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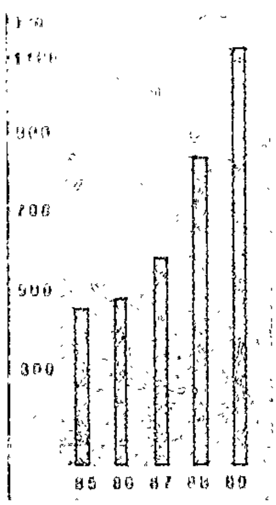
Glynwed International plc

[illegible] Annual Report and Accounts

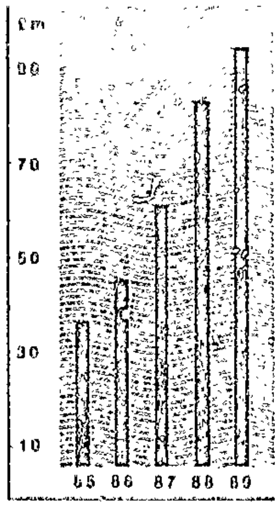
CONTENTS

TURNOVER



GROUP TURNOVER TOPS THE £1 BILLION MARK, 34 PER CENT AHEAD OF 1988

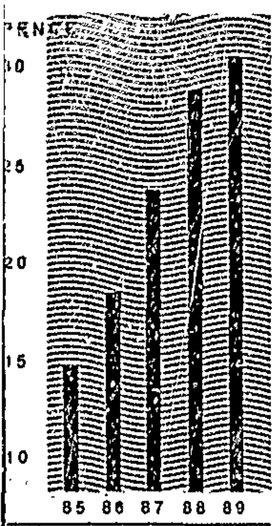
PROFITS BEFORE TAX



PROFITS BEFORE TAX RISE YET AGAIN, TO A NEW RECORD OF £93.3 MILLION

PROCESSING MATERIALS

ARNINGS PER SHARE



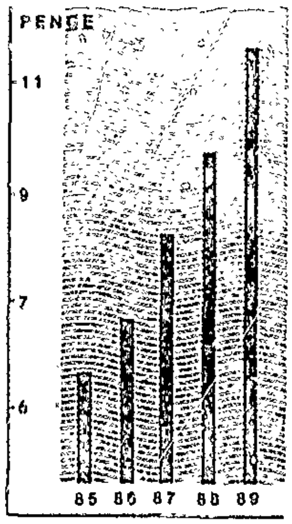
ARNINGS PER SHARE
OW 30.66 PENCE,
AVE MORE THAN
OUBLED OVER THE
AST FIVE YEARS

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

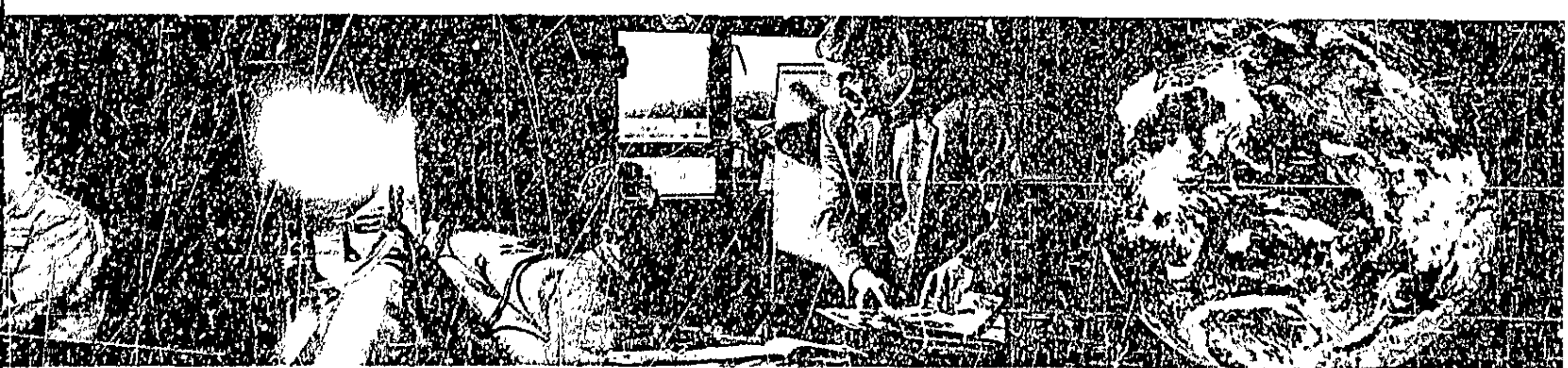
With leading brands of its own, Glynwed also creates quality in finished products for the home and for industry.

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

DIVIDEND PER SHARE



DIVIDENDS AGAIN
INCREASE
SUBSTANTIALLY,
BY 20 PER CENT



CREATING QUALITY

DELIVERING VALUE

GROWING INTERNATIONALLY

... excellent achievement in the face of difficult economic and trading conditions...

GLYNWED'S RESULTS FOR 1989 produced yet more records. Turnover of £1,125 million (1988 £840 million), pre-tax profits of £93.3 million (1988 £82.5 million) and earnings per share of 30.66p (1988 28.81p) were all higher than ever before and, once again, the board is proposing to reflect record results by passing the benefit on to shareholders in the form of a substantially increased dividend, which at 11.65p per share, a 20% rise, will itself be a new high.

While thus able to report a continuation of the group's impressive growth record, I would be less than honest if I did not admit to some disappointment. After six years, during which pre-tax profits rose by an average of 35% per annum and earnings per share by 24% per annum, the 1989 increases, of 13% and 6.4% respectively, fell short of the demanding targets we had set ourselves. In my view those increases nevertheless represented an excellent achievement in the face of difficult economic and trading conditions, in the UK and elsewhere, which affected certain areas of our operations. They also reflect the successful integration into the group of Amari plc following its acquisition in the second half of 1988.

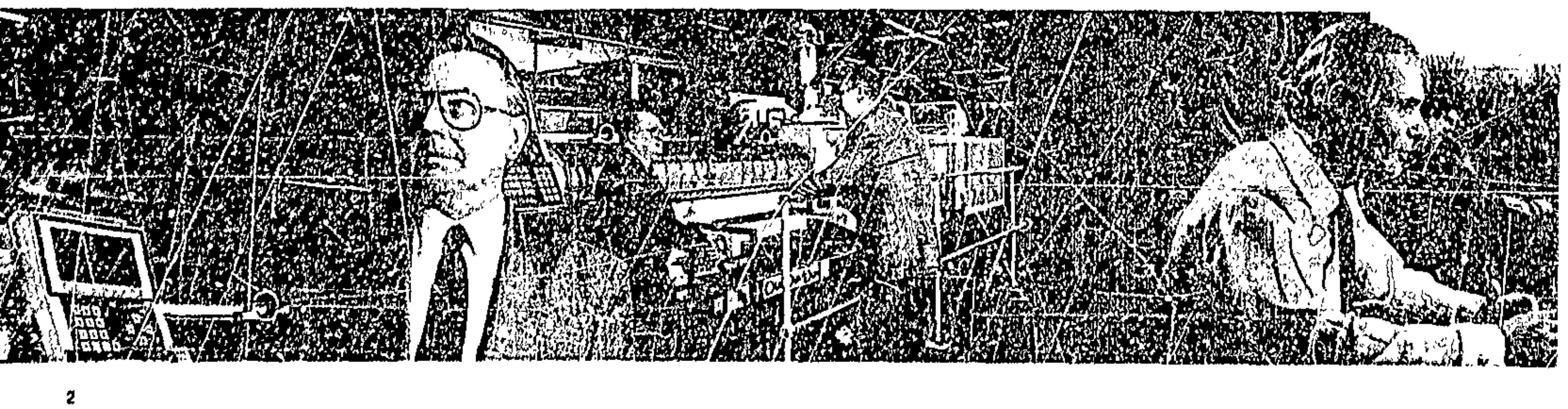
GROUP OPERATIONS

The year saw a substantial increase in overseas sales, both through direct exports and through our increasingly important distribution operations on the continent and in the rest of the world. The total of such sales rose from £187 million to £344 million, representing 30.5% of overall group sales and illustrating the substantial reduction in our dependence on the UK economy.

At the same time we continued to plan for the future growth of the group by capital investment in new processes and on more productive plant and machinery, totalling £44 million, and by a number of strategic add-on acquisitions, most of which were in the fast growing Plastics division. There were also several divestments of less profitable operations, peripheral to the group's core activities. The net result was an increase in gearing to 45.6%, at which level interest cover is 8.8 times.

In our metals operations we had to contend with exceptional volatility in prices, which saw copper fluctuate between £2,008 and £1,411 a tonne, aluminium between $2,597 and $1,581 and nickel between £10,702 and £5,524. It was not always possible to reflect these fluctuations in our prices to our customers and while prices have now stabilised somewhat and the stainless steel nickel surcharge has been effectively removed, their impact was felt throughout 1989.

The high level of UK interest rates adversely affected the market for some of our consumer products, while the downturn in housebuilding reduced



the demand for copper tube for domestic water systems, a very competitive area already hit by three poor heating seasons.

Despite these difficulties profits at the operating level were 20.6% higher at £105.3 million. There were excellent results from the new Plastics and Metal Services divisions, while Steels & Engineering also had another successful year. Consumer & Building Products almost equalled 1988's excellent results, but Tubes & Fittings produced profits which were well down on the previous year.

PLASTICS, which now accounts for a fifth of the group's profits, has over recent years been the fastest growing sector of Glynwed's activities and showed a 35.7% increase in operating profit, most of which came from organic growth. The world-wide specialist thermoplastic pipes and fittings business has been expanding its position on the continent and will be a beneficiary of the vast infrastructure projects planned in the UK and overseas. Amari Plastics extended its operations into North America and made a useful contribution to the growth of the division.

With most of the Amari businesses included for a full year, the profits of the METAL SERVICES division more than doubled to £17.5 million. The effects of improved efficiency and controls were reflected in the Amari businesses' return on capital employed, which improved from under 15% at the time of acquisition to 25% during 1989. The UK proved a particularly strong area, though demand from consumer-related customers eased, but the North American market turned down sharply in the second half. The division now has as its Chief Executive, Alex Miller, formerly Deputy Managing Director of Amari plc, who joined the Glynwed board in January 1990: he brings to his new post a wealth of experience, which will stand the division in good stead as it continues to develop.

Our STEELS & ENGINEERING division achieved a 39% increase in profits, despite absorbing the costs of the rationalisation of the bright drawing activities. The hot rolling operations lived up to expectations and J B & S Lees performed strongly in its first full year in the group. The engineering companies achieved record profits, while the steels businesses again increased their exports, to 22% of sales.

The year saw a substantial increase in overseas sales...

Many of the businesses in the CONSUMER & BUILDING PRODUCTS division had a good year. On the consumer side, Aga-Rayburn and Falcon (commercial catering equipment) substantially increased their sales, at home and abroad, but Flavel-Leisure had to contend with a 15% decrease in the market demand for gas cookers and fires, which badly affected profits. The building products sub-division showed a further improvement in the sale of its cast iron products, despite the downturn in demand for new housing, which

demonstrated both its relatively low exposure to that market and the strength of its position in the non-housing construction and infrastructure markets.

TUBES & FITTINGS experienced a sharp drop in operating profit. Demand in the UK for welded steel tube eased, but in a related product area the year saw expansion into North America through the acquisition of a major electrical conduit manufacturer in Canada. I have mentioned earlier the factors which affected the non-ferrous sub-division's profitability, but it is encouraging that weak UK demand was offset by a 69% increase in exports, chiefly to mainland Europe.

PROPERTIES improved their contribution to group profits to £10.4 million, and with a number of sites awaiting development this division should remain a useful source of income.

EMPLOYEES

In a period when sales and profits have been won in difficult and competitive markets at home and overseas, I am particularly aware that our achievements are mainly due to the commitment and united efforts of our employees at all levels. I take this opportunity to record my thanks, and those of my board colleagues, for their valuable contribution during the year. Tribute needs to be paid to them for the enthusiastic and inventive way in which they have supported our 50th anniversary charitable fund-raising activities, now very close to their £500,000 target. Copies of the anniversary brochure I mentioned in my last annual statement have now been distributed, illustrating, to employees and shareholders alike, the base of dynamism from which the group enters upon its second half-century.

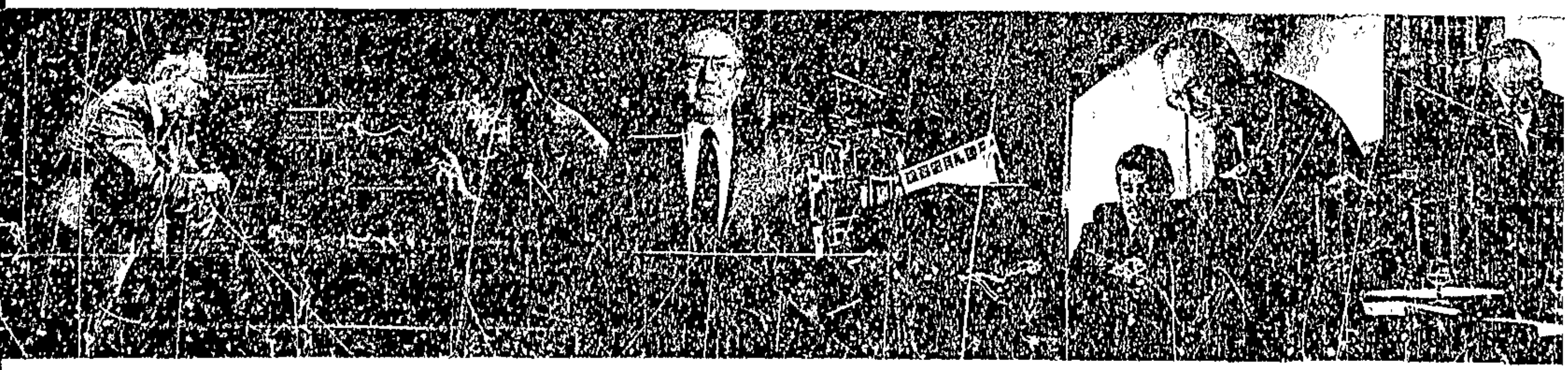
PROSPECTS

Glynwed is in good shape ...to make 1990 another successful year.

The out-turn for 1990 is more difficult to predict than for many years. A major factor will be the timing of any reduction in the high level of interest rates, which will have an impact not only on our consumer products businesses, but also on those serving the UK industrial sector. Against that, there are a number of other considerations which suggest that earnings growth should improve this year. Overseas sales are set for further improvement, and our plastics operations are showing every sign of continued growth, while the benefits of investment in production facilities and new products and materials will begin to emerge.

Glynwed is in good shape and, although economic factors will make it difficult in some areas of the group, I have every confidence in our management's ability to make 1990 another successful year.

Gareth Davies



GARETH DAVIES

Gareth Davies FCA (age 60) *Chairman and Chief Executive,* joined the Glynwed subsidiary, Steel Parts, as accountant in January 1957. He became Group Computer Manager in 1964 and was appointed to the Glynwed Board as Group Finance Director in 1969. He was subsequently appointed Deputy Chairman in 1975, Managing Director in 1981, Group Chief Executive in 1984, and Chairman and Chief Executive on 28th December 1986. Mr Davies is also a non-executive director of Raglan Property Trust plc, The BTS Group plc and Midlands Electricity plc and a non-executive member of Barclays Bank West Midlands Region Board.

John Eccles CBE* (age 58) *Deputy Chairman,* is General Manager of the Commonwealth Development Corporation and Chairman of Chamberlin and Hill plc. He has been Chairman of the Board of Trustees of the Royal Botanic Gardens, Kew since 1983. He was appointed to the board of Glynwed International plc in June 1972.

The Rt Hon John Biffen MP* (age 59) became a director in November 1987. He is the Member of Parliament for Shropshire North and has held Government office as Chief Secretary to the Treasury, Secretary of State for Trade, Lord President of the Council, Lord Privy Seal and Leader of the House of Commons.

Desmond Gripton (age 61) *Chief Executive of the Steels & Engineering Division,* joined the group in 1970, becoming a director of Glynwed Steels Ltd in 1972 and Managing Director of its hot rolled and bright bar sub-division in 1983. Mr Gripton was appointed Chief Executive of Glynwed Steels Ltd in 1985 and was appointed to the board of Glynwed International plc in January 1987.

Alexander Miller (age 57) *Chief Executive of the Metal Services Division,* joined the group in July 1988 following the acquisition of Amari plc of which he was Deputy Group Managing Director. He was appointed to the board of Glynwed International plc in January 1990.

David Milne CA (age 53) *Finance Director,* joined the board of Glynwed in May 1979, from Wilmot Breeden Holdings Ltd. He also has responsibility for Glynwed Properties Ltd and related activities and is a non-executive director of Raglan Property Trust plc.

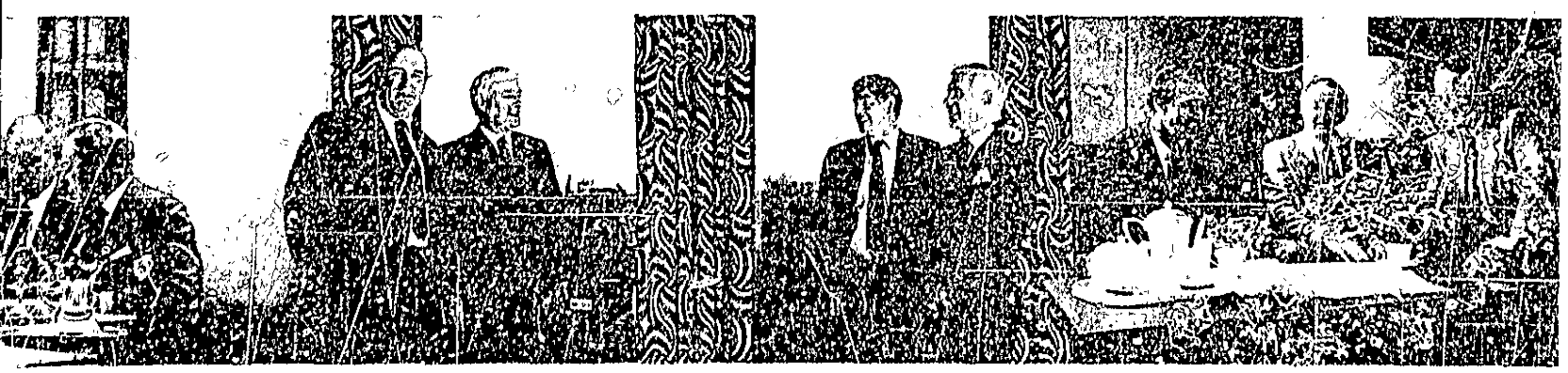
Terence O'Neill (age 59) *Chief Executive of the Consumer & Building Products Division.* He joined Glynwed in 1977 from BSR International plc where he was Chairman of the Housewares Division. He was appointed to the board of Glynwed International plc in January 1987.

Jon Pither (age 55) *Chief Executive of the Tubes & Fittings Division,* joined the group in July 1988 following the acquisition of Amari plc of which he was Group Managing Director. He was appointed to the board of Glynwed International plc in February 1989, and is also a director of the London Metal Exchange.

Derrick Richardson (age 56) *Chief Executive of the Plastics Division.* He joined Glynwed in 1974 to take charge of the group's engineering companies and in January 1984 became responsible for the Tubes & Fittings Division. When the group's plastics interests were brought together in 1989 he became responsible for this division. He was appointed to the board of Glynwed International plc in January 1987.

John Blakeley MA (age 47) *Secretary and Legal Adviser* joined the group in 1978 as legal adviser and also became the Group Secretary in 1979. He has responsibility for the legal, [illegible]ions and administration departments.

*non executive



OHN BIFFEN . JON PITHER DERRICK RICHARDSON DAVID MILNE, DES GRIPTON

Glynwed is a group structured to maximise its effectiveness in sourcing, manufacturing and supplying a wide range of high quality materials, processed components and manufactured products.

CONSUMER & BUILDING PRODUCTS

The consumer products half of the division includes some of the best-known names in their fields — Aga-Rayburn (multi-fuel cooking at the luxury end of the market), Flavel-Leisure (gas and electric cookers and gas fires) and Falcon (commercial catering equipment).

The foundries in the Building Products sub-division supply, in the main, commercial building and infrastructure projects They are the market leaders for cast iron drainage systems, and are a major producer of access covers for road building programmes and for the telecommunications industry. They also make high security access covers for the Ministry of Defence. A small proportion of lighter duty drainage systems products are used in housing developments.

METAL SERVICES

This division distributes high performance metals on a world-wide basis. Well over 50 units spread across Europe and North America provide customers with a wide variety of stainless steels, aluminium, nickel, copper and their alloys. Its strength is in the broad spectrum of markets and industries which it serves, from petrochemical through to aerospace.

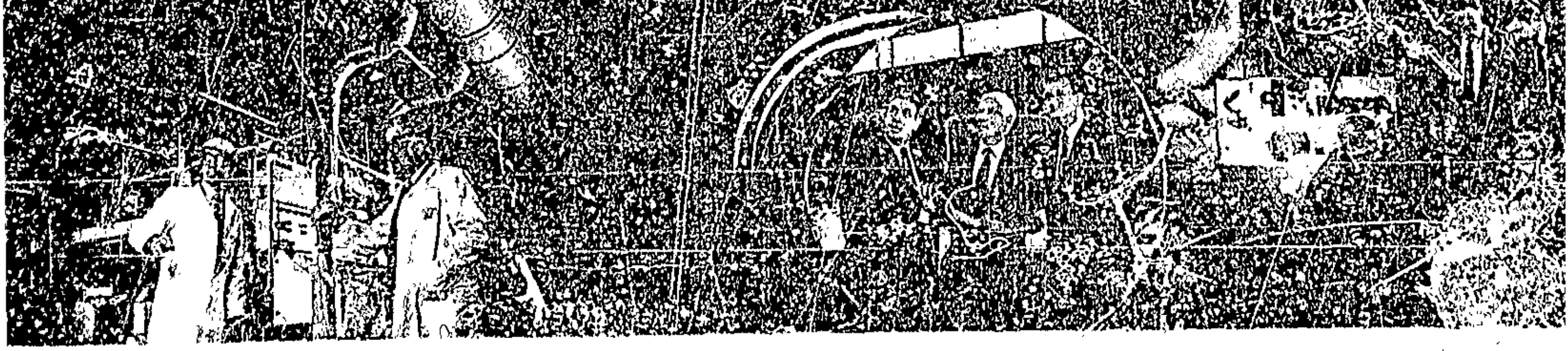
The division's UK operations, which encompass Aalco and Cashmores Stainless, account for 25% of the stockholder market for stainless steel and aluminium. These together with its overseas network, make Glynwed Metal Services one of the world's leading distributors of stainless steel.

PLASTICS

The Plastics division is a world leader in thermoplastic pressure pipework systems, with operating companies in the UK, Italy, Germany, France, Australia, Canada and the USA.

It has been the fastest growing sector of the group and now accounts for one-fifth of group profits. Pipe, valves and fittings are made in all the major industrial plastics — ABS, PVC, polyethylene and polypropylene — with markets in gas and water transmission and fluid handling in industry, agriculture, construction and general infrastructure. The division has been at the forefront of developing the advanced pipe-jointing technique known as electrofusion.

It also has a significant business in the distribution of industrial plastics in sheet, rod and other forms.



In a diverse spread of international markets Glynwed is cost-effectively and profitably meeting the wide-ranging demands of industrial customers and consumers in today's highly competitive conditions.

STEELS & ENGINEERING

Amongst the world's widest and most versatile ranges of shapes, sizes and qualities in mild, carbon and stainless steel are those produced by the division through hot and cold rolling, bright drawing, tempering and annealing operations.

Around a quarter of the division's output is exported including quantities of special grade steel to Japan. Leading international companies use the division as a supplier because of its specialist capability in hardened and tempered steel strip. In many areas the division has full integration, from receipt of slab, bar, billet and coil to distribution of processed steel products through its own network.

The division's engineering businesses operate in a number of niche areas, producing special-purpose fabrications, lifting equipment, security fencing systems and specialist fastenings.

TUBES & FITTINGS

In the non-ferrous part of the division, Wednesbury Tube is one of Europe's leading producers of copper tube for the building industry particularly in domestic water systems, and turns out enough tube each year to go more than twice round the world. Exports go to 47 countries, with continental Europe becoming increasingly important.

In recent years the product base has been widened through the acquisition of a number of companies making hot water cylinders.

The Steel Tube sub-division is one of the UK's market leaders in welded tube. The list of products into which the tube goes is almost endless, ranging from automotive steering columns and hydraulic cylinder bodies to coated tube for garden furniture.

PROPERTIES

The group's industrial and other properties, worldwide, are managed by this division. It is responsible for the acquisitions and professional management of premises on behalf of the group's subsidiaries and for the disposal or redevelopment of properties surplus to the group's requirements.

Its income is derived from rents, mainly from group companies, and from site sales and redevelopment.

INTRODUCTION

Record pre-tax profits, earnings per share and dividends, and a turnover exceeding £1 billion for the first time reflect the group's progress during 1989. This follows the integration of Amari plc during its first full year in the group and the resultant new divisional structure.

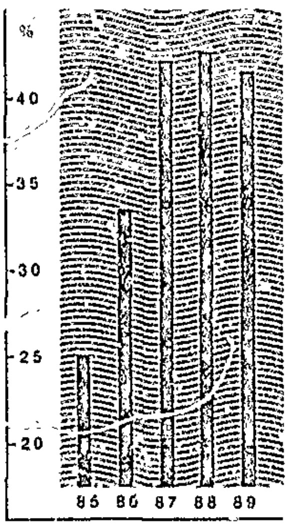
NEW DIVISIONAL STRUCTURE

As mentioned in last year's report and accounts, the group divisional structure was changed in 1989. Two new divisions were formed, Metal Services and Plastics.

The Metal Services division combines the aluminium, stainless steel and other metal distribution businesses of Amari plc with Cashmores Stainless.

The Plastics division was formed from the plastic pipe and fittings businesses of the Tubes & Fittings division, the businesses of Plastic Constructions plc and the sheet and rod businesses of Amari Plastics and Port Plastics.

The results of Leavlite plc, an Amari subsidiary, have been included with the Consumer & Building Products division.



RETURN ON CAPITAL EMPLOYED

RATIOS

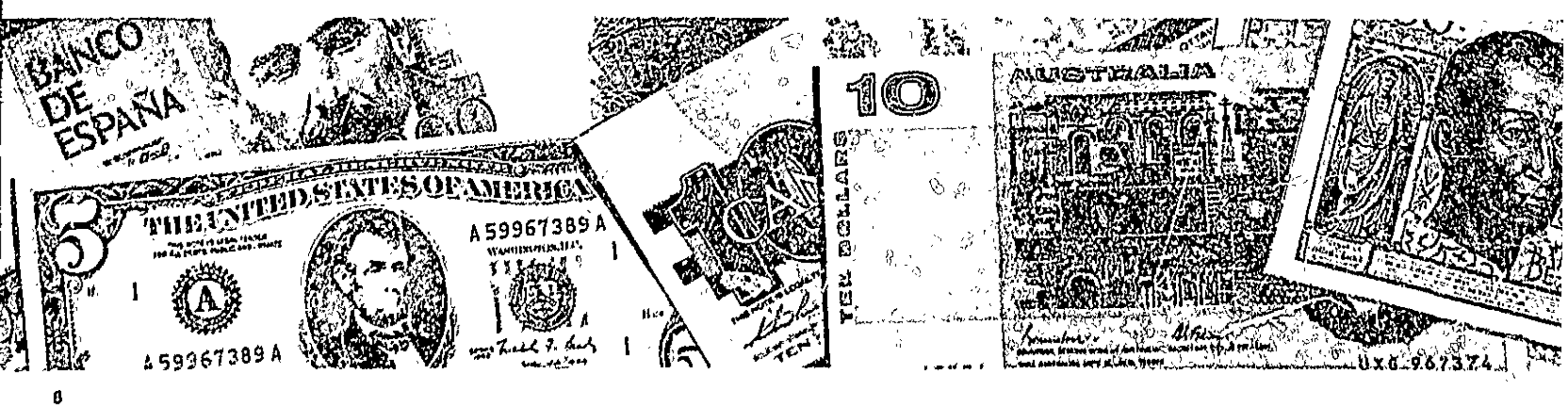
The group continued to manage its assets effectively, increasing the capital turn to 4.5 times from 4.1 and obtaining a return on capital employed of 41.8%, slightly down from last year's 43.8% as a result of a drop in overall margin to 9.4% from 10.4%.

The capital employed at the end of the year was £268.0 million, which was funded as follows:

	£m
Shareholders' funds	181.6
Minority interests	2.4
Net borrowings	84.0
TOTAL	268.0

SHAREHOLDERS' FUNDS

The shareholders' funds of £181.6 million show a small decrease of £2.5 million from last year's total of £184.1 million. The changes consist of increases arising



from retained profits of £34.1 million, exchange differences of £3.6 million, shares issued of £0.4 million, and an increase resulting from revaluations in *related companies of £[illegible] million, less goodwill written off of £40.9 million* arising from acquisitions made during the period.

CASH FLOW AND BORROWINGS

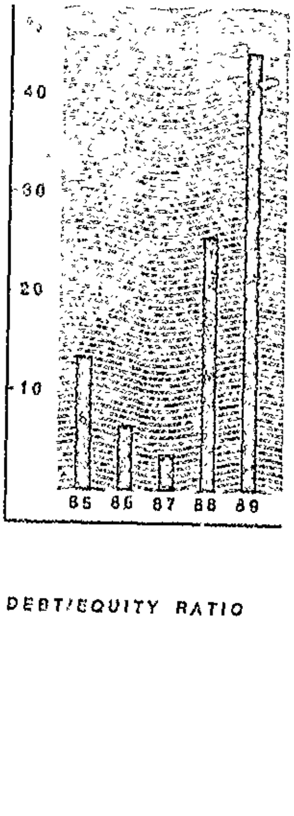
The group's cash flow is summarised in the new Funds Statement on page 31 of the accounts, which is thought to be clearer than the previous format.

Cash flow from operations was £65.6 million which, after tax *payments of £28.1 million and dividend payments of £21.4 million, left a net* surplus from operations of £16.1 million.

During the year new businesses were purchased for £43.2 million, of which £8.9 million was deferred by agreement, making a net payment of £34.3 million. This together with borrowings acquired of £17.2 million and delayed payments from previous years of £4.7 million made a total cash outlay on acquisitions of £56.2 million.

Disposals of businesses raised £1.7 million.

Taking into account other cash movements of £0.8 million, the net effect of these transactions was an outflow of £37.6 million, which increased the net group borrowings from £46.4 million to £84.0 million and the group's debt *equity ratio from 24.9% to 45.6%.*



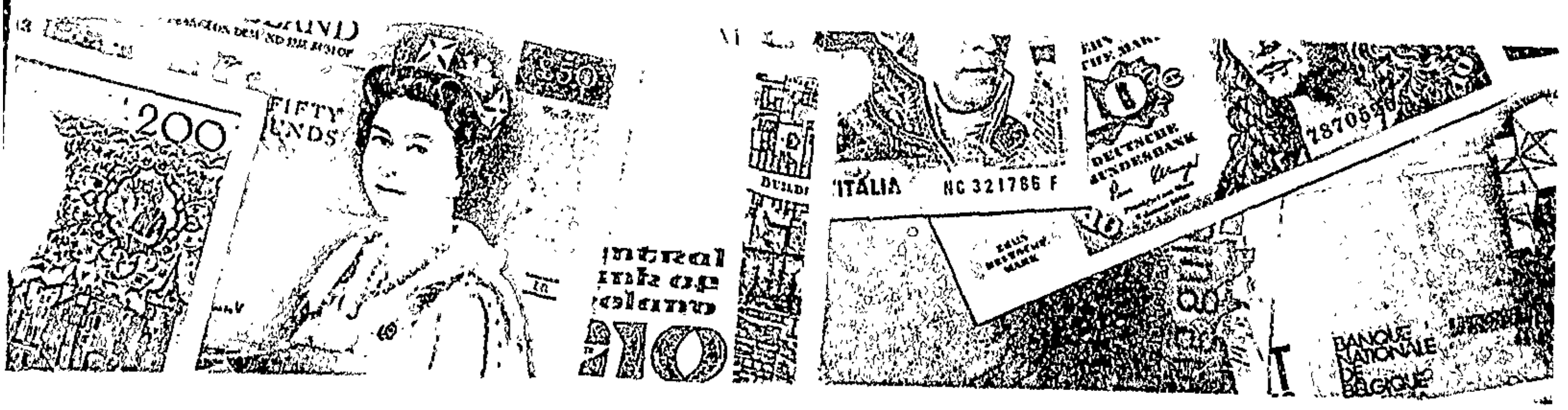
DEBT/EQUITY RATIO

CAPITAL EXPENDITURE

Capital expenditure in the period was £43.9 million compared with £27.8 million in 1988: depreciation was £19.1 million compared with £14.3 million in the previous year. Disposals of fixed assets realised £12.4 million, compared with £9.3 million in 1988.

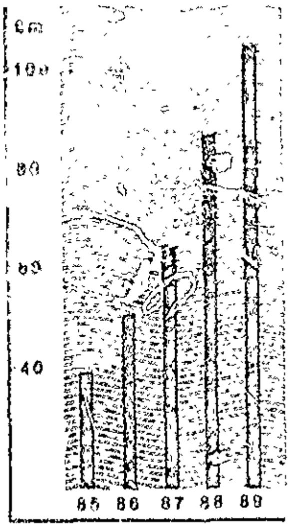
TURNOVER

Turnover at £1,125.2 million was 34% up on 1988. This substantial rise has been supported by the increasing volume of products sold to non-UK customers, which rose from £187.0 million to £343.7 million, some 84% up, and now represents 30.5% of the group's total turnover. All the divisions have increased



GLYNWED INTERNATIONAL

their turnover during 1989. The purchase of distribution businesses overseas has helped the Plastics division to increase its turnover by 52%.



PROFIT BEFORE INTEREST

PROFIT

Profit before interest also passed a milestone, exceeding the £100 million mark for the first time, and, at £105.3 million, has increased by 21% over the previous year. The Steels & Engineering division and the Plastics division achieved increases of 39% and 36% respectively, whilst Properties increased its profitability by 15.5%. Consumer & Building Products division showed a small decrease, of 2.6%, but there was a major downturn in the Tubes & Fittings division with a drop in profits of £5.5 million.

An increase of £9.0 million in the profits for the Metal Services division reflects a full year's contribution from the metals businesses of Amari.

INTEREST

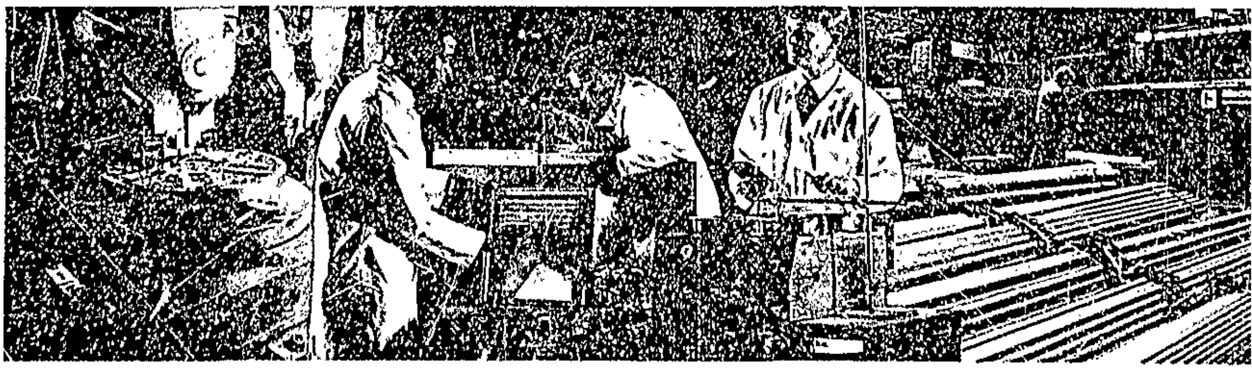
As a result of the increased borrowings and higher rates of interest the charge for the period rose to £12 million from £4.8 million it was covered 8.8 times.

TAXATION

The taxation charge for the year was £31.2 million, compared with £28.4 million in 1988, and was at an average rate of 33.4%, a saving of 1% from the previous period's average rate.

Glynwed International plc

Review of Divisional Operations 1989



THE FOLLOWING IS A LIST of the company's principal trading subsidiaries and related companies at 30th December 1989, and a brief description of their current activities. The capital in each case consists, unless otherwise stated, wholly of ordinary shares or common stock. Where subsidiaries are not wholly owned the percentage of capital owned is stated in brackets.

The companies are registered in England and operate in the United Kingdom (except where stated).

CONSUMER & BUILDING PRODUCTS DIVISION

Glynwed Consumer & Building Products Limited† *trading as:*
- Aga-Rayburn — multi-fuel cooking and heating appliances.
- Falcon Catering Equipment — commercial and institutional catering equipment.
- Flavel-Leisure — gas/electric cookers and gas fires.
- Leisure — *sinks, basins and showers.*
- Glynwed Foundries — cast iron building products.
- Drainage Systems — cast iron building products.
- Wholesale Catering Equipment UK — commercial catering supplies.

Kohlangaz Limited† — gas fires.
*Cooper & Turner Inc (USA) — multi-fuel cooking and heating appliances.
*Glynwed Australia Pty Limited† (Australia) — stockists of group consumer products.
Leavlite plc† — specialist finishers and manufacturers of building products. The principal operations are in the UK but Leavlite also includes two small operations in Belgium and France.

METAL SERVICES DIVISION

Glynwed Metal Services Limited† *trading as:*
- Aalco — distributors and processors of aluminium, copper alloys, stainless steel and nickel alloys, with branch operations at over 50 locations in the United Kingdom and in Canada, West Germany, Holland, the Republic of Ireland, Spain and (through *Amari Metals Inc†, *Stock Alloys Inc†, and *Gulf Coast Supply Co (LA) Inc†) the USA.
- Cashmores Stainless — stockholders and processors of stainless steel.
- Amari World Steel — merchanting of stainless, special and alloy steels, high nickel alloys, nickel and high value steel through companies in West Germany, France, Australia, Holland, Switzerland and the United Kingdom.

*Amari Metals Limited — distributors of aluminium commercial and aerospace products.
CJA Stainless Limited† — stockholders of stainless steel.
*Charles Davis (Metal Brokers) Limited — London Metal Exchange ring dealing member.

PLASTICS DIVISION

Glynwed Plastics Limited *trading as:*
- Vulcathene — chemical waste drainage and electrofusion pipework systems.
- Townsend Rubber Products — precision rubber mouldings.
- Capper Plastics — distribution of thermoplastic pipework products.
- Durapipe — thermoplastic pipework systems.

Plastic Constructions plc† — industrial plastics and thermoplastic pipework systems.
*Enfield Industrial Corp (USA) — thermoplastic pipework systems.
*Slocomb Plastic Pipe and Products Inc (USA) — plastic piping.
*Philmac Pty Limited† (Australia) — plastic pipe fittings.
*FIP Formatura Iniezione Polimeri Srl† (Italy) — thermoplastic pipework systems.
Calder Technical Services Limited† — electrofusion equipment.
Mike Crossley & Associates Limited† — electrofusion equipment.
*FORTI Formatura Raccordi Tubi Italiana SpA† (Italy) (51%) — thermoplastic pipe.
*S.A.M. Innoge (Monaco) — thermoplastic pipework systems.
*MAR-CO SA (France) — thermoplastic pipework systems.
*Harrington Industrial Plastics Inc (USA) — thermoplastic pipework systems.
Amari Plastics plc† — distributors and processors from 12 locations in the United Kingdom and Germany, of industrial plastics and fasteners.
*Port Plastics Inc (USA) — industrial plastics.

STEELS & ENGINEERING DIVISION

Glynwed Steels & Engineering Limited *trading as:*

Ductile Hot Mill — hot, re-rolled flat products.
Dudley Port Rolling Mills — hot re-rollers.
George Gadd & Co — steel re-rollers.
W. Wesson — hot and cold finished steels.
Joseph Gillott & Sons — steel re-rollers.
GB Steel Bar — bright drawn steel.
Longmore Brothers — bright drawn steels, steel conduit and precision tubes.
Stourbridge Rolling Mills — cold rolled strip.
Ductile Sections — cold formed light sections.
Ductile Cold Mill — cold rolled strip.
Ductile Steel Processors — coil slitting and pickling.
Firth Cleveland Steel Strip — special steels.
Macreadys — stockholders of carbon and alloy steels.
Cashmores Scrap — scrap metals.
J.B. & S. Lees — bi-metallic strip.
Steelway-Fensecure — steel flooring, stairways, security fencing and fabrications.
Tower Manufacturing — cable clips, masonry nails and rivets.
Ansell Jones — special lifting equipment.
Oddbolt — non-standard fastenings.

*Firth Cleveland Steels Inc (USA) — special steels.
*J.B. & S. Lees Inc (USA) — special steels.
Paul Fabrications Limited — high technology metal fabrications.
*La Dauphinoise SA (France) — fastenings, eyelets and rivets.

TUBES & FITTINGS DIVISION

Glynwed Tubes & Fittings Limited *trading as:*

Wednesbury Tube — copper tube.
Albion — copper hot water cylinders.
Monmore Tubes — ERW, flo-coat and spectra-coat steel tube.
Newman-Tipper Tubes — steel tube.
HUB — stockists of ERW, cold drawn, seamless and structural steel tube and aluminium products.

*Columbia International Inc (Canada) — electrical conduit.

CORPORATE SERVICES

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

Related Companies

	Country of incorporation and operation	Total voting capital	% interest held
Raglan Property Trust plc Property development and investment	UK	£1,672,247	20.9
*Atcor Inc Manufacturers of decontamination systems for the electronics industry	USA	$1,230,188	32.1

*Investment held by a subsidiary of Glynwed International plc.
†Subsidiary companies not audited by Coopers & Lybrand Deloitte.

... one in five of all sinks manufactured at Long Eaton now goes overseas.

FOR THE SECOND SUCCESSIVE YEAR our consumer products businesses experienced difficult trading conditions, with the exception of Aga-Rayburn. Sales of gas cookers were poor throughout the year but Flavel-Leisure held on to their market share despite aggressive price cutting by the competition in a market down by some 18% in volume. Another mild winter had its effect on sales of gas fires which were down compared with the previous year by some 14% — again our own brands Flavel and Kohlangaz held on to their market shares and have improved upon them in the early New Year.

Leisure manufactures stainless steel and 'Velstra' sinks at Long Eaton, Nottinghamshire and here we experienced a false dawn with sales in the first quarter actually ahead of the previous year. However, subsequent developments in the new housing and home improvement markets produced a steady erosion of those gains and into the third and final quarters we fell below the previous year's achievements in deliveries to the UK market. Progress reported last year in export markets continued, with Germany our most responsive area — one in five of all sinks manufactured at Long Eaton now goes overseas.

During 1989 the price of stainless steel, the major element of cost at Long Eaton, varied very significantly under the influence of the nickel/chrome surcharges. At its peak, this prime raw material cost some 20% more than at the start of the year and 30% more than we paid in the final quarter. With intense competition in the home market, and currency factors affecting — not always adversely — results in exports, control of this business was a challenge and the financial outcome disappointing. Surcharges relating to our business were removed completely on 1st January 1990.

Aga-Rayburn truly is a niche business within kitchen products and continued to make progress at home and abroad to produce a result to support the division and which was much appreciated by equally dedicated colleagues elsewhere.

Our building products are not greatly affected by domestic housing demand except at our foundry at Fareham, Hants, where we have a good business in cast-iron covers and frames for plastic drainage systems. In the second half of the year the effects of the downturn in the housing market were felt and some job losses here were unavoidable. Elsewhere in our foundry-based businesses good demand continued for both pipes and fittings from Sinclair in Telford, Shropshire, and covers and frames from certain of the former Brickhouse Dudley foundries. Fabricated security covers and frames from our West Bromwich factory in the West Midlands, also continued to find favour. These and other factored products keep our Drainage Systems distributor network busy and profitable throughout the year.

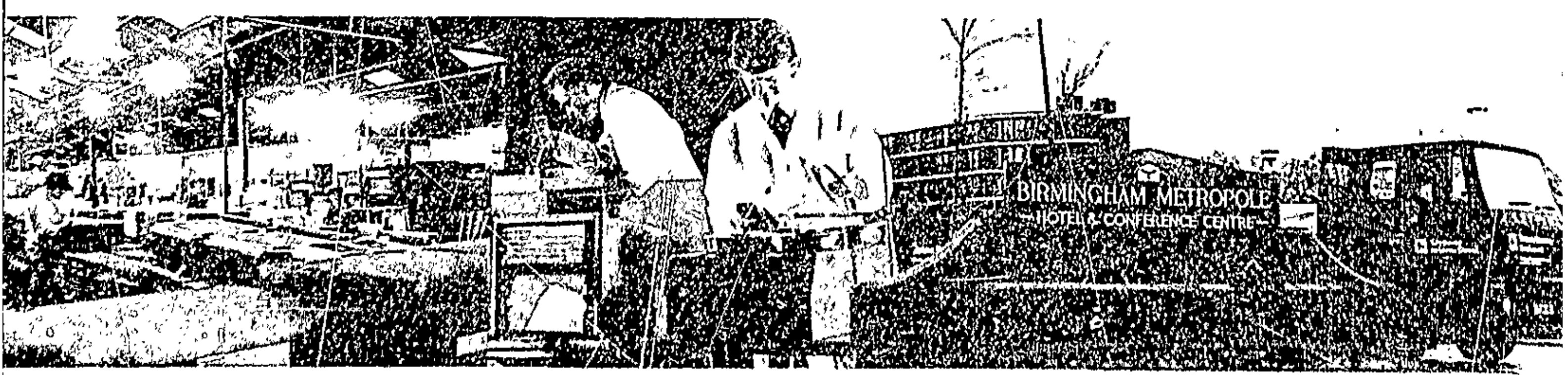
PICTURES SHOW: PROCESSING AND FABRICATION OF HIGH VALUE MATERIALS, TO MEET QUALITY DES

Our Building Products sub-division has a well established tradition of exporting, particularly to the Middle East, and this continued throughout the year with significant growth of [illegible] into continental Europe and to the Far East, to which we continue to look with enthusiasm and some encouragement. The sub-division's year ended with budgets achieved and with order books which gave confidence for the start of 1990.

It is some ten years since Falcon Catering was re-shaped and re-located on to a single site at Larbert, in Scotland, with very significant job losses and an action plan which called for survival, consolidation and growth. The first two objectives were quickly achieved and, in more recent times, the growth — profitable growth — has been the final confirmation of that action plan. During the year the 'Osprey' series of dish and glass washers was successfully launched after several years of development in conjunction with an Italian partner, from whom the original technology was transferred to Scotland. Modifications to the Italian designs in line with UK requirements were made and, as is the case with all Falcon products, approvals were sought and achieved from appropriate fuel and water authorities. The 'Osprey' quickly established itself with distributors and specifiers, and launch targets were rapidly achieved.

Exports of Falcon products have continued to grow apace, with Australia our most notable success. Spain too is responding to the considerable promotional activities which have taken place and promises very real growth in the immediate future. Falcon finished its year comfortably ahead of its own demanding targets and was also, as were Aga-Rayburn and Building Products, able financially to soften the disappointments — entirely market-related — in our consumer products sector.

Falcon finished its year comfortably ahead... as did Aga-Rayburn and Building Products...



CIFICATIONS IN COMMERCIAL CATERING EQUIPMENT, BACKED BY INSTALLATION AND CUSTOMER SERVICE.

THE STRONG TRADING CONDITIONS enjoyed in the early part of 1989 gave way to more difficult circumstances as the consumer-related industries and customers served by the metal distribution companies of Glynwed Metal Services began to experience reduced demand for their products. In contrast, the capital goods sectors, which follow distinctly different trading cycles, remained strong throughout the year, illustrating the benefits of the division's diverse customer and market base.

Inevitably, the prospect of a slow down in industrial activity and pressure to reduce stock levels had the effect of depressing the prices of base metals and those of the semi-fabricated products traded by the division. During 1989, the London Metal Exchange three-month price of aluminium fell by 33% and copper by some 20%, whilst the nickel/chrome surcharges applied to the most common grades of stainless steel were withdrawn by the domestic producer at the end of the year.

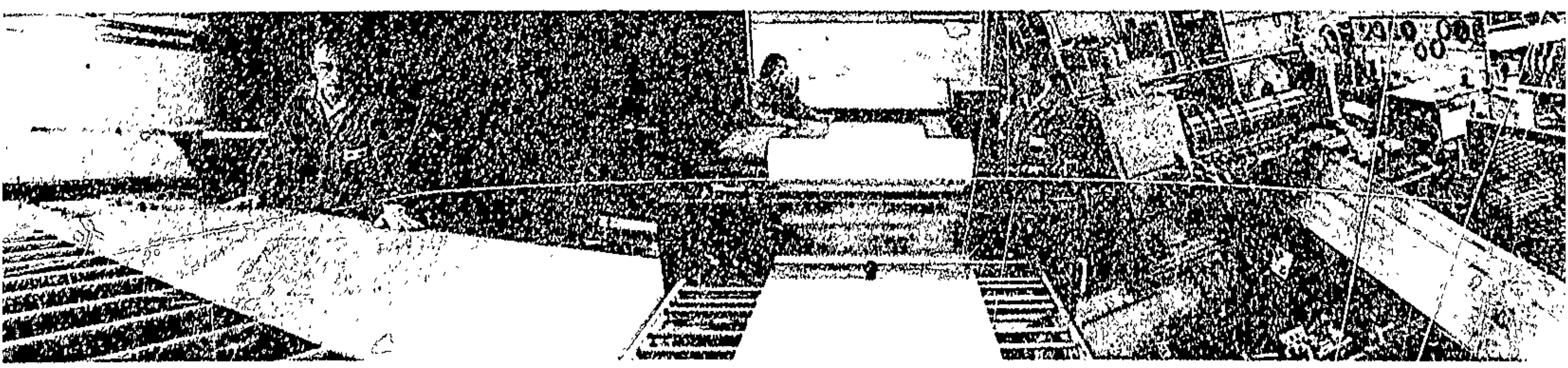
Against this background, the division has performed commendably, with sales only marginally falling short of the all-time record levels achieved in the exceptionally buoyant period of the previous year. Of particular note were the good returns and tight control of working capital achieved by the well established Aalco and Cashmores Stainless operations in the UK.

In a period of reduced trading activity the advantage of a dispersed multi-branch network are particularly evident. The division can respond quickly to changing market conditions and individual customer requirements, and local management benefit from the powerful motivation of delegated responsibility.

During the period under review, there have been a number of important developments that should be highlighted. In Britain, the main central service and distribution facility of Aalco has been integrated with the coil processing operations of Cashmores Stainless. The combined unit is now regarded as the leading distribution and service centre of its kind in the UK and is already demonstrating the economies of scale which will be a key factor in the division's future expansion plans.

The 1989 results emphasise the underlying quality of the business and the value of recent investments in stainless plate processing, nickel alloy stockholding and the marketing and distribution of stainless steel tube. Additionally, a refocusing of Aalco's copper alloy distribution activities produced a 16% increase in both sales and profit and the expectation of further improvements this year against the market trend.

The acquisition of Almet Stockholders Ltd — formerly the aluminium stockholding subsidiary in Britain of the Pechiney Group — represents a niche development which expands the division's access to the

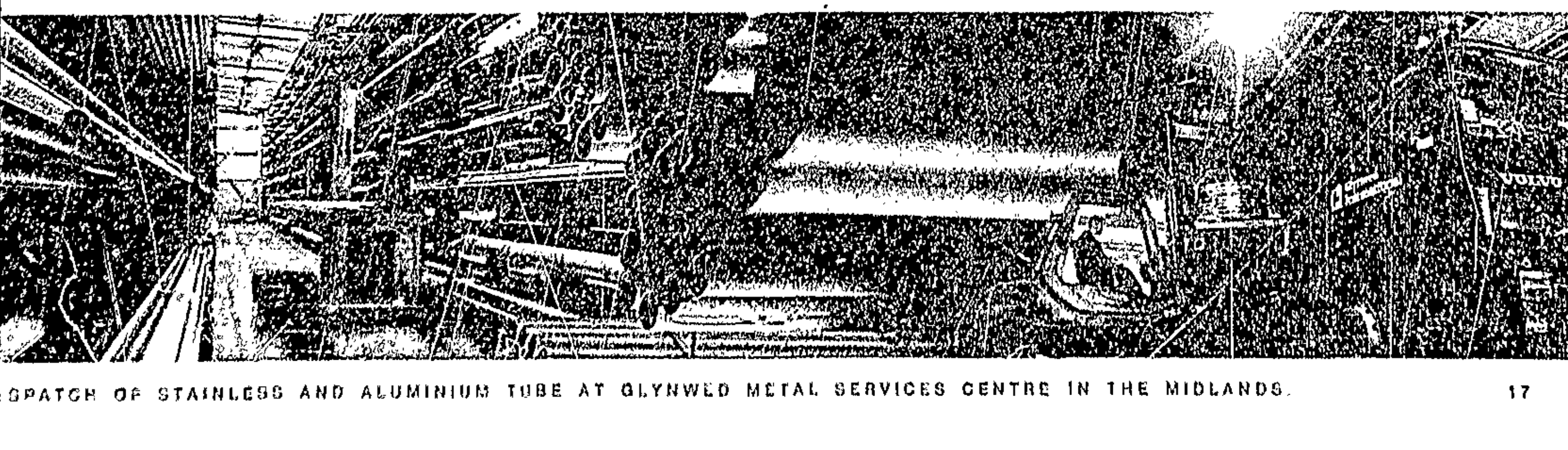


PICTURED ABOVE: THE PROCESSING OF DECOILED STAINLESS STEEL TOGETHER WITH STOCKING aerospace and aluminium cut plate markets. The excellent prospects in these sectors should ensure an above average return on this investment.

Elsewhere in the division, Amari World Steel and its London Metal Exchange ring dealing company, Charles Davis, have enjoyed a successful year and have expanded their volumes and client base considerably.

In North America, falling prices, industry de-stocking and a bearish outlook on the part of metal users have combined to exert downward pressure on both volume and margins. The effect has been most visible in the standard product arena and steps are being taken to mitigate the impact of this cyclical business on the division's USA operations. The more specialised and added-value products continue to perform strongly and justify continuing expansion. The distribution and processing of stainless steel for the capital goods market is particularly important in this respect and an additional plant has been opened in Atlanta, Georgia.

The Metal Services division enters 1990 ready to take advantage of the next upswing in metal trading.



SPATCH OF STAINLESS AND ALUMINIUM TUBE AT GLYNWED METAL SERVICES CENTRE IN THE MIDLANDS.

TO REFLECT BOTH THE GROWTH in our plastics operations, and our commitment to their future development, Glynwed Plastics was established as a separate division at the beginning of 1989. The Glynwed Plastics International (GPI) group of businesses, formerly in the Tubes & Fittings division, formed the nucleus of the new division, together with Amari Plastics' sheet and rod distribution business.

Sales growth for the division during 1989 amounted to some 52% and benefited from a full-year contribution from Amari Plastics and the two other acquisitions in 1988. Acquisition activity continued at a high level, with two companies purchased in the USA, two in mainland Europe and two in the UK.

Capital investment during the year was at a record level of £10.6 million. This covered continued improvements of products and facilities and the setting up of a new joint venture in Italy. Working capital continued to be kept under tight control.

Amari Plastics' sheet and rod distribution business benefited in the early part of 1989 from the acquisition of Port Plastics, a USA West Coast based business, which complements the Amari Plastics strategy of developing into a global sheet distribution company.

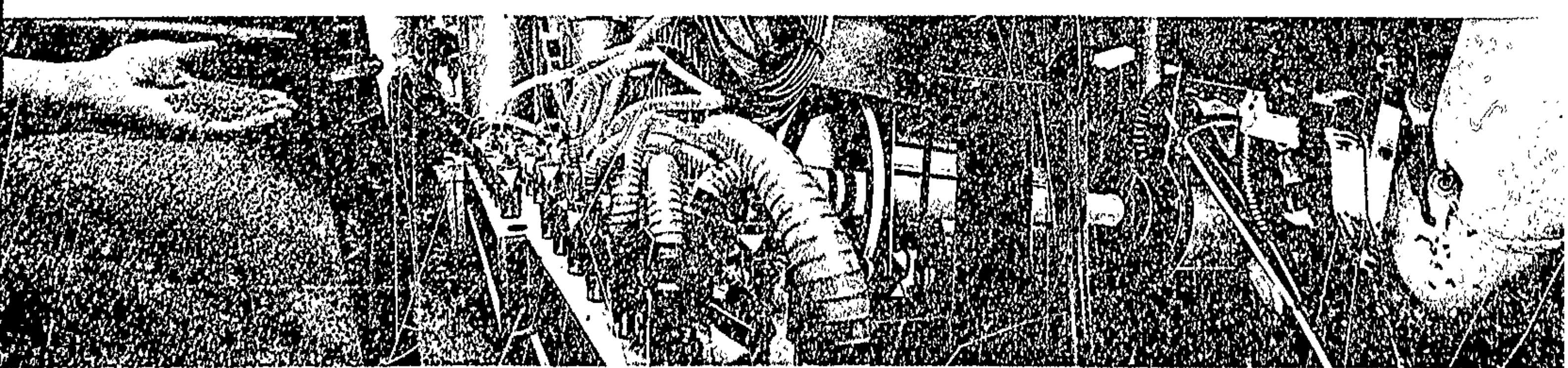
During the year the sheet business of Plastic Constructions plc was transferred to Amari Plastics in order to allow the two businesses to concentrate on those areas where their specialised skills could be utilised more effectively.

GPI — manufacturing and distributing plastic pipework products and systems — had another very successful year of substantial international growth, with sales and profits both up by more than one third in 1989.

Previous investment in new products and in additional, highly-efficient capacity, enabled the manufacturing companies to capitalise on strong market conditions in the UK, mainland Europe and America. The combined effect provided the majority of 1989's growth, but a very active year in new acquisitions also contributed substantially.

Five new companies were brought into GPI in 1989 by acquisition. In addition, the Italian joint venture, Forti, formed at the end of 1988, was commissioned and brought close to full production by the year-end. Harrington Industrial Plastics, the largest pipework systems distribution company in the USA, was acquired in July. Harrington has nineteen locations throughout the Western and West-Central United States, and its $60 million sales revenues, and excellent profit flow, will provide a very strong base for further development of GPI's position in the USA market.

Additionally, at the end of 1989, Plastimatic, a small plastics business based in New Jersey, was disposed of. This particular business had no synergy with GPI's growth strategy.



PICTURES SHOW. PROCESSING BASIC PLASTICS TO PRODUCE HIGH QUALITY PIPEWORK AND FITTINGS FOR LIQUID

Mar-co, a small French distributor, was bought in January and has transformed the market share position in France of our Genoa-based subsidiary FIP, which also made strong progress elsewhere in Europe. Innoge of Monaco is a manufacturer of electrofusion fittings for the world's gas industries, and in combining with existing products from Durapipe and Vulcathene, enables us to market the largest, and most sought after, electrofusion product range in the world. Durapipe had an excellent growth surge in 1989, and further major investment took place. Crossley and Calder, two small but profitable companies bought around mid-year, provide specialist equipment services which support the existing distribution activities of Capper Plastics and Plastic Constructions. At the end of the year, the latter two businesses were merged to optimise their UK network and resources, and to create substantially the largest specialist pipework systems distributor in the country, a platform from which further growth is anticipated.

Of the other established GPI companies Philmac, manufacturing in Australia, and selling its highly successful 'polygrip' system there and in the UK, had another record year, and is beginning to focus further market development resources on continental Europe, North America and South East Asia. Enfield, our other USA distributor, importing GPI products from Europe, also had a successful year, with significant gains for Durapipe, FIP and Vulcathene products.

The year was thus characterised by growth and by a number of planned expansionary and synergistic developments. This enabled growing emphasis to be placed on marketing a steadily widening, and yet progressively more integrated, range of thermoplastic pipework products and services to the world's chemical, process and utilities industries.

AS TRANSMISSION, DISTRIBUTION OF INDUSTRIAL PLASTICS, AND TECHNICAL SERVICES FOR PIPEWORK INSTALLATION.

NINETEEN EIGHTY-NINE represented another year of record achievement for the Steels & Engineering division. The first half saw particularly high levels of demand reflecting the strong performance of UK industry.

The hot rolling companies came into their own in strong market conditions. All plants worked to high levels of utilisation, and their in-built flexibility enabled the challenge of ever-changing and increasing demands to be met, while the setting of new output records became a seemingly weekly occurrence.

The vertical integration between hot rolling and the division's bright drawing and distribution activities continued to prove strategically sound.

Bright bar has long been a market sector suffering from over-capacity, import penetration and tight margins. The difficulties are exacerbated by competitor producers who continue to install additional equipment with little regard to effective utilisation or the overall market size. It is becoming obvious that only the strong will survive the attrition as this industry is rationalised. The facilities available within GB Steel Bar and its sister company, Longmore Brothers, place us in a very strong market position which, together with the excellent reputation for quality, range and service enjoyed by Macreadys, will continue to ensure that bright bar makes a valuable contribution to the division's overall activities.

The Cold Rolled sub-division made sound progress during the year. Activities in this sector cover a wide spectrum, from low carbon cold rolled strip to high technology metal cutting bandsaw, bi-metallic strip and hardened and tempered strip.

J B & S Lees, acquired during the latter part of 1988, completed its first full year of Glynwed ownership. It more than justified the investment made, adding strength to the sub-division as cross fertilisation of techniques and expertise benefited both acquirer and acquired.

The ancillary businesses within this sub-division performed satisfactorily, with Cashmores Scrap benefiting from high demand for ferrous scrap and selling advantage being taken of peak non-ferrous markets.

Ductile Sections' product profile was enhanced during the year by acquiring certain assets of J Billingham, producers of fasteners complementary to Ductile Sections' cable support systems and of an established range of commercial vehicle body fittings.

The retained nucleus of UK engineering companies again produced most satisfactory results during 1989. Paul Fabrications benefited from the high levels of activity in the aircraft industry, whilst Tower Manufacturing maintained their strong market position in cable clips and fastenings.

PICTURES SHOW: ROBOTIC HANDLING OF STEEL FOR HOT ROLLING; CONTROLS FOR BRIGHT DRAWING; PRODUCT

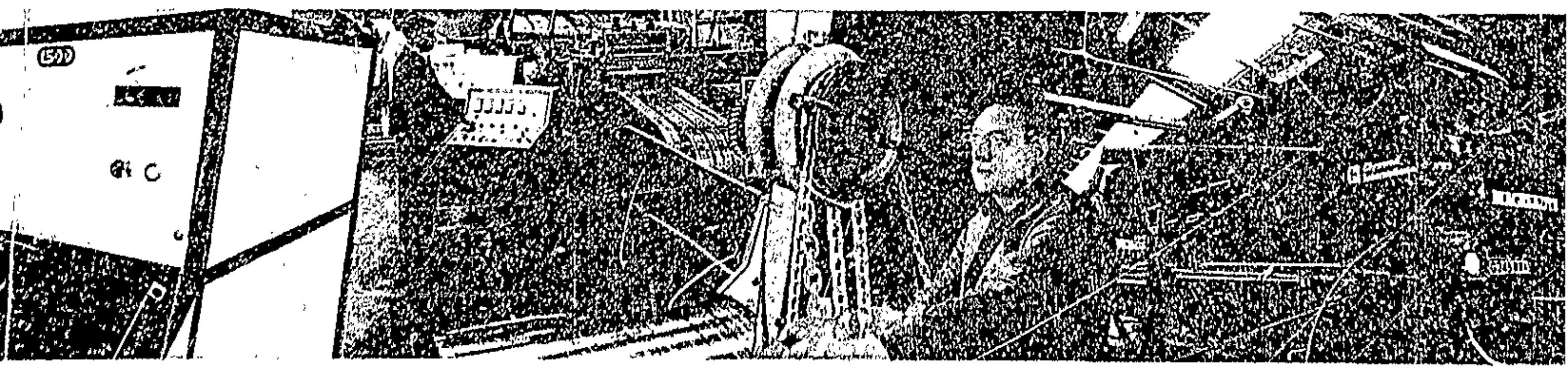
Steelway-Fensecure enhanced their position in high-quality access and walkway products by the acquisition of Danro Industries, a small business specialising in stainless steel fabrications for both decorative applications in offices and shopping centres and for critical environments such as chemical and food processing plants. Ansell Jones continued their steady growth in the lifting tackle and specialist handling sector by acquiring the assets of John Barnsley, a crane and hoist manufacturer.

The division's exports proved a particularly rewarding area of activity during 1989, with an overall 40% improvement on the already satisfactory performance of the previous year.

Exchange rates broadly favoured exporters during the period and the opportunity was taken to strengthen our position in both continental Europe and the USA. Divisional strategy is to concentrate on the marketing of high added-value and specialist products which will continue to provide attractive margins, even if the pound strengthens. This enables us to establish a reputation as reliable suppliers to our overseas clients.

There is no doubt that general economic activity in the UK slowed considerably during the latter part of 1989. However, for the Steels & Engineering division this represented a return to normality following unprecedented levels of demand, rather than a dip into recession.

Tougher conditions are anticipated for the coming year but we are in a strong position to serve the growing demand for 'just in time' availability allied to improved quality and a wide product range. We already service customers in 60 countries and the rapidly changing shape of Europe will present further opportunities and challenges as the division continues to develop.



PRECISION STEEL STRIP, AND LIFTING PRODUCTS FOR WORLD MARKETS, AND MAJOR UK STEEL STOCKING DEPOT.

SALES GROWTH FOR THE DIVISION during 1989 amounted to some 14%. Acquisition activity continued with the first overseas purchase for the division, Columbia International Inc, the largest manufacturer of electrical conduit in Canada.

Capital investment during the year of £7.8 million was at a record level. Continued improvement of existing operations and significant expansion of capacity enabled the division to take benefit from increased export opportunities. Working capital continued to be kept under tight control.

The five separate companies manufacturing hot water storage products were brought together under the common name of Albion in the early part of the year. Two of the manufacturing plants, at Malvern, Worcestershire, and Birmingham were re-located to new premises at Halesowen, in the West Midlands, which have become the headquarters for Albion's extensive UK operations. The financial performance of Albion exceeded expectations, with benefits still to be realised from consolidating the previously autonomous businesses.

Wednesbury Tube had a difficult start to the year. We experienced again in 1989 a very mild winter which resulted in a low demand for most heating-related products. This, coupled with falling copper prices and high interest rates, saw a first half which put pressure on the financial result.

The second half saw an improving trend. There was increased stability in both copper prices and interest rates. Activity in the industrial and commercial sector also helped to generate a more consistent demand.

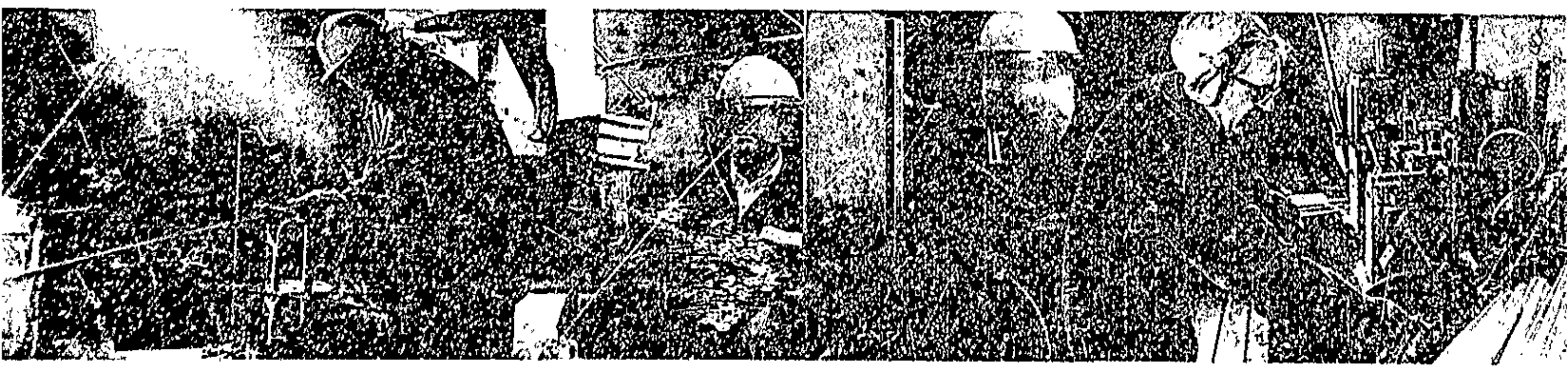
Despite the weakness in UK demand, overall volumes held up, benefiting from continued growth in export volumes, up by over 60% on the previous year. Mainland Europe in particular is becoming an increasingly important market and should enjoy continued growth.

Demand in the UK for welded steel tube fell marginally during the year, with the weakening being more apparent in the last quarter. Margin pressures throughout the year reflected a more competitive climate. Our customers continued to benefit from our commitment to service, quality, product development and improvements in manufacturing efficiency, which were reflected in an increased market share.

At Monmore Tubes the influence of fine weather was clearly evident in the first half trading, as was the squeeze on consumer spending in the last six months of the year.

Newman Tipper Tubes' sales advanced, reflecting benefits from continued investment and product development in quality-related environment.

The stockholder arm of HUB, in both steel tube and aluminium

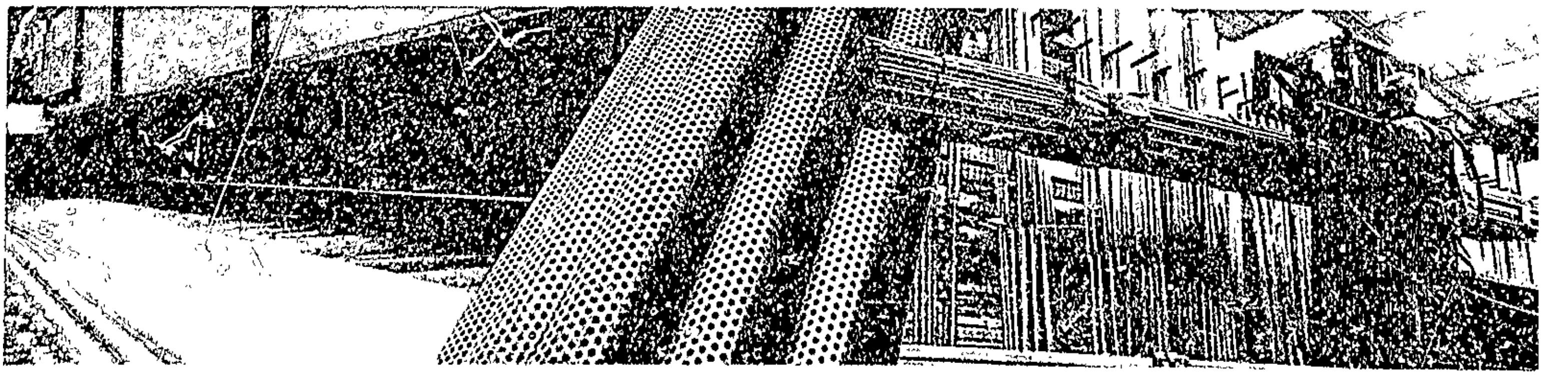


PICTURES SHOW: LARGE SCALE COPPER TUBE PROCESSING FOR INTERNATIONAL MARKETS; WELDING OF STEEL TU extrusions, experienced more competitive market conditions throughout the year. The steel tube manufacturers recorded a solid performance and benefited from vertical integration.

The acquisition during the year of the businesses of Columbia International Inc, Canadian manufacturers of electrical conduit, was the first move towards the development of an international business.

Overall the Steel Tube sub-division reported a solid performance in both profit and cash terms.

development of an international business.



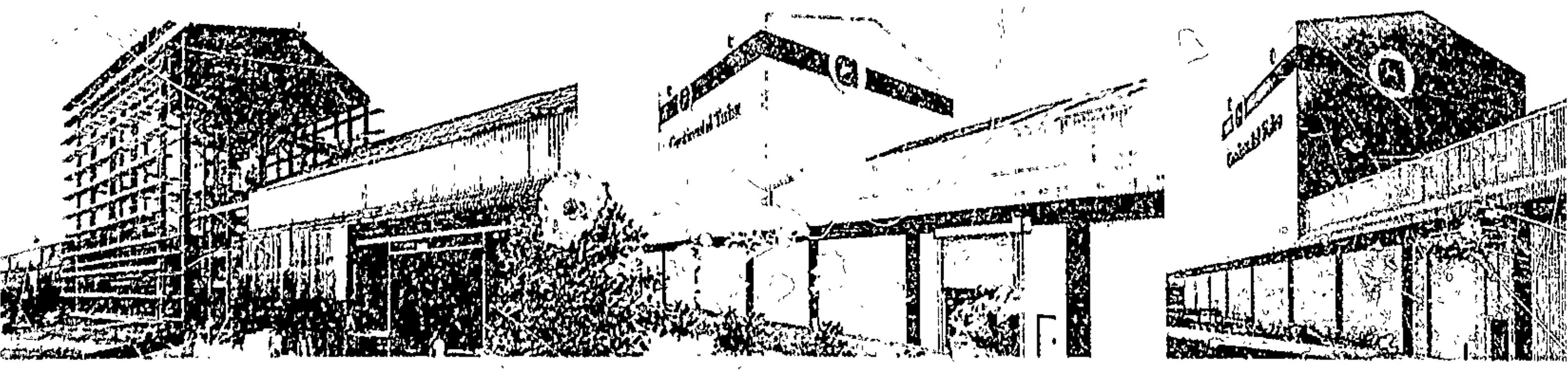
C OF ... UK CENTRES WHICH SUPPLIES STEEL AND ALUMINIUM TUBE TO THOUSANDS OF CUSTOMERS

With the continuing strong commercial property market spreading throughout the country, the Properties division enjoyed a successful year. Rental income from group companies and external tenants continued to improve as rents were reviewed to market level where applicable.

The timely and profitable disposal of surplus property once again contributed towards the division's success. In particular, the division was able to benefit from changes in planning permission for a more valuable land use. Several of our investment properties in the USA, which were formerly occupied by group companies, were sold during the year. All of our American and mainland European property is fully let and income producing.

The division continues to acquire existing buildings and to develop new property facilities for the use of other group companies. Two of the projects were carried out within the Government designated Development Areas which received financial support in the form of City Grant Aid. The Black Country Development Corporation contributed towards the acquisition and extensive refurbishment of a large industrial building at Great Bridge, West Midlands. The Merseyside Development Corporation gave their support to the construction of a new building in Liverpool.

The property portfolio and rental income of the division has continued to expand progressively in line with group acquisitions.



PICTURES SHOW TRANSFORMATION OF DERELICT BUILDINGS INTO A MODERN MANUFACTURING UNIT

Glynwed International plc

Report of the Directors and Accounts for 1989

The directors of Glynwed International plc present their annual report, together with the accounts of the company, for the 52 weeks ended 30th December 1989. These will be submitted to members at the annual general meeting to be held at the National Motorcycle Museum, Coventry Road, Bickenhill, Solihull, West Midlands, at 12 noon on Thursday, 7th June 1990.

ACTIVITIES AND BUSINESS REVIEW

Glynwed International plc is the group holding company and its principal subsidiaries and their activities are shown on pages 12 and 13.

A review of the activities and prospects of the group and of the principal subsidiaries is given on pages 14 to 24.

DIVIDENDS AND RESERVES

The earnings for the period after taxation, minority interests and preference dividends were £62.5 million (1988 £53.8 million). Extraordinary items amounted to £4.6 million (1988 nil) leaving £57.9 million (1988 £53.8 million) available to ordinary shareholders. An interim dividend of 4.15p per ordinary share was paid on 13th December 1989. The directors recommend a final dividend of 7.50p per ordinary share payable on 5th July 1990 making a total for the period of 11.65p per ordinary share (1988 9.70p per share).

After ordinary dividends of £23.8 million (1988 £19.8 million), the profit retained of £34.1 million (1988 £34.0 million) remains to be added to reserves.

CAPITAL OF THE COMPANY

Allotments of ordinary shares of 25p each of the company were made during 1989 as indicated in note 23 on page 46.

Resolutions will be proposed at the annual general meeting to grant to the board, until the next following annual general meeting, authority and power to allot new securities under sections 80 and 95 of the Companies Act 1985.

SHAREHOLDERS

At 30th December 1989, ordinary shareholders totalled 16,648 (1988—15,991). Their holdings are analysed below:

Number of shares	% of shareholders	% of shares in issue
1—5,000	90.15	9.08
5,001—50,000	7.41	8.38
50,001—250,000	1.56	15.06
Over 250,000	0.88	67.48
	100.00	100.00

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

DIRECTORS

The members of your board at the date of this report are shown on page 5.

In accordance with the Articles of Association Mr DL Milne and Mr DW Richardson retire by rotation and, being eligible, offer themselves for re-election. Mr A Miller, having been appointed a director by the board on 4th January 1990, retires and, being eligible, offers himself for election.

Mr Milne and Mr Richardson have service contracts with the company which are terminable on three years notice. Mr Miller has a service contract with Amari plc which expires on 18th March 1992.

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:

	30th December 1989					1st January 1989*			
		Options under the Senior Executive Share Option Scheme					Options under the Senior Executive Share Option Scheme		
	Shares	at 200.5pps	at 264pps	at 304pps	at 308pps	Shares	at 200.5pps	at 264pps	at 304pps
G Davies	150,000	56,250	37,500	60,000	125,308	150,000	56,250	37,500	60,000
DL Milne	95,625	37,500	24,000	9,000	75,000	95,625	37,500	24,000	9,000
D Gripton	45,000	55,687	27,750	19,500	75,000	45,000	55,687	27,750	19,500
T O'Neill	70,000	37,500	30,000	15,000	75,000	75,000	37,500	30,000	15,000
J P Pither	412,725	—	—	—	75,000	419,725	—	—	—
DW Richardson	75,000	37,500	30,000	15,000	75,000	75,000	37,500	30,000	15,000
WJ Biffen	—	—	—	—	—	—	—	—	—
JD Eccles	1,875	—	—	—	—	1,875	—	—	—

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

	30th December 1989			1st January 1989*	
	at 97.6pps	at 238.6pps	at 244.0pps	at 97.6pps	at 238.6pps
G Davies	7,579	—	1,475	7,579	—
DL Milne	757	2,790	1,475	757	2,790
T O'Neill	7,579	—	1,475	7,579	—
J P Pither	—	—	4,426	—	—
DW Richardson	7,579	—	1,475	7,579	—

No changes have been notified to the company since 30th December 1989 which affects the interests of directors as shown above.

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

*or date of subsequent appointment.

TANGIBLE FIXED ASSETS

The movements of tangible fixed assets are set out in note 13 on page 41 and include a net book value of £7.4 million arising from the acquisition of new businesses.

ACQUISITIONS AND DISPOSALS

Principal acquisitions during the period:

April	S.A.M. Innoge, Monaco, for £7.6 million.
May	Columbia International Inc, Canada, for £10.2 million.
July	Harrington Industrial Plastics Inc, USA, for £9.3 million.

Principal disposal during the period:

December	Plastimatic Inc, USA, for £1.0 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 are kept abreast of group developments in financial, commercial, strategic and personnel matters and are thereby enabled to inform and discuss with employees as appropriate at our individual operating units.

The group operates pensions and share option schemes for employees, to good and regularly-reviewed current standards, together with an Educational Scholarship Scheme: under the latter, 89 awards were made in 1989 by the independent selection committee.

POLITICAL AND CHARITABLE DONATIONS

During the period the group gave £89,416 for charitable purposes in the UK, and £33,000 for political purposes to the Conservative Party.

CAPITAL GAINS TAX

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

'CLOSE' COMPANY STATUS

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

AUDITORS

Our auditors, Coopers & Lybrand, are in the process of merging their practice with Deloitte Haskins & Sells and in the meantime have adopted Coopers & Lybrand Deloitte as their business name. They have signed the auditors' report in their new name. A resolution to reappoint Coopers & Lybrand Deloitte as the company's auditors will be proposed at the annual general meeting.

By order of the board
JC Blakeley J. C. Blakeley
Secretary
Birmingham
18th April 1990

SOURCE AND DISTRIBUTION OF VALUE ADDED

For the 52 weeks ended 30th December 1989

	1989 £m	1988 £m
SOURCE OF VALUE ADDED		
Turnover	1,125.2	839.8
Cost of materials and services used	819.3	587.7
TOTAL VALUE ADDED	305.9	252.1

	1989 £m	1989 %	1988 £m	1988 %
DISTRIBUTION OF VALUE ADDED				
EMPLOYEES — wages, salaries, pension and national insurance contributions and other employee costs	181.5	59.3	150.5	59.7
TAXATION — UK and overseas	31.2	10.2	28.4	11.2
PROVIDERS OF CAPITAL				
Interest payable on borrowings	12.0	3.9	4.8	1.9
Dividends to shareholders	23.9	7.8	19.9	7.9
Minority shareholders in subsidiaries	(0.5)	(0.1)	0.2	0.1
TOTAL COST OF CAPITAL PROVIDED	35.4	11.6	24.9	9.9
RE-INVESTMENT IN THE BUSINESS				
Depreciation	19.1	6.2	14.3	5.7
Profit retained	34.1	11.2	34.0	13.5
TOTAL RE-INVESTED	53.2	17.4	48.3	19.2
EXTRAORDINARY ITEMS (after tax)	4.6	1.5	—	—
TOTAL VALUE ADDED	305.9	100.0	252.1	100.0

FUNDS STATEMENT

For the 52 weeks ended 30th December 1989

	1989 £m	1988 £m
Cash effect of profit before taxation (Note (a))	108.9	94.7
Working capital movements (Note (b))	(11.8)	(11.9)
Investment in tangible fixed assets	(43.9)	(27.8)
Disposal of tangible fixed assets	12.4	9.3
CASH INFLOW FROM OPERATIONS	65.6	64.3
Tax	(28.1)	(21.8)
Dividends	(21.4)	(15.9)
CASH INFLOW FROM OPERATIONS AFTER TAX AND DIVIDENDS	16.1	26.6
DISPOSAL OF BUSINESSES		
Cash received	1.7	7.3
Borrowings transferred	—	0.8
CASH INFLOW FROM DISPOSALS	1.7	8.1
ACQUISITION OF BUSINESSES (Note (c))		
Cash paid for previous year acquisitions	(4.7)	(5.4)
Cash paid for current year acquisitions	(34.3)	(33.4)
Borrowings taken over	(17.2)	(37.6)
TOTAL CASH PAID FOR ACQUISITIONS	(56.2)	(76.4)
Other cash movements	0.8	0.3
DECREASE IN FUNDS	(37.6)	(41.4)

	1989 £m	1988 £m
STATEMENT OF BORROWINGS		
At 31st December 1988	46.4	5.0
At 30th December 1989	84.0	46.4
INCREASE IN NET BORROWINGS	(37.6)	(41.4)

NOTES

	1989 £m	1988 £m
(a) Profit before tax	93.3	82.5
Depreciation	19.1	14.3
Profit on sale of fixed assets	(5.2)	(4.0)
Currency translation movement	1.9	2.3
Share of profits of related companies	(0.3)	(0.5)
Dividends from related companies	0.1	0.1
Cash effect of profit before taxation	108.9	94.7
(b) *Stocks*	(7.0)	(13.5)
Debtors	(10.2)	2.5
Creditors	5.4	(0.9)
Working capital movements	(11.8)	(11.9)
(c) Cash paid	(39.0)	(38.8)
Borrowings taken over	(17.2)	(37.6)
Total cash paid for acquisitions	(56.2)	(76.4)
Shares issued	—	(99.6)
Total consideration paid for acquisitions	(56.2)	(176.0)

CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the 52 weeks ended 30th December 1989

	Notes	1989 £m	1988 £m
TURNOVER	2	1,125.2	839.8
Net operating costs	3	(1,019.9)	(752.5)
OPERATING PROFIT	2	105.3	87.3
Interest payable (net)	6	(12.0)	(4.8)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		93.3	82.5
Tax on profit on ordinary activities	7	(31.2)	(28.4)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		62.1	54.1
Minority interests		0.5	(0.2)
Profit on ordinary activities after taxation and minority interests		62.6	53.9
Preference dividends	8	(0.1)	(0.1)
EARNINGS FOR PERIOD		62.5	53.8
Extraordinary items	10	(4.6)	—
Ordinary dividends	8	(23.8)	(19.8)
PROFIT RETAINED	11 & 24	34.1	34.0
		pence	pence
EARNINGS PER SHARE	12	30.66	28.81

Notes to the accounts are on pages 35 to 48.

Movements on reserves are set out in note 24.

CONSOLIDATED BALANCE SHEET

As at 30th December 1989

	Notes	1989 £m	1988 £m
FIXED ASSETS			
Tangible assets	13	148.4	121.8
Investments	15	5.4	4.9
TOTAL FIXED ASSETS		153.8	126.7
CURRENT ASSETS			
Stocks	16	206.7	185.6
Debtors	17	246.2	214.7
Cash at bank and in hand	20	29.0	38.5
TOTAL CURRENT ASSETS		481.9	438.8
CREDITORS – amounts falling due within one year			
Operating creditors	18	(332.0)	(275.9)
Short term borrowings	20	(31.6)	(19.1)
TOTAL AMOUNTS FALLING DUE WITHIN ONE YEAR		(363.6)	(295.0)
NET CURRENT ASSETS		118.3	143.8
TOTAL ASSETS LESS CURRENT LIABILITIES		272.1	270.5
CREDITORS – amounts falling due after more than one year			
Operating creditors	18	(6.7)	(18.5)
Medium and long term borrowings	20	(81.4)	(65.8)
TOTAL NET ASSETS EMPLOYED		184.0	186.2
CAPITAL AND RESERVES			
Ordinary shares	23	51.0	50.9
Preference shares	23	1.3	1.3
Called up share capital		52.3	52.2
Share premium account	24	8.4	8.1
Revaluation reserve	24	5.6	7.4
Profit and loss account	24	115.3	116.4
TOTAL CAPITAL AND RESERVES		181.6	184.1
Minority interests		2.4	2.1
TOTAL CAPITAL AND RESERVES AND MINORITY INTERESTS		184.0	186.2

G Davies Chairman

JD Eccles Deputy chairman

DL Milne *Finance director*

Notes to the accounts are on pages 35 to 48.

COMPANY BALANCE SHEET

As at 30th December 1989

	Notes	1989 £m	1988 £m
FIXED ASSETS			
Investments	15	391.4	336.0
CURRENT ASSETS			
Debtors	17	18.5	15.9
Cash at bank and in hand	20	0.3	14.9
TOTAL CURRENT ASSETS		18.8	30.8
CREDITORS — amounts falling due within one year			
Operating creditors	18	(27.0)	(30.3)
Short term borrowings	20	(16.0)	—
TOTAL AMOUNTS FALLING DUE WITHIN ONE YEAR		(43.0)	(30.3)
NET CURRENT (LIABILITIES)/ASSETS		(24.2)	0.5
TOTAL ASSETS LESS CURRENT LIABILITIES		367.2	336.5
CREDITORS — amounts falling due after more than one year			
Medium and long term borrowings	20	(59.7)	(45.3)
PROVISIONS FOR LIABILITIES AND CHARGES			
Deferred taxation	22	(0.2)	(0.2)
TOTAL NET ASSETS EMPLOYED		307.3	291.0
CAPITAL AND RESERVES			
Ordinary shares	23	51.0	50.9
Preference shares	23	1.3	1.3
Called up share capital		52.3	52.2
Share premium account	24	8.4	8.1
Other reserves	24	111.7	111.7
Profit and loss account	24	134.9	119.0
TOTAL CAPITAL AND RESERVES		307.3	291.0

G Davies Chairman
JD Eccles Deputy chairman
DL Milne Finance director

Notes to the accounts are on pages 35 to 48.

1 ACCOUNTING POLICIES

The following statements outline the main accounting policies of the group

BASIS OF ACCOUNTING

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

CONSOLIDATION

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

ACQUISITIONS

Shares issued as consideration for the acquisition of companies have a fair value attributed to them, which is normally their market value at the date of acquisition. Net tangible assets acquired are consolidated at a fair value to the group. Differences arising between the purchase consideration and the fair value of the net tangible assets acquired are dealt with through consolidated reserves.

RESEARCH AND DEVELOPMENT

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

FOREIGN CURRENCIES

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

STOCKS

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

DEPRECIATION

Depreciation is calculated using the straight line method on the gross values of fixed assets after deduction of Government grants as follows

(i) Freehold buildings at 2% per annum.
(ii) Leasehold land and buildings over 50 years or the period of the lease whichever is the less.
(iii) Plant and machinery and fixtures, fittings, tools and equipment over a period of 4 to 10 years.

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

DEFERRED TAXATION

Deferred taxation is taken into account to the extent that a liability will probably arise in the foreseeable future and is calculated at taxation rates expected to apply at that time.

LEASES

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

PENSION COSTS

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

2 PRINCIPAL ACTIVITIES

TURNOVER AND OPERATING PROFIT

	Turnover		Profit	
	1989	1988	1989	1988
	£m	£m	£m	£m
BY DIVISION				
Consumer & Building Products	182.1	160.0	22.4	23.0
Metal Services	336.0	182.1	17.5	8.5
Plastics	186.8	122.5	20.9	15.4
Steels & Engineering	250.2	222.7	28.1	20.2
Tubes & Fittings	169.0	148.6	8.3	13.8
Properties	0.6	1.0	10.4	9.0
Other operations	0.5	2.9	(0.4)	(0.7)
Central costs	—	—	(1.9)	(1.9)
TOTAL TURNOVER AND OPERATING PROFIT	1,125.2	839.8	105.3	87.3
GEOGRAPHICALLY				
United Kingdom and Europe	942.7	759.0	92.5	79.9
United States of America	130.3	65.6	6.2	3.1
Canada	35.7	0.1	1.4	—
Australia	16.5	13.0	5.2	4.5
South Africa	—	2.1	—	(0.2)
TOTAL TURNOVER AND OPERATING PROFIT	1,125.2	839.8	105.3	87.3

	1989		1988	
TURNOVER BY CUSTOMER LOCATION	£m	%	£m	%
North and South America	182.2	16.2	91.9	10.9
Europe (except United Kingdom)	126.4	11.2	65.6	7.8
Asia and Australasia	19.1	1.7	14.2	1.7
Middle East	13.0	1.1	11.0	1.3
Southern Africa	3.0	0.3	4.3	0.5
Total overseas	343.7	30.5	187.0	22.2
United Kingdom	781.5	69.5	652.8	77.8
TOTAL TURNOVER	1,125.2	100.0	839.8	100.0

Sales value of direct exports from the United Kingdom during the year was £95 million (1988 £57 million).

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

3 OPERATING COSTS

NET OPERATING COSTS	1989 £m	1988 £m
Raw materials and consumables	675.3	475.0
Staff costs (see note 5)	181.5	150.5
Other operating charges	118.4	98.2
Change in stocks of finished goods and work in progress	(2.2)	(13.3)
Own work capitalised	(1.4)	(0.2)
Other operating income	(11.0)	(7.4)
Other external charges	40.4	35.9
Depreciation and other amounts written off tangible fixed assets	19.1	14.3
Share of profits of related companies	(0.2)	(0.5)
TOTAL NET OPERATING COSTS	1,019.9	752.5

Net operating costs include the following

OPERATING LEASE RENTALS		
Hire of plant, equipment and vehicles	2.9	3.7
Other operating leases	1.3	2.0
TOTAL OPERATING LEASES	4.2	5.7
AUDITORS' REMUNERATION	1.3	1.0

Research and development costs written off in the period amount to £6.2 million.

4 DIRECTORS' EMOLUMENTS OF GLYNWED INTERNATIONAL plc

	£000	£000
As directors	36	31
As executives	852	705
TOTAL DIRECTORS' EMOLUMENTS CHARGED	888	736

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

	1989 £	1988 £
Chairman	237,639	186,533
Other directors		
£	Number of directors	
125,001 to 130,000	1	—
120,001 to 125,000	2	—
115,001 to 120,000	2	—
100,001 to 105,000	—	3
95,001 to 100,000	—	1
25,001 to 30,000	1	—
15,001 to 20,000	—	1
10,001 to 15,000	1	—
5,001 to 10,000	—	1
Up to 5,000	—	1

5 EMPLOYEE INFORMATION

	1989	1988
	Number of employees	
AVERAGE NUMBER OF EMPLOYEES		
United Kingdom and Europe	12,453	11,079
South Africa	—	776
United States of America	645	368
Canada	270	6
Australia	264	243
TOTAL (INCLUDING EXECUTIVE DIRECTORS)	13,632	12,472

	£m	£m
STAFF COSTS		
Wages and salaries	159.9	130.3
Social security costs	15.7	12.1
Other pension costs	5.9	8.1
TOTAL STAFF COSTS	181.5	150.5

PENSION COSTS

From 1st January 1989 the group has adopted Statement of Standard Accounting Practice 24 "Accounting for Pension Costs". The effect on previous years of adopting this policy is immaterial and no adjustment has been made.

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

The latest valuations of the main schemes were carried out by R Watson & Sons, consulting actuaries, as at 1st April 1989 using the projected unit credit method. The principal assumptions on which these valuations were based were that the investment return would be 2.5% greater than general salary increases and 5.0% greater than increases in future pension payments. The results of these valuations showed that the schemes had a market value £287.3 million and were 177% funded.

The valuations have been used in assessing the expected cost of providing pensions for 1989 and future years. This has resulted in the profit and loss account charge being less than the previous year.

5 EMPLOYEE INFORMATION (continued)

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

£	1989	1988
	Number of employees	
95,001 to 100,000	1	—
90,001 to 95,000	1	—
75,001 to 80,000	1	1
70,001 to 75,000	2	—
65,001 to 70,000	5	—
60,001 to 65,000	9	2
55,001 to 60,000	6	3
50,001 to 55,000	11	3
45,001 to 50,000	23	9
40,001 to 45,000	24	15
35,001 to 40,000	38	22
30,001 to 35,000	42	38

6 INTEREST PAYABLE (NET)

	1989 £m	1988 £m
INTEREST PAYABLE AND SIMILAR CHARGES		
On borrowings wholly repayable within five years	6.8	1.1
On all other borrowings	6.5	5.9
On finance leases	1.0	0.5
TOTAL INTEREST PAYABLE AND SIMILAR CHARGES	14.3	7.5
LESS INTEREST RECEIVABLE AND SIMILAR INCOME	2.3	2.7
INTEREST PAYABLE (NET)	12.0	4.8

7 TAXATION

	1989 £m	1988 £m
On the profit for the period		
United Kingdom corporation tax (35%)	27.9	25.6
Overseas taxation	4.4	2.4
Taxation on the profit of the period	32.3	28.0
Previous year adjustments	(1.1)	0.4
TOTAL TAX ON PROFIT ON ORDINARY ACTIVITIES	31.2	28.4

8 DIVIDENDS		1989 £m	1988 £m
Preference dividends 5,425%		0.1	0.1
ORDINARY DIVIDENDS			
Interim dividend paid of 4.15p per share	(1988 3.45p)	8.5	7.0
Proposed final dividend of 7.50p per share	(1988 6.25p)	15.3	12.8
TOTAL ORDINARY DIVIDENDS OF 11.65p PER SHARE	(1988 9.70p)	23.8	19.8

9 PROFIT FOR THE PERIOD

Group profit after taxation, minority interests and extraordinary items for the period was £58.0 million (1988 £53.9 million). Glynwed International plc has taken advantage of section 228(7) of the Companies Act 1985 and has not included its own profit and loss statement in these accounts: its corresponding profit was £39.0 million (1988 £40.2 million).

Included in the group operating profit are the aggregate profits of companies acquired or disposed of during the period amounting to £3.1 million.

10 EXTRAORDINARY ITEMS	1989 £m	1988 £m
Losses on disposals of subsidiaries and businesses	4.5	—
Taxation applicable	0.1	—
NET EXTRAORDINARY ITEMS	4.6	—

11 PROFIT RETAINED	1989 £m	1988 £m
Glynwed International plc	15.1	20.3
Subsidiary companies	19.0	13.4
Related companies	—	0.3
TOTAL PROFIT RETAINED	34.1	34.0

12 CALCULATIONS OF EARNINGS PER SHARE

The calculations of earnings per ordinary share are based on earnings of £62.5 million (1988 £53.8 million) and an average of 203.9 million (1988 186.7 million) ordinary shares of 25p each in issue.

13 TANGIBLE FIXED ASSETS

	Land and buildings Freehold	Leasehold Long	Leasehold Short	Plant and machinery	Fixtures, fittings, tools and equipment	1989 Total tangible fixed assets	1988 Total tangible fixed assets
	£m	£m	£m	£m	£m	£m	£m
COST AND VALUATION							
At beginning of period	55.0	7.3	1.6	120.3	46.4	230.6	175.0
Exchange adjustments	1.2	—	0.1	3.1	—	4.4	(1.3)
Businesses acquired	0.4	—	0.1	8.1	3.7	12.3	46.6
Additions at cost	7.7	—	0.1	25.7	10.4	43.9	27.8
Surplus on revaluation	—	—	—	—	—	—	0.1
Disposals	(5.1)	(0.3)	(0.2)	(5.3)	(6.2)	(17.1)	(17.6)
At end of period	59.2	7.0	1.7	151.9	54.3	274.1	230.6
Cost	19.5	2.5	1.7	150.7	54.1	228.5	182.6
Professional valuations							
1988	3.5	0.6	—	—	—	4.1	4.2
1987	7.8	1.1	—	—	—	8.9	9.1
1986	4.2	0.3	—	0.1	—	4.6	4.6
1985	24.0	2.3	—	—	—	26.3	28.1
Previous years	—	—	—	—	—	—	0.3
Directors' valuations							
1970 and earlier	0.2	0.2	—	1.1	0.2	1.7	1.7
At end of period	59.2	7.0	1.7	151.9	54.3	274.1	230.6
ACCUMULATED DEPRECIATION							
At beginning of period	2.0	0.3	0.7	78.5	27.3	108.8	89.9
Exchange adjustments	0.1	—	—	2.1	0.1	2.3	(0.8)
Businesses acquired	—	—	—	3.2	1.7	4.9	15.3
Provision for the period	0.7	0.1	0.2	10.7	7.4	19.1	14.3
Disposals	(0.3)	—	—	(4.4)	(4.7)	(9.4)	(9.9)
At end of period	2.5	0.4	0.9	90.1	31.8	125.7	108.8
NET BOOK VALUE							
At end of period	56.7	6.6	0.8	61.8	22.5	148.4	
At beginning of period	53.0	7.0	0.9	41.8	19.1		121.8

Included in the cost of tangible fixed assets is £14.4 million (1988 £4.0 million) in respect of assets in course of construction.

The historical cost of assets amounts to £273.3 million (1988 £228.4 million) and the accumulated depreciation thereon is £131.0 million (1988 £114.7 million), giving a net historical book value of £142.3 million (1988 £113.7 million).

The net book value of tangible fixed assets includes £8.5 million (1988 £4.7 million) in respect of assets held under finance leases. Depreciation for the period on those assets was £1.8 million (1988 £1.5 million).

14 COMMITMENTS

	Group	
	1989	1988
CAPITAL COMMITMENTS	£m	£m
Authorised by the board but not contracted for	10.9	20.2
Contracted for but not provided in the accounts	6.8	4.3
TOTAL CAPITAL COMMITMENTS	17.7	24.5

	Land and buildings		Other operating leases	
	1989	1988	1989	1988
OPERATING LEASE COMMITMENTS FOR 1990	£m	£m	£m	£m
For leases expiring				
Within one year	0.2	0.2	0.5	0.5
Between one and two years	0.2	0.2	0.6	0.7
Between two and five years	0.7	0.6	0.6	0.9
After more than five years	2.2	1.5	—	—
TOTAL OPERATING LEASE COMMITMENTS	3.3	2.5	1.7	2.1

Glynwed International plc has no operating lease commitments (1988 nil).

15 INVESTMENTS

	Share of net assets of related companies	Other investments	Total
GROUP	£m	£m	£m
At beginning of period	4.6	0.3	4.9
Share of net profits	0.1	—	0.1
Revaluations in related companies	0.3	—	0.3
Additional investment	0.5	—	0.5
Movements during period	(0.4)	—	(0.4)
At end of period	5.1	0.3	5.4
Listed (market value £3.6 million)	4.2	0.3	4.5
Unlisted	0.9	—	0.9
At end of period	5.1	0.3	5.4

	Cost of shares	Provisions	Amounts due from subsidiaries	Amounts due (to) subsidiaries	Total
COMPANY SUBSIDIARIES	£m	£m	£m	£m	£m
At beginning of period	240.5	(28.8)	199.4	(77.9)	333.2
Acquisitions	6.5	—	—	—	6.5
Transfers	25.8	—	—	—	25.8
Disposals	(0.2)	—	—	—	(0.2)
Movements during period	—	(3.4)	80.1	(53.3)	23.4
At end of period	272.6	(32.2)	279.5	(131.2)	388.7
OTHER INVESTMENTS					
At beginning of period	2.9	(0.1)	—	—	2.8
Disposals	(0.2)	0.1	—	—	(0.1)
At end of period	2.7	—	—	—	2.7
TOTAL INVESTMENTS					
At end of period	275.3	(32.2)	279.5	(131.2)	391.4
At beginning of period	243.4	(28.9)	199.4	(77.9)	336.0

16 STOCKS

	1989 £m	1988 £m
Raw materials and consumables	43.8	39.0
Work in progress	21.7	21.0
Finished goods and goods for re-sale	141.2	125.6
TOTAL STOCKS	206.7	185.6

17 DEBTORS

	Group		Company	
	1989 £m	1988 £m	1989 £m	1988 £m
AMOUNTS FALLING DUE WITHIN ONE YEAR				
Trade debtors	215.0	198.2	—	—
Other debtors	16.3	8.6	—	0.4
Prepayments and accrued income	9.8	7.9	0.2	0.2
Advance corporation tax	—	—	13.2	11.1
TOTAL DEBTORS FALLING DUE WITHIN ONE YEAR	241.1	214.7	13.4	11.7
AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR				
Advance corporation tax	5.1	—	5.1	4.2
TOTAL DEBTORS	246.2	214.7	18.5	15.9

18 OPERATING CREDITORS

	Group		Company	
	1989 £m	1988 £m	1989 £m	1988 £m
AMOUNTS FALLING DUE WITHIN ONE YEAR				
Trade creditors	173.1	161.3	—	—
Bills of exchange payable	12.3	12.4	—	—
Social security	2.5	2.4	—	—
Dividends payable	15.3	12.8	15.3	12.8
Accruals and deferred income	36.9	28.2	1.2	1.4
Taxation	50.3	26.0	9.5	7.0
Other creditors	39.0	30.1	1.0	9.1
Finance leases	2.6	2.7	—	—
TOTAL OPERATING CREDITORS FALLING DUE WITHIN ONE YEAR	332.0	275.9	27.0	30.3
AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR				
Taxation	—	15.2	—	—
Finance leases	6.7	3.3	—	—
TOTAL OPERATING CREDITORS FALLING DUE AFTER MORE THAN ONE YEAR	6.7	18.5	—	—

19 OBLIGATIONS UNDER FINANCE LEASES

GROUP	1989 £m	1988 £m
Payable between two and five years	1.0	1.2
Payable between one and two years	5.7	2.1
Total payable after more than one year	6.7	3.3
Payable within one year	2.6	2.7
TOTAL OBLIGATIONS UNDER FINANCE LEASES	9.3	6.0

20 BORROWINGS

	1989				1988			
		Other		Total		Other		Total
	Bank £m	Secured £m	Unsecured £m	borrowings £m	Bank £m	Secured £m	Unsecured £m	borrowings £m
GROUP								
TOTAL FALLING DUE WITHIN ONE YEAR	31.1[1]	0.5	—	31.6	18.8[1]	0.3	—	19.1
AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR								
7.5% Debenture Stock 1989/94	—	1.7	—	1.7	—	—	—	—
*Other	35.5[2]	2.2	2.7	40.4	17.4[2]	0.1	—	17.5
Wholly repayable within five years	35.5	3.9	2.7	42.1	17.4	0.1	—	17.5
Repayable after more than five years other than by instalments								
7.5% Debenture Stock 1989/94	—	—	—	—	—	1.9	—	1.9
10.75% Loan Stock 1994/99	—	—	5.9	5.9	—	—	5.9	5.9
*Other	28.4	0.6	4.4	33.4	38.0	2.3	0.2	40.5
Total falling due after more than five years	28.4	0.6	10.3	39.3	38.0	4.2	6.1	48.3
TOTAL FALLING DUE AFTER MORE THAN ONE YEAR	63.9	4.5	13.0	81.4	55.4	4.3	6.1	65.8
TOTAL BORROWINGS	95.0	5.0	13.0	113.0	74.2	4.6	6.1	84.9
CASH AT BANK AND IN HAND				(29.0)				(38.5)
TOTAL NET BORROWINGS				84.0				46.4
COMPANY								
TOTAL FALLING DUE WITHIN ONE YEAR	16.0	—	—	16.0	—	—	—	—
AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR								
7.5% Debenture Stock 1989/94	—	1.7	—	1.7	—	—	—	—
*Other	20.4	—	2.7	23.1	2.5	—	—	2.5
Wholly repayable within five years	20.4	1.7	2.7	24.8	2.5	—	—	2.5
Repayable after more than five years other than by instalments								
7.5% Debenture Stock 1989/94	—	—	—	—	—	1.9	—	1.9
10.75% Loan Stock 1994/99	—	—	5.9	5.9	—	—	5.9	5.9
*Other	25.0	—	4.0	29.0	35.0	—	—	35.0
Total falling due after more than five years	25.0	—	9.9	34.9	35.0	1.9	5.9	42.8
TOTAL FALLING DUE AFTER MORE THAN ONE YEAR	45.4	1.7	12.6	59.7	37.5	1.9	5.9	45.3
TOTAL BORROWINGS	61.4	1.7	12.6	75.7	37.5	1.9	5.9	45.3
CASH AT BANK AND IN HAND				(0.3)				(14.9)
TOTAL NET BORROWINGS				75.4				30.4

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

[1] Includes £2.3 million (1988 £0.7 million) secured.

[2] Includes £1.3 million (1988 £0.1 million) secured.

20 BORROWINGS (continued)

	Group 1989 £m	Group 1988 £m	Company 1989 £m	Company 1988 £m
LISTED DEBT, BANK AND OTHER BORROWINGS				
LISTED DEBT				
7.5% Debenture Stock 1989/94	1.7	1.9	1.7	1.9
10.75% Loan Stock 1994/99	5.9	5.9	5.9	5.9
TOTAL LISTED DEBT	7.6	7.8	7.6	7.8
TOTAL OTHER BORROWINGS	10.4	2.9	6.7	—
TOTAL LISTED DEBT AND OTHER BORROWINGS	18.0	10.7	14.3	7.8
TOTAL BANK BORROWINGS	95.0	74.2	61.4	37.5
TOTAL BORROWINGS	113.0	84.9	75.7	45.3
CASH AT BANK AND IN HAND	(29.0)	(38.5)	(0.3)	(14.9)
TOTAL NET BORROWINGS	84.0	46.4	75.4	30.4

All loan capital is repayable at par on maturity.

ANALYSIS OF MATURITY OF BORROWINGS

	1989 Bank £m	1989 Other £m	1989 Total £m	1988 Bank £m	1988 Other £m	1988 Total £m
GROUP						
Repayable after five years	28.4	10.9	39.3	38.0	8.8	46.8
Repayable between two and five years	30.6	6.0	36.6	16.5	1.2	17.7
Repayable between one and two years	4.9	0.6	5.5	0.9	0.4	1.3
Total repayable after more than one year	63.9	17.5	81.4	55.4	10.4	65.8
Repayable within one year	31.1	0.5	31.6	18.8	0.3	19.1
TOTAL BORROWINGS	95.0	18.0	113.0	74.2	10.7	84.9
COMPANY						
Repayable after five years	25.0	9.9	34.9	35.0	7.8	42.8
Repayable between two and five years	20.4	4.4	24.8	2.5	—	2.5
Total repayable after more than one year	45.4	14.3	59.7	37.5	7.8	45.3
Repayable within one year	16.0	—	16.0	—	—	—
TOTAL BORROWINGS	61.4	14.3	75.7	37.5	7.8	45.3

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

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

21 CONTINGENT LIABILITIES

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

22 DEFERRED TAXATION

In the group accounts the provision for deferred taxation is nil (1988 nil).
The potential liability unprovided is set out below.

	1989 £m	1988 £m
Timing differences mainly between tax allowances and depreciation	8.4	5.4
Corporation tax payable if properties were disposed of at revalued amounts	1.7	1.7
TOTAL POTENTIAL LIABILITY UNPROVIDED	10.1	7.1

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

23 SHARE CAPITAL

	Ordinary shares of 25p each 1989	Ordinary shares of 25p each 1988	5.425% Cumulative preference shares of £1 each 1989	5.425% Cumulative preference shares of £1 each 1988
	£m	£m	£m	£m
VALUE				
Authorised	74.5	74.5	1.3	1.3
Issued	51.0	50.9	1.3	1.3
	million	million	million	million
NUMBER				
Authorised	297.8	297.8	1.3	1.3
Issued	204.0	203.8	1.3	1.3

During the period 0.2 million ordinary shares of 25p each were issued in connection with the company's share option schemes, for an aggregate consideration of £0.4 million.

Under the Glynwed International Senior Executive Share Option Scheme, at 30th December 1989 options had been granted and were outstanding as set out below:

Number of ordinary shares	Option price p per share	Exercisable in the 7 years to
1,208,812	200.5	May 1996
721,500	264	April 1997
476,250	304	April 1998
30,000	284	September 1998
2,237,000	308	September 1999

Under the Glynwed International Savings-Related Share Option Scheme, at 30th December 1989 options had been granted and were outstanding in respect of 850,999 ordinary shares at 97.6p per share exercisable ordinarily in the six months to December 1990; 603,560 ordinary shares at 238.6p per share exercisable ordinarily in the six months to November 1992; and 2,225,537 ordinary shares at 244.0p per share exercisable ordinarily in the six months to April 1994.

24 RESERVES

	Share premium £m	Revaluation reserve £m	Other reserves £m	Profit and loss account £m	Total £m
GROUP					
At beginning of period	8.1	7.4	—	116.4	131.9
Exchange differences	—	0.2	—	3.4	3.6
Premium on shares issued	0.3	—	—	—	0.3
Goodwill written off arising from acquisitions	—	—	—	(40.9)	(40.9)
Transfer between reserves	—	(2.3)	—	2.3	—
Revaluation in related companies	—	0.3	—	—	0.3
Profit retained	—	—	—	34.1	34.1
AT END OF PERIOD	8.4	5.6	—	115.3	129.3
COMPANY					
At beginning of period	8.1	—	111.7	119.0	238.8
Exchange differences	—	—	—	0.8	0.8
Premium on shares issued	0.3	—	—	—	0.3
Profit retained	—	—	—	15.1	15.1
AT END OF PERIOD	8.4	—	111.7	134.9	255.0

GOODWILL ARISING FROM ACQUISITIONS	Book value £m	Accounting policy alignment £m	Other provisions £m	Fair value £m
ASSETS PURCHASED				
Tangible fixed assets	8.6	(1.2)	—	7.4
Stocks	16.8	(1.7)	—	15.1
Debtors	16.3	—	—	16.3
TOTAL ASSETS	41.7	(2.9)	—	38.8
LESS LIABILITIES ASSUMED				
Creditors	(14.6)	—	(4.2)	(18.8)
Taxation	(0.6)	—	0.1	(0.5)
NET OPERATING ASSETS ACQUIRED	26.5	(2.9)	(4.1)	19.5
Cash paid for acquisitions in 1989				34.3
Cash payments deferred				8.9
TOTAL PAYABLE TO VENDORS				43.2
Net borrowings assumed				17.2
TOTAL CONSIDERATION				60.4
GOODWILL				40.9

25 TRADING SUBSIDIARIES AND RELATED COMPANIES

A list of the company's principal subsidiaries and related companies at 30th December 1989 which traded during the period, and a brief description of their current activities is given on pages 12 and 13.

The aggregate turnover of subsidiaries not audited by Coopers & Lybrand Deloitte amounted to 55.3% of the group's turnover.

26 STOCK EXCHANGE CLASS 4 TRANSACTIONS

In July 1989 Glynwed and Mr D D Goodspeed, a director of Stainless Steel Finishers Limited, a Glynwed subsidiary, entered into agreements whereby the business of manufacture of polythene coating and vacuum lifting equipment carried on by Stainless Steel Finishers Limited under the name "Automation Techniques" was sold to Porosteel Limited, a company owned by Mr Goodspeed, for £60,964, together with an associated property transfer, for a nominal consideration, and Mr Goodspeed sold to Glynwed the 20% of the issued capital of Stainless Steel Finishers Limited not then owned by Glynwed for £63,155; the consideration in each case was paid in cash.

In related transactions commencing in December 1989 and ending in February 1990 Glynwed International plc acquired the 43% balance of the issued share capital of its subsidiary Extrusions (CK) Limited not previously owned by Glynwed from Mr R G Cooper, a director of Extrusions (CK) Limited and of Vecris Extrusions Limited (another Glynwed subsidiary) for a nominal sum, but with an amount of deferred consideration dependent on the profitability of a new specialised plastic wood product; Glynwed exercised an option to acquire from Mr Cooper his know-how in the manufacturing process concerned for £100,000, paid in cash; and Glynwed granted a short-term loan to Mr Cooper (repaid on the exercise of the above option) in connection with the purchase by Mr Cooper of a property now leased to Glynwed.

In April 1989 Glynwed announced a recommended offer to acquire the whole of the issued share capital of Plastic Constructions plc ("PC") which was not acquired by Glynwed in July 1987 when it first announced an offer to acquire PC. As a result of the original offer, Glynwed acquired 81.8% of the issued share capital of PC. Amongst the shareholders that did not accept the original offer, Suter plc held 974,205 ordinary shares in PC, representing 17% of the issued share capital of PC. Suter plc gave Glynwed an irrevocable undertaking to accept the recommended offer in respect of its shareholding. The terms of the recommended offer were 135p in cash for each PC share. The consideration payable to Suter plc by Glynwed was therefore £1,315,176.75.

TO THE MEMBERS OF GLYNWED INTERNATIONAL plc

We have audited the accounts on pages 31 to 48 in accordance with 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 30th December 1989 and of the profit and flow of funds of the group for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

COOPERS & LYBRAND DELOITTE

Coopers & Lybrand Deloitte

Chartered Accountants
Birmingham
18th April 1990

ADVISERS

AUDITORS
Coopers & Lybrand Deloitte
Chartered Accountants
Birmingham

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

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
Fax: 021-742 0403
Registered in England No. 354715

		1989 £m	1988 £m	1987 £m	1986 £m	1985 £m
TRADING RESULTS						
TURNOVER		1,125.2	839.8	556.2	478.9	464.1
OPERATING PROFIT		105.3	87.3	62.5	48.8	39.6
Interest payable (net)		(12.0)	(4.8)	(2.1)	(2.7)	(4.0)
PROFIT BEFORE TAXATION		93.3	82.5	60.4	46.1	35.6
Taxation		(31.2)	(28.4)	(21.1)	(16.1)	(12.3)
PROFIT AFTER TAXATION		62.1	54.1	39.3	30.0	23.3
Minority interests		0.5	(0.2)	(0.1)	—	—
Preference dividends		(0.1)	(0.1)	(0.1)	(0.1)	(0.1)
EARNINGS FOR THE PERIOD		62.5	53.8	39.1	29.9	23.2
Extraordinary items		(4.6)	—	(1.9)	(3.8)	(2.3)
Ordinary dividends		(23.8)	(19.8)	(13.8)	(11.3)	(8.8)
PROFIT RETAINED		34.1	34.0	23.4	14.8	12.1
OPERATING ASSETS						
Fixed assets		153.8	126.7	90.5	84.1	79.3
Stocks		206.7	185.6	108.9	86.8	86.1
Debtors less creditors		(32.0)	(25.7)	(13.9)	(0.3)	(3.8)
Taxation and dividends		(60.5)	(54.0)	(36.5)	(31.8)	(23.0)
NET OPERATING ASSETS		268.0	232.6	149.0	138.8	138.6
Total net borrowings		(84.0)	(46.4)	(5.0)	(7.6)	(16.1)
Deferred taxation		—	—	—	(1.3)	(3.2)
TOTAL NET ASSETS EMPLOYED		184.0	186.2	144.0	129.9	119.3
FINANCED BY						
Ordinary shares		51.0	50.9	28.5	27.9	20.9
Reserves		129.3	131.9	113.7	100.6	97.0
Ordinary share capital and reserves		180.3	182.8	142.2	128.5	117.9
Preference shares		1.3	1.3	1.3	1.3	1.3
Minority interests		2.4	2.1	0.5	0.1	0.1
TOTAL FUNDS		184.0	186.2	144.0	129.9	119.3
Net increase/(decrease) of funds arising from property revaluations		—	0.6	—	—	(5.9)
STATISTICS						
Operating profit to turnover	%	9.4	10.4	11.2	10.2	8.5
Earnings per share	p	30.66	28.81	23.26	18.31	14.77
Dividend per ordinary share	p	11.65	9.70	8.08	6.73	5.60
Net assets per ordinary share	p	88.4	89.7	83.1	76.7	75.1
Operating profit to average net operating assets	%	41.8	43.8	42.8	33.4	25.0
Turnover to average net operating assets	x	4.5	4.1	3.8	3.3	2.9
Dividend cover	x	2.6	2.7	2.8	2.6	2.6
Interest cover	x	8.8	18.2	29.8	18.1	9.9
Debt/equity ratio	%	45.6	24.9	3.5	5.8	13.5

NOTICE IS HEREBY GIVEN that the forty ninth annual general meeting of Glynwed International public limited company will be held at the **National Motorcycle Museum, Coventry Road, Bickenhill, Solihull, West Midlands, on Thursday, 7th June 1990 at 12 noon** to transact the following business:

1 To receive and adopt the annual report and accounts for the 52 weeks ended 30th December 1989.

2 To declare a final dividend.

3 To elect directors.

4 To reappoint the auditors and to authorise the directors to fix their remuneration.

As special business:

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

That pursuant to section 80 of the Companies Act 1985, the directors be and they are hereby authorised, generally and unconditionally, to allot relevant securities (as defined in section 80 of the Companies Act 1985) up to an aggregate nominal amount of £16,999,005, or in the event that the offer by the company announced on 20th April, 1990 for the entire issued ordinary share capital of The Alumasc Group plc shall become or be declared unconditional in all respects, up to an aggregate nominal amount of £18, 026, 662; provided that this authority, unless renewed, shall expire at the earlier of the date 15 months from the passing of this resolution and the conclusion of the next annual general meeting of the company save that the company may before such expiry make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the directors may allot the relevant securities in pursuance of such offer or agreement as if the authority conferred hereby had not expired.

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

That,

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

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

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

(ii) to the allotment (otherwise than pursuant to the sub-paragraph (i) above) of equity securities up to an aggregate nominal value of £2,549,850,

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.

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

By order of the board
JC BLAKELEY
Secretary
Birmingham
11th May 1990

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 the date of this notice up to and including the day before the meeting, and also at the place of the meeting for 15 minutes prior to the meeting and during the meeting.

1990 FINANCIAL CALENDAR

Annual general meeting	7th June
Half year end	30th June
Final ordinary dividend payable	5th July
Interim ordinary dividend payable	12th December
Preference dividend payable	30th June, 31st December
1990 year end	29th December

INTEREST PAYMENTS:

7.5% Debenture Stock	6th June, 6th December
10.75% unsecured Loan Stock	31st March, 30th September

PLEASE NOTE THAT DUE TO THE POOR QUALITY OF THE FICHE SOME OF THE FOLLOWING IMAGES ARE ALSO OF POOR QUALITY.