

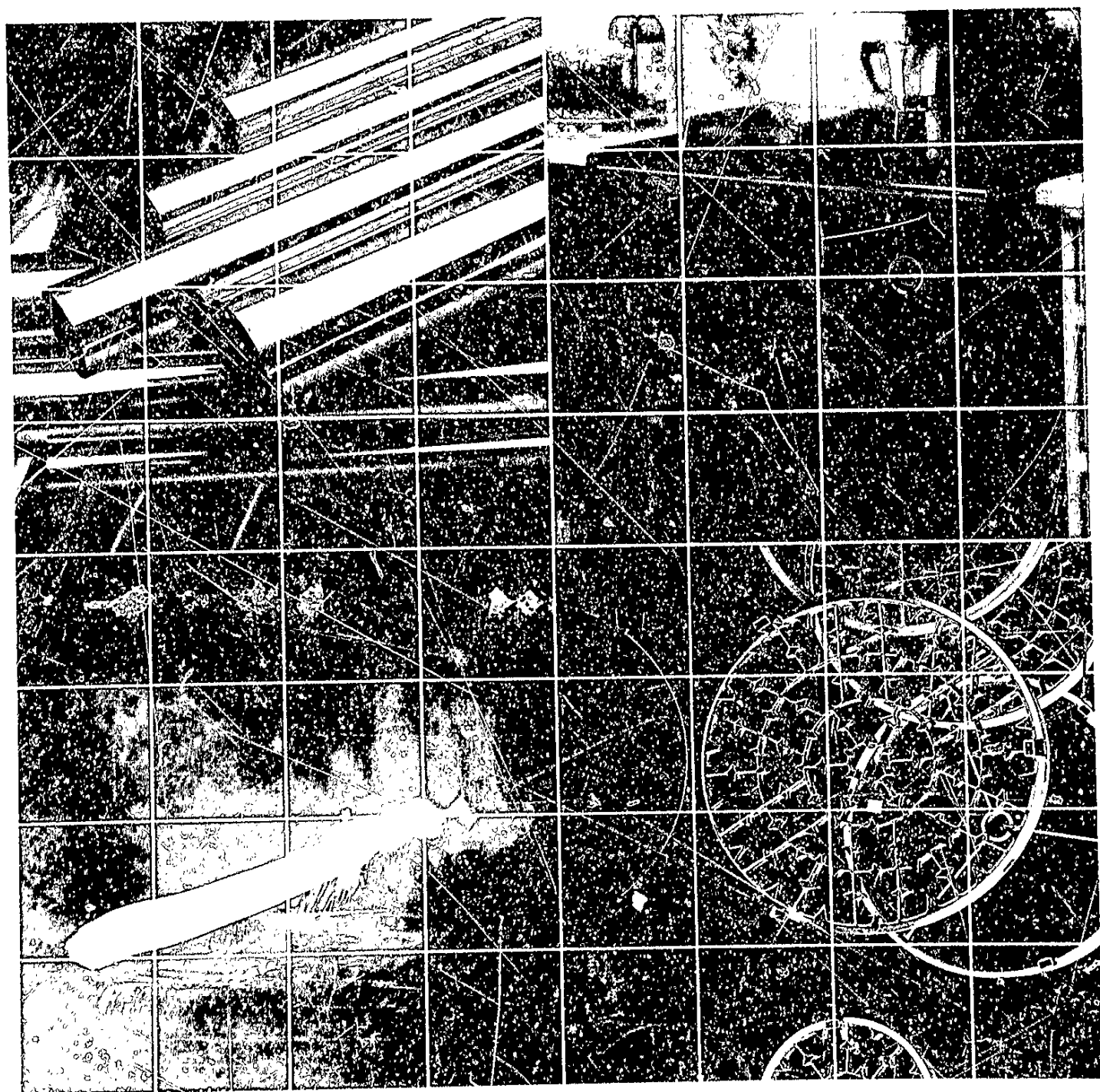
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Glynwed International

1986

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Earnings per Share Growth

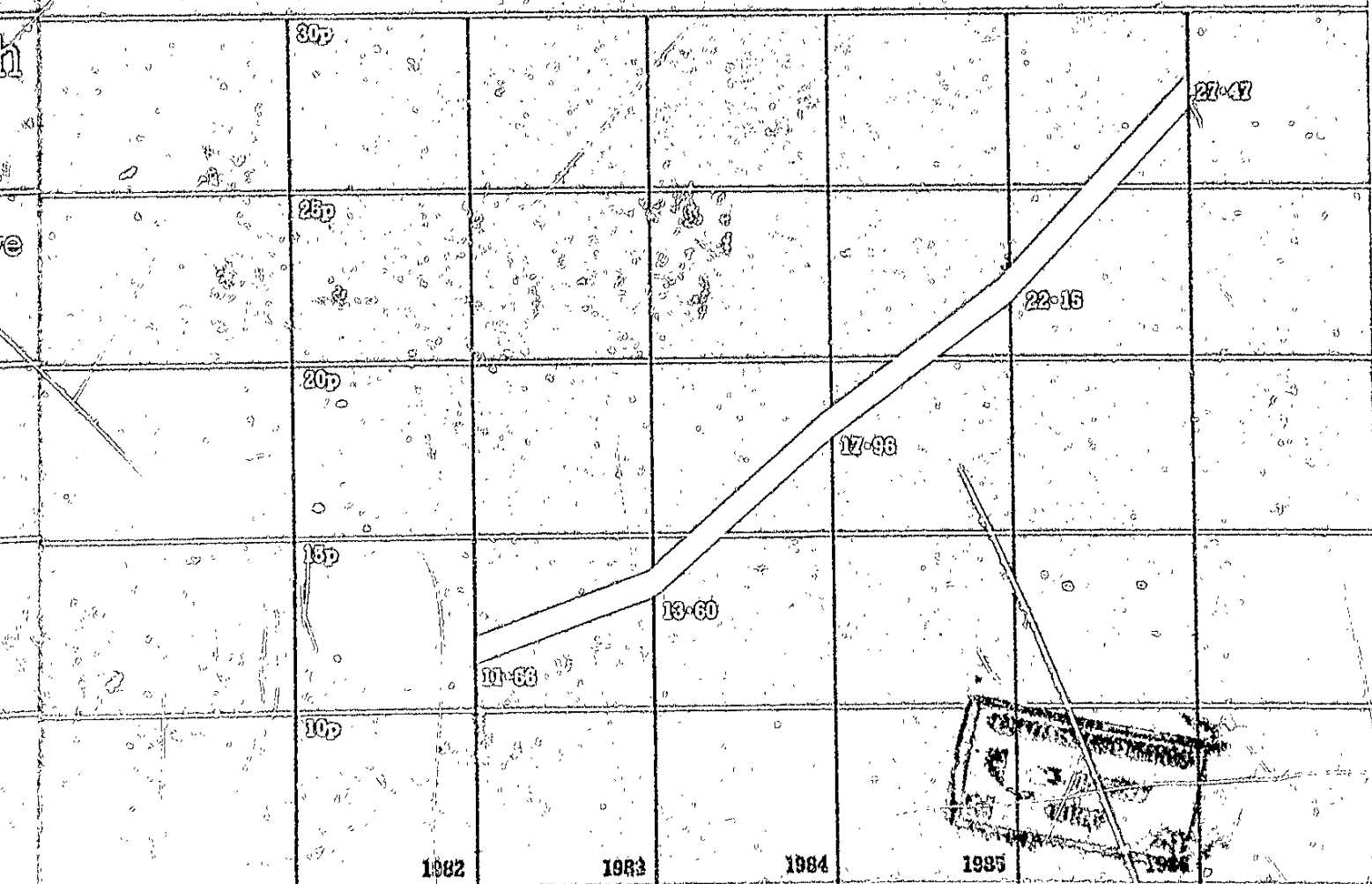
Glynwed's Key Financial Objective



Report and Accounts 1986

Contents

Directors	3
Officers and Financial Director	3
Chairman and Chief Executive's statement	4
Operating results and ratios	7
Operational review	8
Report of the directors	18
Source and distribution of funds added	22
Source and application of funds	23
Consolidated profit and loss account	24
Consolidated balance sheet	25
Balance sheet of Clywed International plc	26
Notes on the accounts	27
Auditors' report	40
Summary of comparative figures	41
Notice of meeting	42



Executive



Gareth Davies FCA — Chairman and Chief Executive

Gareth Davies (age 57) 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 28 December 1986. Mr Davies is also a non-executive director of Raglan Property Trust plc and The BTS Group plc.



David L Milne CA — Finance Director

David Milne (age 50) joined the board of Glynwed in May 1979, from Wilmot Breeden Holdings Ltd. He also has responsibility for Glynwed Properties Ltd, is a non-executive director of Raglan Property Trust plc, and Chairman of The Midlands Industry Group of Finance Directors.



Desmond Gripton

Des Gripton (age 58), Chief Executive of the Steel & 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 Steel Division in 1983. Mr Gripton was appointed Chief Executive of Glynwed Steels Ltd in 1985 and he was appointed to the board of Glynwed International plc in January 1987.



Terence O'Neill

Terry O'Neill (age 56) 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.



Derrick W Richardson

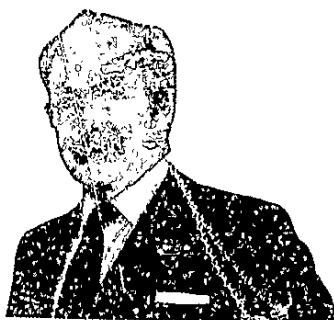
Derrick Richardson (age 53) is Chief Executive of the Tubes & Fittings Division. He joined Glynwed in 1974 to take charge of the Group's engineering companies and in January 1984 became responsible for Glynwed's extensive copper, steel and plastic tube and fittings operations. He was appointed to the board of Glynwed International plc in January 1987.

Non-executive



Sir Eric Pountain DL

Sir Eric (age 53) joined the board of Glynwed in 1983. He is Chairman of Tarmac plc, Deputy Chairman of James Beattie plc, a non-executive director of Midland Bank plc and Chairman of the Midlands Industrial Council. Sir Eric was knighted in 1985.



John D Eccles CBE

John Eccles (age 55) is Deputy Chairman. He is General Manager of the Commonwealth Development Corporation and a director of Investors in Industry Group plc and Chamberlin and Hill plc. He has been Chairman of the Board of Trustees of the Royal Botanic Gardens, Kew since 1983.

Officers and financial calendar

Secretary and legal adviser	J C Blakeley MA
Auditors	Coopers & Lybrand Chartered Accountants, Birmingham
Bankers	Barclays Bank plc Lloyds Bank plc Midland Bank plc National Westminster Bank plc J. Henry Schroder Wagg & Co Limited Standard Chartered Bank plc
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

Financial Calendar 1987

Annual general meeting	10th June
Half year end	27th June
Final ordinary dividend payable	2nd July
Interim ordinary dividend payable	16th December
Preference dividend payable	30th June, 31st December
1987 year end	26th December
Interest payments:	
7.5% debenture stock	6th June, 6th December
10.75% unsecured loan stock	31st March, 30th September



Gareth Davies

In this my first statement as Chairman, I am delighted to report that 1986 was yet another year of record achievement for Glynwed, reflected in a group pre-tax profit increase of 29.5% to £46.1 million. Earnings per share rose by 24% to 27.47 pence.

A further demonstration of the group's success is a new record of 35.2% return on assets and in consequence an impressive cash flow.

An interim dividend of 3.60 pence per share was paid on the company's ordinary shares, and in view of the continuing improvement in earnings, your board recommends a final dividend of 6.50 pence per ordinary share, making a total of 10.10 pence per share for the year. This represents an increase of 20.2% over the dividend payment for 1985 after adjustment for the bonus issue of shares in 1986.

In my Chief Executive's Review last year, I referred to the strong trading positions of the great majority of the group's operations and the ability of the group to generate its own growth. This is borne out by the excellent figures for 1986, and the record of the past five years' results, which are shown on page 41. Since 1982 the pre-tax profits of the group have grown by 3.4 times whilst the earnings per share have grown by 2.4 times. All the key operating and financial ratios of the group's performance throughout the five year period have shown consistent improvement each year.

Our United Kingdom operations have once again achieved quite remarkable results. All the divisions increased their profits, except for Engineering where the underlying improvement was concealed by the sale of Glynwed Fastenings. Overseas, a most encouraging result from Australia compensated admirably for a

loss in our residual investment in South Africa, and for a low level of performance in the USA where results were particularly affected by the relocation of two plastics businesses

Half our turnover is made up of building products and consumer durables. The strength of consumer spending and of certain sectors of the construction industry, particularly home improvement, led to an active market for our businesses in those sectors. Our many excellent new products ensured that we participated fully. A busy heating season brought a strong end to the year for those businesses involved with heating.

The industrial side of our business operated in markets which were less strong than the building and consumer side, but we were still able to make progress. Steel is heavily regulated by quotas, and competition became severe following reorganisation elsewhere in the engineering steels industry, but we still managed to increase profits. Sterling's more favourable exchange rate became apparent late in the year, and not only was exporting less difficult but imports exerted less pressure through prices and even, late in the year in some sectors, through volumes.

Before leaving the year's results I would like to thank our employees at all levels for their dedication and efforts. Glynwed's success over recent years is a very real tribute to their loyalty, commitment and skill, which again have contributed so much to the achievement of another record year.

Acquisitions and Divestments

The programme of developing the group continues. Unrelated businesses and those with inadequate profits have been sold, while companies which conform to the group's strategic direction have been acquired. In 1986 a number of such companies were added to the group. Philmac, an established and highly successful specialist plastics fittings company with manufacturing facilities in Australia and a distribution outlet in the UK, was acquired for cash early in the year. This acquisition is already providing growth opportunities not only through its own expansion but also by integration with our existing plastics operations.

The acquisition in May of Brickhouse Dudley plc, using Glynwed equity, considerably strengthened the group's position in the cast iron building products market through the extension of the range of products manufactured and through the national coverage established by the combined distribution businesses.

The Steels division made two strategic add-on acquisitions for cash, namely, Barlow Bright Steels and Firth Cleveland

Chairman & Chief Executive's Statement

Steel Strip, whilst the high pressure fittings business of Paragon Plastics was purchased for our expanding Durapipe plastics operation.

Of the disposals during the year the most significant in size was Glynwed Fastenings, a supplier primarily to the automotive industry. In March 1987 we sold MBS Distribution, a business engaged in the distribution of fasteners, bearings and tools.

Reorganisation

From January 1987 the group was reorganised into three major operating divisions — Consumer and Building Products, Tubes and Fittings, and Steel and Engineering, each under the leadership of a Chief Executive with main board status.

These changes are significant in that the Engineering division became a subdivision of the new Steel and Engineering division, and that the overseas operations, with the exception of South Africa, fell under the

division to which their main product area relates. I expect these changes in structure to assist considerably the group's future expansion.

Board

Sir Leslie Fletcher, who has been our Chairman since May 1971, retired from the board in December 1986. The board thanks him for his contribution to the progress of the group and for his guidance of the company through some difficult years. For my own part, I am grateful to him for his encouragement and support during the fifteen years we worked together.

In January 1987 the board was strengthened by the appointment of three executive directors: Desmond Gipton, the Chief Executive of the new Steel and Engineering Division; Terry O'Neill, Chief Executive, Consumer and Building Products Division; and Derrick Richardson, Chief Executive, Tubes and Fittings Division. All three were members of our highly successful operations board

Financial Highlights

	1986 £million	1985 £million
Turnover	478.9	464.1
Operating profit	48.8	39.6
Interest payable (net)	2.7	4.0
Profit before taxation	46.1	35.6
Earnings for the period	29.9	23.2
Ordinary dividends	11.3	8.8
Profit retained	14.8	12.1
Net operating assets	138.8	138.6
Capital expenditure on tangible fixed assets	14.7	11.3
Depreciation	9.9	10.5
Earnings per ordinary share	27.47p	22.15p
Dividends per ordinary share	10.10p	8.40p



Chairman & Chief Executive's Statement

which was set up just over three years ago and I congratulate them on their appointment to the Glynwed board.

John Eccles, our senior non-executive director, who was Vice-Chairman, has succeeded me as Group Deputy Chairman.

Looking to the future and to the need to encourage and promote our younger management in order to maintain and even extend the trend of growth which has been created, we have made a number of new appointments to the operations board. The new team is able and enthusiastic and is looking forward to the challenges to come.

Our objective

As a management team we have set as our prime financial objective annual increases in earnings per share and dividends through growth of the group's businesses.

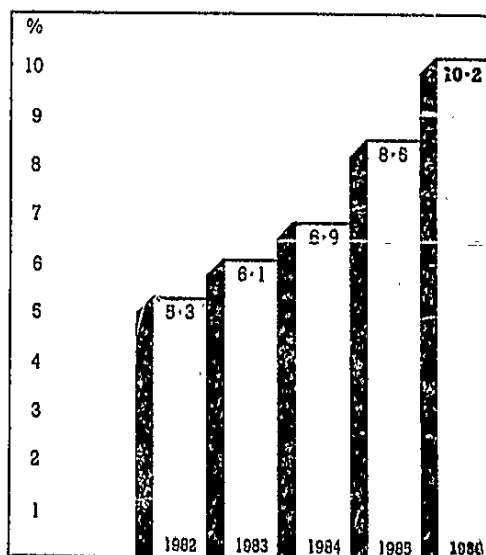
Glynwed's operating management at all levels have a clear understanding of the objectives set and the importance of their own contribution to the group target. Their achievement of improved results on operating capital employed and of growth in profits is rewarded through an Executive Incentive Scheme, while corporate management participate in a scheme based on the annual improvement in earnings per share. These financial incentives for management are part of an integrated financial system linking our corporate objectives, strategic planning and performance.

Outlook

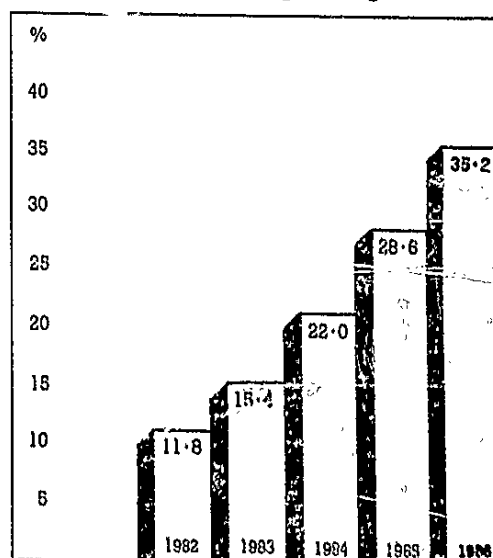
Glynwed is much better placed than it was five years ago. We have a strong balance sheet, excellent cashflow from operations, and a debt capacity which will enable the group to finance its own growth opportunities. Our managers have clearly demonstrated that they have the ability and the expertise to extend the already excellent achievements of the past five years and they have planned for further growth in 1987. Present indications are that the year has started well and the board is confident that 1987 will be another year of progress.

Gareth Davies
Chairman and
Chief Executive

Operating profit to turnover



Operating profit to net operating assets



Operating Results & Ratios

		1986 £million	1985 £million	1984 £million	1983 £million	1982 £million
Turnover	UK and Europe	443.4	428.8	392.7	354.7	304.8
	USA, South Africa and Australia	35.5	35.3	121.4	132.5	139.5
Total		478.9	464.1	514.1	487.2	444.3

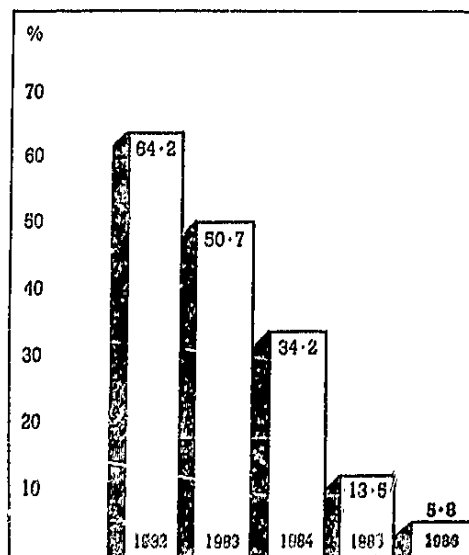
Operating profit	UK and Europe	47.0	38.7	32.7	24.6	17.8
	USA, South Africa and Australia	1.8	0.9	2.9	5.0	5.9
Total		48.8	39.6	35.6	29.6	23.7

Net operating assets	UK and Europe	120.6	121.2	133.7	129.5	135.4
	USA, South Africa and Australia	18.2	17.4	28.4	62.6	66.0
Total		138.8	138.6	162.1	192.1	201.4

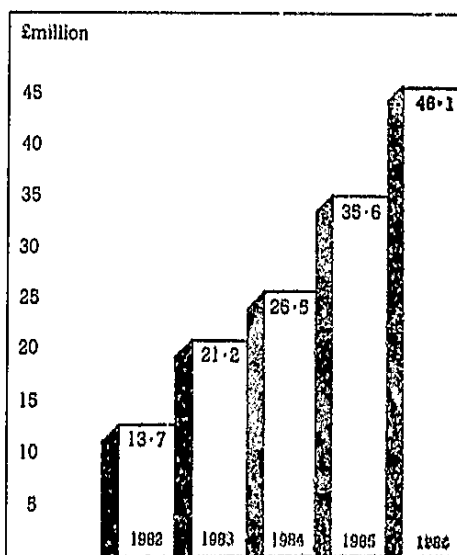
		%	%	%	%	%
Operating profit to turnover	UK and Europe	10.6	9.0	8.3	6.9	5.8
	USA, South Africa and Australia	5.1	2.5	2.4	3.8	4.2
Total		10.2	8.5	6.9	6.1	5.3

Operating profit to net operating assets	UK and Europe	39.0	31.9	24.5	19.0	13.1
	USA, South Africa and Australia	9.9	5.2	10.2	8.0	8.9
Total		35.2	28.6	22.0	15.4	11.8

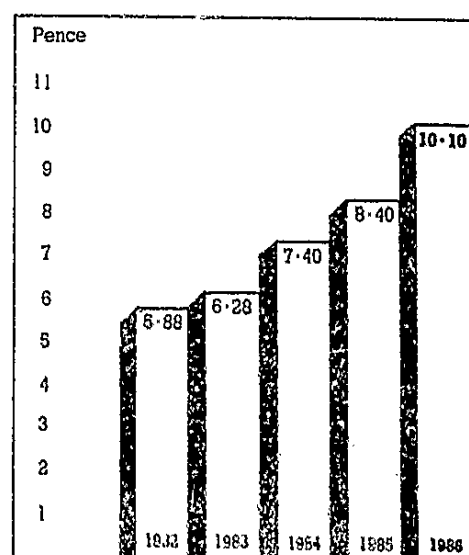
Debt/equity ratio



Profit before tax



Dividend per ordinary share





Consumer & Building Products



Terry O'Neill

Consumer Products

This was a year in which there was much to enthuse about. Demand for consumer goods was high, with the public generally becoming more adept in the use of credit and to some extent smoothing out the traditional seasonality of demand. Our consumer product units were able to take full advantage of the high level of demand by the vigorous promotion of an excellent range of products.

Aga-Rayburn was perhaps the least affected by the "consumer boom" addressing, as it does, specific small market sectors. However, very successful advertising programmes using quality magazines and, in the Midlands area, a much-praised TV campaign, had the planned results and both sales and profit budgets were achieved. Perhaps as important as the year's results was the carry-over benefit into 1987.

Flavel-Leisure's cooker and fire business had a splendid year. Demand for gas appliances was high throughout the year and the benefits of product development and manufacturing refinement meant that we were able to maximise our share of sales opportunities. Promotion plans, aimed particularly at the top of the market, proved successful in the launch of the Leisure 3000 Series of cookers which provide a choice of gas, electric or gas/electric fuels. As the winter demand for heating equipment increased, Flavel's Emberglow gas fire proved to be the appliance in greatest demand and the year ended with a good order book and excellent results.

	1986 £million	1985 £million
Turnover	113.9	90.6
Operating profit	14.0	9.8

Leisure sinks also benefited from strong demand resulting in a greatly improved performance. Last year there was reference to the changing pattern of distribution; our change in sales effort to successful and close associations were developed with the influential national retailers. Profits were up to expectations and represented a real step forward.

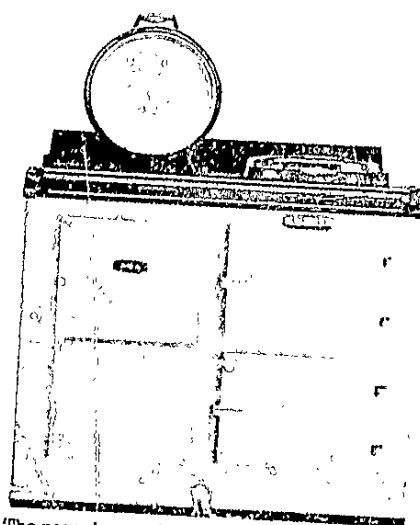
Falcon Catering Equipment has among its customers hotels and restaurants which were affected by the reduction in the tourist trade as a result of fears about international terrorism. However the habit of eating outside the home is increasing and becoming established and this provides a continuing demand for catering equipment albeit of different specification. Falcon, after many years of high performance, was well to maintain its financial goals for the year.

Building Products

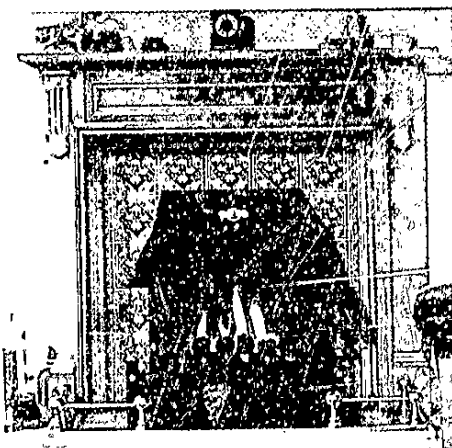
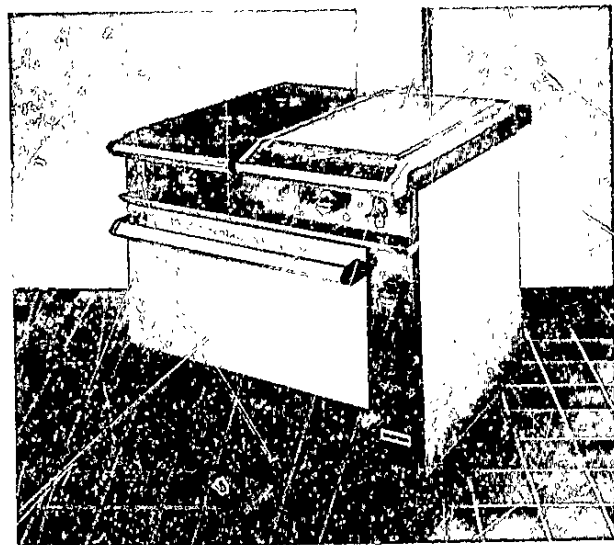
Demand for our products in this sector continued in line with our expectations which were based on significant, but not dramatic, public spending programmes.

Glynwed Foundries experienced a good demand for their cast iron pipes and fittings from the home market and renewed interest in some areas overseas. For seven months of the year the management of Glynwed Foundries was busy planning and implementing those programmes necessary to harmonise the operations of **Brickhouse Dudley** with our existing foundry operations. The programmes are near completion and 1987 will see a combined business of complementary and non-competing foundries addressing the same markets, with the new Glynwed Foundries doubled in terms of turnover.

Distribution of our foundry products formerly relied largely upon **Thames Bank Iron Company** and the Drainage Castings subsidiary of Brickhouse Dudley. Here again Glynwed and Brickhouse Dudley units have joined together, to provide a national service to customers; the combined businesses, which will treble the turnover of our distribution arm, will be known as **Drainage Systems**. As was the case at Glynwed Foundries, the units continued to achieve turnover and profit targets while carrying out the amalgamation programme.

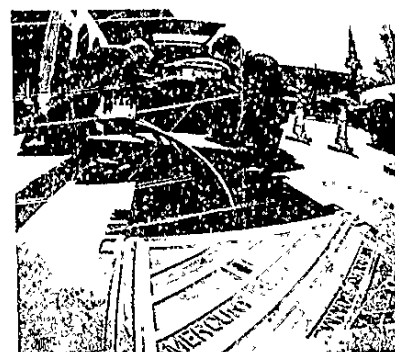
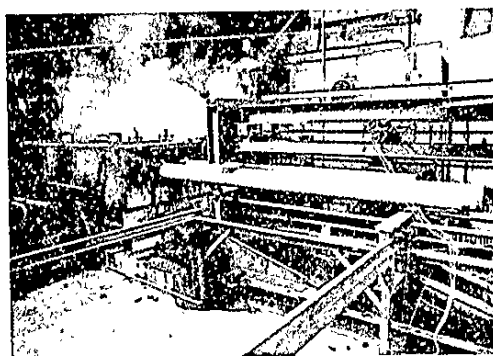
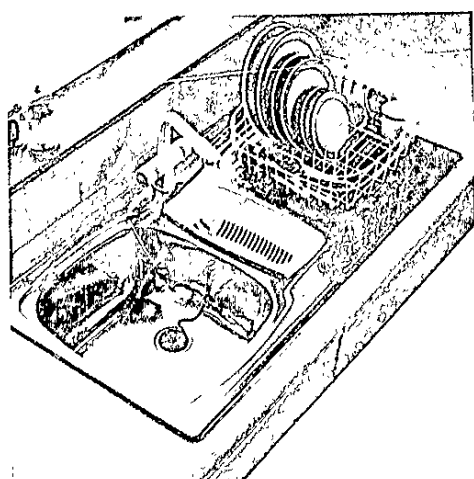


The new electric Aga

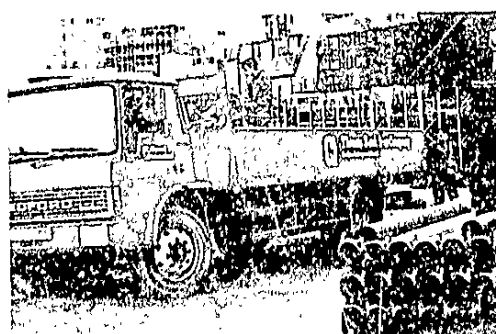


Far left
Leisure's 3000
Series cooker
available for gas,
electric or combined
gas/electric

Left
Flavel Emberslow
'living flame' gas fire



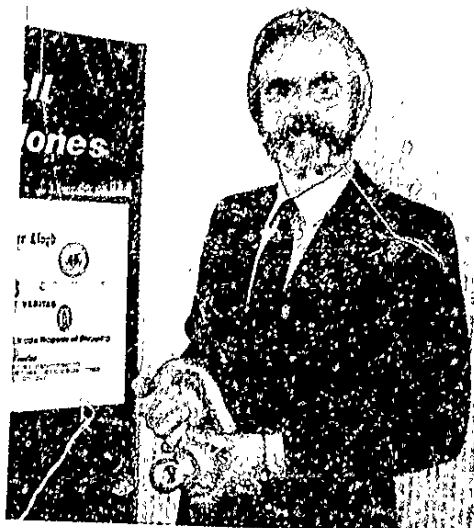
Manhole covers for a
new
telecommunications
network



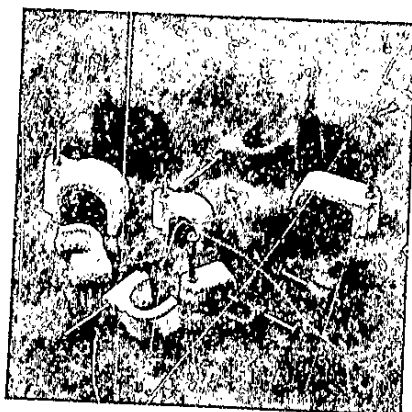
Above centre
Spanner's and new
paper at Glenwood
Foundries

Left
District and
new and old
140 1000

Engineering



Tom Forsyth



Cable clips made by
Tower
Manufacturing

The division had mixed fortunes in 1986, with strong performances where an operating unit had either relatively high technology or occupied a niche in the market place, but with mundane performances elsewhere.

The various units are broadly divided into the following market sectors:

Mechanical/Fabrication

In this market **Steelway-Fensecure** performed above expectations, increased its exports of steel flooring, stairways and fencing and held its own in a flat UK market. **Ansell Jones**, selling lifting tackle and specialist marine products, performed well in its niche sector and further strengthened its market position by the acquisition of Taylor Pallister. An excellent result was produced by **Paul Fabrications** which achieved substantial growth with its high technology fabrications for the nuclear fuel and aerospace industries, and started 1987 with an encouraging order book. However, **Cooper & Turner**, which manufactures fastenings for the construction and general engineering industry, had a poor year reflecting the flat performance of this market. To improve its trading position, further site rationalisation has been undertaken and the manufacture of special railway products has been introduced.

Automotive

During the year Glynwed Fastenings was sold advantageously to Armstrong Equipment plc, while **J. Burns**, which manufactures vehicle trim, saw its profit reduced, in spite of substantial orders from two major customers.

General Industrial

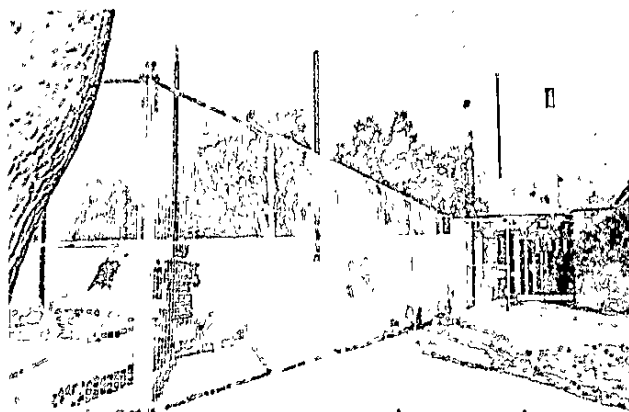
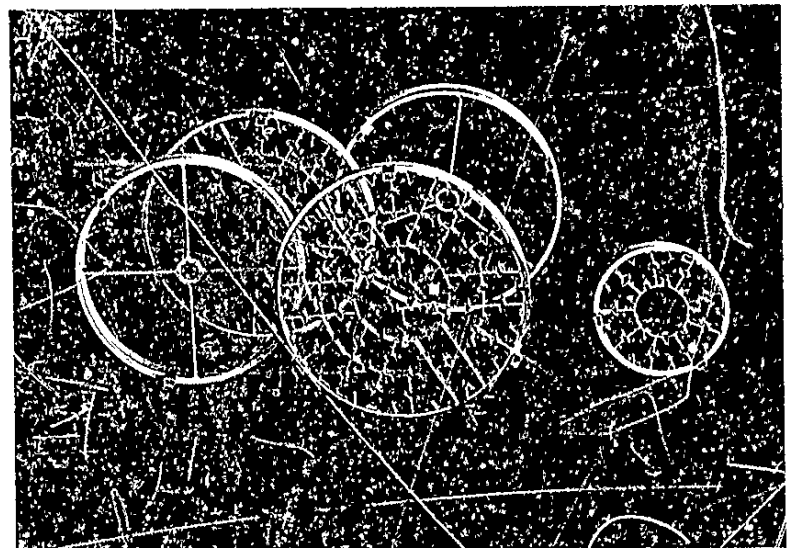
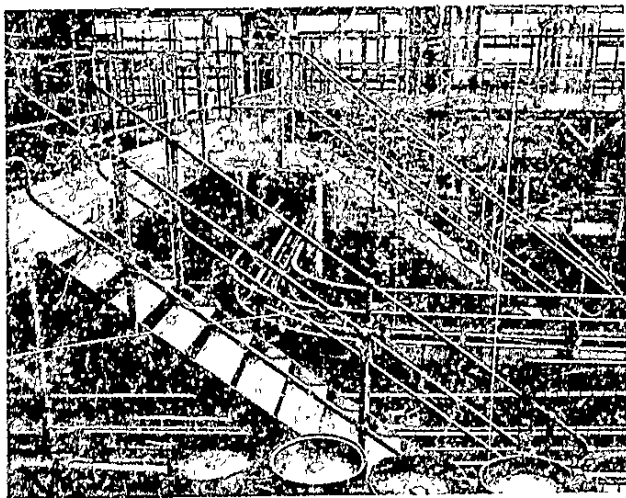
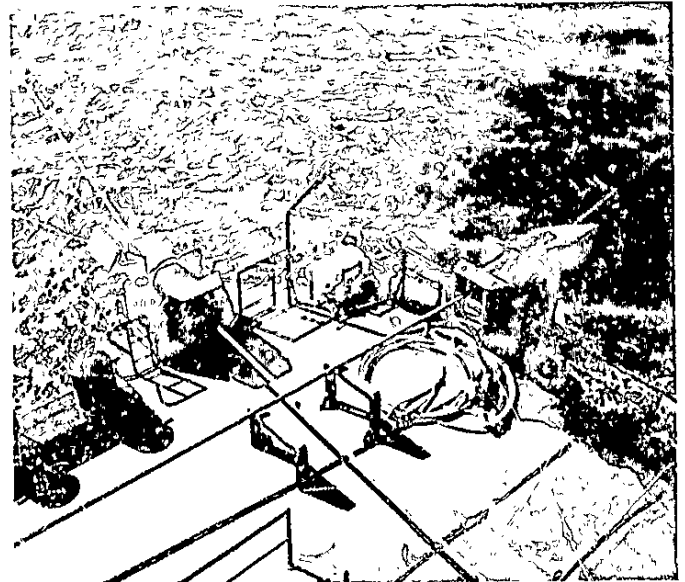
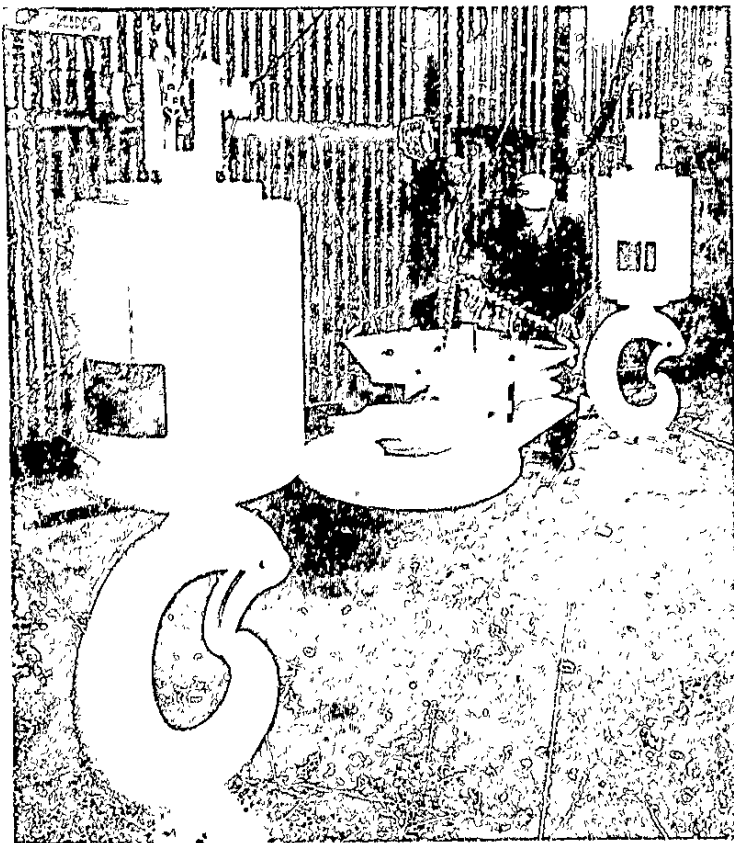
Although **Tower Manufacturing** experienced an erratic but growing market in the UK for cable clips and pins, rivets and nails, its export market was flat. It is anticipated that there will be some further growth in 1987.

In France **La Dauphinoise**, making eyelets, rivets, clips, studs and clamps in metal together with components in plastic, managed to improve its operating results following a substantial site rationalisation.

Distribution

MBS Distribution experienced difficult trading conditions in 1986, and in March 1987 the unit was sold.

	1986 £million	1985 £million
Turnover	59.7	67.9
Operating profit	2.3	2.7



Abstract II
Wallpaper designed
and illustrated by
Joosway P. P. P.
for a modern house

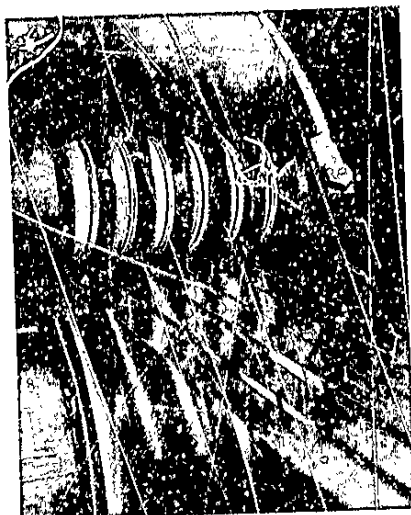
Abstract
Wallpaper designed
and illustrated by
Joosway P. P. P.
for a modern house

Abstract
Wallpaper designed
and illustrated by
Joosway P. P. P.
for a modern house

Steels



Des Griston



Slitting of stainless
steel at Cashmores
Stainless

In a very difficult market the division still managed to achieve record profits. There was severe competition following a major reorganisation in the engineering steel industry; UK markets for black and bright steels fell by over 5%, exports to the USA were restricted by quota and the weak dollar affected profits. However, the division increased its market penetration, helped by the acquisitions of **Barlow Bright Steels Limited**, which strengthened the bright steel business, and of **Firth Cleveland Steel Strip**, which produces special high carbon strip and operates in the UK and the USA. Also during the year we satisfactorily disposed of **Ductile Steel Stockists**, which was suffering most severe competitive conditions with little prospect of relief.

Hot Rolling

Our hot rolling units overcame the effects of price competition by increasing their sales, particularly to export markets. **W. Wesson** and **Dudley Port Rolling Mills** increased exports very substantially. Wesson's wide product range was especially useful in the prevailing conditions, with the heat treatment plant again proving its value. Water quenching facilities are being added for the production of stainless bars. **Dudley Port** concentrated again on special sections. **Ductile Hot Mill** and **George Gadd & Co** produced good results despite the importance to them of bright drawing steel, which was an especially difficult sector. **Ductile Hot Mill** extended its range of

bright drawing flats. Only at **Joseph Giff & Sons** were profits inadequate, with the narrower base unable to protect the unit from the adverse conditions.

Bright Drawing

The bright steel industry fared poorly in 1986, and our units were affected along with the rest of the industry. **Steel Parts** lost substantial US export business and there was not enough UK business available to make up the shortfall. At **Longmore Brothers** profit on bright steel was affected by the lower prices, but this was more than compensated by good results from tube sales. **W. Wesson's** bright drawing activity was the least affected, and made a good profit contribution.

Cold Rolling

After a slow start, the cold rolling units encountered steadily improving demand in the second half, and have entered 1987 in a strong position. **Stourbridge Rolling Mills** improved most markedly as the year progressed. New despatching facilities and a number of important new accounts helped to produce a good year for **Ductile Cold Mill**, where we are reaping the benefits of providing a better service to customers. **Firth Cleveland Steel Strip** is already showing a good contribution to divisional profits.

New products, particularly cable support systems, helped to increase profits at **Ductile Sections**. The new wide coil pickling and slitting plant at **Ductile Steel Processors** is producing a good product, and proving an excellent investment.

Distribution

Macreadys found its stockholder markets 11% lower than in 1985. Many other companies closed or sold out, but **Macreadys** improved its market share and widened the product range being offered. Bright steel price reductions affected this unit, and the profits were lower than in the previous year, although still good by the standards of the industry. **Cashmores Stainless** enjoyed an excellent year, with all sections of the unit performing well. **Cashmores Scrap** were profitable in a difficult year.

If markets are less difficult in 1987, and with growth prospects particularly in stainless bar and special carbon steel strip, we hope that the future will not present quite the same range of problems.

	1986 £million	1985 £million
Turnover	143.2	147.5
Operating profit	12.8	12.1

Joseph Giff

el Parts

ore

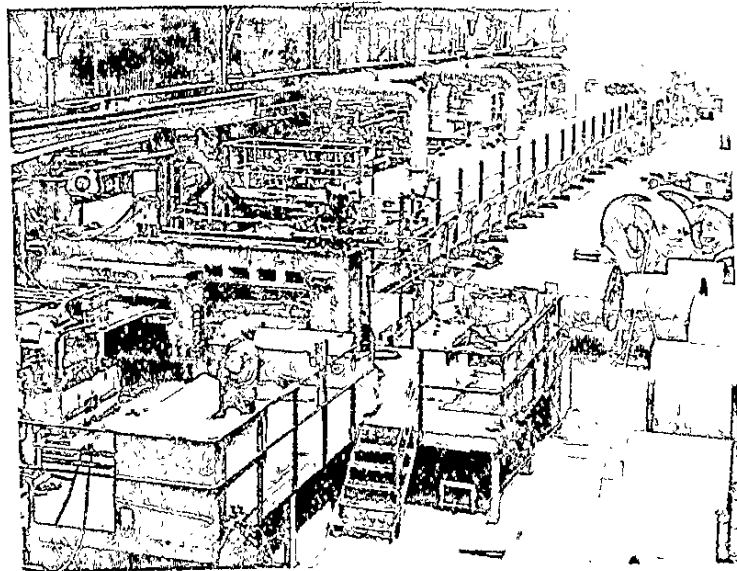
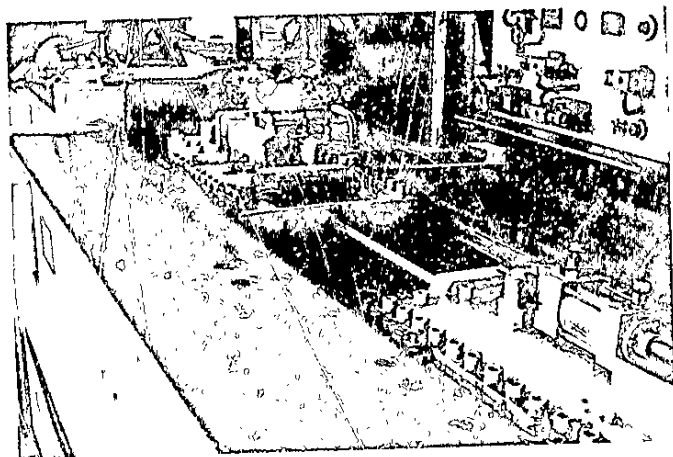
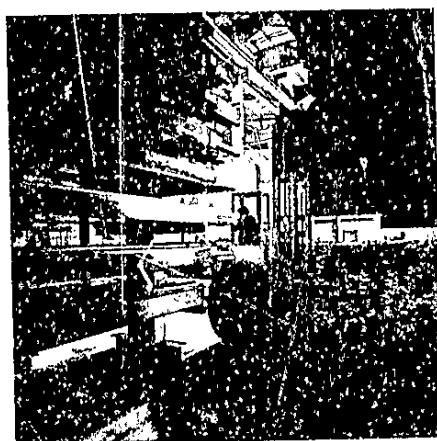
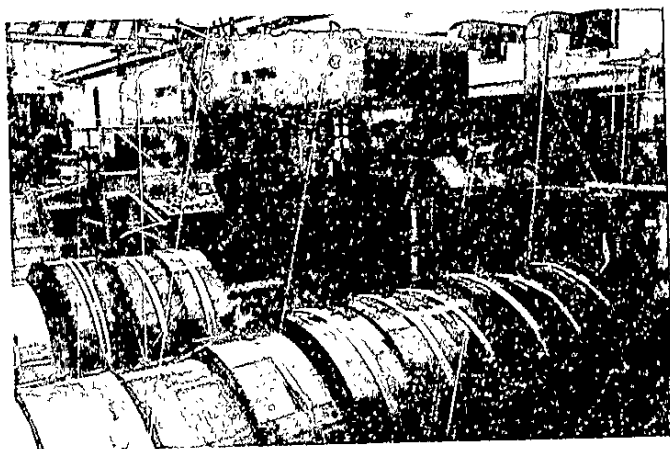
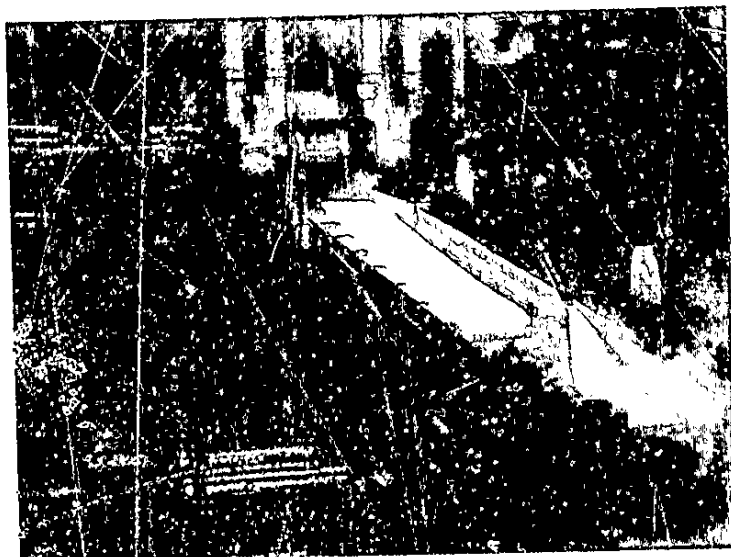
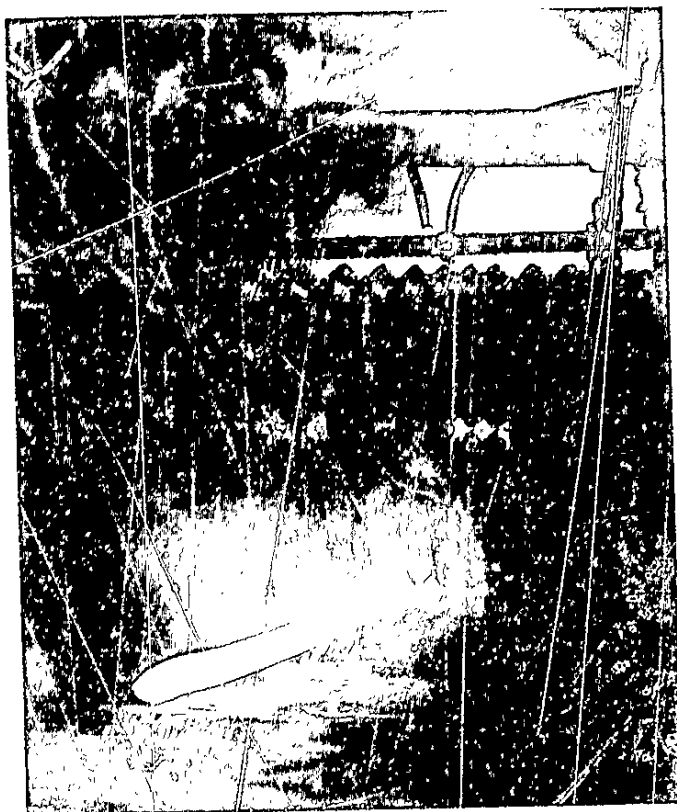
ing Mills

Ductile

Strip

le Steel

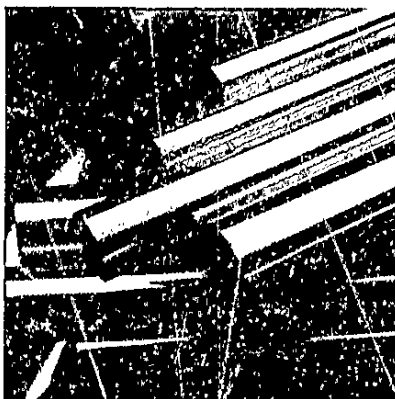
res



Tubes & Fittings



Derrick Richardson



Copper tube made
by Wednesbury
Tube

The division again performed well but it was significant that whilst building and infra-structure product markets were particularly busy, the industrial product markets remained somewhat sluggish throughout the year.

The division took further action during 1986 to concentrate on its mainstream activities. It sold the Wednesbury fittings business, Nederlandse Autofitting Fabriek BV and Coventry Tube, and also consolidated its copper tube manufacturing facilities and purchased Paragon Plastics' high pressure fittings business, thereby enhancing its product ranges in copper and plastics.

Copper

Good demand throughout the year for copper plumbing tube, with a very strong heating season, left the market 7% above the previous year. The integration of the business of Delta Tubes consolidated **Wednesbury Tube's** position as one of the world leaders in copper tubes; sales for engineering purposes and into export markets continued their planned growth and are now in excess of 20% of the output.

Steel Tube

There was a firmer trend towards the end of the year, after the poor summer weather which depressed the demand for thin-walled steel tube. **Monmore Tubes** was particularly affected and sales remained at the 1985 level, but effective cost control in all areas enabled very satisfactory results to be achieved. Sales at **Newman-Tipper Tubes** were also similar to the previous

year, but benefits of the rationalisation programme in 1985 became apparent, and combined with cost saving measures, in particular reduced energy costs, produced a very satisfactory result.

The privatisation of British Gas adversely affected **Wask Engineering**. Demand from the gas board regions during the summer months was reduced, with the result that total sales for the year were below budget levels. However, reasonable profits were achieved.

Tipper Fittings retained its market share despite a significant fall-off in the UK demand for malleable pipe fittings. Signs of improved activity were apparent towards the end of the year. **Atlantic Tubes**, **Abba Tubes** and **Olympic Tubestock** experienced weaker demand, particularly in the south, and the combined results were not up to the level of the previous year.

Plastics

Increased import activity and a lower level of UK capital investment led to slower growth on the industrial side. Products for mains water and gas met very firm demand throughout the year.

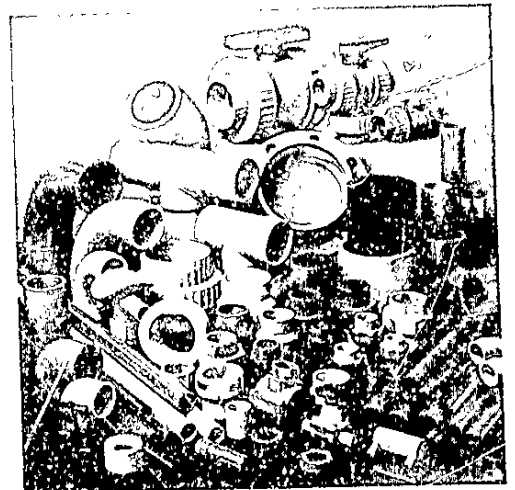
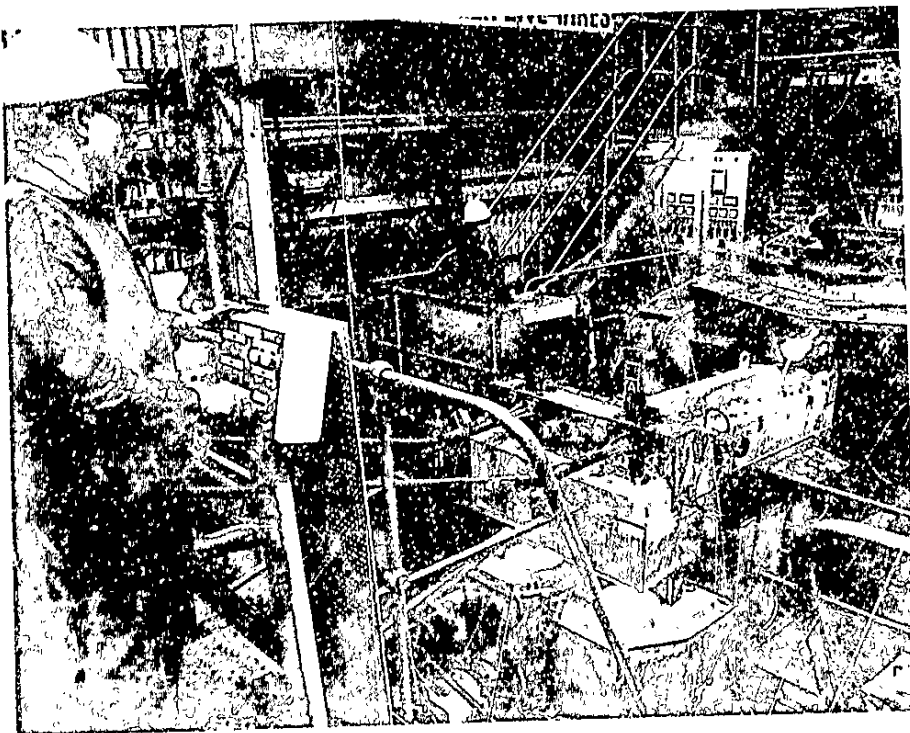
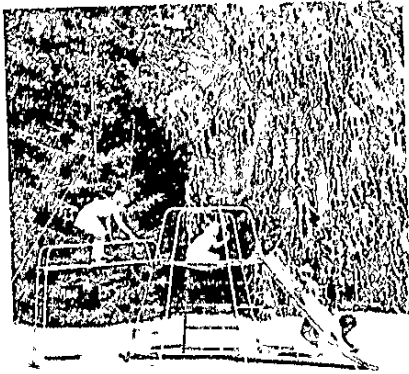
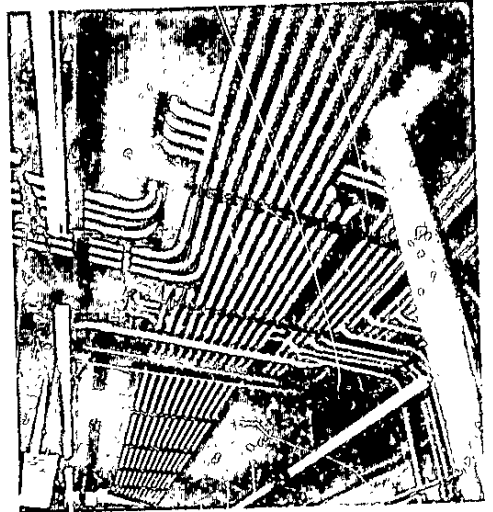
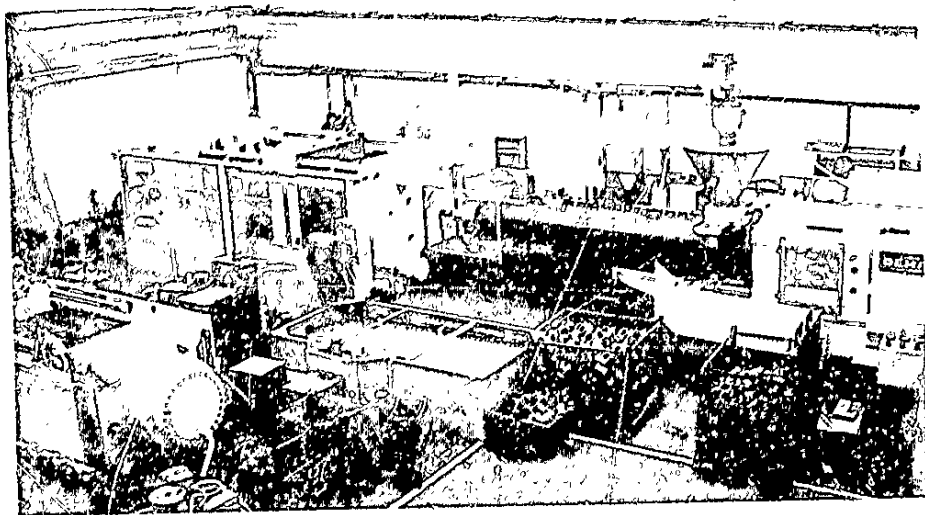
Durapipe continued its large development programme and towards the end of the year the start of a good growth pattern was in evidence. Export sales were good, but reduced industrial demand and a change in buying patterns were responsible for a slight slowing down of sales in the UK.

Once again **Vulcathene** enjoyed strong UK growth as new products were added to its impressive range of electrofusion products. Exports to the USA and the Middle East were a little disappointing, but custom moulding and vacuum forming had another strong year and helped to produce an excellent performance from this efficient unit.

Copper Plastics, through its eleven strategically-sited distribution warehouses provides a nationwide outlet for thermoplastic pipework systems manufactured within the division, and for an extensive range of other plastic pipework products. The unit achieved continued growth and record profits.

Townsend Rubber Products continued to be highly successful in its own niche markets, with the introduction of new manufacturing techniques and materials. **Cortex Limited** held its position in the plastic window frame market despite flat demand and strong competition.

	1986 £million	1985 £million
Turnover	122.0	115.5
Operating profit	14.3	11.4



Properties

Glynwed Properties Limited owns and manages the group's land and buildings in the UK, which are occupied by group companies and various other tenants. A substantial amount of surplus property was sold during the year and two trading estates owned by the company, at Dudley and Great Bridge in the West Midlands, are fully let and income-producing.

Several major projects were completed in 1986, including new warehouse buildings for George Gadd at Dudley and Wednesbury Tube at Welwyn Garden City. An extension was constructed at Dudley Port Rolling Mills and a reception building and office were completed for Paul Fabrications at Draycott near Derby. The programme of maintaining and improving the property assets continued with investment being made at Cooper & Turner, Sheffield, Leisure at Long Eaton and Glynwed Foundries at Coalbrookdale.

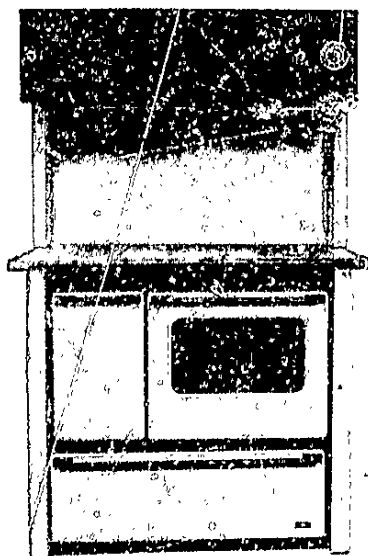
	1986 £million	1985 £million
Turnover	0.4	1.3
Operating profit	5.3	4.2

South Africa

The political situation in South Africa had a major impact on the state of the national economy and on business conditions. As a result **Falkirk Industries (Pty) Ltd** suffered a significant loss during the period.

The building industry, in particular house building, was very depressed and conditions were the worst experienced for forty years.

The solid fuel stove market, which is entirely dependent on the black population, declined by more than 50%. Despite this, a new range of steel stoves was launched and has become an important part of the whole range.

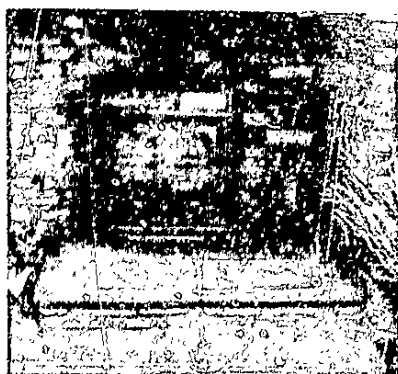


Solid fuel stove
manufactured by
Falkirk Industries

	1986 £million	1985 £million
Turnover	5.1	8.5
Operating profit	(1.0)	0.1

Operational Review

USA



One of a range of Glynwed made cast iron multi-fuel room heaters distributed by Cooper & Turner Inc

Automation Service Equipment Inc achieved significantly better profits and cash flow as margins improved on both automotive-related and non automotive business. Market emphasis continues to move towards more flexible equipment with highly sophisticated control systems, as customers continue to demand longer useful life of parts handling systems.

Pandjiris Inc continued to experience difficulties resulting from the depleted markets for welding positioning equipment. New products, cost reduction measures and organisational changes were introduced during the year in order to improve the performance of the company.

The load indicating washer business of **Cooper & Turner Inc** was sold during the year and the company is now concentrating on the sale of Coalbrookdale stoves and Aga cookers.

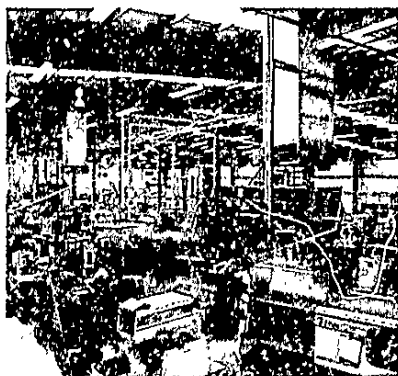
Enfield Industrial Corp had a record year. Sales were strong, reflecting both a stable market and an increasing market share. Enfield moved to a new warehouse and consolidated its site locations to improve service, control and costs.

Slocomb Plastic Pipe and Products Inc had a strong sales year with poor operating results because of a very competitive market. Cost reductions and plant modernisation have been carried out.

Plastimatic Inc had another disappointing year, aggravated by a plant move which disrupted operations. Significant changes in organisation, cost structure, and operating procedures have been introduced in recognition of the company's reduced market.

	1986 £million	1985 £million
Turnover	23.2	25.6
Operating profit	0.6	1.0

Australia



Philmac's modern injection moulding plant in South Australia



Laying pipe coupled with Philmac PolyGrip plastic fittings

Philmac Pty Limited, which was acquired in 1986, produced excellent results. Considerable growth was achieved in both sales and profitability, resulting in a very satisfactory return on investment. In spite of the set-back in the rural sector in Australia, high levels of sales were attained. The company had record sales in both November and December. Export sales from Australia were enhanced by a very strong performance by the company's branch in the United Kingdom.

The company believes that in order to continue the high levels of growth, it is essential both to continue the policy of expanding the range of products which it manufactures and sells, and to explore new market opportunities. To this end, new products have been introduced and a sales outlet for the company's products in North America is being established.

Glynwed Australia Pty Limited continues with the distribution of heating and cooking appliances, mainly of group manufacture.

	1986 £million	1985 £million
Turnover	7.2	1.2
Operating profit	2.2	(0.2)



Report of the Directors

The directors of Glynwed International plc present their annual report, together with the accounts of the company, for the 52 weeks ended 27th December 1986. 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 10th June 1987.

Activities and business review

Glynwed International plc is the group holding company and the principal activities of subsidiaries are shown on pages 38 and 39.

A review of the activities and prospects of the group and of the principal subsidiaries is given on pages 4 to 17.

Dividends and reserves

The earnings for the period after taxation and preference dividends were £29.9 million (1985 £23.2 million). Extraordinary items amounted to £3.8 million (1985 £2.3 million), leaving £26.1 million (1985 £20.9 million) available to the ordinary shareholders. An interim dividend of 3.60p per share was paid on 17th December 1986. The directors recommend a final dividend of 6.50p per share payable on 2nd July 1987 making a total for the period of 10.10p per share (1985 8.40p per share — after adjusting for the bonus issue in 1986).

After ordinary dividends of £11.3 million (1985 £8.8 million), £14.8 million (1985 £12.1 million) remains to be added to the retained profit.

Capital of the company

Allotments of ordinary shares of 25p each of the company were made during 1986 as indicated in note 24 on page 37.

At the company's 1987 annual general meeting a resolution will be proposed to increase the authorised share capital of the company from £38,802,713 to £41,348,110, in order to restore the proportion of authorised but unissued capital to issued capital to that which existed before the allotments referred to above. Resolutions will also be proposed to grant to the board, for limited periods of time, renewed authority and power to allot securities under sections 80 and 95 of the Companies Act 1985: in that regard, it should be noted that the Stock Exchange no longer requires, as hitherto, the consent of shareholders to each specific issue of equity capital for cash made otherwise than to existing shareholders on a pro rata basis.

Of the company's current authorised share capital, 1,291,184 preference shares of £1 each and 111,786,772 ordinary shares of 25p each are in issue: the unissued share capital comprises 38,259,344 ordinary shares of 25p each, of which 3,775,450 shares are the subject of options granted under the company's share option schemes.

After the proposed resolutions mentioned above, 48,440,932 ordinary shares of 25p each would remain unissued, representing 29.29% of the increased authorised share capital of the company. Of these unissued ordinary shares 37,262,256 shares would be available for allotment by the board in accordance with their authority under section 80 of the Companies Act 1985 and the balance of 11,178,676 shares (including the 3,775,450 shares mentioned in the previous paragraph) would be available for issue under the company's existing share option schemes.

The directors have no present intention of issuing any part of the authorised but unissued share capital of the company otherwise than on an exercise of any of the options granted under the company's existing share option schemes, and no issue of new shares will be made which will effectively alter the control of the company without the prior approval of the shareholders in general meeting.

Report of the Directors

Shareholders

At 27th December 1986, ordinary shareholders totalled 13,131 (1985—12,352) Their holdings are analysed below

Number of shares	% of shareholders	% of shares in issue
1—5,000	92.71	11.37
5,001—50,000	4.95	8.15
50,001—500,000	2.23	41.03
Over 500,000	0.31	39.45
	<u>100.00</u>	<u>100.00</u>

Notification has been received from Britannic Assurance Public Limited Company that it is interested in 6,531,920 ordinary shares (being 8.84% of the issued ordinary capital) of the company.

Directors

The members of your board at the date of this report are shown on page 2.

In accordance with the Articles of Association Mr DL Milne retires by rotation and, being eligible, offers himself for re-election. Mr D Gripton, Mr T O'Neill and Mr DW Richardson, having been appointed directors by the board on 19th January 1987 retire and, being eligible, offer themselves for election. Mr Milne, Mr O'Neill and Mr Richardson have service contracts with the company which are terminable on three years' notice, and Mr Gripton a service contract which expires on 26th December 1988.

As presaged in the company's 1985 annual report, Sir Leslie Fletcher retired from the group on 27th December 1986 and was succeeded as Chairman by Mr G Davies.

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:

	27th December 1986	29th December 1985
G Davies	1,562	1,250
DL Milne	1,250	1,000
JD Eccles	1,250	1,000
Sir Eric Pountain	7,000	2,000

Additionally at 27th December 1986, Mr G Davies and Mr DL Milne had been granted options to acquire 225,000 and 150,000 ordinary shares respectively under the Glynwed International Senior Executive Share Option Scheme and 5,053 and 505 ordinary shares respectively under the Glynwed International Savings-Related Share Option Scheme.

The company has not been notified of any change in the above interests since 27th December 1986, except that Mr G Davies and Mr DL Milne have been granted further options, to acquire 25,000 and 16,000 ordinary shares respectively, under the Glynwed International Senior Executive Share Option Scheme, and Mr DL Milne has been granted a further option, to acquire 1,860 ordinary shares, under the Glynwed International Savings-Related Share Option Scheme.

The directors had no interests in any contract with group companies with the exception of service contracts.

Fixed assets

The movements of fixed assets are set out in note 14 on page 32 and include a net book value of £10.1 million arising from the acquisition of new businesses.

Acquisitions and disposals

Acquisitions during the period

March	Philmac Pty Limited in Australia for A\$18.0 million cash
May	Brickhouse Dudley plc for 5.7 million ordinary shares.
July	Barlow Bright Steels Limited for £2.0 million cash.
August	Firth Cleveland Steel Strip for £4.1 million cash
September	Taylor Pallister for £0.2 million cash.
December	Paragon Plastics' high pressure fittings business for £1.3 million cash

Other small acquisitions were made amounting to £0.3 million cash.

Disposals during the period

March	Glynwed Fastenings for £5.0 million.
	Ductile Steel Stockists for £2.0 million.
	Wednesbury fittings for £1.8 million.
	Cooper & Turner Inc load indicating washer business for US\$1.3 million.

In addition, two smaller businesses, Coventry Tube and Nederlandse Autofitting Fabriek BV, were sold.

In March 1987 the business of MBS Distribution, a unit within Glynwed Distribution Limited, was sold for approximately £4.4 million.

Research and development

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

Employees

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 were kept informed of group developments at meetings held to discuss the half year and annual results and to review the group's business strategies. They were thus able to communicate, as appropriate, relevant information to management in the operating units.

The group operates pension schemes covering all eligible employees. The schemes' funds are administered by trustees and are independent of the group's finances. The schemes are fully funded and contributions are paid to the schemes in accordance with the recommendations of independent consulting actuaries to provide retirement benefits based on projected final salaries. The group's contributions are charged against profits in the year in which the contributions are made. From the 1st April 1986, in accordance with the recommendation of the group's independent actuaries, and having regard also to a decline in the number of scheme members and to the provisions of legislation during the year on pension funds, the group implemented a provisional reduction in its rate of contribution to the principal pension schemes. This is the main reason for the reduction in the pension costs during the period: see note 6, page 30. Based on the latest actuarial reports on the schemes certain improvements in benefit, as well as further reductions in contribution rates, in this instance for both the group and its employees, have been implemented from 1st April 1987.

Sixty six scholarship awards were made by the independent selection committee of the Glynwed Educational Scholarship Scheme. Twenty three 1985 award holders obtained primary degrees.

The year saw the first exercises of options under the group's Savings-Related Share Option Scheme, and further grants of options under both the Savings-Related and Senior Executive Share Option Schemes have been made since the preliminary announcement of the year's results. It is proposed to make a number of amendments to each of these schemes, in particular, in relation to the Savings-Related Scheme, in order to extend the scheme to a greater number of employees. This and the other proposed amendments are summarised in the appendix which follows the notice of meeting at the end of this document. A resolution to approve the proposed amendments (resolution 8 in the notice of meeting) will be proposed at the company's 1987 annual general meeting.

Report of the Directors

Political and charitable donations

During the period the group gave £49,698 for charitable purposes in the UK, and £25,000 for political purposes to the Conservative Party.

Finance Act 1965 and capital gains tax

The official price of Glynwed International plc ordinary shares on 6th April 1965, adjusted for the rights issue made in 1976 and the bonus issue made in 1986, was 108.60p.

South Africa—EEC Code of Conduct

A report has been made to the Department of Trade and Industry on Falkirk Industries (Pty) Limited under the terms of the Government White Paper (Cmnd 9860) published in July 1986. 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 1970.

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
14th April 1987



Source and Distribution of Value Added

For the 52 weeks ended 27th December 1986

	1986 £million	1985 £million		
Source of value added				
Turnover	479.9	464.1		
Cost of materials and services used	(319.2)	(314.7)		
Total value added	159.7	149.4		
	£million	%	£million	%
Distribution of value added				
Employees — wages, salaries, pension and national insurance contributions and other employee costs	101.0	63.2	99.3	65.8
Taxation — UK and overseas	16.1	10.1	12.3	8.2
Providers of capital				
Interest payable on borrowings	2.7	1.7	4.0	2.7
Dividends to shareholders	11.4	7.1	8.9	6.0
Total cost of capital provided	14.1	8.8	12.9	8.6
Re-investment in the business				
Depreciation	9.9	6.2	10.5	7.0
Profit retained	14.8	9.3	12.1	8.1
Total re-invested	24.7	15.5	22.6	15.1
Extraordinary items (net)	3.8	2.4	2.3	1.5
Total value added	159.7	100.0	149.4	100.0

Source and Application of Funds

For the 52 weeks ended 27th December 1986

	1986 £million	1985 £million
Funds generated		
At before tax	46.1	35.6
Adjustment for items not involving the movement of funds		
Depreciation	9.9	10.2
Profit on sale of fixed assets	(1.9)	(3.8)
Funds generated from operations	54.1	42.0
Funds from other sources		
Issue of shares for acquisition of subsidiary	21.7	—
Disposal of fixed assets	7.1	7.5
Disposal of investments	0.1	—
Proceeds of sale of subsidiary companies	9.8	—
Total funds from other sources	38.7	7.5
Total funds generated	92.8	49.5
(Increase)/decrease in working capital		
Stocks	2.5	1.2
Debtors	2.5	(4.1)
Creditors	(7.5)	9.4
Total (increase)/decrease in working capital	(2.5)	6.5
Net funds generated	90.3	56.0
Application of funds		
Acquisition of fixed assets	(14.7)	(11.3)
Acquisition of subsidiary companies and other businesses	(41.0)	(4.1)
Purchase of investments	—	(2.8)
Dividends paid	(9.7)	(8.2)
Taxation paid	(11.4)	(6.6)
Extraordinary items (gross)	(4.3)	(3.5)
Currency translation movement	(0.7)	1.2
Total application of funds	(81.8)	(35.3)
Increase in funds	8.5	20.7
Statement of borrowings (Note 21)		
At 28th December 1985	16.1	40.1
At 27th December 1986	7.6	16.1
Decrease in net borrowings	8.5	24.0

The effects on the Source and Application of Funds of the acquisitions and disposals of subsidiary companies and businesses are summarised below

	1986 £million	1985 £million
(Increase)/decrease of net assets		
Fixed assets — tangible	(6.4)	(2.6)
— investments	(0.2)	—
Stocks	(3.2)	(1.5)
Debtors	(10.7)	—
Operating creditors	12.2	—
Taxation	2.2	—
Loss on disposal of subsidiaries	(1.1)	—
Goodwill on acquisition of subsidiaries	(24.0)	—
Total increase of net assets	(31.2)	(4.1)
Financed by		
Issue of shares	(21.7)	—
Cash paid and payable	(18.0)	(4.1)
Net borrowings taken over on acquisitions	(1.3)	—
Cost of acquisitions	(41.0)	(4.1)
Cash received and receivable	9.8	—
Net payments	(31.2)	(4.1)



Consolidated Profit and Loss Account

For the 52 weeks ended 27th December 1996

	Notes	1996 £million	1995 £million
Turnover	3	478.9	464
Net operating costs	4	(430.1)	(424)
Operating profit	3	48.8	39
Interest payable (net)	7	(2.7)	(4)
Profit on ordinary activities before taxation		46.1	35
Tax on profit on ordinary activities	8	(16.1)	(12)
Profit on ordinary activities after taxation		30.0	23
Preference dividends	9	(0.1)	(0)
Earnings for the period		29.9	23
Extraordinary items	11	(3.8)	(2)
Ordinary dividends	9	(11.3)	(6)
Profit retained	12 & 25	14.8	15
Earnings per share	13	27.47p	22.15p

Notes on the accounts, pages 27 to 40.

Movements on reserves are set out in note 25.

Consolidated Balance Sheet

	27th December 1986	Notes	1986 £million	1985 £million
Assets employed	Fixed assets			
	Tangible assets	14	81.0	76.1
	Investments	16	3.1	3.2
	Total fixed assets		84.1	79.3
	Current assets			
	Stocks	17	86.8	86.1
	Debtors	18	111.9	103.7
	Cash at bank and in hand	21	16.3	10.4
	Total current assets		215.0	200.2
	Creditors -- amounts falling due within one year			
	Operating creditors	19	(132.1)	(122.6)
	Short term borrowings	21	(1.7)	(1.3)
	Total amounts falling due within one year		(133.8)	(123.9)
	Net current assets		81.2	76.3
	Total assets less current liabilities		165.3	155.6
	Creditors -- amounts falling due after more than one year			
	Operating creditors	19	(11.9)	(7.9)
	Medium and long term borrowings	21	(22.2)	(25.2)
	Provisions for liabilities and charges			
	Deferred taxation	22	(1.3)	(3.2)
	Total net assets employed		129.9	119.3
Capital and reserves and minority interests	Capital and reserves			
	Ordinary shares	24	27.9	20.9
	Preference shares	24	1.3	1.3
	Called up share capital		29.2	22.2
	Share premium account	25	15.6	21.4
	Revaluation reserve	25	6.3	6.9
	Profit and loss account	25	78.5	68.7
	Total capital and reserves		129.8	119.2
	Minority interests		0.1	0.1
	Total capital and reserves and minority interests		129.9	119.3

G Davies Chairman
JD Eccles Deputy chairman
DL Milne Finance director

G Davies
JD Eccles
DL Milne

Notes on the accounts, pages 27 to 40.



Balance Sheet

	27th December 1986	Notes	1986 £million	Acc
Assets employed				
Fixed assets			184.5	
Investments		16		
Current assets			16.7	
Debtors		18		
Cash at bank and in hand		21	0.6	
Total current assets			11.3	
Creditors -- amounts falling due within one year				
Operating creditors		19	(13.3)	
Short term borrowings		21	(15.5)	
Total amounts falling due within one year			(28.8)	
Net current liabilities			(17.5)	
Total assets less current liabilities			167.0	
Creditors -- amounts falling due after more than one year				
Medium and long term borrowings		21	(21.3)	
Provisions for liabilities and charges				
Deferred taxation		22	(0.2)	
Total net assets employed			145.5	

Capital and reserves

Capital and reserves			
Ordinary shares	24	27.9	
Preference shares	24	1.3	
Called up share capital		29.2	
Share premium account	25	15.8	
Other reserves	25	20.2	
Profit and loss account	26	80.3	
Total capital and reserves		145.5	

G Davies Chairman

JD Eccles Deputy chairman

DL Milne Finance director

Notes on the accounts, pages 27 to 40.

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 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. This represents a change in previous practice whereby, when no value was specified, the shares were deemed to be issued at par. 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 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 at the average exchange rates of the period in which they occurred. Assets and liabilities in foreign currencies are translated into sterling at the mid-market rates of exchange ruling at the close of the financial period.

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

Tangible fixed assets are depreciated from the date of acquisition to the date of disposal.

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 or repayment 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.

2 Change in accounting policy

The accounting policy for foreign currencies has been changed so that the profit and loss account items of overseas subsidiaries and related companies are translated into sterling at average, rather than period-end, exchange rates. The effects on the profits for both 1985 and 1986 are immaterial and no adjustments have been made to the comparative figures.

3 Principal activities

Turnover and operating profit by sub-group

	Turnover		Operating profit	
	1986	1985	1986	1985
	£million	£million	£million	£million
United Kingdom and European operations				
Consumer & building products	113.9	90.6	14.0	11.1
Engineering	59.7	67.9	2.3	1.2
Steels	143.2	147.5	12.8	12.1
Tubes & fittings	122.0	115.5	14.3	11.1
Properties	0.4	1.3	5.3	4.0
Other operations	4.2	6.0	(0.2)	0.1
Central costs	—	—	(1.5)	(0.1)
Total UK and European operations	443.4	428.8	47.0	39.6
Other overseas operations				
United States of America	23.2	25.6	0.6	1.1
Australia	7.2	1.2	2.2	(0.1)
South Africa	5.1	8.5	(1.0)	0.1
Total other overseas operations	35.5	35.3	1.8	0.1
Total turnover and operating profit	478.9	464.1	48.8	39.7

	1986		1985	
	£million	%	£million	%
Turnover by geographical area				
North and South America	32.5	6.8	31.7	6.8
Europe	21.0	4.4	17.6	3.8
Middle East	8.8	1.8	10.4	2.2
Southern Africa	6.6	1.4	10.1	2.2
Asia and Australasia	8.5	1.8	3.9	0.8
Total overseas	77.4	16.2	73.7	15.8
United Kingdom	401.5	83.8	390.4	84.2
Total turnover	478.9	100.0	464.1	100.0

Sales value of direct exports from the United Kingdom during the year was **£38 million** (1985 £33 million).

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

Operating costs

	1986 £million	1985 £million
Net operating costs		
Raw materials and consumables	234.6	233.0
Staff costs (see note 6)	101.0	99.3
Other operating charges	63.2	56.9
Change in stocks of finished goods and work in progress	2.9	1.3
Own work capitalised	(0.3)	(0.2)
Other operating income	(6.1)	(3.7)
Other external charges	24.7	27.4
Depreciation and other amounts written off tangible fixed assets	9.9	10.5
Share of profits of related companies	(0.3)	—
Total net operating costs	430.1	424.5
Net operating costs include the following		
Operating lease rentals		
Hire of plant, equipment and vehicles	1.3	1.1
Other operating leases	1.1	1.0
Total operating lease rentals	2.4	2.1
Auditors' remuneration	0.6	0.5
	£000	£000
Emoluments of directors of Glynwed International plc		
As directors	61	65
As executives	199	225
Augmentation of pension fund	—	70
Payments in connection with retirements from office	—	138
Total directors' emoluments	260	498

Directors' emoluments

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

	1986 £	1985 £
Chairman	39,038	38,595
Highest paid director	106,757	97,633
Other directors		
	Number of directors	
£		
70,001 to 75,000	1	—
60,001 to 65,000	—	1
10,001 to 15,000	1	2
5,001 to 10,000	1	1
Up to 5,000	—	2

**6 Employee information****Average number of employees**

The average number of employees, including executive directors, is analysed below

United Kingdom and Europe
South Africa
United States of America
Australia

Total

1986
Number of employees

9,538
1,136
272
174

11,120

£million

Staff Costs

Staff costs of above employees

Wages and salaries

Social security costs

Other pension costs

Total

88.4

7.1

5.5

101.0

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

£
65,001 to 70,000
60,001 to 65,000
55,001 to 60,000
50,001 to 55,000
40,001 to 45,000
35,001 to 40,000
30,001 to 35,000

Number of employees

2

1

—

1

1

8

12

7 Interest payable (net)**Interest payable and similar charges**

On borrowings wholly repayable within five years

On all other borrowings

On finance leases

Total interest payable and similar charges**Less other interest receivable and similar income****Interest payable (net)**

1986
£million

1.1

2.2

0.4

3.7

1.0

2.7

8 Taxation

On the profit of the period

United Kingdom corporation tax at 36.25% (1985 41.25%)

Transfer from deferred taxation

Advance corporation tax recoverable

United Kingdom taxation

Overseas taxation

Taxation on the profit of the period

Previous year adjustments

Total tax on profit on ordinary activities

1986
£million

16.4

(1.9)

—

14.5

1.4

15.9

0.2

16.1

Notes on the Accounts

Dividends

	1986 £million	1985 £million
Preference dividends 5.425%	0.1	0.1
Ordinary dividends		
Interim dividend paid of 3.60p per share (1986 3.00p)	4.0	3.1
Proposed final dividend of 6.60p per share (1985 5.49p)	7.3	5.7
Total ordinary dividends of 10.10p per share (1985 8.40p)	11.3	8.8

(Dividends per share for 1985 have been adjusted for the bonus issue made on 4th June 1986)

Profit for the period

Group profit after taxation and extraordinary items for the period was £26.2 million (1985 £21.0 million). Glynwed International plc has taken advantage of section 223(7) of the Companies Act 1985 and has not included its own profit and loss statement in these accounts: its corresponding profit was £20.7 million (1985 £36.5 million).
Included in the group operating profits are the net profits of companies acquired or disposed of during the period amounting to £5.4 million

1 Extraordinary items

Losses on disposals, industry rationalisation costs and termination costs of discontinued businesses
Taxation applicable
Net extraordinary items

1986 £million	1985 £million
5.4	3.5
(1.6)	(1.2)
3.8	2.3

2 Profit retained

Glynwed International plc
Subsidiary companies
Related companies
Total profit retained

1986 £million	1985 £million
9.3	27.6
5.4	(15.5)
0.1	—
14.8	12.1

3 Calculations of earnings per share

The calculations of earnings per ordinary share are based on earnings of £29.9 million (1985 £23.2 million) and an average of 108.8 million ordinary shares of 25p each in issue (1985 104.7 million, after adjusting for the bonus issue made in 1986).

14 Tangible fixed assets

	Land and buildings			Plant and machinery		1986 Total tangible fixed assets
	Freehold	Leasehold	Short	machinery	equipment	£million
	£million	£million	£million	£million	£million	£million
Cost and valuation						
At beginning of period	35.7	2.6	0.4	83.2	26.3	150.2
Exchange adjustments	(0.3)	—	—	(1.0)	(0.3)	(1.6)
Businesses acquired	6.0	—	0.3	6.3	3.0	15.6
Additions at cost	1.9	—	0.2	7.1	5.5	14.7
Disposals	(3.4)	—	(0.1)	(14.8)	(5.1)	(23.4)
Deficit on revaluation	—	—	—	—	—	—
At end of period	39.9	2.6	0.8	82.8	29.4	155.5
Cost	3.4	—	0.3	81.6	29.2	114.5
Professional valuations						
1986	4.0	—	0.3	—	—	4.3
1985	32.2	2.6	0.2	—	—	35.0
Previous years	0.3	—	—	—	—	0.3
Directors' valuations						
1970 and earlier	—	—	—	1.2	0.2	1.4
At end of period	39.9	2.6	0.8	82.8	29.4	155.5
Accumulated depreciation						
At beginning of period	0.5	—	0.2	58.4	15.0	74.1
Exchange adjustments	0.1	—	—	(0.4)	(0.2)	(0.5)
Businesses acquired	0.1	—	—	3.4	2.3	5.8
Provision for the period	0.3	—	—	5.6	4.0	9.9
Disposals	(0.1)	—	(0.1)	(10.7)	(3.6)	(14.5)
Depreciation on revalued assets	—	—	—	—	—	—
At end of period	0.9	—	0.1	56.3	17.2	74.5
Net book value						
At end of period	39.0	2.6	0.7	26.5	12.2	81.0
At beginning of period	35.2	2.6	0.2	26.8	11.3	75.9

Certain land and buildings were valued 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 £3.5 million (1985 £2.1 million) in respect of assets in course of construction.

The historical cost of assets amounts to £157.7 million (1985 £151.7 million) and the accumulated depreciation thereon is £82.1 million (1985 £82.4 million), giving a net historical book value of £75.6 million (1985 £69.3 million).

The net book value of tangible fixed assets includes £3.6 million (1985 £5.0 million) in respect of assets held under finance leases. Depreciation for the year on those assets was £1.5 million (1985 £1.7 million).

Notes on the Accounts

Commitments

	Group	
	1986 £million	1985 £million
Capital commitments		
Authorised by the board but not contracted for	1.3	1.1
Contracted for but not provided in the accounts	1.2	1.9
Total capital commitments	2.5	3.0
Finance lease commitments	—	0.5
Operating lease commitments for 1987		
	Land and buildings 1986 £million	Other operating leases 1986 £million
	1985 £million	1985 £million
Leases expiring		
Within one year	0.1	0.1
Between one and two years	—	0.2
Between two and five years	0.4	—
After more than five years	0.6	0.6
Total operating lease commitments	1.1	0.9

Glynwed International plc had no commitments (1985: nil).

Investments

Group	Related companies Share of net assets £million	Amounts due from £million	Other invest- ments £million	Total £million
At beginning of period	2.8	0.1	0.3	3.2
Share of net profits	0.1	—	—	0.1
Movement during period	—	(0.1)	(0.1)	(0.2)
At end of period	2.9	—	0.2	3.1
Listed (market value £3.5 million)	2.5	—	—	2.5
Unlisted	0.4	—	0.2	0.6
At end of period	2.9	—	0.2	3.1
Glynwed International plc				
Subsidiaries				
At beginning of period	74.7	(12.1)	201.3	(82.8)
Acquisitions	24.0	—	—	—
Group transfers	0.2	—	—	—
Disposals	(0.4)	—	—	—
Charge for period	—	(6.1)	—	—
Movements during period	—	—	(31.3)	14.5
At end of period	98.5	(18.2)	170.0	(68.3)
Other investments	2.6	(0.1)	—	—
Total investments	101.1	(18.3)	170.0	(68.3)
At end of period	77.5	(12.2)	201.3	(82.8)
At beginning of period	—	—	—	—



Notes on the Accounts

17 Stocks

	1986 £million	1985 £million
Raw materials and consumables	25.5	24.1
Work in progress	16.1	14.2
Finished goods and goods for re-sale	45.2	46.8
Total stocks	86.8	85.1

18 Debtors

	Group		Glynwed International plc	
	1986 £million	1985 £million	1986 £million	1985 £million
Amounts falling due within one year				
Trade debtors	101.8	95.8	—	—
Other debtors	5.8	4.0	0.1	0.1
Prepayments and accrued income	4.3	3.9	0.1	0.1
Advance corporation tax	—	—	6.5	7.2
Total debtors falling due within one year	111.9	103.7	6.7	7.4
Amounts falling due after more than one year				
Advance corporation tax	—	—	4.0	7.2
Total debtors	111.9	103.7	10.7	14.6

19 Creditors

	Group		Glynwed International plc	
	1986 £million	1985 £million	1986 £million	1985 £million
Amounts falling due within one year				
Trade creditors	71.4	70.1	—	—
Bills of exchange payable	5.4	3.7	—	—
Social security	1.5	1.3	—	—
Dividends payable	7.3	5.7	7.3	5.7
Accruals and deferred income	11.7	11.2	0.2	0.1
Taxation	15.0	12.8	3.5	3.3
Other creditors	18.7	16.4	2.3	1.1
Finance leases	1.3	1.4	—	—
Total creditors falling due within one year	132.1	122.6	13.3	10.2
Amounts falling due after more than one year				
Taxation	9.5	4.5	—	—
Finance leases	2.4	3.4	—	—
Total creditors falling due after more than one year	11.9	7.9	—	—

20 Obligations under finance leases

	1986 £million	1985 £million
Payable after five years	0.1	0.1
Payable between two and five years	1.6	1.6
Payable between one and two years	0.7	0.7
Total payable after more than one year	2.4	2.4
Payable within one year	1.1	1.1
Total obligations under finance leases	3.5	3.5

Notes on the Accounts

1994 Borrowings		1996				1995			
		Bank Unsecured £million	Other than bank Secured £million	Unsecured £million	Total Borrowings £million	Bank Unsecured £million	Other than bank Secured £million	Unsecured £million	Total £million
241 Group									
141 Total falling due within one year		1.7	—	—	1.7	1.1	—	0.2	1.3
48 Amounts falling due after more than one year									
86 Wholly repayable within five years		0.6	—	0.3	0.9	3.9	0.1	0.2	3.8
Repayable over more than five years									
Other than by instalments									
Glynwed International plc 5% Debenture Stock 1989/94		—	2.2	—	2.2	—	2.3	—	2.3
100 75% Loan Stock 1994/99		—	—	5.9	5.9	—	—	5.9	5.9
100 Other		13.1	0.1	—	13.2	13.2	—	—	13.2
£million Total falling due over more than five years		13.1	2.3	5.9	21.3	13.2	2.3	5.9	21.4
Total falling due after more than one year		13.7	2.3	6.2	22.2	16.7	2.4	6.1	25.2
7 Total borrowings		15.4	2.3	6.2	23.9	17.8	2.4	6.1	26.3
7 Cash at bank and in hand					(16.3)				(16.4)
Total net borrowings					7.6				16.1
7 Glynwed International plc									
141 Total falling due within one year		15.6	—	—	15.6	48.2	—	—	48.2
Amounts falling due after more than one year									
Wholly repayable within five years		0.2	—	—	0.2	3.2	—	—	3.2
Repayable over more than five years									
Other than by instalments									
Glynwed International plc 5% Debenture Stock 1989/94		—	2.2	—	2.2	—	2.3	—	2.3
100 75% Loan Stock 1994/99		—	—	5.9	5.9	—	—	5.9	5.9
£million Other		13.0	—	—	13.0	13.1	—	—	13.1
Total falling due over more than five years		13.0	2.2	5.9	21.1	13.1	2.3	5.9	21.3
Total falling due after more than one year		13.2	2.2	5.9	21.3	16.3	2.3	5.9	24.5
6.7 Total borrowings		28.7	2.2	5.9	36.8	64.5	2.3	5.9	72.7
3.0 Cash at bank and in hand					(0.6)				(0.6)
1.1 Total net borrowings					36.2				72.1

10.2 Short term borrowings of Glynwed International plc from UK clearing banks are set off, in the group accounts, against cash balances held by UK companies in those banks.

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

1995
£million

0
2.3
1.6
3.4
1.4
4.6

21 Borrowings
(continued)

Listed debt, bank and other borrowings

Listed debt

7.5% Debenture Stock 1989/94

10.75% Loan Stock 1974/89

Total listed debt

Total other borrowings

Total listed debt and other borrowings

Total bank borrowings

Total borrowings

Cash at bank and in hand

Total net borrowings

All loan capital is repayable at par at maturity

Analysis of maturity of borrowings

	Group			Glynwed International plc		
	1986 £million	1985 £million		1986 £million	1985 £million	
Listed debt	2.2	2.3		2.2	2.3	
7.5% Debenture Stock 1989/94	5.9	5.9		5.9	5.9	
10.75% Loan Stock 1974/89	3.1	8.2		8.1	8.2	
Total listed debt	9.4	9.5		14.2	14.4	
Total other borrowings	3.5	8.7		8.1	8.7	
Total listed debt and other borrowings	15.4	17.6		22.3	23.1	
Total bank borrowings	23.9	26.5		36.8	72.0	
Total borrowings	(16.3)	(10.4)		(14.5)	(48.9)	
Cash at bank and in hand	7.6	16.1		36.2	72.0	
Total net borrowings						

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.

Notes on the Accounts

2 Deferred taxation

The provision made in the accounts for deferred taxation, and the additional potential unprovided liability, are set out below

	Provided		Potential unprovided	
	1983	1985	1986	1985
	£million	£million	£million	£million
Timing differences mainly between tax allowances and depreciation	1.3	3.4	7.8	7.4
Taxation losses carried forward	—	(0.2)	—	—
Corporation tax payable if properties were disposed of at revalued amounts	—	—	1.6	1.7
Total deferred taxation	1.3	3.2	9.4	9.1

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

3 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.

4 Share capital

	Ordinary shares of 25p each		5.425% Cumulative preference shares of £1 each	
	1986	1985	1986	1985
	£million	£million	£million	£million
Value				
Authorised	37.5	30.0	1.3	1.3
Issued	27.9	20.9	1.3	1.3
	million	million	million	million
Number				
Authorised	150.0	120.0	1.3	1.3
Issued	111.8	83.7	1.3	1.3

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

- (a) 5.7 million, at an aggregate value of £21.7 million, in exchange for 15.8 million ordinary shares of 10p each in Brickhouse Dudley plc.
- (b) 22.4 million, in connection with a 1-for-4 bonus issue.

Under the Glynwed International Senior Executive Share Option Scheme, at 27th December 1986 options had been granted and were outstanding, in respect of 1,100,000 ordinary shares at 120p per share exercisable in the seven years to December 1994, and 974,625 ordinary shares at 300.8p per share exercisable in the seven years to May 1996. Under the Glynwed International Savings-Related Share Option Scheme, at 27th December 1986 options had been granted and were outstanding, exercisable ordinarily in the six months to November 1990, in respect of 766,215 ordinary shares at 146.4p per share.

25 Reserves

	Share premium £million	Reserve £million	Other reserves £million	Profit and loss account £million	Total £million
Group					
At beginning of period	21.4	6.9	—	69.7	98.0
Exchange differences	—	(1.1)	—	(1.7)	(1.8)
Goodwill written off*	—	—	—	(3.8)	(3.8)
Transfer between reserves	—	(0.5)	—	0.8	—
Bonus issue of ordinary shares	(5.6)	—	—	—	(5.6)
Profit retained	—	—	—	14.8	14.8
At end of period	15.8	6.3	—	78.5	100.6
Glynwed International plc					
At beginning of period	21.4	—	0.8	70.1	92.3
Exchange differences	—	—	—	0.1	0.1
Transfer between reserves	—	—	(0.8)	0.8	—
Bonus issue of ordinary shares	(5.6)	—	—	—	(5.6)
Arising on acquisition*	—	—	20.2	—	20.2
Profit retained	—	—	—	9.3	9.3
At end of period	15.8	—	20.2	80.3	116.3

In accordance with SSAP 20, exchange gains of £0.2 million (1985 £4.0 million) arising from the translation of foreign currency borrowings used to finance foreign currency investments, have been offset as reserve movements against exchange differences arising on the re-translation of the net investments.

*The difference between the fair value and nominal value of ordinary shares issued as consideration for the acquisition of a subsidiary was £20.2 million. This amount has been used to write off most of the goodwill arising from acquisitions during the period of £24.6 million, (of which £17.9 million arose in respect of Brickhouse Dudley plc) and the balance of £3.8 million has been set against profit and loss account.

26 Trading subsidiaries and related companies

The following is a list of the company's principal subsidiaries and related companies at 27th December 1986 which traded during the period, and a brief description of their current activities.

The capital in each case consists wholly of ordinary shares or common stock. The percentage of capital owned is stated in brackets, unless wholly owned.

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.
- Thames Bank Iron Co — builders' castings.

Rawnsley Foundry Limited† — ironmongery castings.

Brickhouse Dudley plc† — cast iron building products.

Engineering Division

*Glynwed Engineering Limited

- Cooper & Turner — railway, structural and general engineering fastenings.
- Steelway-Fenscote — steel flooring, stairways, security fencing and fabrications.
- Paul Fabrications — high technology metal fabrications.
- J. Burns — automotive trim manufacturers.
- Tower Manufacturing — cable clips, masonry nails and rivets.
- Ansell Jones — special lifting equipment.

Notes on the Accounts

6 Trading subsidiaries and related companies (continued)

*Glynwed Distribution Limited

MBS Distribution — fastenings, bearings and small tools
Oddball — special bearings.
Oddbolt — non-standard fastenings

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

Steels 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 Gilloft & Sons — steel re-rollers.
Steel Paris — cold finished 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.

Barlow Bright Steels Limited — bright drawn steel.

Leabrook Steel Stock 1985 Limited — turned and ground bright bar.

Tubes & Fittings Division

*Glynwed Tubes & Fittings Limited

Wednesbury Tube — copper tube.
Glynwed Plant — plant and toolmakers.
Monmore Tubes — ERW, flu-coat and spectra-coat steel tube.
Newman-Tipper Tubes — steel tube.
Abbey Tubes } stockists of ERW, cold drawn, seamless and structural
Atlantic Tubes } steel tube.
Olympic Tubestock }
Tipper Fittings — pipe fittings and flanges for gas, steam and water services.
Wask Engineering — pipe fittings and equipment for gas, oil and water industry.
Vulcathene — chemical waste drainage and electrofusion pipework systems.
Townsend Rubber Products — precision rubber mouldings.
Copper Plastics — distribution of thermoplastic pipework products.
Durapipe — thermoplastic pipework systems.

Certex Limited — uPVC windows.

Corporate Services

Glynwed Group Services Limited — management services.
Glynwed Properties Limited — owner and manager of UK land and buildings.
*Headland Insurance Limited (Bermuda) — insurance services.
Glynwed Computing Limited† (formerly Quailon Information Services Limited) — computer hardware and software systems.
Glynwed Wholesale Chemists Limited
Rudge Roberts — wholesale chemists.

Incorporated and operating outside Europe

United States of America

*Automation Service Equipment Inc — automated material handling systems.
*Cooper & Turner Inc — multi-fuel cooking and heating appliances.
*Enfield Industrial Corp — thermoplastic pipework systems.
*Pandjiris Inc — automatic welding positioning systems.
*Plastimatic Inc — injection moulding of thermoplastic and thermosetting materials.
*Slocomb Plastic Pipe and Products Inc — plastic piping.
*Firth Cleveland Steels Inc† — special steels.

Australia

*Philmac Pty Limited† — plastic pipe fittings
*Glynwed Australia Pty Limited† — stockists of group consumer products.

South Africa

*Falkirk Industries (Pty) Limited† — consumer and engineering products in cast iron and pressed steel.



Notes on the Accounts

26 Trading subsidiaries and related companies (continued)

Related Companies	Country of incorporation and operation	Total voting capital	% interest held
Raglan Property Trust plc Property development and investment	UK	£1,149,846	23.9
Dauphinoise Thomson SA Manufacturers of thermostats	France	Frs 1m	50
Vulcathene South Africa (Pty) Ltd Distributors of plastic pipework systems	South Africa	R32 000	50
*Atcor Inc Manufacturers of decontamination systems for the electronics industry	USA	\$1,164,800	30.7

† Subsidiary companies not audited by Coopers & Lybrand. The aggregate turnover of such companies in the period amounted to 26.5% of the group's turnover

*Investments held by subsidiaries of Glynwed International plc.

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 27th December 1986 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
14th April 1987

Coopers & Lybrand

Summary of Comparative Figures

Trading results

	1986	1985	1984	1983	1982
	£million	£million	£million	£million	£million
Turnover	478.9	404.1	514.1	487.2	444.3
Operating profit	48.8	39.6	35.6	29.6	23.7
Interest payable (net)	(2.7)	(4.0)	(3.1)	(8.4)	(10.0)
Profit before taxation	46.1	35.6	26.5	21.2	13.7
Taxation	(16.1)	(12.3)	(8.2)	(6.1)	(2.2)
Profit after taxation	30.0	23.3	18.3	15.1	11.5
Minority interests	—	—	0.6	(0.8)	(0.6)
Preference dividends	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)
Earnings for the period	29.9	23.2	18.8	14.2	10.8
Extraordinary items	(3.8)	(2.3)	(3.9)	(4.6)	(3.5)
Ordinary dividends	(11.3)	(8.8)	(7.7)	(6.6)	(6.2)
Profit retained	14.8	12.1	7.2	3.0	1.1

Operating assets

Fixed assets	84.1	79.3	91.1	95.3	100.5
Stocks	86.8	86.1	85.8	95.4	96.8
Debtors less creditors	(0.3)	(3.8)	1.6	11.2	11.0
Taxation and dividends	(31.8)	(23.0)	(16.4)	(9.8)	(6.9)
Net operating assets	138.8	138.6	162.1	192.1	201.4
Total net borrowings	(7.6)	(16.1)	(40.1)	(62.9)	(78.2)
Deferred taxation	(1.3)	(3.2)	(4.6)	(5.3)	(1.4)
Total net assets employed	129.9	119.3	117.4	123.9	121.8

Financed by

Ordinary shares	27.9	20.9	20.9	20.9	20.9
Reserves	100.6	97.0	95.1	93.8	92.5
Ordinary share capital and reserves	128.5	117.9	116.0	114.7	113.4
Preference shares	1.3	1.3	1.3	1.3	1.3
Minority interests	0.1	0.1	0.1	7.9	7.1
Total funds	129.9	119.3	117.4	123.9	121.8
Net decrease of funds arising from property revaluations	—	5.9	—	—	—

Statistics

Operating profit to turnover	%	10.2	8.5	6.9	6.1	5.3
Operating profit to net operating assets	%	35.2	28.6	22.0	15.4	11.8
Turnover to net operating assets	x	3.5	3.3	3.2	2.5	2.2
Earnings per share*	p	27.47	22.15	17.96	13.60	11.66
Dividend per ordinary share*	p	10.10	8.40	7.40	6.28	5.88
Dividend cover	x	2.6	2.6	2.4	2.2	1.8
Interest cover	x	18.1	9.9	3.9	3.5	2.4
Debt/equity ratio	%	5.8	13.5	34.2	50.7	64.2
Net assets per ordinary share*	p	115.0	112.6	110.8	109.8	108.4

*Prior years have been adjusted for the bonus issue of ordinary shares in 1986



Notice of Meeting

Notice is hereby given that the forty sixth annual general meeting of Glynwed International public limited company will be held at Headland House, New Coventry Road, Sheldon, Birmingham, on Wednesday, 10th June 1987 at 12 noon to transact the following business:

1 To receive and adopt the annual report and accounts for the 52 weeks ended 27th December 1986.

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, to consider and, if thought fit, pass the following resolutions, of which nos. 5, 6 and 8 will be proposed as ordinary resolutions and no. 7 as a special resolution.

5 That the authorised share capital of the company be increased from £38,802,713 to £41,348,110 by the creation of an additional 10,181,588 ordinary shares of 25p each.

6 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 £9,315,564 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.

7 Subject to the passing of the foregoing resolution no. 6.

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 of 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 £1,863,112

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.

8 That the amendments to the provisions of the Glynwed International Savings-Related Share Option Scheme and the Glynwed International Senior Executive Share Option Scheme described in the appendix following the notice of annual general meeting dated 14th May 1987 be and they are hereby approved and the directors of the company be and they are hereby authorised to do all acts and things necessary 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
14th May 1987

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 9.00am and 4.30pm on any weekday (Saturday and public holidays excluded) from 14th May 1987 to 9th June 1987 inclusive, and at the place of the meeting for 15 minutes prior to the meeting and during the meeting.

Appendix

The Glynwed International Employees' Share Option Schemes

The amendments which it is proposed be made to the schemes are summarised below.

The Glynwed International Savings-Related Share Option Scheme

- 1 The present rules of the scheme limit eligibility to those individuals who have at least five years' continuous service with the group. Because in practice, depending on the intervals between option grants, this limitation can lead to employees having to work for the group for a significantly longer period than five years before having a first opportunity to take part in the scheme, the directors consider that the objectives of the scheme will now be best served if the eligibility period is reduced to two years.
- 2 It is proposed to amend the definition of Option to enable future grants of options to be satisfied on exercise either by the issue of new shares or the transfer of existing shares to option holders. At present, the rules of the scheme permit options to be satisfied on exercise by the issue of new shares only. The reason for this proposed amendment is that the directors are presently considering the establishment of an employees' trust which would be able to acquire in the market shares in the company to be held for the benefit of group employees, including directors. However, no firm decision on such trust has yet been taken. If it were to be set up, the trust could be funded by either gifts or loans made to the trustees by group companies which funds could be used to purchase shares in the company. The shares held in such a trust would be available for satisfying options or providing other employee benefits at the trustees' discretion.
- 3 It is also proposed to make a number of minor amendments to the rules to update statutory references to the Companies Act 1985 and to enable the rules to be amended to take account of any future legislative changes to the Finance Act 1980.

The Glynwed International Senior Executive Share Option Scheme

- 1 It is proposed to amend the definition of Option in the same manner and for the same reasons as for the Glynwed International Savings-Related Share Option Scheme
- 2 It is also proposed to make a number of minor amendments to the rules to update statutory references to the Companies Act 1985 and to enable the rules to be amended to take account of any future legislative changes to the Finance Act 1984.

This summary of the proposed amendments to the two schemes describes the main features of the proposed amendments, but does not form part of them and should not be taken as affecting the interpretation of the detailed amendments themselves. A copy of the proposed amendments to each scheme together with copies of the present rules of each scheme will be available for inspection at the company's registered office and at the office of Clifford Chance, Blackfriars House, 19 New Bridge Street, London, EC4V 6BY during usual business hours on weekdays (Saturdays and public holidays excepted) up to the date of the annual general meeting and at the meeting itself. The board reserves the right up to the time of the meeting to make such alterations and additions to the proposed amendments as it may consider necessary or appropriate, provided that any such alterations and additions do not conflict in any material respect with the summaries of the amendments contained in this document.