borrowings (£41.4 million), as shown in the Source and Application of Funds statement on page 23. The group's year end borrowings were £46.4 million, and the debt/equity ratio was 24.9%. The interest charge increased to £4.8 million, which was nevertheless covered 18 times.

Capital Expenditure

Capital expenditure was £27.8 million in the year compared with £14 million in 1987; depreciation was £14.3 million against £11.2 million in 1987. The increase in expenditure was in line with the group's policy of expanding and improving production facilities.



Financial Review

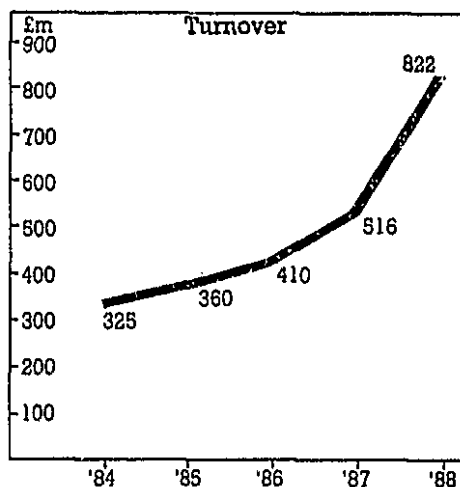
Turnover

Turnover for the year was £839.8 million, an increase of 51% on 1987. The divisional analysis is given on page 28. Every division showed a substantial increase but a large part of the total increase was due to the inclusion of six months' trading of Amari. There was also a 39% increase in exports, from £41 million to £57 million.

An analysis of turnover as between businesses which continued as part of the group throughout the year, those acquired during the year, and those sold during the year is shown below.

| | £m |
|------------------------------|-------|
| Continuing businesses | 626.0 |
| Acquisitions | 195.8 |
| Turnover excluding disposals | 821.8 |
| Disposals | 18.0 |
| Total | 839.8 |

Over a period of years turnover comparisons become distorted as a result of changes in the structure of the group. The graph below shows the turnover of the group during the last five years, excluding turnover of businesses sold during that period.



Profit

For the group as a whole, profit before interest was £87.3 million, an increase of 40% over 1987.

In the Consumer & Building Products Division the profit increased by 17.4% to £22.3 million.

The Steel and Engineering Division achieved a profit of £22 million, an increase of 27.2% over 1987. Its exports increased by 68% to £30.8 million.

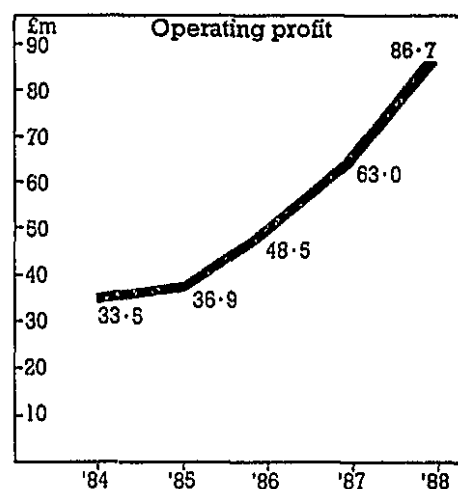
The Tubes & Fittings Division's profit rose by 20.3% to £27.8 million. In plastics, the overseas companies made a major and increasing contribution.

Amari produced a most satisfactory profit of £8.8 million before interest, following its acquisition in July; this compared very favourably with its profit of £9.3 million for the whole of 1987.

An analysis of profits on the same basis as for turnover is shown below.

| | £m |
|-----------------------------|------|
| Continuing businesses | 76.3 |
| Acquisitions | 10.4 |
| Profits excluding disposals | 86.7 |
| Disposals | 0.6 |
| Total | 87.3 |

For profit too, comparisons become distorted over a period of years. The graph below shows the operating profit of the group during the last five years, on the same basis as the turnover graph above.



Taxation

The taxation charge of £28.4 million compares with the 1987 charge of £21.1 million, the effective rate being just under 35% in each year.



Directors, Officers and Advisers

Gareth Davies FCA –

Chairman and Chief Executive

Gareth Davies (age 59) joined the Glynwed subsidiary, Steel Parts, as 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 subsequently appointed Deputy Chairman in 1975, Managing Director in 1981, Group Chief Executive in 1984, and Chairman and Chief Executive on 28th December 1986. Mr Davies is also a non-executive director of Raglan Property Trust plc, The BTS Group plc and Barclays Bank West Midlands Region Board.

***John Eccles CBE – Deputy Chairman**

John Eccles (age 57) is General Manager of the Commonwealth Development Corporation and Chairman of Chamberlin and Hill plc. He has been Chairman of the Board of Trustees of the Royal Botanic Gardens, Kew since 1983.

***The Rt Hon John Biffen MP**

John Biffen (age 58) became a director in November 1987. He is the Member of Parliament for Shropshire North and 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.

Desmond Gripton

Des Gripton (age 60), Chief Executive of the Steel and Engineering Division, joined the Group in 1970, becoming a director of Glynwed Steels Ltd in 1972 and Managing Director of its hot rolled and bright bar sub-division in 1983. Mr Gripton was appointed Chief Executive of Glynwed Steels Ltd in 1985 and was appointed to the board of Glynwed International plc in January 1987.

Secretary – John Blakeley MA

John Blakeley (age 46) joined the Group in 1978 as legal adviser and also became the Group Secretary in 1979. He has responsibility for the legal, pensions and administration departments.

Bankers

Barclays Bank plc
Lloyds Bank plc
Midland Bank plc
National Westminster Bank plc
J Henry Schroder Wagg & Co Limited
Standard Chartered Bank plc

David Milne CA – Finance Director

David Milne (age 52) joined the board of Glynwed in May 1979, from Wilmot Breeden Holdings Ltd. He also has responsibility for Glynwed Properties Ltd and is a non-executive director of Raglan Property Trust plc.

Terence O'Neill

Terry O'Neill (age 58) is Chief Executive of the Consumer & Building Products Division. He joined Glynwed in 1977 from BSR International plc where he was Chairman of the Housewares Division. He was appointed to the board of Glynwed International plc in January 1987.

Jon Pither

Jon Pither (age 54), Chief Executive of the newly-formed Metal Services Division, joined the Group in July 1988 following the acquisition of Amari plc of which he was Group Managing Director. He was appointed to the board of Glynwed International plc in February 1989. He is also a director of the London Metal Exchange.

Derrick Richardson

Derrick Richardson (age 55) is Chief Executive of the Tubes & Fittings Division. He joined Glynwed in 1974 to take charge of the Group's engineering companies and in January 1984 became responsible for Glynwed's extensive copper, steel and plastic tube and fittings operations. He was appointed to the board of Glynwed International plc in January 1987.

*non-executive

Auditors

Coopers & Lybrand
Chartered Accountants
Birmingham

Registrars

Ravensbourne Registration Services
Limited
Bourne House, 34 Beckenham Road
Beckenham, Kent BR3 4TU

Head Office and Registered Office

Headland House, New Coventry Road
Sheldon, Birmingham B26 3AZ
Telephone: 021-742 2366
Registered in England No.354715

Glynwed International



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Operational Review

Consumer & Building Products

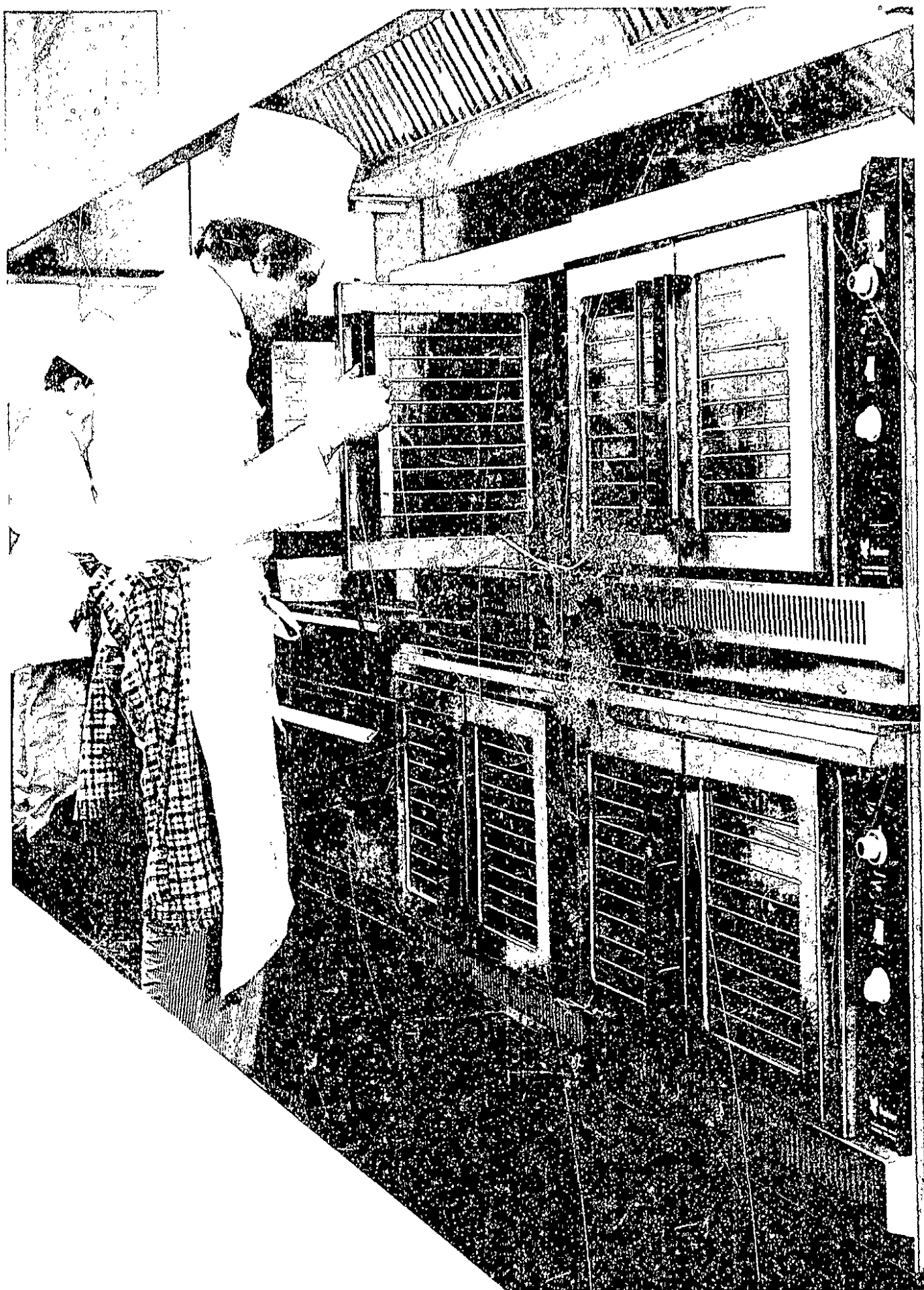
Hectic activity in the housing market during most of the year had its effect on our consumer products businesses. Aga-Rayburn was a beneficiary at the top end of the market and had an excellent year, but difficult conditions were experienced for Flavel and Leisure products. With an increasing share of consumer income going into bricks and mortar, there was a trading down in the major domestic appliance sector and competition was intense. Leisure successfully entered the Continental market with its specially developed Euroline range of sinks. This achievement was made more difficult by the increasing strength of the pound, which also hit Leisure by encouraging the inflow into the UK of cheaper sinks aimed at contract markets.

Changes in social behaviour, insofar as they affect eating out, continued much to the benefit of Falcon Catering. In all areas of activity, from new institutional buildings in the City to the proliferating roadside restaurants, there was a good demand for our products and the widening of the range to encompass the needs of the growing pub trade has also been most successful. Servicing and contract maintenance has continued to establish itself as a valuable activity and we seek to grow this in line with our plans for further range extension. Falcon has travelled abroad in search of new sales opportunities and it is from Australasia that our most encouraging reports emanate, with good sales to date. Spain and Portugal too promise well for future exports.

Building products to us mean cast-iron drainage systems and street furniture for major contracts in institutional building and the infrastructure. Sinclair foundry at Ketley in Shropshire dominates the sale of pipes and fittings to the drainage industry under the brand name Timesaver, taken from its unique coupling which revolutionised pipework installation. Throughout the year good demand continued for the products of this foundry. They were specified into major contracts across the whole of the country, with projects as diverse as major prison building and dockland redevelopment programmes.

Risca foundry in South Wales is our major producer of heavy manhole covers and frames, required for the busy road building programme, and the high-specification products needed by the telecommunications industry. At Fareham in Hampshire, lighter castings, mainly for domestic markets and for use in conjunction with plastic drainage systems, were in very good demand. The plants at West Bromwich and Cradley Heath in the West Midlands supplemented the output of Risca and Fareham as well as manufacturing specific products of their own. All in all, our foundry businesses enjoyed another year of growth. At West Bromwich we also have a valuable steel fabrication operation making standard and customised access covers and frames, some of which are to a high security standard as required by the Ministry of Defence. Much capital expenditure has been incurred in our foundries in recent years and plans are in being to improve further our capacity and price competitiveness. Distribution of our foundry products is either direct to sites of major contracts or through specialist distributors, a major one of which is our own Drainage Systems business. 1988 was a year of further consolidation of our activities in national distributorship and here too, responding to a busy market, targets for sales and profit were met by an enthusiastic team. Satellite depots are being set up to extend geographical coverage and opportunities sought to extend the merchandise they are able to offer.

Kohlangaz was welcomed into the division in June 1988 and its range of live fuel-effect fires has already made a useful contribution.



*Kitchen at Keele University supplied
by Edeco Catering Equipment*



Operational Review

Steel and Engineering

1988 proved to be a record year for the Steel and Engineering Division. The hot rolling business enjoyed buoyant order books throughout the year, with a number of new production and sales records being established. The historically good export performance of these units was further developed during the year, adverse exchange rate movements being more than offset by volume increase. The successful strategy of developing special sections and qualities, which are away from the mainstream activities of the volume producers, is continuing.

It has been a transitional year for the division's bright drawing activities, with the former Steel Parts and Barlow Bright Steels being merged to form GB Steel Bar. Significant investment in production plant, handling equipment and quality control systems in this unit, together with enhanced capacity at Longmore Brothers, has provided the division with an efficient, cost-effective, high-quality bright drawing facility in this competitive area of the division's activities.

Macreadys continued to develop their status as the UK's premier bright and alloy bar distributor. The excellent year's performance was built on their continuing to offer a wide product range supported by excellent in-house stocks, backed up by call-off stocks at the division's bright drawers and hot rollers.

Cashmores Stainless produced excellent results for the year, supported by high levels of demand for consumer goods, such as micro-wave ovens, which have a high stainless steel content. Significant volumes of their products are used in modern shops, offices and food and chemical processing plants, and the past year has seen heavy investment in these sectors.

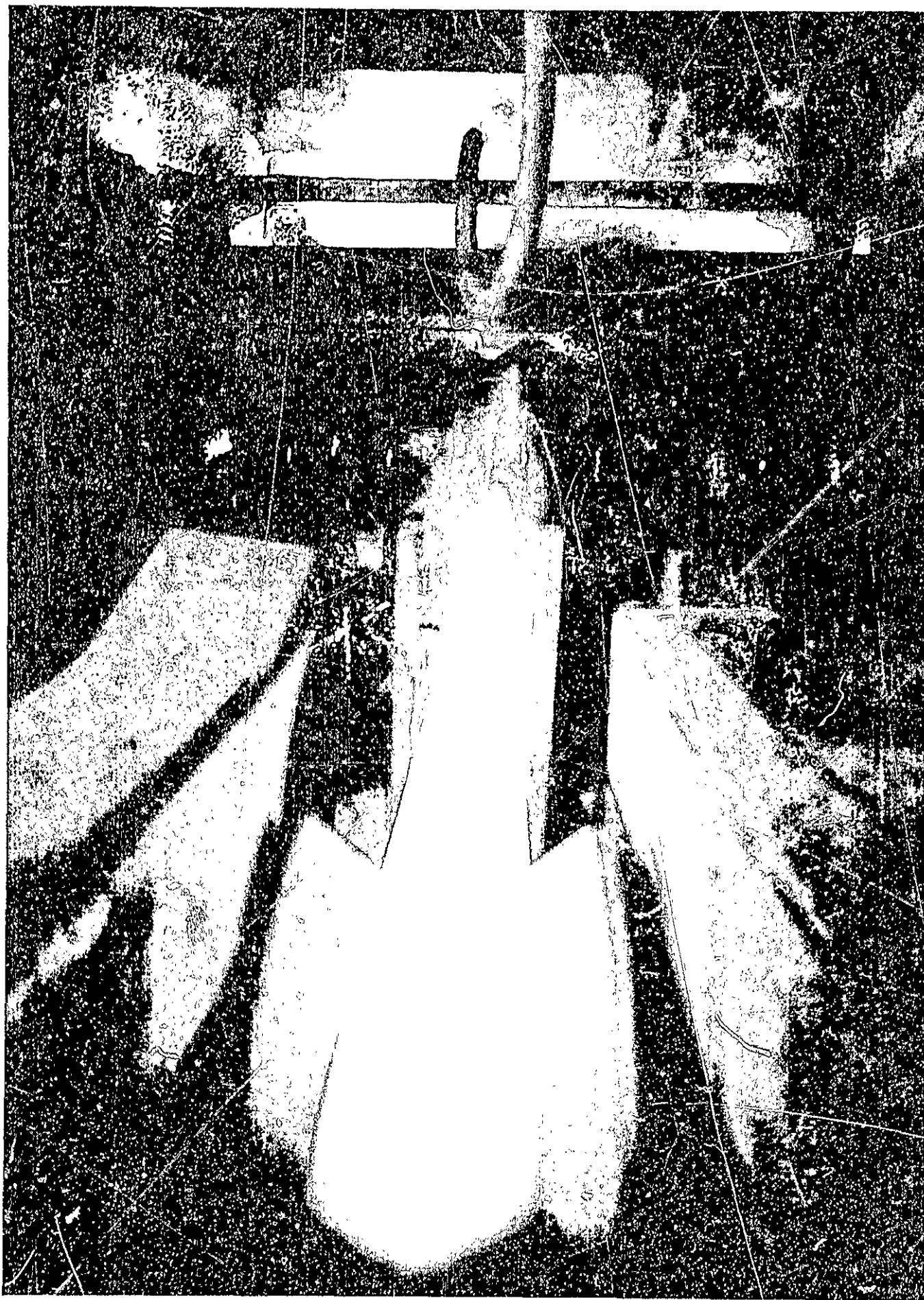
The division's cold rolling units took full advantage of improved demand for strip products during the year in the UK, continental Europe and the USA. The specialist, high added value products, such as the hardened and tempered strip produced by Firth Cleveland Steel Strip, found a particularly strong demand and additional capacity is being commissioned to take further advantage of this trend.

The acquisition during the year of West Bromwich-based J.B. & S. Lees Limited significantly broadened the division's product base. Lees' specialities are metal cutting saw blade strip and bi-metallic strip, which are distributed world wide through German and USA sales offices and a network of agencies.

The diverse engineering businesses combined to give an excellent result for 1988. Notably, Tower Manufacturing continued to develop sales of their successful plastic cable fixing clips and the unit's strong order book for rivets was recognised by the acquisition of the assets of the Midlands-based Thomson Rivet.

Paul Fabrications benefited from strong demand from the aircraft engine industry for their high-quality special-purpose fabrications. The firm order books of construction companies helped Steelway-Fensecure to maintain a good order load for their access stairways and flooring systems.

During the year the American engineering companies, Automation Service Equipment Inc and Paudjiris Inc, were sold to their management. The UK fastenings business, Cooper & Turner, was also sold during the year, leaving a strong nucleus of engineering activities capable of producing business ratios comfortably in line with the group's requirements.



Handling at George Gadd & Co



Operational Review

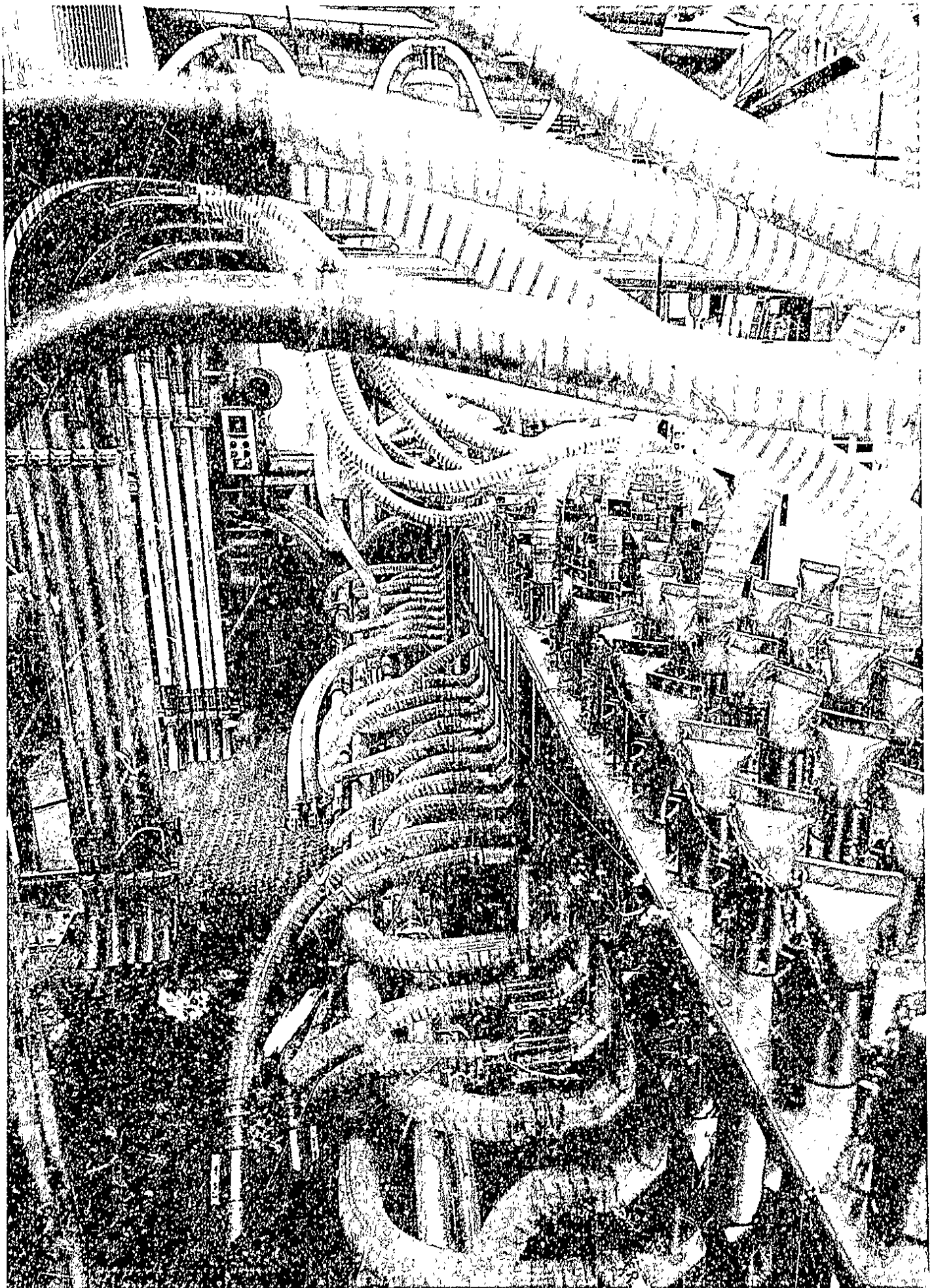
Tubes & Fittings

Sales increased by 30% during the year and benefited from the first full year's contribution from the four companies purchased in 1987. Acquisition activity within the division remained at a high level, with five companies being purchased to strengthen our copper cylinder and European plastics interests.

A strong level of demand for welded steel tube prevailed throughout the year. This, coupled with the benefits accruing from the integration of Hub & Gillespie into the steel tube sub-division, further strengthened our position as leaders in this market sector. There was major investment in new plant at both Newman-Tipper Tubes and Monmoro Tubes, further emphasizing our commitment to remain the lowest-cost producer in the industry. A top-class management team produced record profits and a strong cash flow from a well established core business.

The principal products of the non-ferrous sub-division are copper products for the building industry. Historically this had been one product, copper water tube, sold under the leading brand name of 'Wednesbury Tube'. During the year the strategy of widening the product base was pursued and culminated in the acquisition of Albion Cylinders Limited, Crown Brand Limited, Kesteven Copper Cylinders Limited and Malvern Copper Cylinders Limited, all manufacturing hot water storage products and adding to the business of Baguley, which was acquired late in 1987. The mild weather at the start of 1988 saw a sluggish early demand for these heating-related products but the second half was extremely buoyant, leading to a satisfactory result for the year. Glynwed Plastics International is responsible for the direction, growth and strategic development of our world-wide business in specialist plastic manufacturing and distribution, with operations in the United Kingdom, Australia, Canada, the United States, Germany and Italy (including a new joint-venture company near Genoa, set up towards the end of 1988, in conjunction with the Arvedi group, to manufacture high performance plastic pipe). The principal products are thermo-plastic pipework systems — fittings, valves and pipe itself — for fluid handling in industry, agriculture, gas and water transmission, construction and infrastructure development.

With its larger manufacturing operations all exporting extensively, Glynwed Plastics International is a world-wide business of considerable substance, ranking with the top two or three in its field. Most of our markets were strong in 1988. The two major acquisitions of 1987, Formatura Iniezione Polimeri and Plastic Constructions, both responded excellently to the 'Glynwed culture' and to synergistic opportunities, and those businesses operating in Europe developed successful strategies for market share growth. These factors combined to provide an excellent trading performance in 1988.



*Computer controlled material
handling and transportation system at
Europipe*



Operational Review

Amari

Throughout the year the demand for metal and plastic products manufactured and distributed by Amari reflected the strong industrial growth that has been particularly evident in Britain and North America. Many commodity prices rose sharply, there were some shortages, and trading conditions in 1988 therefore were good. Against this background it was reasonable to expect a strong performance from operating units but, in the event, actual results surpassed expectations.

Several factors are working to the advantage of Amari. The quality of established activities continues to improve, and further potential is available as management attention is focused on asset utilisation and operating cost-effectiveness. It is encouraging that the benefits of long-term development strategies are being confirmed by a rising profit contribution from recent acquisitions and investments. This has been demonstrated clearly in both Europe and the USA. During 1986 and 1987 Amari purchased small metal distribution companies and under-performing assets in the USA. Over the past year these operations have been reorganised and strengthened progressively to satisfy group objectives. Amari is now well established in Canada and in the North East and Gulf Coast areas of the USA.

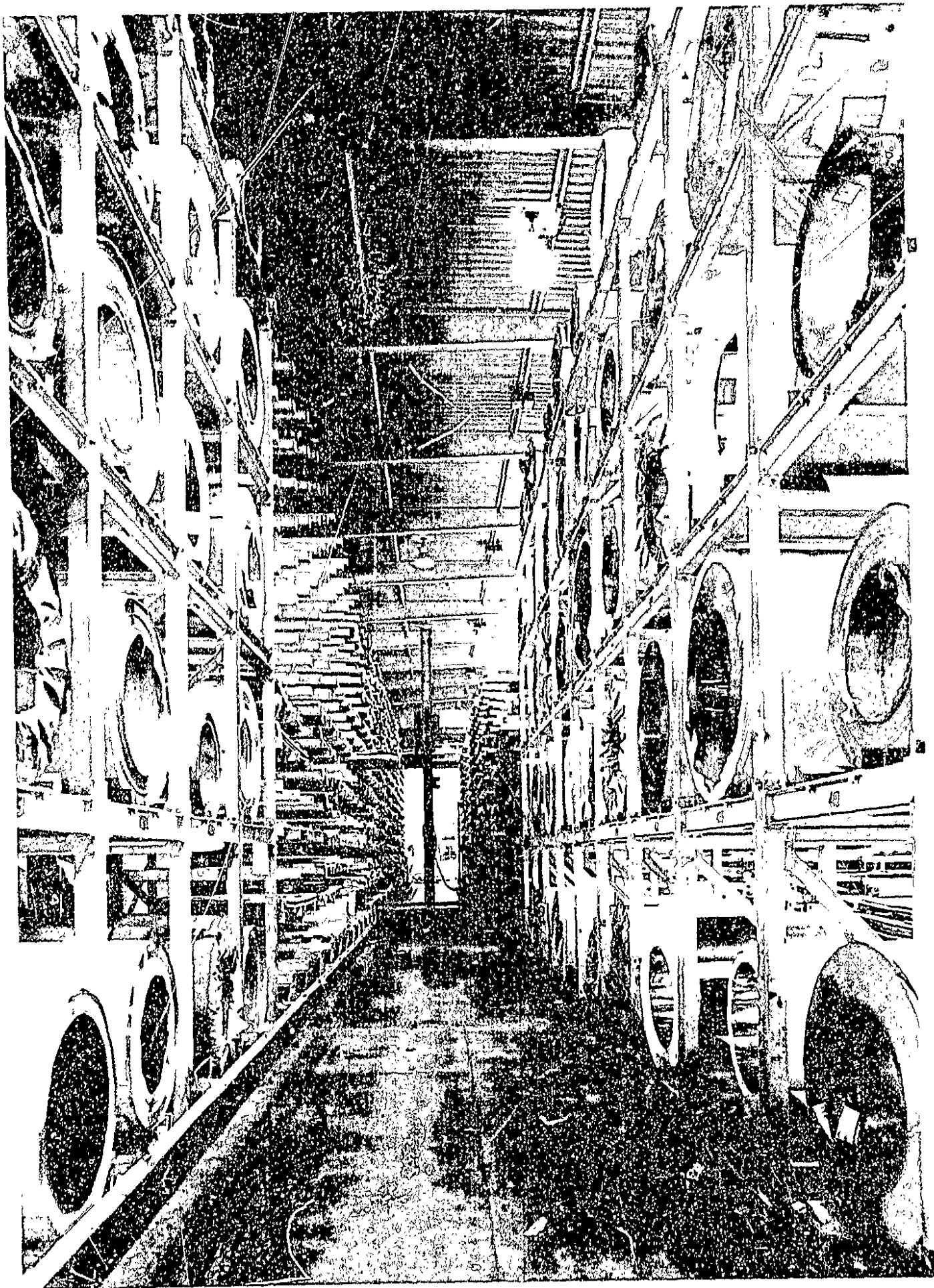
Elsewhere, Aalco, has extended its network on the Continent and in Britain where, as our major metal distributor, its market share for aluminium and stainless steel is already 15%. The group's merchanting company, Amari World Steel, is achieving effective market entry into Australia through local joint ventures.

In parallel, Amari Plastics, a specialist in the distribution of rigid plastics and related materials, has launched a subsidiary in West Germany and in January 1989 acquired a company with five branches on the West Coast of the USA.

Together, the present total of 88 warehouses and plants, an increase of 10% under Glynwed ownership, represents considerable progress toward the underlying group aim of being the leading international distributor of high performance metals and industrial plastics.

In these industries the effect of scale is important. Throughput and international coverage are most significant when negotiating supplies, as increasingly mill economies require larger production and shipping quantities. Considerable volume is also necessary to justify committing the range of inventory, processing equipment and support services necessary to offer customers, however large, the assurance and quality of service demanded by modern industrial systems.

A strong distribution organisation handling a broad range of products in different markets has created opportunities for the Glynwed group generally to benefit from vertical integration and added value manufacturing opportunities. Upstream, other Glynwed companies are substantial producers of steel, copper, and plastic products that Amari distributes or processes. Downstream, Leavite continues to develop as metal finishers and manufacturers of building products that utilize materials handled by the group.





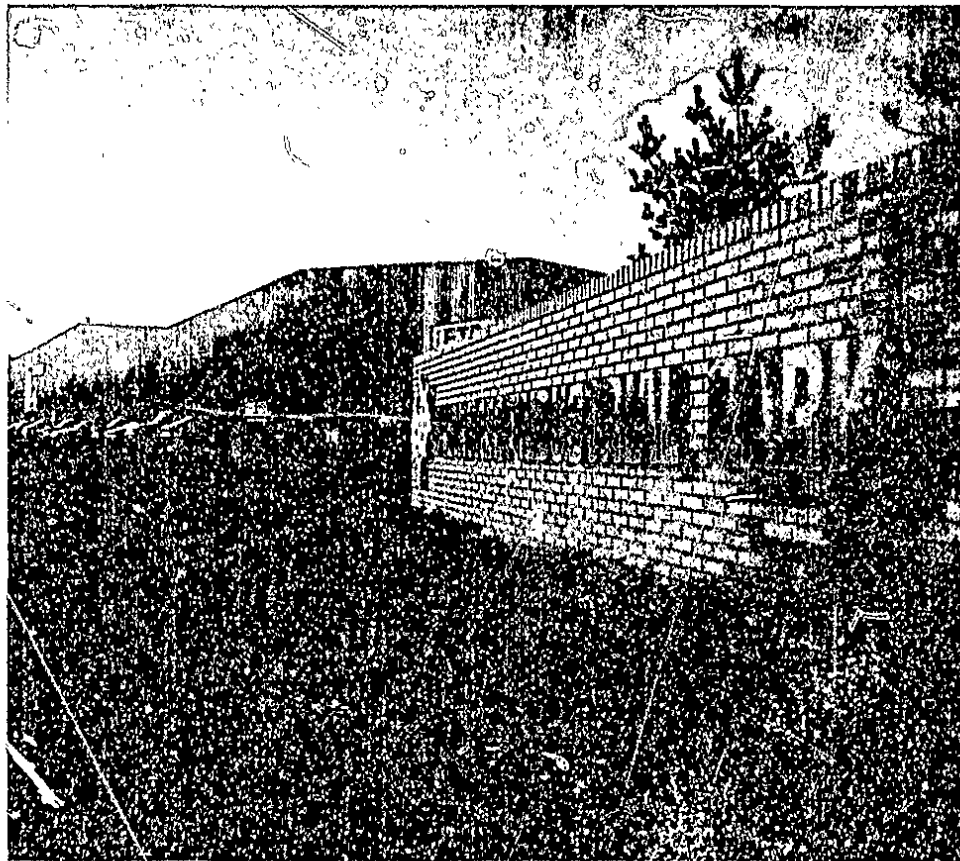
Operational Review

Properties

The strong property market in the south of England progressively spread north during the year. Rental values increased and the demand for industrial property was at the highest level for many years. Glynwed Properties Limited enjoyed a successful year in which rental income from group companies and external tenants was satisfactory. Surplus properties were sold profitably during the year and, where applicable, planning permissions for change to a more valuable use were sought.

Our investment in new properties and further development of existing properties for group companies continued. New warehouse facilities for Durapipe, Vulcathene and GB Steel Bar were completed during the year. Major industrial premises were purchased for the Consumer & Building Products Division at Leamington Spa and for the Tubes & Fittings Division at Great Bridge near West Bromwich. The property portfolio of the company is progressively expanding and we can expect to see the future rental income growing in line with the group's acquisitions.

The redevelopment of a former foundry site at Kirkintilloch near Glasgow was successfully completed on time during the year by Glynwed Property Developments Limited. This retail development was pre-let and sold to the Co-operative Wholesale Society.



Industrial site in the Midlands developed by Glynwed Property Developments Limited

Glynwed International



Report of the Directors

The directors of Glynwed International plc present their annual report, together with the accounts of the company, for the 53 weeks ended 31st December 1988. These will be submitted to members at the annual general meeting to be held at Headland House, New Coventry Road, Sheldon, Birmingham, at 12 noon on Wednesday, 7th June 1989.

ACTIVITIES AND BUSINESS REVIEW

Glynwed International plc is the group holding company and the activities of its principal subsidiaries are shown on pages 38 to 40.

A review of the activities and prospects of the group and of the principal subsidiaries is given on pages 2 to 16.

DIVIDENDS AND RESERVES

The earnings for the period after taxation, minority interests and preference dividends were £53.8 million (1987 £39.1 million). An interim dividend of 3.45p per share was paid on 21st December 1988. The directors recommend a final dividend of 6.25p per share payable on 6th July 1989 making a total for the period of 9.70p per share (1987 8.08p per share).

After ordinary dividends of £19.8 million (1987 £13.8 million), the profit retained of £34.0 million (1987 £23.4 million) remains to be added to reserves.

CAPITAL OF THE COMPANY

At the general meetings of the company held on 23rd May 1988 and 4th July 1988 the authorised share capital of the company was increased to £62,579,880 and £74,454,189 respectively.

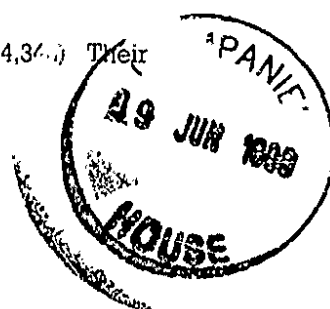
Allotments of ordinary shares of 25p each of the company were made during 1988 as indicated in note 23 on page 37.

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.

SHAREHOLDERS

At 31st December 1988, ordinary shareholders totalled 15,991 (1987—14,364). Their holdings are analysed below

| Number of shares | % of shareholders | % of shares in issue |
|------------------|-------------------|----------------------|
| 1—5,000 | 88.58 | 8.85 |
| 5,001—50,000 | 8.55 | 9.13 |
| 50,001—250,000 | 1.85 | 17.06 |
| Over 250,000 | 1.02 | 64.96 |
| | <u>100.00</u> | <u>100.00</u> |



There are no interests in 5% or more of the issued ordinary capital of the company notified for the purposes of section 198 of the Companies Act 1985.

TANGIBLE FIXED ASSETS

The movements of tangible fixed assets are set out in note 13 on page 32 and include a net book value of £31.3 million arising from the acquisition of new businesses.



Report of the Directors

DIRECTORS

The members of your board at the date of this report are listed on page 6

In accordance with the Articles of Association Mr D Gripton and Mr T O'Neill retire by rotation and, being eligible, offer themselves for re-election. Mr J P Pither, having been appointed a director by the board on 1st February 1989, retires and, being eligible, offers himself for election. As presaged in the 1987 annual report, Sir Eric Pountain ceased to be a director on 23rd May 1988.

Mr O'Neill has a service contract with the company which expires on 30th September 1990, and Mr Pither has a service contract with Amari plc which expires on 1st April 1993. Mr Gripton does not have a service contract of more than one year's duration.

DIRECTORS' INTERESTS

The share interests of the directors of the company according to the register kept under section 325 of the Companies Act 1985 were in the following quantities of ordinary shares of 25p each on the dates shown and were all beneficial:

| | 31st December 1988 | | | | 27th December 1987* | | | |
|---------------|--------------------|--|-----------|-----------|---------------------|--|-----------|--|
| | | Options under the Senior Executive Share Option Scheme | | | | Options under the Senior Executive Share Option Scheme | | |
| | Shares | at 200·5pps | at 264pps | at 304pps | Shares | at 200·5pps | at 264pps | |
| G Davies | 150,000 | 56,250 | 37,500 | 60,000 | 150,000 | 56,250 | 37,500 | |
| DL Milne | 95,625 | 37,500 | 24,000 | 9,000 | 95,625 | 37,500 | 24,000 | |
| D Gripton | 45,000 | 55,687 | 27,750 | 19,500 | 45,000 | 55,687 | 27,750 | |
| T O'Neill | 75,000 | 37,500 | 30,000 | 15,000 | 75,000 | 37,500 | 30,000 | |
| DW Richardson | 75,000 | 37,500 | 30,000 | 15,000 | 75,000 | 37,500 | 30,000 | |
| WJ Biffen | — | — | — | — | — | — | — | |
| JD Eccles | 1,875 | — | — | — | 1,875 | — | — | |

Additionally, the undermentioned directors held options under the group's Savings-Related Share Option Scheme to acquire ordinary shares of the company as indicated below:

| | 31st December 1988 | | 27th December 1987* | |
|---------------|--------------------|-------------|---------------------|-------------|
| | at 97·6pps | at 238·6pps | at 97·6pps | at 238·6pps |
| G Davies | 7,579 | — | 7,579 | — |
| DL Milne | 757 | 2,790 | 757 | 2,790 |
| D Gripton | — | — | — | — |
| T O'Neill | 7,579 | — | 7,579 | — |
| DW Richardson | 7,579 | — | 7,579 | — |

The above interests are the same at the date of this report.

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

*Figures at 27th December 1987 have been adjusted for the capitalisation issue of ordinary shares in the company in June 1988.



Report of the Directors

ACQUISITIONS AND DISPOSALS

Principal acquisitions during the period:

| | |
|----------|--|
| June | Kohlangaz Limited for £5.3 million. |
| July | Amari plc for 32.6 million ordinary shares and £5.9 million. |
| October | J.B. & S. Lees Limited for £24.7 million. |
| November | Kesteven Copper Cylinders Limited, Crown Brand Limited and Malvern Copper Cylinders Limited for a total of £4.1 million. |
| December | Gulf Coast Supply Co. (LA) Inc. in Louisiana, USA for \$1.6 million. |

Principal disposals during the period:

| | |
|-----------|--|
| September | Cooper & Turner for £1.1 million. |
| December | Automation Service Equipment Inc. and Pandjiris Inc., both in the USA, for \$3.8 million. Falkirk Industries (Pty) Limited in South Africa. Wask Engineering for £4.5 million. |

Principal acquisitions since the period end:

| | |
|---------|--|
| January | MAR-CO SA in France for FF 30 million. Port Plastics Inc. in the USA for \$4.4 million. |
| March | Wholesale Catering Equipment businesses for £1.6 million. |

Additionally, in April an offer was made to acquire for £1.4 million all of the issued share capital of Plastic Constructions plc not already owned by the company.

EMPLOYEES

Recruitment policies are designed to ensure equal opportunity of employment, regardless of race or sex. Appropriate consideration is given to disabled applicants in offering 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 are kept abreast of group developments in financial, commercial, strategic and personnel matters and are thereby enabled to inform and discuss with employees as appropriate at our individual operating units.

The group operates pension and share option schemes for employees, to good and regularly reviewed current standards, together with an Educational Scholarship Scheme; under the latter, 82 awards were made in 1988 by the independent selection committee.

As indicated in the Chairman's Statement on page 2 amendments are to be proposed to the rules of the company's Senior Executive Share Option Scheme designed to ensure that:

- (1) the Scheme will be administered by a remuneration committee consisting wholly or mainly of non-executive directors of the company;
- (2) in calculating the 4 times salary limit on the value of shares that may be put under option in favour of an individual in any 10 year period, options granted under the Scheme that have already been exercised shall be disregarded; and
- (3) in the period of 4 years from the date of formal Inland Revenue approval of the amendments to the Scheme, the total number of shares to be subject to options granted under the Scheme shall not exceed 2.5% of the company's share capital, with any balance within the overall 5% limit on the number of shares available for use in the Scheme remaining available for the unexpired term of the Scheme.



Report of the Directors

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

POLITICAL AND CHARITABLE DONATIONS

During the period the group gave £78,168 for charitable purposes in the UK, and £30,000 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 62.40p.

SOUTH AFRICA - EEC CODE OF CONDUCT

A report has been made in 1988 to the Department of Trade and Industry on Falkirk Industries (Pty) Limited under the terms of the Government White Paper (Cmnd 9861) published in July 1986; subsequently Falkirk Industries (Pty) Limited has been sold. Copies of the report are available on request to the undersigned.

'CLOSE' COMPANY STATUS

The company is not a 'close' company within the meaning of the Income and Corporation Taxes Act 1988.

AUDITORS

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

By order of the board
JC Blakeley
Secretary

Birmingham
12th April 1989



Financial Calendar 1989

| | |
|-----------------------------------|--------------------------|
| Annual general meeting | 7th June |
| Half year end | 1st July |
| Final ordinary dividend payable | 6th July |
| Interim ordinary dividend payable | 13th December |
| Preference dividend payable | 30th June, 31st December |
| 1989 year end | 30th December |

Interest payments:

| | |
|-----------------------------|----------------------------|
| 7·5% debenture stock | 6th June, 6th December |
| 10·75% unsecured loan stock | 31st March, 30th September |



Source and Distribution of Value Added

| For the 53 weeks ended 31st December 1988 | 1988 £million | | 1987 £million | |
|---|------------------|-------|------------------|-------|
| Source of value added | | | | |
| Turnover | 839.8 | | 556.2 | |
| Cost of materials and services used | 587.7 | | 366.4 | |
| Total value added | 252.1 | | 189.8 | |
| | £million | % | £million | % |
| Distribution of value added | | | | |
| Employees — wages, salaries, pension and national insurance contributions and other employee costs | 150.5 | 59.7 | 116.1 | 61.2 |
| Taxation — UK and overseas | 28.4 | 11.2 | 21.1 | 11.1 |
| Providers of capital | | | | |
| Interest payable on borrowings | 4.8 | 1.9 | 2.1 | 1.1 |
| Dividends to shareholders | 19.9 | 7.9 | 13.9 | 7.3 |
| Minority shareholders in subsidiaries | 0.2 | 0.1 | 0.1 | 0.1 |
| Total cost of capital provided | 24.9 | 9.9 | 16.1 | 8.5 |
| Re-investment in the business | | | | |
| Depreciation | 14.3 | 5.7 | 11.2 | 5.9 |
| Profit retained | 34.0 | 13.5 | 23.4 | 12.3 |
| Total re-invested | 48.3 | 19.2 | 34.6 | 18.2 |
| Extraordinary items (net) | — | — | 1.9 | 1.0 |
| Total value added | 252.1 | 100.0 | 189.8 | 100.0 |



Source and Application of Funds

For the 53 weeks ended 31st December 1988

| | 1988 £million | 1987 £million |
|--|------------------|------------------|
| Funds generated | | |
| Profit before taxation | 82.5 | 60.4 |
| Adjustment for items not involving the movement of funds | | |
| Depreciation | 14.3 | 11.2 |
| Profit on sale of fixed assets | (4.0) | (0.5) |
| Share of profits of related companies | (0.5) | (0.2) |
| Funds generated from operations | 92.3 | 70.9 |
| Funds from other sources | | |
| Issue of shares for acquisition of subsidiary | 99.6 | 5.6 |
| Other share issues | — | 1.5 |
| Disposal of tangible fixed assets | 9.3 | 3.3 |
| Disposal of investments | 0.5 | 0.1 |
| Dividends from related companies | 0.1 | 0.1 |
| Proceeds of sale of subsidiary companies and businesses | 8.6 | 6.9 |
| Total funds from other sources | 118.1 | 17.5 |
| Total funds generated | 210.4 | 88.4 |
| (Increase)/decrease in working capital | | |
| Stocks | (13.5) | (12.7) |
| Debtors | 2.0 | (7.9) |
| Creditors | 0.1 | 17.8 |
| Total increase in working capital | (11.4) | (2.8) |
| Net funds generated | 199.0 | 85.6 |
| Application of funds | | |
| Acquisition of tangible fixed assets | (27.8) | (14.0) |
| Acquisition of subsidiary companies and businesses | (177.0) | (33.8) |
| Purchase of investments | (0.2) | (2.1) |
| Dividends paid | (15.9) | (12.3) |
| Taxation paid | (21.8) | (17.6) |
| Extraordinary items | — | (0.8) |
| Currency translation movement | 2.3 | (2.4) |
| Total application of funds | (240.4) | (83.0) |
| (Decrease)/increase in funds | (41.4) | 2.6 |
| Statement of borrowings (Note 20) | | |
| At 26th December 1987 | 5.0 | 7.6 |
| At 31st December 1988 | 46.4 | 5.0 |
| (Increase)/decrease in net borrowings | (41.4) | 2.6 |
| The effects on the Source and Application of Funds of the acquisitions and disposals of subsidiary companies and businesses are summarised below | | |
| | 1988 £million | 1987 £million |
| (Increase)/decrease of net assets | | |
| Fixed assets — tangible | (28.9) | (5.8) |
| — investments | 1.0 | — |
| Stocks | (63.2) | (9.4) |
| Debtors | (79.2) | (17.7) |
| Operating creditors | 88.8 | 21.5 |
| Taxation | 6.5 | (0.7) |
| Minority interests | 1.4 | 0.3 |
| Losses on disposals | — | (1.7) |
| Goodwill on acquisition of subsidiaries | (94.8) | (13.4) |
| Total increase of net assets | (168.4) | (26.9) |
| Financed by | | |
| Issue of shares | (99.6) | (5.6) |
| Cash paid and payable | (39.8) | (15.6) |
| Net borrowings taken over on acquisitions | (37.6) | (12.6) |
| Cost of acquisitions | (177.0) | (33.8) |
| Cash received and receivable for disposals | 8.6 | 6.9 |
| Net payments | (168.4) | (26.9) |

Glynwed International



Consolidated Profit and Loss Account

For the 53 weeks ended 31st December 1988

| | Notes | 1988 £million | 1987 £million |
|--|---------|------------------|------------------|
| Turnover | 2 | 839.8 | 556.2 |
| Net operating costs | 3 | (752.5) | (493.7) |
| Operating profit | 2 | 87.3 | 62.5 |
| Interest payable (net) | 6 | (4.8) | (2.1) |
| Profit on ordinary activities before taxation | | 82.5 | 60.4 |
| Tax on profit on ordinary activities | 7 | (28.4) | (21.1) |
| Profit on ordinary activities after taxation | | 54.1 | 39.3 |
| Minority interests | | (0.2) | (0.1) |
| Profit on ordinary activities after taxation and minority interests | | 53.9 | 39.2 |
| Preference dividends | 8 | (0.1) | (0.1) |
| Earnings for period | | 53.8 | 39.1 |
| Extraordinary items | 10 | — | (1.9) |
| Ordinary dividends | 8 | (19.8) | (13.8) |
| Profit retained | 11 & 24 | 34.0 | 23.4 |
| Earnings per share | 12 | 28.81p | 23.26p |

Notes to the accounts are on pages 27 to 40.
Movements on reserves are set out in note 24.



Consolidated Balance Sheet

| 31st December 1988 | Notes | 1988 £million | 1987 £million |
|---|-------|------------------|------------------|
| Fixed assets | | | |
| Tangible assets | 13 | 121.8 | 85.1 |
| Investments | 15 | 4.9 | 5.4 |
| Total fixed assets | | 126.7 | 90.5 |
| Current assets | | | |
| Stocks | 16 | 185.6 | 108.9 |
| Debtors | 17 | 214.7 | 137.5 |
| Cash at bank and in hand | 20 | 38.8 | 27.0 |
| Total current assets | | 438.8 | 273.4 |
| Creditors — amounts falling due within one year | | | |
| Operating creditors | 18 | (275.9) | (177.0) |
| Short term borrowings | 20 | (19.1) | (6.8) |
| Total amounts falling due within one year | | (295.0) | (183.8) |
| Net current assets | | 143.8 | 89.6 |
| Total assets less current liabilities | | 270.5 | 180.1 |
| Creditors — amounts falling due after more than one year | | | |
| Operating creditors | 18 | (18.5) | (10.9) |
| Medium and long term borrowings | 20 | (65.8) | (25.2) |
| Total net assets employed | | 186.2 | 144.0 |
| Capital and reserves | | | |
| Ordinary shares | 23 | 50.9 | 28.5 |
| Preference shares | 23 | 1.3 | 1.3 |
| Called up share capital | | 52.2 | 29.8 |
| Share premium account | 24 | 8.1 | 22.3 |
| Revaluation reserve | 24 | 7.4 | 7.5 |
| Profit and loss account | 24 | 116.4 | 83.9 |
| Total capital and reserves | | 184.1 | 143.5 |
| Minority interests | | 2.1 | 0.5 |
| Total capital and reserves and minority interests | | 186.2 | 144.0 |

G Davies Chairman

JD Eccles Deputy chairman

DL Milne Finance director

Notes to the accounts are on pages 27 to 40

Glynwed International



Company Balance Sheet

| 31st December 1988 | Notes | 1988 £million | 1987 £million |
|---|-------|------------------|------------------|
| Fixed assets | | | |
| Investments | 15 | 336.0 | 189.1 |
| Current assets | | | |
| Debtors | 17 | 15.9 | 12.1 |
| Cash at bank and in hand | 20 | 14.9 | 5.7 |
| Total current assets | | 30.8 | 17.8 |
| Creditors — amounts falling due within one year | | | |
| Operating creditors | 18 | (30.3) | (15.8) |
| Short term borrowings | 20 | — | (1.1) |
| Total amounts falling due within one year | | (30.3) | (16.9) |
| Net current assets | | 0.5 | 0.9 |
| Total assets less current liabilities | | 336.5 | 190.0 |
| Creditors — amounts falling due after more than one year | | | |
| Medium and long term borrowings | 20 | (45.3) | (20.4) |
| Provisions for liabilities and charges | | | |
| Deferred taxation | 22 | (0.2) | (0.2) |
| Total net assets employed | | 291.0 | 169.4 |
| Capital and reserves | | | |
| Ordinary shares | 23 | 50.9 | 28.5 |
| Preference shares | 23 | 1.3 | 1.3 |
| Called up share capital | | 52.2 | 29.8 |
| Share premium account | 24 | 8.1 | 22.3 |
| Other reserves | 24 | 111.7 | 20.2 |
| Profit and loss account | 24 | 119.0 | 97.1 |
| Total capital and reserves | | 291.0 | 169.4 |

G Davies Chairman
 JD Eccles Deputy chairman
 DL Milne Finance director

Notes to the accounts are on pages 27 to 40.



Notes to the Accounts

1 ACCOUNTING POLICIES

The following statements outline the main accounting policies of the group

Basis of accounting

The historical cost convention is used for the preparation of the accounts except where adjusted for revaluations of certain fixed assets.

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. The profit and loss account also includes 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 related companies.

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. Differences arising between the purchase consideration and the net tangible assets acquired are dealt with through consolidated reserves.

Research and development

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

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 related companies, and any foreign currency borrowings used to finance them, gives rise to an exchange difference, this is taken direct to reserves. Other exchange differences are dealt with through the profit and loss account.

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 gross values of fixed assets after deduction of Government grants as follows

- (i) Freehold buildings at 2% per annum.
- (ii) Leasehold land and buildings over 50 years or the period of the lease whichever is the less.
- (iii) Plant 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.

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 creditors. Costs in respect of operating leases are charged in arriving at the operating profit.



Notes to the Accounts

2 PRINCIPAL ACTIVITIES

Turnover and operating profit

| | Turnover | | Profit | |
|------------------------------|------------------|------------------|------------------|------------------|
| | 1988 £million | 1987 £million | 1988 £million | 1987 £million |
| By division | | | | |
| Consumer & Building Products | 152.2 | 138.2 | 22.3 | 19.0 |
| Steel & Engineering | 247.4 | 217.8 | 22.0 | 17.3 |
| Tubes & Fittings | 249.6 | 188.8 | 27.8 | 23.1 |
| Amari | 186.7 | — | 8.8 | — |
| Properties | 1.0 | 2.0 | 9.0 | 6.5 |
| Other operations | 2.9 | 9.4 | (0.7) | (1.5) |
| Central costs | — | — | (1.9) | (1.9) |

| | | | | |
|-------------------------------------|-------|-------|------|------|
| Total turnover and operating profit | 839.8 | 556.2 | 87.3 | 62.5 |
|-------------------------------------|-------|-------|------|------|

Geographically

| | | | | |
|--------------------------|-------|-------|-------|-------|
| Europe | 759.0 | 517.2 | 79.9 | 59.7 |
| United States of America | 65.6 | 22.9 | 3.1 | 0.4 |
| Australia | 13.1 | 10.3 | 4.5 | 3.4 |
| South Africa | 2.1 | 5.8 | (0.2) | (1.0) |

| | | | | |
|-------------------------------------|-------|-------|------|------|
| Total turnover and operating profit | 839.8 | 556.2 | 87.3 | 62.5 |
|-------------------------------------|-------|-------|------|------|

| | 1988 | | 1987 | |
|--------------------------------|----------|-------|----------|-------|
| | £million | % | £million | % |
| Turnover by customer location | | | | |
| North and South America | 91.9 | 10.9 | 31.9 | 5.7 |
| Europe (except United Kingdom) | 65.6 | 7.8 | 32.8 | 5.9 |
| Asia and Australasia | 14.2 | 1.7 | 10.8 | 2.0 |
| Middle East | 11.0 | 1.3 | 9.7 | 1.7 |
| Southern Africa | 4.3 | 0.5 | 7.8 | 1.4 |
| Total overseas | 187.0 | 22.2 | 93.0 | 16.7 |
| United Kingdom | 652.8 | 77.8 | 463.2 | 83.3 |
| Total turnover | 839.8 | 100.0 | 556.2 | 100.0 |

Sales value of direct exports from the United Kingdom during the year was £57 million (1987 £41 million).

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



Notes to the Accounts

3 OPERATING COSTS

| | 1988 £million | 1987 £million |
|--|------------------|------------------|
| Net operating costs | | |
| Raw materials and consumables | 475.0 | 276.4 |
| Staff costs (see note 5) | 150.5 | 116.1 |
| Other operating charges | 98.2 | 70.1 |
| Change in stocks of finished goods and work in progress | (13.3) | (7.2) |
| Own work capitalised | (0.2) | (0.3) |
| Other operating income | (7.4) | (4.0) |
| Other external charges | 35.9 | 31.6 |
| Depreciation and other amounts written off tangible fixed assets | 14.3 | 11.2 |
| Share of profits of related companies | (0.5) | (0.2) |
| Total net operating costs | 752.5 | 493.7 |

Net operating costs include the following

| | | |
|---------------------------------------|------------|------------|
| Operating lease rentals | | |
| Hire of plant, equipment and vehicles | 3.7 | 1.6 |
| Other operating leases | 2.0 | 2.0 |
| Total operating lease rentals | 5.7 | 3.6 |
| Auditors' remuneration | 1.0 | 0.7 |

| | £000 | £000 |
|--|------------|------------|
| Emoluments of directors of Glynwed International plc | | |
| As directors | 31 | 27 |
| As executives | 705 | 558 |
| Payment in connection with retirement from office | — | 50 |
| Total directors' emoluments | 736 | 635 |

4 DIRECTORS' EMOLUMENTS

Directors' emoluments disclosed in accordance with Part V of Schedule 5 to the Companies Act 1985, and excluding pension contributions, are as follows

| | 1988 £ | 1987 £ |
|------------------------------------|---------------------|-----------|
| Chairman and highest paid director | 186,533 | 135,302 |
| Other directors | | |
| £ | Number of directors | |
| 100,001 to 105,000 | 3 | — |
| 95,001 to 100,000 | 1 | — |
| 80,001 to 85,000 | — | 3 |
| 75,001 to 80,000 | — | 1 |
| 15,001 to 20,000 | 1 | 1 |
| 5,001 to 10,000 | 1 | 1 |
| Up to 5,000 | 1 | 1 |



Notes to the Accounts

5 EMPLOYEE INFORMATION

| | 1988 | 1987 |
|---------------------------------------|---------------------|----------|
| | Number of employees | |
| Average number of employees | | |
| Europe | 11,079 | 9,767 |
| South Africa | 776 | 1,016 |
| United States of America | 368 | 266 |
| Australia | 249 | 241 |
| Total (including executive directors) | 12,472 | 11,290 |
| | £million | £million |
| Staff costs | | |
| Wages and salaries | 130.3 | 100.8 |
| Social security costs | 12.1 | 8.6 |
| Other pension costs | 8.1 | 6.7 |
| Total | 150.5 | 116.1 |

The number of UK employees other than directors who received emoluments, excluding pension contributions, in excess of £30,000 is as follows:

| £ | Number of employees | |
|------------------|---------------------|----|
| 75,001 to 80,000 | 1 | — |
| 60,001 to 65,000 | 2 | — |
| 55,001 to 60,000 | 3 | 2 |
| 50,001 to 55,000 | 3 | 1 |
| 45,001 to 50,000 | 9 | 4 |
| 40,001 to 45,000 | 15 | 2 |
| 35,001 to 40,000 | 22 | 18 |
| 30,001 to 35,000 | 38 | 25 |

6 INTEREST PAYABLE (net)

| | 1988 | 1987 |
|---|----------|----------|
| | £million | £million |
| Interest payable and similar charges | | |
| On borrowings wholly repayable within five years | 1.1 | 0.8 |
| On all other borrowings | 5.9 | 2.3 |
| On finance leases | 0.5 | 0.3 |
| Total interest payable and similar charges | 7.5 | 3.4 |
| Less other interest receivable and similar income | 2.7 | 1.3 |
| Interest payable (net) | 4.8 | 2.1 |

7 TAXATION

| | 1988 | 1987 |
|--|----------|----------|
| | £million | £million |
| On the profit for the period | | |
| United Kingdom corporation tax at 35% (1987 35%) | 25.6 | 19.6 |
| Overseas taxation | 2.4 | 1.5 |
| Taxation on the profit for the period | 28.0 | 21.1 |
| Previous year adjustments | 0.4 | — |
| Total tax on profit on ordinary activities | 28.4 | 21.1 |



Notes to the Accounts

8 DIVIDENDS

| | | 1988 £million | 1987 £million |
|---|--------------|------------------|------------------|
| Preference dividends 5 425% | | 0.1 | 0.1 |
| Ordinary dividends | | | |
| Interim dividend paid of 3.45p per share | (1987 2.88p) | 7.0 | 4.9 |
| Proposed final dividend of 6.25p per share | (1987 5.20p) | 12.8 | 8.9 |
| Total ordinary dividends of 9.70p per share | (1987 8.08p) | 19.8 | 13.8 |

9 PROFIT FOR THE PERIOD

Group profit after taxation, minority interests and extraordinary items (see note 10) for the period was £53.9 million (1987 £37.3 million). Glynwed International plc has taken advantage of section 228(7) of the Companies Act 1985 and has not included its own profit and loss statement in these accounts: its corresponding profit was £40.2 million (1987 £36.2 million). Included in the group operating profit are the net profits of companies acquired or disposed of during the period amounting to £11.0 million.

10 EXTRAORDINARY ITEMS

In 1987 there were extraordinary items of £1.9 million after taxation. These related to losses on disposals of subsidiaries and businesses, industry rationalisation costs and termination costs of discontinued businesses.

11 PROFIT RETAINED

| | 1988 £million | 1987 £million |
|---------------------------|------------------|------------------|
| Glynwed International plc | 20.3 | 22.3 |
| Subsidiary companies | 13.4 | 1.1 |
| Related companies | 0.3 | — |
| Total profit retained | 34.0 | 23.4 |

12 CALCULATIONS OF EARNINGS PER SHARE

The calculations of earnings per ordinary share are based on earnings of £53.8 million (1987 £39.1 million) and an average of 186.7 million ordinary shares of 25p each in issue (1987 168.3 million, after adjusting for the bonus issue made in 1988).



Notes to the Accounts

13 TANGIBLE FIXED ASSETS

| | Land and buildings | | | Plant and machinery | Fixtures, fittings, tools and equipment | 1988 Total tangible fixed assets | 1987 Total tangible fixed assets |
|--|--------------------|---------------|----------|---------------------|---|----------------------------------|----------------------------------|
| | Freehold | Leasehold | Short | | | | |
| | £million | Long £million | £million | £million | £million | £million | £million |
| Cost and valuation | | | | | | | |
| At beginning of period | 40.1 | 4.0 | 1.0 | 95.9 | 34.0 | 175.0 | 155.5 |
| Exchange adjustments | (0.2) | — | — | (0.9) | (0.2) | (1.3) | (2.8) |
| Businesses acquired | 13.0 | 3.0 | 0.6 | 20.7 | 9.3 | 46.6 | 20.2 |
| Additions at cost | 7.0 | 0.3 | 0.2 | 12.5 | 7.8 | 27.8 | 14.0 |
| Surplus on revaluation | 0.1 | — | — | — | — | 0.1 | — |
| Disposals | (5.0) | — | (0.2) | (7.9) | (4.5) | (17.6) | (11.9) |
| At end of period | 55.0 | 7.3 | 1.6 | 120.3 | 46.4 | 230.6 | 175.0 |
| Cost | 13.2 | 2.5 | 1.6 | 119.1 | 46.2 | 182.6 | 134.4 |
| Professional valuations | | | | | | | |
| 1988 | 3.6 | 0.6 | — | — | — | 4.2 | — |
| 1987 | 8.0 | 1.1 | — | — | — | 9.1 | 2.4 |
| 1986 | 4.2 | 0.3 | — | 0.1 | — | 4.6 | 4.3 |
| 1985 | 25.5 | 2.6 | — | — | — | 28.1 | 32.2 |
| Previous years | 0.3 | — | — | — | — | 0.3 | 0.3 |
| Directors' valuations 1970 and earlier | 0.2 | 0.2 | — | 1.1 | 0.2 | 1.7 | 1.4 |
| At end of period | 55.0 | 7.3 | 1.6 | 120.3 | 46.4 | 230.6 | 175.0 |
| Accumulated depreciation | | | | | | | |
| At beginning of period | 1.4 | 0.1 | 0.5 | 67.3 | 20.6 | 89.9 | 74.5 |
| Exchange adjustments | — | — | — | (0.7) | (0.1) | (0.8) | (1.1) |
| Businesses acquired | 0.2 | 0.1 | 0.2 | 10.1 | 4.7 | 15.3 | 11.6 |
| Provision for the period | 0.7 | 0.1 | 0.1 | 8.0 | 5.4 | 14.3 | 11.2 |
| Disposals | (0.3) | — | (0.1) | (6.2) | (3.3) | (9.9) | (6.3) |
| At end of period | 2.0 | 0.3 | 0.7 | 78.5 | 27.3 | 108.8 | 89.9 |
| Net book value | | | | | | | |
| At end of period | 53.0 | 7.0 | 0.9 | 41.8 | 19.1 | 121.8 | — |
| At beginning of period | 38.7 | 3.9 | 0.5 | 28.6 | 13.4 | — | 85.1 |

Certain land and buildings were revalued during the period by Chartered Surveyors. These valuations were based on vacant possession, open market value.

Included in the cost of tangible fixed assets is £4.0 million (1987 £1.3 million) in respect of assets in course of construction.

The historical cost to the group of assets amounts to £228.4 million (1987 £173.8 million) and the accumulated depreciation thereon is £114.7 million (1987 £96.7 million), giving a net historical book value of £113.7 million (1987 £77.1 million).

The net book value of tangible fixed assets includes £4.7 million (1987 £3.4 million) in respect of assets held under finance leases. Depreciation for the year on those assets was £1.5 million (1987 £1.3 million).

14 COMMITMENTS

| | Group | | Company | |
|---|----------|----------|----------|----------|
| | 1988 | 1987 | 1988 | 1987 |
| | £million | £million | £million | £million |
| Capital commitments | | | | |
| Authorised by the board but not contracted for | 20.2 | 3.5 | 13.1 | — |
| Contracted for but not provided in the accounts | 4.3 | 3.7 | — | — |
| Total capital commitments | 24.5 | 7.2 | 13.1 | — |



Notes to the Accounts

14 COMMITMENTS (continued)

Operating lease commitments for 1989

| Group | Land and buildings | | Other operating leases | |
|--|--------------------|------------------|------------------------|------------------|
| | 1988 £million | 1987 £million | 1988 £million | 1987 £million |
| Leases expiring | | | | |
| Within one year | 0.2 | 0.1 | 0.5 | 0.3 |
| Between one and two years | 0.2 | 0.2 | 0.7 | 0.3 |
| Between two and five years | 0.6 | 0.4 | 0.9 | 0.2 |
| After more than five years | 1.5 | 1.1 | — | — |
| Total operating lease commitments | 2.5 | 1.8 | 2.1 | 0.8 |

Glynwed International plc had no operating lease commitments (1987: nil).

15 INVESTMENTS

| Group | Share of net assets of related companies £million | Other investments £million | Total £million |
|------------------------------------|---|----------------------------------|-------------------|
| At beginning of period | 3.2 | 2.2 | 5.4 |
| Share of net profits | 0.3 | — | 0.3 |
| Revaluations in related companies | 0.5 | — | 0.5 |
| Movements during period | 0.6 | (1.9) | (1.3) |
| At end of period | 4.6 | 0.3 | 4.9 |
| Listed (market value £4.6 million) | 3.8 | 0.3 | 4.1 |
| Unlisted | 0.8 | — | 0.8 |
| At end of period | 4.6 | 0.3 | 4.9 |

| Company | Amounts due | | | | Total £million |
|--------------------------|-------------------------------|-----------------------------|---------------------------------------|---------------------------------------|-------------------|
| | Cost of shares £million | Pro- visions £million | from subsidi- aries £million | (to) subsidi- aries £million | |
| Subsidiaries | | | | | |
| At beginning of period | 114.7 | (15.3) | 153.3 | (68.2) | 184.5 |
| Acquisitions | 125.8 | — | — | — | 125.8 |
| Movements during period | — | (13.5) | 46.1 | (9.7) | 22.9 |
| At end of period | 240.5 | (28.8) | 199.4 | (77.9) | 333.2 |
| Other investments | | | | | |
| At beginning of period | 4.7 | (0.1) | — | — | 4.6 |
| Acquisitions | 0.3 | — | — | — | 0.3 |
| Transfers — Amari plc | (2.1) | — | — | — | (2.1) |
| At end of period | 2.9 | (0.1) | — | — | 2.8 |
| Total investments | | | | | |
| At end of period | 243.4 | (28.9) | 199.4 | (77.9) | 336.0 |
| At beginning of period | 119.4 | (15.4) | 153.3 | (68.2) | 189.1 |



Notes to the Accounts

16 STOCKS

| | 1988 £million | 1987 £million |
|--------------------------------------|------------------|------------------|
| Raw materials and consumables | 39.0 | 34.6 |
| Work in progress | 21.0 | 17.7 |
| Finished goods and goods for re-sale | 125.6 | 56.6 |
| Total stocks | 185.6 | 108.9 |

17 DEBTORS

| | Group | | Company | |
|--|------------------|------------------|------------------|------------------|
| | 1988 £million | 1987 £million | 1988 £million | 1987 £million |
| Amounts falling due within one year | | | | |
| Trade debtors | 198.2 | 123.8 | — | — |
| Other debtors | 8.6 | 6.2 | 0.4 | 0.2 |
| Prepayments and accrued income | 7.9 | 5.5 | 0.2 | 0.1 |
| Advance corporation tax | — | — | 11.1 | 3.7 |
| Total debtors falling due within one year | 214.7 | 137.5 | 11.7 | 4.0 |
| Amounts falling due after more than one year | | | | |
| Advance corporation tax | — | — | 4.2 | 8.1 |
| Total debtors | 214.7 | 137.5 | 15.9 | 12.1 |

18 OPERATING CREDITORS

| | Group | | Company | |
|---|------------------|------------------|------------------|------------------|
| | 1988 £million | 1987 £million | 1988 £million | 1987 £million |
| Amounts falling due within one year | | | | |
| Trade creditors | 161.3 | 95.1 | — | — |
| Bills of exchange payable | 12.4 | 9.1 | — | — |
| Social security | 2.4 | 1.8 | — | — |
| Dividends payable | 12.8 | 8.9 | 12.8 | 8.9 |
| Accruals and deferred income | 28.2 | 18.9 | 1.4 | 0.2 |
| Taxation | 26.0 | 18.6 | 7.0 | 4.3 |
| Other creditors | 30.1 | 23.3 | 9.1 | 2.4 |
| Finance leases | 2.7 | 1.3 | — | — |
| Total creditors falling due within one year | 275.9 | 177.0 | 30.3 | 15.8 |
| Amounts falling due after more than one year | | | | |
| Taxation | 15.2 | 9.0 | — | — |
| Finance leases | 3.3 | 1.9 | — | — |
| Total creditors falling due after more than one year | 18.5 | 10.9 | — | — |

19 OBLIGATIONS UNDER FINANCE LEASES

| | 1988 £million | 1987 £million |
|---|------------------|------------------|
| Payable between two and five years | 1.2 | 0.9 |
| Payable between one and two years | 2.1 | 1.0 |
| Total payable after more than one year | 3.3 | 1.9 |
| Payable within one year | 2.7 | 1.3 |
| Total obligations under finance leases | 6.0 | 3.2 |



Notes to the Accounts

20 BORROWINGS

| | 1988 | | | | 1987 | | | |
|---|-------------------|------------------------------|-----------------------|---------------------------------|------------------|------------------------------|-----------------------|---------------------------------|
| | Bank £million | Other Secured £million | Unsecured £million | Total borrowings £million | Bank £million | Other Secured £million | Unsecured £million | Total borrowings £million |
| Group | | | | | | | | |
| Total falling due within one year | 18.8 ¹ | 0.3 | — | 19.1 | 5.9 ¹ | 0.7 | 0.2 | 6.8 |
| Amounts falling due after more than one year | | | | | | | | |
| Wholly repayable within five years | 17.4 ² | 0.1 | — | 17.5 | 2.7 ² | 1.7 | — | 4.4 |
| Repayable over more than five years other than by instalments | | | | | | | | |
| 7.5% Debenture Stock 1989/94 | — | 1.9 | — | 1.9 | — | 2.0 | — | 2.0 |
| 10.75% Loan Stock 1994/99 | — | — | 5.9 | 5.9 | — | — | 5.9 | 5.9 |
| *Other | 38.0 | 2.3 | 0.2 | 40.5 | 10.0 | 2.9 | — | 12.9 |
| Total falling due over more than five years | 38.0 | 4.2 | 6.1 | 48.3 | 10.0 | 4.9 | 5.9 | 20.8 |
| Total falling due after more than one year | 55.4 | 4.3 | 6.1 | 65.8 | 12.7 | 6.6 | 5.9 | 25.2 |
| Total borrowings | 74.2 | 4.6 | 6.1 | 84.9 | 18.6 | 7.3 | 6.1 | 32.0 |
| Cash at bank and in hand | | | | (38.5) | | | | (27.0) |
| Total net borrowings | | | | 46.4 | | | | 5.0 |
| Company | | | | | | | | |
| Total falling due within one year | — | — | — | — | 1.1 | — | — | 1.1 |
| Amounts falling due after more than one year | | | | | | | | |
| Wholly repayable within five years | 2.5 | — | — | 2.5 | 2.5 | — | — | 2.5 |
| Repayable over more than five years other than by instalments | | | | | | | | |
| 7.5% Debenture Stock 1989/94 | — | 1.9 | — | 1.9 | — | 2.0 | — | 2.0 |
| 10.75% Loan Stock 1994/99 | — | — | 5.9 | 5.9 | — | — | 5.9 | 5.9 |
| *Other | 35.0 | — | — | 35.0 | 10.0 | — | — | 10.0 |
| Total falling due over more than five years | 35.0 | 1.9 | 5.9 | 42.8 | 10.0 | 2.0 | 5.9 | 17.9 |
| Total falling due after more than one year | 37.5 | 1.9 | 5.9 | 45.3 | 12.5 | 2.0 | 5.9 | 20.4 |
| Total borrowings | 37.5 | 1.9 | 5.9 | 45.3 | 13.6 | 2.0 | 5.9 | 21.5 |
| Cash at bank and in hand | | | | (14.9) | | | | (5.7) |
| Total net borrowings | | | | 30.4 | | | | 15.8 |

*Interest rates are not more than the appropriate market rate.

¹ Includes £0.7 million (1987 £2.5 million) secured.

² Includes £0.1 million (1987 £2.0 million) secured.



Notes to the Accounts

20 BORROWINGS (continued)

| | Group | | Company | |
|--|------------------|------------------|------------------|------------------|
| | 1988 £million | 1987 £million | 1988 £million | 1987 £million |
| Listed debt, bank and other borrowings | | | | |
| Listed debt | | | | |
| 7.5% Debenture Stock 1989/94 | 1.9 | 2.0 | 1.9 | 2.0 |
| 10.75% Loan Stock 1994/99 | 5.9 | 5.9 | 5.9 | 5.9 |
| Total listed debt | 7.8 | 7.9 | 7.8 | 7.9 |
| Total other borrowings | 2.9 | 5.5 | — | — |
| Total listed debt and other borrowings | 10.7 | 13.4 | 7.8 | 7.9 |
| Total bank borrowings | 74.2 | 18.6 | 37.5 | 13.6 |
| Total borrowings | 84.9 | 32.0 | 45.3 | 21.5 |
| Cash at bank and in hand | (38.5) | (27.0) | (14.9) | (5.7) |
| Total net borrowings | 46.4 | 5.0 | 30.4 | 15.8 |

All loan capital is repayable at par at maturity.

Analysis of maturity of borrowings

| | 1988 | | | 1987 | | |
|--|------------------|-------------------|-------------------|------------------|-------------------|-------------------|
| Group | Bank £million | Other £million | Total £million | Bank £million | Other £million | Total £million |
| Repayable after five years | 38.0 | 8.8 | 46.8 | 10.0 | 9.3 | 19.3 |
| Repayable between two and five years | 16.5 | 1.2 | 17.7 | 2.5 | 2.3 | 4.8 |
| Repayable between one and two years | 0.9 | 0.4 | 1.3 | 0.2 | 0.9 | 1.1 |
| Total repayable after more than one year | 55.4 | 10.4 | 65.8 | 12.7 | 12.5 | 25.2 |
| Repayable within one year | 18.8 | 0.3 | 19.1 | 5.9 | 0.9 | 6.8 |
| Total borrowings | 74.2 | 10.7 | 84.9 | 18.6 | 13.4 | 32.0 |
| Company | | | | | | |
| Repayable after five years | 35.0 | 7.8 | 42.8 | 10.0 | 7.9 | 17.9 |
| Repayable between two and five years | 2.5 | — | 2.5 | 2.5 | — | 2.5 |
| Total repayable after more than one year | 37.5 | 7.8 | 45.3 | 12.5 | 7.9 | 20.4 |
| Repayable within one year | — | — | — | 1.1 | — | 1.1 |
| Total borrowings | 37.5 | 7.8 | 45.3 | 13.6 | 7.9 | 21.5 |

The 7.5% Debenture Stock 1989/94 (including accrued interest) is secured by floating charges on the assets and undertakings of Glynwed International plc and certain of its wholly owned subsidiaries. The sinking fund requirement has been satisfied to date by the purchase and cancellation of stock.

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

21 CONTINGENT LIABILITIES

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



Notes to the Accounts

22 DEFERRED TAXATION

The potential liability unprovided is set out below:

| | 1988 £million | 1987 £million |
|--|------------------|------------------|
| Timing differences mainly between tax allowances and depreciation | 5.4 | 5.5 |
| Corporation tax payable if properties were disposed of at revalued amounts | 1.7 | 1.9 |
| Total potential liability unprovided | 7.1 | 7.4 |

The deferred taxation in the accounts of Glynwed International plc arises from short-term timing differences.

23 SHARE CAPITAL

| | Ordinary shares of 25p each | | 5.425% Cumulative preference shares of £1 each | |
|---------------|-----------------------------|------------------|--|------------------|
| | 1988 £million | 1987 £million | 1988 £million | 1987 £million |
| Value | | | | |
| Authorised | 74.5 | 40.0 | 1.3 | 1.3 |
| Issued | 50.9 | 28.5 | 1.3 | 1.3 |
| | million | million | million | million |
| Number | | | | |
| Authorised | 297.8 | 160.2 | 1.3 | 1.3 |
| Issued | 203.8 | 114.0 | 1.3 | 1.3 |

The following allotments of ordinary shares of 25p each were made during the period:

- (a) 32.6 million shares at an aggregate value of £99.6 million, in exchange for 31.0 million ordinary shares of 25p each and 9.4 million 8% cumulative convertible redeemable preference shares of £1 each in Amari plc.
- (b) 57.0 million shares in connection with a 1-for-2 bonus issue.

Under the Glynwed International Senior Executive Share Option Scheme, at 31st December 1988 options had been granted and were outstanding as set out below:

| Number of ordinary shares | Option Price per share | Exercisable in the 7 years to |
|---------------------------|------------------------|-------------------------------|
| 1,321,312 | 200.5p | May 1996 |
| 741,760 | 264p | April 1997 |
| 536,850 | 304p | April 1998 |
| 30,000 | 284p | September 1998 |

Under the Glynwed International Savings-Related Share Option Scheme, at 31st December 1988 options had been granted and were outstanding in respect of 938,718 ordinary shares at 97.6p per share exercisable ordinarily in the six months to November 1990 and 646,662 ordinary shares at 238.6p per share exercisable ordinarily in the six months to April 1992.



Notes to the Accounts

24 RESERVES

| Group | Share premium £million | Revalu- ation reserve £million | Other reserves £million | Profit and loss account £million | Total £million |
|--------------------------------|------------------------------|---|-------------------------------|---|-------------------|
| At beginning of period | 22.3 | 7.5 | - | 83.9 | 113.7 |
| Exchange differences | - | (0.2) | - | 1.3 | 1.1 |
| Premium on shares issued* | 0.1 | - | 91.5 | - | 91.6 |
| Bonus issue of ordinary shares | (14.3) | - | - | - | (14.3) |
| Goodwill written off* | - | - | (91.5) | (3.3) | (94.8) |
| Transfer between reserves | - | (0.5) | - | 0.5 | - |
| Revaluations | - | 0.6 | - | - | 0.6 |
| Profit retained | - | - | - | 34.0 | 34.0 |
| At end of period | 8.1 | 7.4 | - | 116.4 | 131.9 |
| Company | | | | | |
| At beginning of period | 22.3 | - | 20.2 | 97.1 | 139.6 |
| Exchange differences | - | - | - | 1.6 | 1.6 |
| Premium on shares issued* | 0.1 | - | 91.5 | - | 91.6 |
| Bonus issue of ordinary shares | (14.3) | - | - | - | (14.3) |
| Profit retained | - | - | - | 20.3 | 20.3 |
| At end of period | 8.1 | - | 111.7 | 119.0 | 238.8 |

*The difference between the fair value and nominal value of ordinary shares issued as consideration for the acquisition of a subsidiary was £91.5 million. This amount has been used to write off most of the goodwill arising from acquisitions during the period of £94.8 million, (of which £65.7 million arose in respect of Amari plc) and the balance of £3.3 million has been set against profit & loss account.

25 TRADING SUBSIDIARIES AND RELATED COMPANIES

The following is a list of the company's principal subsidiaries and related companies at 31st December 1988 which traded during the period, 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.

Subsidiaries

Registered in England and operating in the United Kingdom (except where stated)

CONSUMER & BUILDING PRODUCTS DIVISION

*Glynwed Consumer & Building Products Limited †

Aga-Rayburn — multi-fuel cooking and heating appliances.

Falcon Catering Equipment — commercial and institutional catering equipment.

Flavel-Leisure — gas/electric cookers and gas fires.

Leisure — sinks, basins and showers.

Glynwed Foundries — cast iron building products.

Drainage Systems — cast iron building products.

Kohlangaz Limited † — gas fires.

*Cooper & Turner Inc (USA) — multi-fuel cooking and heating appliances.

*Glynwed Australia Pty Limited † (Australia) — stockists of group consumer products.



Notes to the Accounts

25 TRADING SUBSIDIARIES AND RELATED COMPANIES (continued)

STEEL AND ENGINEERING DIVISION

*Glynwed Steels Limited

Ductile Hot Mill -- hot, re-rolled flat products
 Dudley Port Rolling Mills -- hot re-rollers.
 George Gadd & Co -- steel re-rollers.
 W. Wesson -- hot and cold finished steels.
 Joseph Gillott & Sons -- steel re-rollers.
 GB Steel Bar -- bright drawn steel.
 Longmore Brothers -- bright drawn steels, steel conduit and precision tubes.
 Stourbridge Rolling Mills -- cold rolled strip.
 Ductile Sections -- cold formed light sections.
 Ductile Cold Mill -- cold rolled strip.
 Ductile Steel Processors -- coil slitting and pickling.
 Firth Cleveland Steel Strip -- special steels.
 Macreadys -- stockholders of carbon and alloy steels.
 Cashmores Stainless -- stockholders and processors of stainless steel.
 Cashmores Scrap -- scrap metals.

*Firth Cleveland Steels Inc (USA) -- special steels.

J.B. & S. Lees Limited -- special steels.

*J.B. & S. Lees Inc (USA) -- special steels.

*Glynwed Engineering Limited

Steelway-Fensecure -- steel flooring, stairways, security fencing and fabrications
 Tower Manufacturing -- cable clips, masonry nails and rivets.
 Ansell Jones -- special lifting equipment.
 Midland Bearings -- special bearings.
 Oddbolt -- non-standard fastenings.

*Paul Fabrications Limited -- high technology metal fabrications.

*La Dauphinoise SA (France) -- fastenings, eyelets and rivets.

TUBES & FITTINGS DIVISION

*Glynwed Tubes & Fittings Limited

Wednesbury Tube -- copper tube.
 Baguley -- copper hot water cylinders.
 Glynwed Plant -- plant and toolmakers.
 Monmore Tubes -- ERW, flo-coat and spectra-coat steel tube.
 Newman-Tipper Tubes -- steel tube.
 HUB -- stockists of ERW, cold drawn, seamless and structural steel tube and aluminium products.
 Tipper Fittings -- pipe fittings and flanges for gas, steam and water services.
 Vulcathene -- chemical waste drainage and electrofusion pipework systems.
 Townsend Rubber Products -- precision rubber mouldings.
 Copper Plastics -- distribution of thermoplastic pipework products.
 Dupipex -- thermoplastic pipework systems.

*Allion Cylinders Limited + -- copper hot water cylinders.

Crown Brand Limited + -- copper hot water cylinders.

Kesteven Copper Cylinders Limited + -- copper hot water cylinders.

Malvern Copper Cylinders Limited + -- copper hot water cylinders.

Plastic Constructions plc + (b1 1%) -- industrial plastics and thermoplastic pipework systems.

*Enfield Industrial Corp (USA) -- thermoplastic pipework systems.

*Plastimatic Inc (USA) -- injection moulding of thermoplastic and thermosetting materials.

*Slocomb Plastic Pipe and Products Inc (USA) -- plastic piping.

*Philmac Pty Limited + (Australia) -- plastic pipe fittings.

*FIP Formatura Iniezione Polimeri Srl + (Italy) -- thermoplastic pipework systems.

Glynwed International



Notes to the Accounts

25 TRADING SUBSIDIARIES AND RELATED COMPANIES (continued)

AMARI plc † (the capital includes cumulative convertible redeemable preference shares)

- *Aalco Ltd † — distributors and processors of aluminium copper alloys, stainless steel and nickel alloys, with subsidiary, associated or branch operations at over 50 locations in the United Kingdom, and in Canada, West Germany, Holland, the Republic of Ireland, Spain and (through *Amari Metals Inc †, *Stock Alloys Inc †, and *Gulf Coast Supply Co (LA) Inc †) the USA.
- *Amari World Steel (Holdings) Ltd † — merchanting of stainless, special and alloy steels, high nickel alloys, nickel and valve steel through subsidiary or associated companies in West Germany, France, Australia, Holland, Switzerland and the United Kingdom.
- *Amari Plastics plc † — distributors and processors from 12 locations in the United Kingdom and Germany, of industrial plastics and fasteners.
- *Leavite plc † — specialist finishers and manufacturers of building products. The principal operations are in the UK but Leavite also includes two small operations in Belgium and France.
- *Charles Davis (Metal Brokers) Ltd † — London Metal Exchange ring dealing member.

CORPORATE SERVICES

- Glynwed Group Services Limited — management services.
- Glynwed Properties Limited — owner and manager of UK land and buildings.
- Glynwed Property Developments Limited — property developers.
- *Headland Insurance Limited (Bermuda) — insurance services.
- Glynwed Computing Limited † — computer hardware and software systems.

Related Companies

| | Country of incorporation and operation | Total voting capital | % interest held |
|--|--|----------------------------|-----------------------|
| Raglan Property Trust plc Property development and investment | UK | £1,647,247 | 21.2 |
| *Atcor Inc Manufacturers of decontamination systems for the electronics industry | USA | \$1,167,330 | 33.7 |

*Investments held by subsidiaries of Glynwed International plc.

†Subsidiary companies not audited by Coopers & Lybrand. The aggregate turnover of such companies in the period amounted to 46.8% of the group's turnover.



Auditors' Report

To the members of Glynwed International plc

We have audited the accounts on pages 23 to 40 in accordance with approved Auditing Standards.

In our opinion the accounts give a true and fair view of the state of affairs of the company and the group at 31st December 1988 and of the profit and source and application of funds of the group for the period then ended and comply with the Companies Act 1985.

Coopers & Lybrand
Chartered Accountants
Birmingham
12th April 1989

Coopers & Lybrand

Glynwed International



Summary of Comparative Figures

| | 1988 | 1987 | 1986 | 1985 | 1984 |
|-------------------------|----------|----------|----------|----------|----------|
| | £million | £million | £million | £million | £million |
| TRADING RESULTS | | | | | |
| Turnover | 839.8 | 556.2 | 478.9 | 464.1 | 514.1 |
| Operating profit | 87.3 | 62.5 | 48.8 | 39.6 | 35.6 |
| Interest payable (net) | (4.8) | (2.1) | (2.7) | (4.0) | (9.1) |
| Profit before taxation | 82.5 | 60.4 | 46.1 | 35.6 | 26.5 |
| Taxation | (28.4) | (21.1) | (16.1) | (12.3) | (8.2) |
| Profit after taxation | 54.1 | 39.3 | 30.0 | 23.3 | 18.3 |
| Minority interests | (0.2) | (0.1) | — | — | 0.6 |
| Preference dividends | (0.1) | (0.1) | (0.1) | (0.1) | (0.1) |
| Earnings for the period | 53.8 | 39.1 | 29.9 | 23.2 | 18.8 |
| Extraordinary items | — | (1.9) | (3.8) | (2.3) | (3.9) |
| Ordinary dividends | (19.8) | (13.8) | (11.3) | (8.8) | (7.7) |
| Profit retained | 34.0 | 23.4 | 14.8 | 12.1 | 7.2 |

OPERATING ASSETS

| | | | | | |
|---------------------------|--------|--------|--------|--------|--------|
| Fixed assets | 126.7 | 90.5 | 84.1 | 79.3 | 91.1 |
| Stocks | 185.6 | 108.9 | 86.8 | 86.1 | 85.8 |
| Debtors less creditors | (25.7) | (13.9) | (0.3) | (3.8) | 1.6 |
| Taxation and dividends | (54.0) | (36.5) | (31.8) | (23.0) | (16.4) |
| Net operating assets | 232.6 | 149.0 | 138.8 | 138.6 | 162.1 |
| Total net borrowings | (46.4) | (5.0) | (7.6) | (16.1) | (40.1) |
| Deferred taxation | — | — | (1.3) | (3.2) | (4.6) |
| Total net assets employed | 186.2 | 144.0 | 129.9 | 119.3 | 117.4 |

FINANCED BY

| | | | | | |
|-------------------------------------|-------|-------|-------|-------|-------|
| Ordinary shares | 50.9 | 28.5 | 27.9 | 20.9 | 20.9 |
| Reserves | 131.9 | 113.7 | 100.6 | 97.0 | 95.1 |
| Ordinary share capital and reserves | 182.8 | 142.2 | 128.5 | 117.9 | 116.0 |
| Preference shares | 1.3 | 1.3 | 1.3 | 1.3 | 1.3 |
| Minority interests | 2.1 | 0.5 | 0.1 | 0.1 | 0.1 |
| Total funds | 186.2 | 144.0 | 129.9 | 119.3 | 117.4 |

Net increase/(decrease) of funds arising from property revaluations

| | | | | |
|-----|---|---|-------|---|
| 0.6 | — | — | (5.9) | — |
|-----|---|---|-------|---|

STATISTICS

| | | | | | | |
|--|---|-------|-------|-------|-------|-------|
| Operating profit to turnover | % | 10.4 | 11.2 | 10.2 | 8.5 | 6.9 |
| Earnings per share* | p | 28.81 | 23.26 | 18.31 | 14.77 | 11.97 |
| Dividend per ordinary share* | p | 9.70 | 8.08 | 6.73 | 5.60 | 4.93 |
| Net assets per ordinary share* | p | 89.7 | 83.1 | 76.7 | 75.1 | 73.9 |
| Operating profit to average net operating assets | % | 43.8 | 42.8 | 33.4 | 25.0 | 18.0 |
| Turnover to average net operating assets | x | 4.1 | 3.8 | 3.3 | 2.9 | 2.6 |
| Dividend cover | x | 2.7 | 2.8 | 2.6 | 2.6 | 2.4 |
| Interest cover | x | 18.2 | 29.8 | 18.1 | 9.9 | 3.9 |
| Debt/equity ratio | % | 24.9 | 3.5 | 5.8 | 13.5 | 34.2 |

*Prior years have been adjusted for the bonus issue of ordinary shares in 1988.



Notice of Meeting

Notice is hereby given that the forty eighth annual general meeting of Glynwed International public limited company will be held at Headland House, New Coventry Road, Sheldon, Birmingham, on Wednesday 7th June 1989 at 12 noon to transact the following business:

- 1 To receive and adopt the report and accounts for the 53 weeks ended 31st December 1988.
- 2 To declare a final dividend
- 3 To elect directors.
- 4 To reappoint the auditors and to authorise the directors to fix their remuneration

As special business:

- 5 To consider and, if thought fit, pass the following resolution which will be proposed as an ordinary resolution:

That pursuant to section 80 of the Companies Act 1985, the directors be and they are hereby authorised, generally and unconditionally, to allot relevant securities (as defined in section 80 of the Companies Act 1985) up to an aggregate nominal amount of £16,982,754 provided that this authority, unless renewed, shall expire at the earlier of the date 15 months from the passing of this resolution and the conclusion of the next annual general meeting of the company save that the company may before such expiry make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the directors may allot the relevant securities in pursuance of such offer or agreement as if the authority conferred hereby had not expired.

- 6 Subject to the passing of the foregoing resolution no.5, to consider and, if thought fit, pass the following resolution which will be proposed as a special resolution:

That,

(A) the directors be and they are hereby empowered pursuant to section 95 of the Companies Act 1985 to allot equity securities (within the meaning of section 94 of the Companies Act 1985) pursuant to the authority conferred by the previous resolution as if sub-section (1) of section 89 did not apply to any such allotment, and

(B) the power hereby granted to the directors shall be limited—

(i) to the allotment of equity securities in connection with a rights issue in favour of ordinary shareholders where the equity securities respectively attributable to the interests of all ordinary shareholders are proportionate (as nearly as may be) to the respective numbers of ordinary shares held by them but subject to such exclusions as the directors may consider appropriate to deal with fractional entitlements or holders of shares outside the United Kingdom, and

(ii) to the allotment (otherwise than pursuant to the sub-paragraph (i) above) of equity securities up to an aggregate nominal value of £3,396,550,

and shall expire fifteen months after the passing of this resolution or, if earlier, on the date of the next annual general meeting of the company save that the company may before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and the directors may allot equity securities in pursuance of such offer or agreement as if the power conferred hereby had not expired.

- 7 To consider and, if thought fit, pass the following resolution which will be proposed as an ordinary resolution:

That the amendments to the provisions of the Glynwed International Senior Executive Share Option Scheme described in the Chairman's Statement and the Directors' Report to shareholders dated 12th April 1989 be and they are hereby approved and adopted and the directors of the company be and they are hereby authorised to do all acts and things necessary to obtain formal Inland Revenue approval to the same, and to carry the same into effect.

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

By order of the board

JC Blakeley
Secretary

Birmingham
11th May 1989

Notes

- 1 A form of proxy accompanies the report and accounts and is for the use of shareholders who are unable to attend the meeting in person. This form should be completed, signed and returned so that it arrives at the office of the company's registrars not 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 will be available for inspection at the company's registered office between 9.00 am and 4.30 pm on any weekday (Saturday and public holidays excluded) from 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