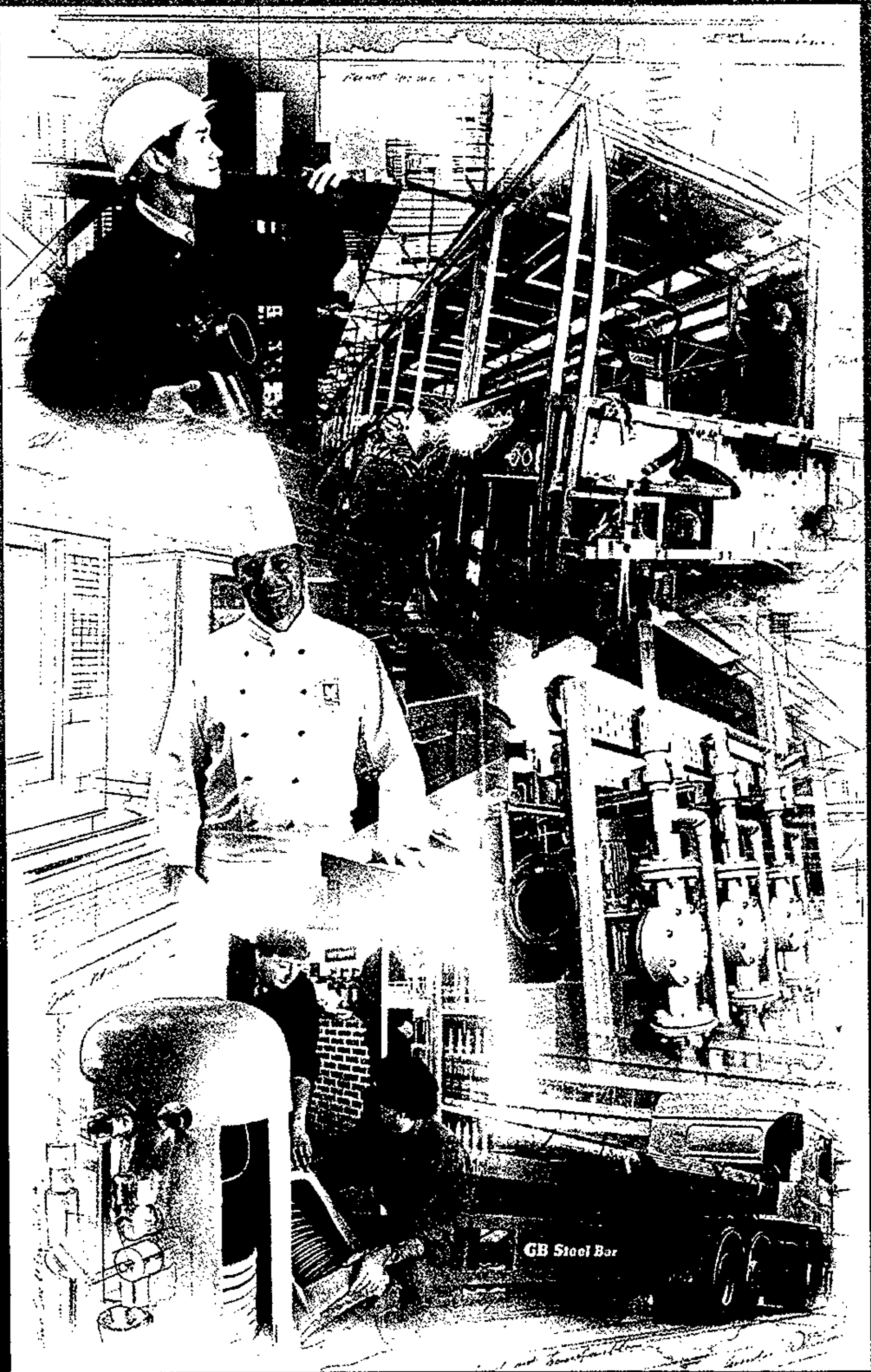
Report & Accounts

Glynwed International plc 1995



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.

Glynwed International plc

Report & Accounts 1995

Financial Highlights

	1995	1994	Increase
Turnover	£1,251.7m	£1,024.9m	22.1%
Profit before interest	£93.0m	£74.4m	25.0%
Pre-tax profit	£84.2m	£67.1m	25.5%
Earnings per share	25.76p	21.34p	20.7%
Dividend per share	12.75p	12.25p	4.1%
Return on Capital	29.3%	27.3%	
Debt/equity ratio	40.9%	25.6%	

Contents

Chairman's Statement

Despite a slow-down in the UK's rate of recovery during the second half of the year, the Group was able to achieve further significant progress in 1995, helped by higher exports, greater production efficiencies and new products. There was also a first contribution from Victaulic PLC, which we acquired at the end of August.

Operating profit in the year ended 30th December 1995 increased by 25% to £93.0m (1994: £74.4m) while pre-tax profit was 25.5% higher at £84.2m (£67.1m). After a tax charge of 32.3%, earnings per share were 25.76p (21.34p), an increase of 20.7% over the previous year.

As I anticipated in my 1995 Interim Statement, the results for the second half of the year reflect the long-term changes in the Group's trading patterns, which have the effect of reducing the traditional profit bias towards the second half of the year.

In line with our aim to increase dividends while improving the cover, your Directors are recommending an increase in the final dividend to 8.35p (8.10p), bringing the total for the year to 12.75p, an increase of 4.1%. At this level the payment is 1.8 times covered.

A detailed report on developments during the year in relation to our various operations is given by Bruce Ralph in his Chief Executive's Review starting on page 8, but I draw attention in particular to the fact that the year's overall results include a 4-month contribution from Victaulic. In those 4 months it made an operating profit of £4.6m, before charging re-organisation costs of £1m and interest of £0.9m, and integration of its businesses into three of the Group's divisions has been successfully completed. We are convinced of the long-term benefits of the acquisition and its prospects for enhancing the Group's earnings for 1996 are up to expectations.

Strategy

The Victaulic acquisition met three important criteria of Group strategy – it strengthened our position as a world leader in water, gas and related pipework systems, it increased our overseas interests and the international marketability of our products, and it helped to reduce the Group's cyclicality through Victaulic's greater proportion of sales to public utility and export customers.

Other steps we are taking to minimise our exposure to economic cycles include the sale of a number of non-core businesses and an emphasis on increasing our penetration of world-wide markets through higher exports from all our operations. It was pleasing to see that in 1995 our exports from the UK showed another significant advance. These measures, which are ongoing, give us confidence that the Group will be more insulated than hitherto from recessionary conditions in different parts of the world.

Board Changes

David Milne, Group Finance Director, who joined our Board in 1979, will retire in September 1996 having reached his normal retirement date. It has been a privilege to work with David during his 17 years of financial stewardship, and I thank him for his most valuable contribution to the successful growth and development of the Group. All his colleagues join me in wishing him well in his retirement.

David will be succeeded by Tony Wilson, who is presently the Managing Director of our Steels & Engineering division, having previously held the position of Finance Director of the Division for five years.

John Eccles will retire from the Board following the AGM, having served both as a non-executive director and, in more recent years, as Deputy Chairman. Having been associated with him throughout his time with Glynwed I should like to thank him for his wise counsel and support and for his very significant contribution to the success of our Group.

Employees

The excellent results achieved during 1995 have been made possible through the combination of management leadership and the commitment of our employees at all levels, and on behalf of my Board colleagues I thank everyone in the Group for their loyal support during the year.

Prospects

In the UK we see the slower growth rate of the second half of 1995 continuing during the first half of 1996. Subsequently a pick-up in activity is widely forecast as increased spending power and an improvement in the housing market give a boost to the national economy.

Outside the UK we see continuing weakness in major Continental European economies, where the strength of local currencies will, however, aid exports from the UK, and we also see steady growth in the USA. Further afield, in Asia and Australasia, our growing presence will give us access to developing market opportunities.

All of this, plus a full year's contribution from Victaulic and the further benefits to be derived from new products, greater efficiencies and higher exports, give us confidence that 1996 will be a year of satisfactory progress.

Gareth Davies
Chairman

Directors & Officers

Gareth Davies CBE, FCA
Chairman*

Gareth Davies (age 66) joined Glynwed subsidiary Steel Parts as an accountant in January 1957. He became Group Computer Manager in 1964 and was appointed to the Glynwed Board as Group Finance Director in 1969. He was appointed Deputy Chairman in 1975, Managing Director in 1981, Group Chief Executive in 1984 and Chairman and Chief Executive in December 1986. In 1993 he split the roles of Chairman and Chief Executive; he became non-executive Chairman of the Group in May 1995. Mr Davies is also a non-executive director of Midlands Electricity plc, Midland Independent Newspapers plc and Lloyds Chemists plc, and is a board member of the West Midlands Development Agency.

Bruce Ralph BSc, FRAeS
Chief Executive

Bruce Ralph (age 56) joined Glynwed in February 1993, having previously been Chief Executive of Dowty Group plc which he had joined, as Managing Director of its industrial division, 10 years earlier. His previous career was with Ever Ready Ltd, where he had responsibility for international operations, and Hanson plc. Mr Ralph is also a non-executive director of Northern Star Insurance Co. Ltd and EIS Group plc.

John Eccles CBE, BA, Hon DSc
Deputy Chairman*

Formerly Chief Executive of the Commonwealth Development Corporation, John Eccles (age 64) is Chairman of Courtaulds Textiles plc and of Chamberlin & Hill plc; he is also a director of Chamberlain Phipps Group plc and a non-executive director of Govett Strategic Investment Trust plc. He was appointed to the Glynwed Board in June 1972 and chairs its Remuneration Committee.

David Milne CA
Finance Director

David Milne (age 59) joined the Board of Glynwed in May 1979, from Wilmot Breeden Holdings Ltd. His responsibilities include Glynwed's accounting, treasury, tax and internal audit functions, as well as its property operations.

Bernard Doyle ARTCS, DipEE, CEng, MIEE
Operations Director

Bernard Doyle (age 56) joined the Group's Steels division in 1983, from the BSG International group, as Managing Director of W Wesson. In January 1987 he was appointed Managing Director of the Hot Rolled sub-division of the Steels & Engineering division. He was appointed Chief Executive of the division and to the Board of Glynwed in December 1990. He took on his present broader group operations role in November 1992.

FROM LEFT TO RIGHT:

Ian Shearman
Bernard Doyle
John Biffen
Gareth Davies
David Milne
Bruce Ralph
John Eccles
Kit Farrow
John Blakeley

John Blakeley MA, Barrister
Corporate Services Director

John Blakeley (age 53) joined the Group in 1978 as Legal Adviser. In 1979 he also became Group Secretary and held this post until his appointment to the Glynwed Board in October 1992. His responsibilities now include insurance, management personnel, pensions and public relations as well as legal and other central services. He chairs the Group's Health & Safety and Environmental Committees.

The Rt Hon John Biffen DL, MP
Director*

John Biffen (age 65) became a director in November 1987. He is the Member of Parliament for Shropshire North and Deputy Lieutenant of the County of Shropshire; he has held government office as Chief Secretary to the Treasury, Secretary of State for Trade, Lord President of the Council, Lord Privy Seal and Leader of the House of Commons.

Christopher (Kit) Farrow BA
Director*

Kit Farrow (age 58) joined the Board of Glynwed in July 1993 and chairs its Audit Committee. He is Director-General of the London Investment Banking Association, a director of the London Metal Exchange and a member of the Financial Reporting Review Panel. He was formerly a director of Kleinwort Benson Ltd and previously an Assistant Director of the Bank of England and an Under-Secretary at the DTI.

Ian Shearman Solicitor FCIS
Group Secretary

Ian Shearman (age 64) joined Glynwed from the Serck Group in 1983, as Group Legal Manager. He became Assistant Group Secretary in 1987 and was appointed to his present position in October 1992.

**Non-executive*

Chief Executive's Review

BRUCE RALPH
Glynwed's Chief Executive, at Stewarts & Lloyds' polyethylene pipe production plant, Huntingdon. The business has now been integrated into Glynwed's Plastics division as a result of the Group's acquisition of Victaulic during 1995.

Our activities are concentrated in three main market areas. These are: the processing and distribution of metals, products for the building and consumer durable markets and pressure pipe systems for industrial and utility markets.

Split geographically, approximately 50% of our sales in 1995 covered products destined either directly or indirectly for customers overseas.

With this background, and despite less buoyancy in the second half, we found strength in most of our markets in 1995, except for consumer durables and construction products for the domestic market.

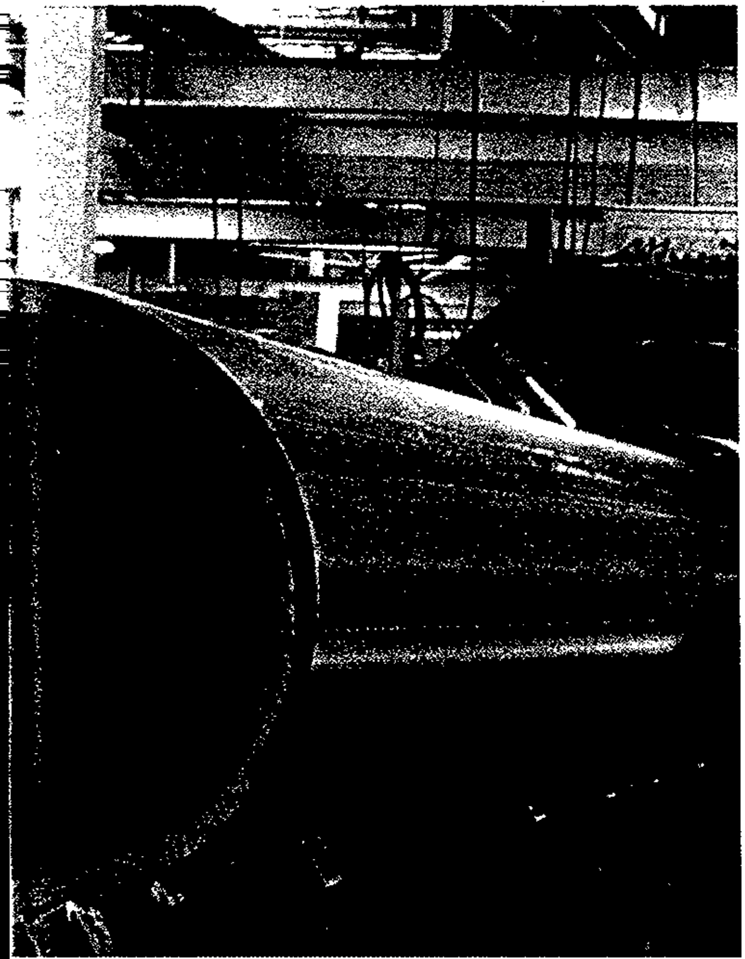
Direct exports again grew strongly, as did sales of metals to other UK-based exporters. Our overseas operations also performed well and Group sales, with the inclusion of Victaulic for four months, grew by 22.1% to £1,251.7 million.

Margins improved to 7.4% and operating profits rose by 25.0% to £93.0 million.

Value added per employee was £28,954, a rise of 6.4%, and return on capital employed rose to 29.3%.

Two highlights of the year were the acquisition of Victaulic, a business which complements the Group's activities in all three of its main market areas, and the welcome return to profitability in the last quarter, albeit still at an unsatisfactory level, of the copper tube business.

For management purposes the Group operates as seven divisions, namely Consumer Products, Foundry Products, Metal Services, Plastics, Steels & Engineering, Tubes & Fittings and Properties. The operating units of Victaulic have been integrated into this divisional structure.



Consumer Products

Aga-Rayburn

Falcon Catering Equipment

Flavel Leisure

Leisure

Service Line

Wholesale Catering Equipment

Results for the first half were encouraging in terms of both sales and margins, but the latter half of the year proved to be disappointing. The continuing programme of efficiency improvements, selling price increases and new product launches could neither fully compensate for the escalation in material costs, experienced by all of the division's businesses, nor for the very poor market in heating and related products. Although the cost pressures had moderated significantly by the end of the year, profits for the year as a whole fell back to £12.1 million on sales of £136.4 million.

The division is now focused on three distinct market sectors: kitchens, bathrooms and commercial catering. Importantly, each of the division's main businesses is a leader in its market.

All units invested heavily in plant and new products during the year.

New presses, automatic welders and degreasing equipment were installed at Leisure Sinks, and the offices and showroom were refurbished. At the same time a new range of polypropylene and granite sinks was launched together with several new stainless steel models.

At Aga-Rayburn the final phase of a new factory layout was completed and a more efficient flow of material and production is in place. The Aga Care service and installation team was

Stephen Rennie (centre), Divisional Managing Director of Glynwed Consumer Products, with Aga Care service director Kevin Piggott (left) and Paul Bailey, one of 80 engineers whose service helps to cover the UK. In 1995 the service began to expand to encompass Leisure cookers and Flavel fires.

Consumer Products continued

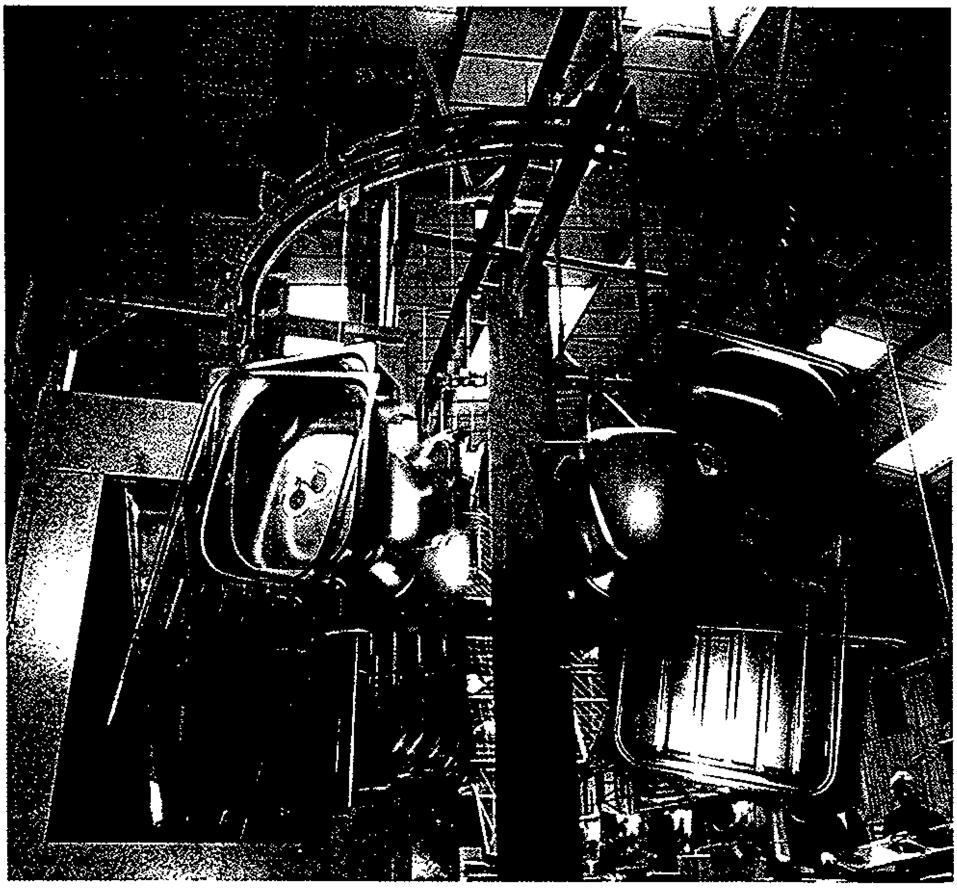
expanded rapidly because of the growth in the Aga Shop network, from 18 to 31 shops, and the move into the servicing of domestic cookers and fires necessitated by British Gas's withdrawal from such work. Aga Care now has over 80 engineers throughout the UK and is capable of meeting all of the division's domestic equipment servicing needs, including Leisure cookers and Flavel fires.

Falcon had an excellent year with significant progress in a number of key areas, most notably new product development. The first phase of the new 900 SX Series was concluded. This replaces the old 3-6-9 Series which has been Falcon's best seller for over 12 years. The new range of medium duty cooking equipment has brought higher levels of performance and reliability to this sector and has been well received by customers.

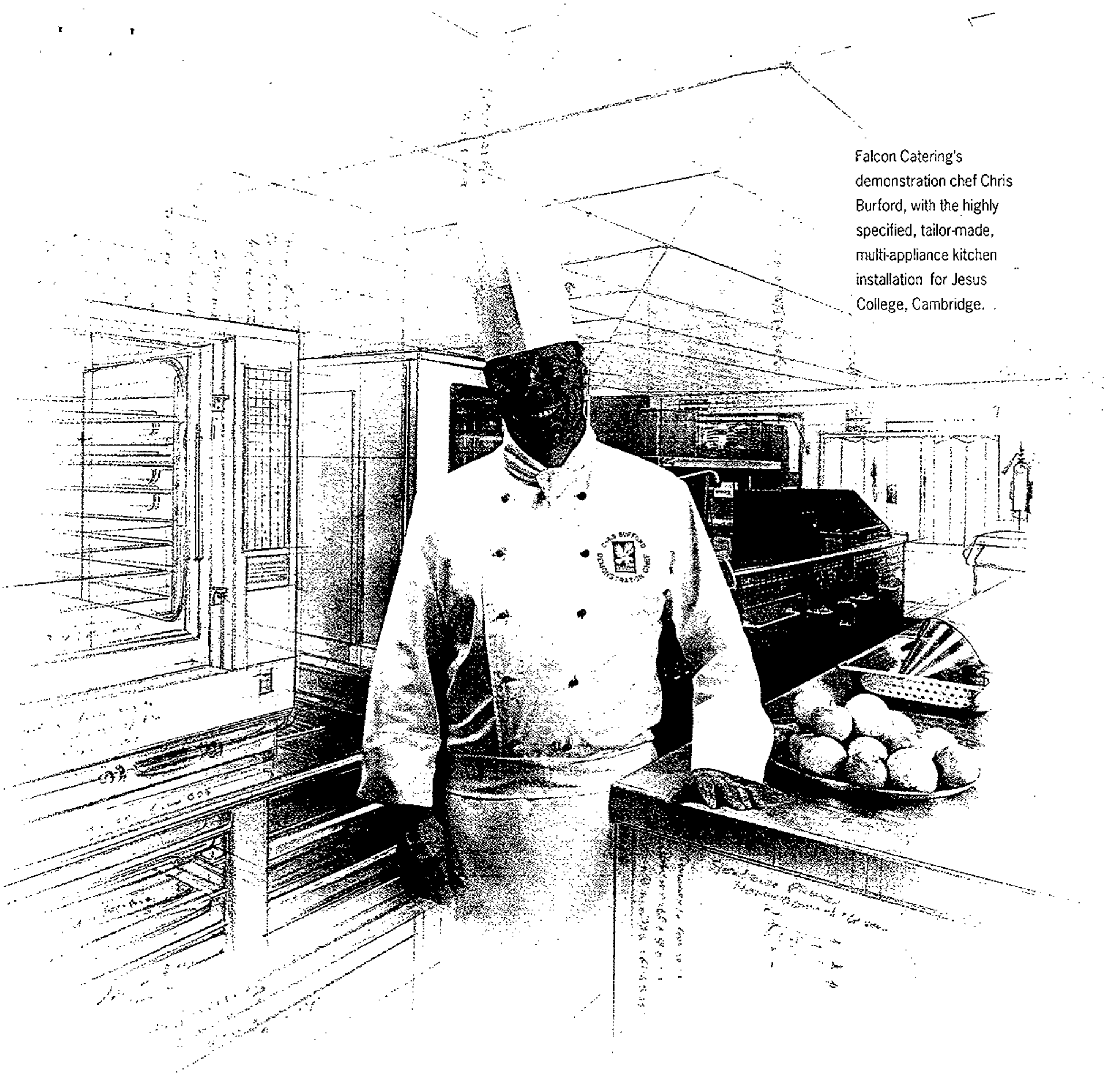
During the year the division took a 50% stake in Service Line, which specialises in all aspects of commercial catering equipment service and maintenance. Falcon's existing team of 15 engineers has been added to Service Line's strength to give over 70 engineers operating nationwide, recognising the importance of after-sales service in this market.

Within commercial catering, Wholesale Catering, in Leicester, also implemented substantial change during 1995. The business moved to new and larger premises where it can hold the right mix of stock, and, from its catalogue of over 10,000 items of equipment, is now able to offer the most comprehensive service of its type within the catering industry.

New product development had a considerable impact at Flavel Leisure. Several new products were launched in the year both in cooking and heating. The Rangemaster product, launched in June, brought bright colours and brass trim to the basic cookers which had dominated sales for so long. This product was quickly followed by a double-oven version which added a



Leisure Sinks' new degreasing plant removes the production coating from stainless steel sinks. It then washes them with demineralised water before drying the sinks prior to quality checking and despatch. Operatives Dorothy Statham (left) and Christine Baxter pack the final products.



Falcon Catering's demonstration chef Chris Burford, with the highly specified, tailor-made, multi-appliance kitchen installation for Jesus College, Cambridge.

cast-iron griddle and warming plate to Rangemaster's already long list of standard features. These products have quickly become best sellers and have taken a significant share of the market. New electric and dual-fuel oven Rangemasters are planned for launch early in 1996.

The division's achievement of over 80 new products launched during the year and continuing emphasis on innovation augur well for the future.

Cassart Special Products

Drainage Systems

Glynwed Foundries (Pipes & Fittings)

Glynwed Brickhouse (Covers & Gratings)

Helden Armaturen

Helden Couplings

Victaulic Systems

Viking Johnson

Viking Johnson Fabricators

WASK-RMF

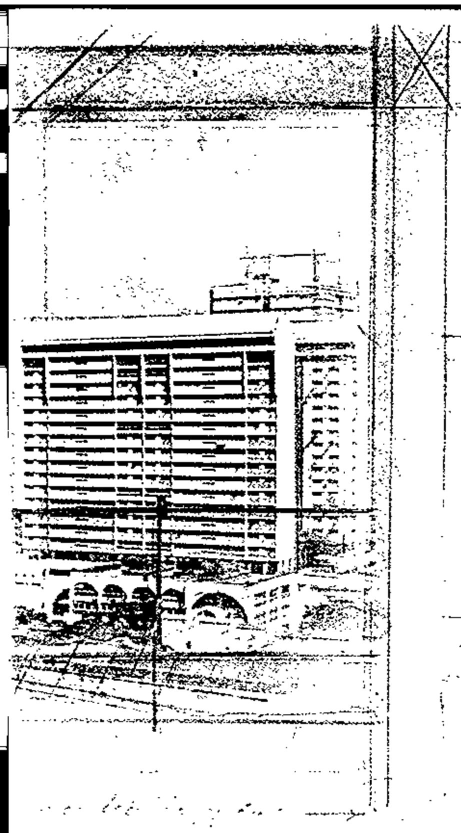
Foundry Products

Foundry Products division made significant progress in 1995, not only in terms of profits, which increased from £3.9 million to £7.3 million on sales up from £65.8 million to £86.3 million, but also in the development of products, processes and markets. All of this was achieved despite the further decline of the UK construction market in both public and private sectors. Major divisional expansion was achieved with six related businesses being added through the acquisition of Victaulic.

In spite of tough markets, Brickhouse achieved some progress. The West Bromwich foundry had to contend with low-cost imports, but the Steel Fabrication business was busy due to the growth of cable TV in the UK, which also helped the Fareham foundry. The plant at Risca, in South Wales, had an encouraging year, with strong sales to European and Middle Eastern markets.

The Pipes & Fittings operation continued to develop sales of Ensign cast-iron products into mainland Europe and the Far East; this range now accounts for more than 50% of the output of soil and drainage products. Use of Ensign in the UK is also growing; this is expected to escalate with the recent introduction of below-ground Ensign. Process improvements were made with new core-making equipment, increased pipe-spinning capacity and, towards the close of the year, the commissioning of a new, long-campaign, hot-blast cupola. This substantially increased capacity, dramatically reduced emissions and minimised energy use and other costs through widening the raw material range that can be melted.

Tony Bagshawe (centre), Divisional Managing Director of Glynwed Foundry Products, together with David Barbour (right), Managing Director of Drainage Systems, is shown a Birmingham Cable Communications installation using a Glynwed Brickhouse access cover by BCC line technician Ian Treadwell. Birmingham has the largest cable TV franchise in the UK.



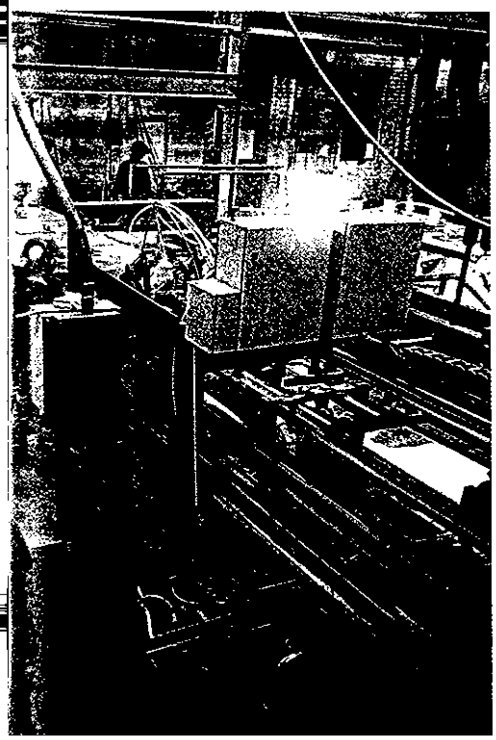
Glynwed Foundries' advanced Ensign range of lighter weight, cast iron drainage products has been specified for several condominium developments in the Far East. The largest order so far - 30 kilometres of pipework and over 200,000 fittings for the Maplewood development in Singapore - was being delivered during 1995.

following the long dry summer. In Holland and Germany, the Helden companies similarly made good progress. Both WASK-RMF and Victaulic Systems continued to develop their market positions in Europe.

Absorption of the metal coupling companies from Victaulic gives the division a more substantial range of products. Joint marketing of the Ensign range, Brickhouse covers and gratings and the new metal coupling ranges will considerably strengthen the division's presence in world-wide markets.

Drainage Systems, the UK distribution company, managed to advance sales in difficult trading conditions. In November 1995 it achieved the 'Investors in People' (IIP) standard – a key step to greater employee involvement. In Belgium, Cassart achieved strong sales growth, particularly to northern France, and was profitable for the first time.

Of the acquired businesses, Viking Johnson enhanced and expanded its product range in 1995 and secured significant export contracts. The business was further helped by increased demand from the UK water supply industry



Hot metal is poured into the new cast iron pipe-spinning plant at Glynwed Foundries, Telford, supervised by operator Alan Callister. The resulting pipe is part of the internationally successful lightweight Ensign range which was extended in 1995 to include below-ground applications.

Metal Services

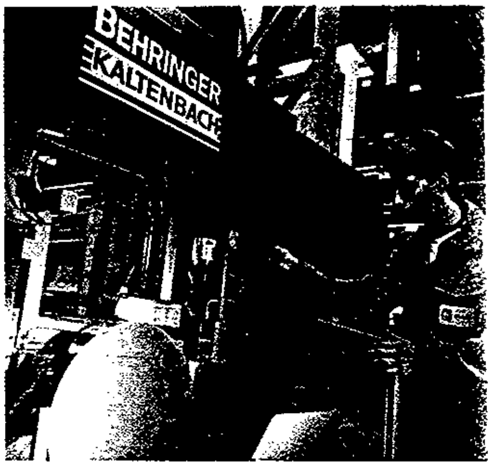
David Taylor, Divisional Managing Director of Glynwed Metal Services (right), inspects the new Slough warehouse of Aalco, opened in early 1995, with depot Director and General Manager Bob Baggaley (centre) and Marketing Manager Rod Greygoose.

Favourable market conditions enjoyed during much of the year supported a period of strong growth in sales volumes and underlying metal prices, with record results being achieved in both the UK and Continental Europe. Profits of £16.8 million on sales of £288.6 million represented increases of 48.7% and 35.8%, respectively, on the previous year. However, in the final months of the year there was a distinct levelling of metals consumption and a general reduction of inventories.

Metal prices rose steadily through the early months of 1995, driven on by good volume demand and aggressive stockbuilding, before faltering in the summer and easing gently through to the year end. Aluminium prices ended the year at levels close to those at the start, whilst stainless steel managed to retain a modest part of its gain. These price movements owed more to the effects of the building and reduction of inventories than to major changes in consumer demand.

In recent years, considerable emphasis has been placed on re-organising the division's UK branch network in the main metropolitan areas, with the aim of reducing operating costs and improving customer service. This programme, which merges smaller units and brands, saw the opening in the past year of three major new facilities in Slough, Swanley and the Greater Manchester area. It is very encouraging that all of these new branches were well received by customers and staff alike and they contributed in full measure to the year's results.

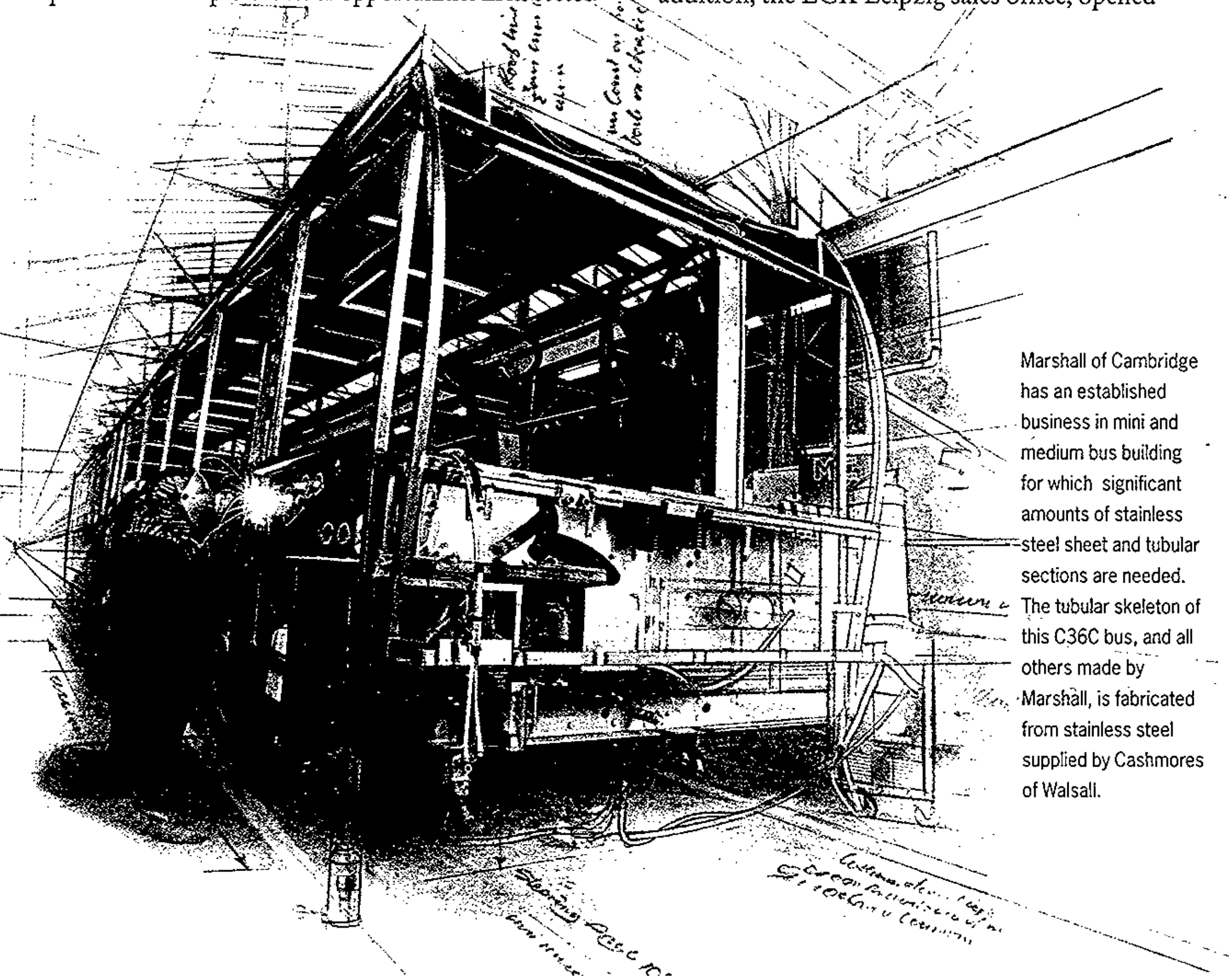
The re-focusing and enlarging of Cashmores, which now concentrates on supplying processed coil products in stainless steel and aluminium, has proved to be very successful. Improved quality of service and operating efficiencies have enabled substantial new business to be won in the face of stiff competition. Cashmores' contribution to the year's results was outstanding and it is now well positioned to exploit further opportunities in its sector.



Investment in new sawing equipment has been made at Glynwed Metal Services' Aalco branch in Southampton. It is operated here by Processing Supervisor Darren Easey.

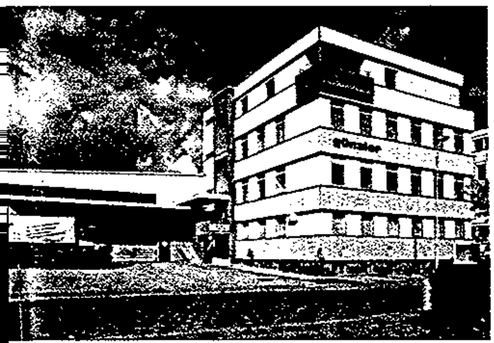
As in the UK, the continental branches produced record trading results, particularly in the first half. The acquisition of Günzler Aluminium (since renamed Günzler Metall) immediately before the start of the year represented a substantial increase in the scale of the division's business in Germany and contributed to its ability to take advantage of the buoyant market in the succeeding months. The recent merging of Günzler with the Jera Metall branch outside Stuttgart has broadened the Günzler product range to include stainless steel and copper alloy products.

The growth of Jera Metall in South Germany and LCK Metall in Hamburg has continued, with LCK successfully developing a major stainless steel business alongside its established range of aluminium products. In addition, the LCK Leipzig sales office, opened



Marshall of Cambridge has an established business in mini and medium bus building for which significant amounts of stainless steel sheet and tubular sections are needed. The tubular skeleton of this C36C bus, and all others made by Marshall, is fabricated from stainless steel supplied by Cashmores of Walsall.

during 1994, continued to increase its penetration of the markets in the former East Germany. The Amari businesses in Nieuwegein, Holland and in Dublin produced excellent results, whilst Aalco SA in Spain turned in a creditable performance in a difficult market.



Glynwed Metal Services continued to develop its expanding share of the German market for corrosion resistant metals through Günzler in Southern Germany.

'Quality' is a key component of the division's operating philosophy, with attention increasingly being focused on the principles and practice of Total Quality Management (TQM). Considerable effort is directed towards continuous improvement in the quality of service provided to the division's customers, and this will remain an important element in sustaining its competitive advantage.

Plastics

In 1995 the Plastics division maintained the strong sales and profit growth of 1994. Profits increased to £26.3 million from £19.9 million on sales up from £232.4 million to £291.7 million.

The key element of this division is its increasingly integrated and expanding thermoplastic pressure pipework systems business, Glynwed Plastics International (GPI).

GPI's industrial markets for these products in the UK and mainland Europe all started the year well, with buoyant sales offsetting concerns over rapidly increasing raw material prices. During the second half, markets slowed progressively and raw material prices stabilised, to give a quiet end to the year, particularly in the UK. However, Capper P-C in the UK and FIP in Italy had exceptional years and the division's other mainland European businesses also performed well.

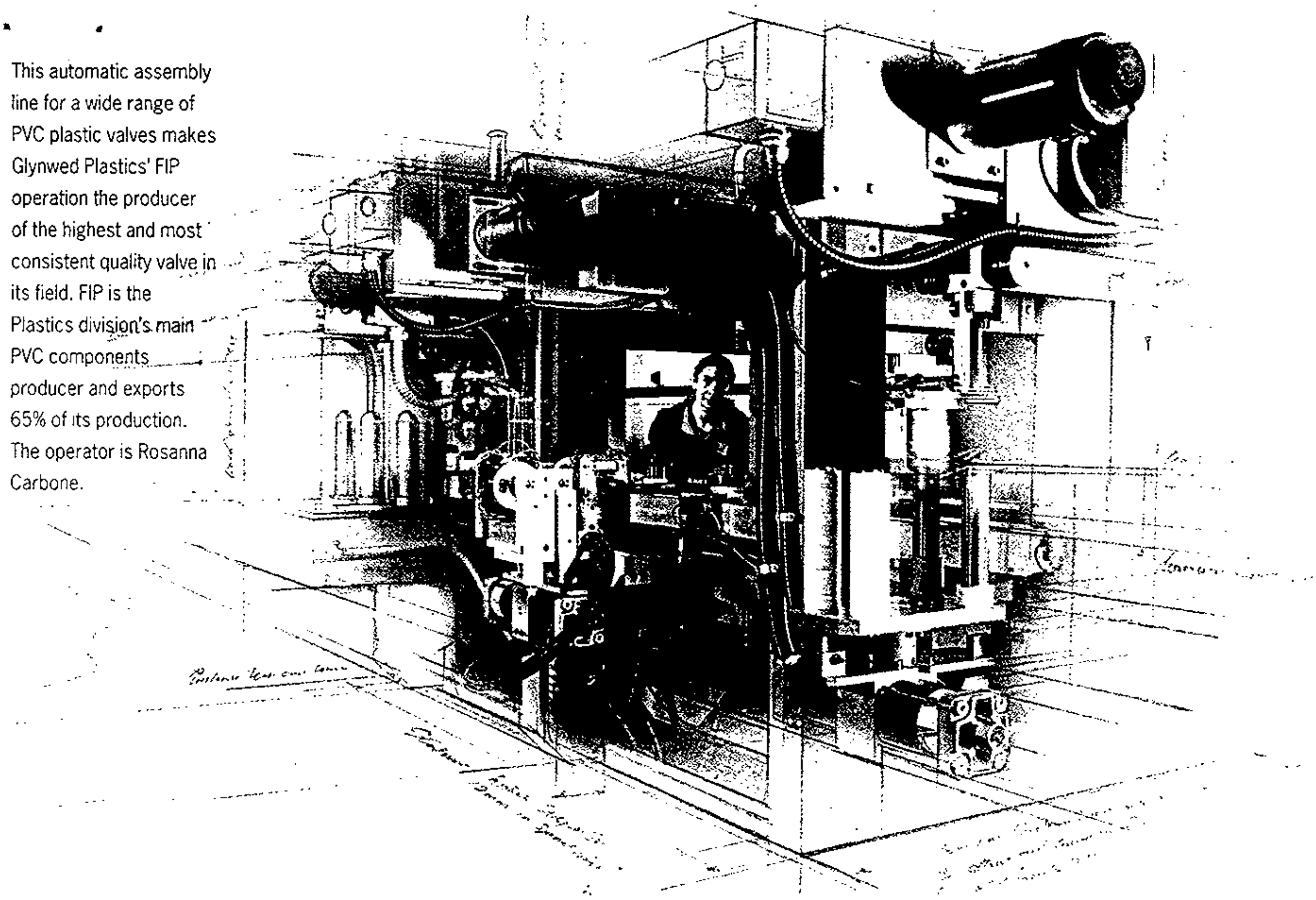
In the industrial sector in the USA, both Harrington and Enfield gained ground against aggressive competition and produced excellent results. In Australia, Philmac turned in a good performance in spite of a domestic market which weakened substantially at the year end.

Utility markets in the UK and France showed little growth. In the UK gas sector, sales were depressed in the second half as British Gas contracts came to an end prior to their being re-awarded by Transco. Following substantial investment in product development and manufacturing technology, the division was successful in winning a significant part of the new national five-year contract. The UK water sector was flat, but picked up towards the end of the year following the very dry summer. In Monaco, Innoge performed well in the French gas sector and exported strongly to other markets.

The division was enlarged by the addition of the Victaulic businesses. These added significantly to its pipework systems capabilities in both the industrial and utility markets. In addition, the rubber businesses of Victaulic Industrial Polymers and CE Heinke, along with the division's existing business Townsend, fit well together. Valvestock and Action Hose Couplings also fit well with Capper P-C and will benefit from the division's ability to market

Action Hose Couplings
Capper P-C
Durapipe
GPI Industries
Glynwed Plasticos Iberica
GPI (Asia)
GPI (North America)
Enfield Industrial
Flowline Systems
FIP (Formatura Iniezione Polimeri)
Harrington Industrial Plastics
CE Heinke
Innoge
Kunststoffwerk Höhn
MASA
MCA-Calder
PEI
Philmac
SED Ventilsysteme
Stewarts & Lloyds Plastics
Townsend Polymer Engineering
Valvestock
Victaulic Industrial Polymers
Vulcathene
Wilford Plastics

David Tracey, Divisional Managing Director of Glynwed Plastics (centre), and his European Operations Director Andrea Catanzano (right) examine the new Magnum 'clamp saddle' product together with Coke Bayvel, Managing Director of Main Industries of Midrand, South Africa. Glynwed Plastics entered into a joint Venture with Main Industries in 1995 to produce such fittings in South Africa.



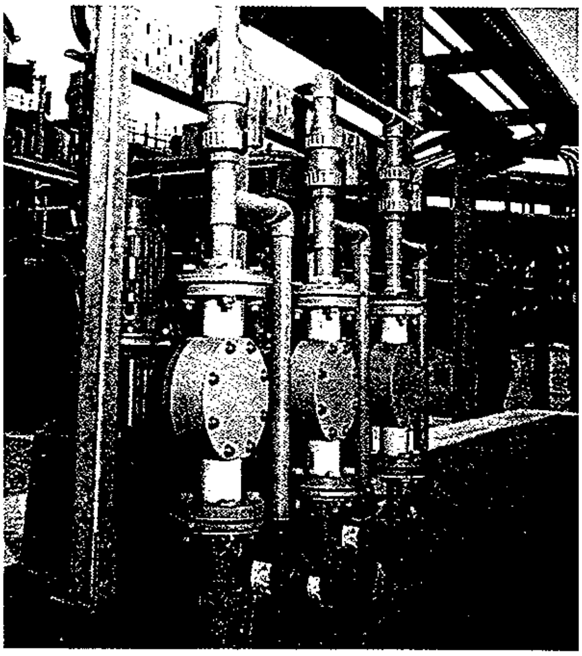
This automatic assembly line for a wide range of PVC plastic valves makes Glynwed Plastics' FIP operation the producer of the highest and most consistent quality valve in its field. FIP is the Plastics division's main PVC components producer and exports 65% of its production. The operator is Rosanna Carbone.

Plastics continued

products world-wide. In the utilities sector, Stewarts & Lloyds, MASA and Höhn add substantially to the division's pipe-making capability and complement its existing ranges of fittings already being sold in three of Europe's major markets.

The sales companies in Singapore and Spain grew strongly and were complemented during the year by the establishment of representation in Eastern Europe. Another strategic initiative, a sales and manufacturing joint venture in South Africa with Main Industries, commenced trading at the beginning of 1996.

Several new products were successfully introduced during the year. A fitting, jointly developed by FIP and Philmac, was launched world-wide variously as Magnum, Polygrip Plus and Metric. Durapipe launched two products based on metal-plastic composite (MPC) technology which gives plastic pipelines the quality of impermeability in key applications. The new products are: Petrol-line Plus, for the safe, pollution-free transmission of petroleum fuel, and Protecta-line, which shields drinking water from external ground pollutants. Also launched in 1995 were Vulcathene's low pressure polyethylene system for chemical waste and syphonic drainage known as Eurofusion, and Encase by Enfield where a 'pipe within a pipe' or 'dual containment' arrangement provides an ultra-safe transmission



These Durapipe ABS valves, fittings and pipework are installed at the Effluent Treatment Plant of Seabrook's Potato Crisps Ltd, Bradford, the largest private crisp producer in Europe. Chief Chemist Michael Armstrong monitors acidity levels in the effluent output.

system for particularly aggressive or dangerous liquids.

Throughout the year major expenditure was incurred on manufacturing facilities and efficiencies, on distribution activities and on resources for yet more new product development. This is to ensure that the division remains a main area of growth for the Group.

Amari Plastics

Port Plastics

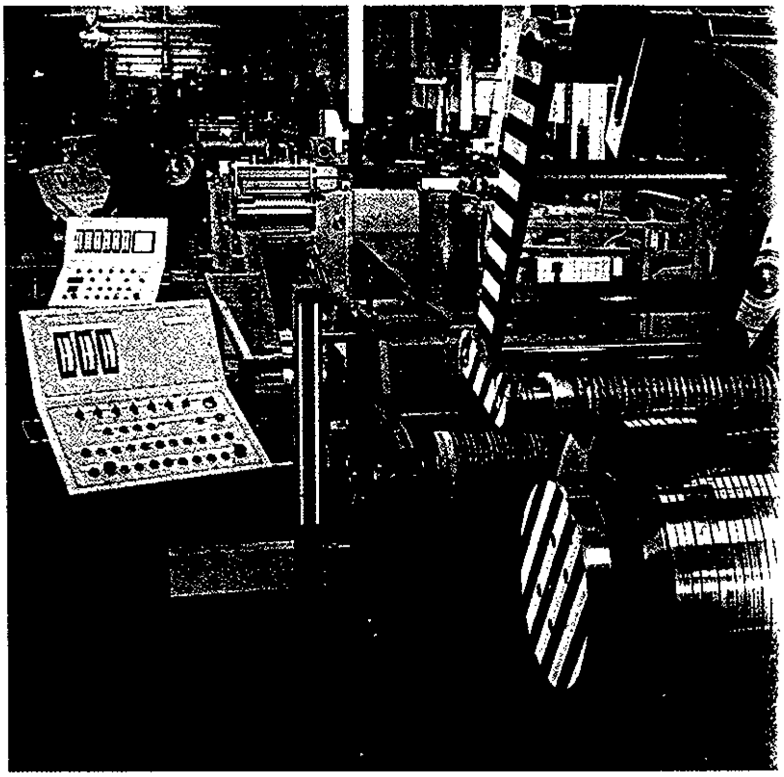
The division's plastic sheet and rod distribution business, which is separately managed within the division, experienced its best year since 1989. For Amari Plastics the UK business climate in the first half of the year was buoyant, with many manufacturers taking the opportunity to increase raw material prices by up to 40%. This fuelled demand further as customers sought to purchase ahead of price increases. The second half of the year saw a return to real underlying demand, which had clearly slowed, and by the end of the year raw material prices were under downward pressure.

On the West Coast of the USA, Port Plastics achieved a record result. Prices increased, but at about half the rate of the UK. Management changes made during the previous year had a beneficial effect and greater emphasis was placed on certain markets including acrylics, electronics and aerospace.

Steels & Engineering

The Steels & Engineering division coped very effectively with a wide range of challenges and opportunities during the year. It again made a substantial contribution to Group results in producing profits of £30.8 million on sales of £351.6 million.

Tony Wilson (left), Divisional Managing Director of Glynwed Steels & Engineering, surveys the progress of the major 1995 extension to Newman-Tipper Tubes, at Wednesbury, with the guidance of David Minshull, assistant manager of the Cold Drawn Welded Tube department.



A significant 1995 addition to J B & S Lees' West Bromwich plant was this £3/4 million slitting machine which processes cold rolled steel into multi-strand narrow coils. Raman Patel operates the new machine.

The first six months of the year saw the steel industry world-wide struggling to cope with high levels of demand. Primary steel producers were able to raise prices, continuing the upward trend seen throughout the previous year.

Steel end-users were able to resist the full impact of these price escalations, placing the division's margins under some pressure, but at the same time revenues benefited from significantly higher volumes.

In the second half of the year the rate of growth slowed in most industrialised economies and supply and demand fell back into balance. Steel users started to reduce stocks which they had built up, earlier in the year, as a protection against both rising prices and limited availability.

The Hot Rolling operations of Ductile Hot Mill, Dudley Port Rolling Mills, George Gadd

- Ansell Jones
- Columbia-MBF
- Dairy Pipe-Lines
- Ductile Cold Mill
- Ductile Hot Mill
- Ductile Sections
- Ductile Steel Processors
- Dudley Port Rolling Mills
- Firth Cleveland Steel Strip
- GB Steel Bar
- George Gadd
- HUB
- Insoll Components
- J B & S Lees
- Lindapter International
- London Steel Tube Mills
- Longmore Brothers
- Macreadys
- Midland Engineering Steels
- Monmore Tubes
- Newman-Tipper Tubes
- Oddbolt
- PTFE Fabricators
- Paul Fabrications
- Stainless Fittings
- Steelway-Fensecure
- Stourbridge Rolling Mills
- Tower Manufacturing
- W Wesson

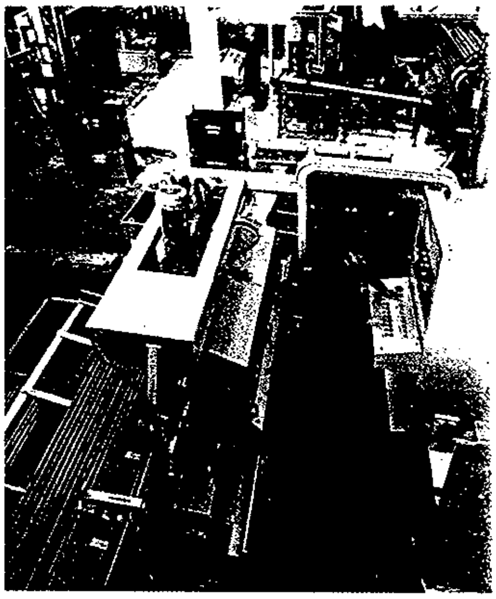
Steels & Engineering continued

and W Wesson enjoyed high levels of activity throughout the year. Some delays and restrictions, due to raw material availability, were experienced during the early part of the year. However, the configuration of the four plants allowed them the flexibility to use a wide range of materials and to interchange order loads to best advantage. The previous year's investment in plant had been well timed and new output and productivity records were established in 1995 as a result, whilst maintaining the flexibility of these businesses.

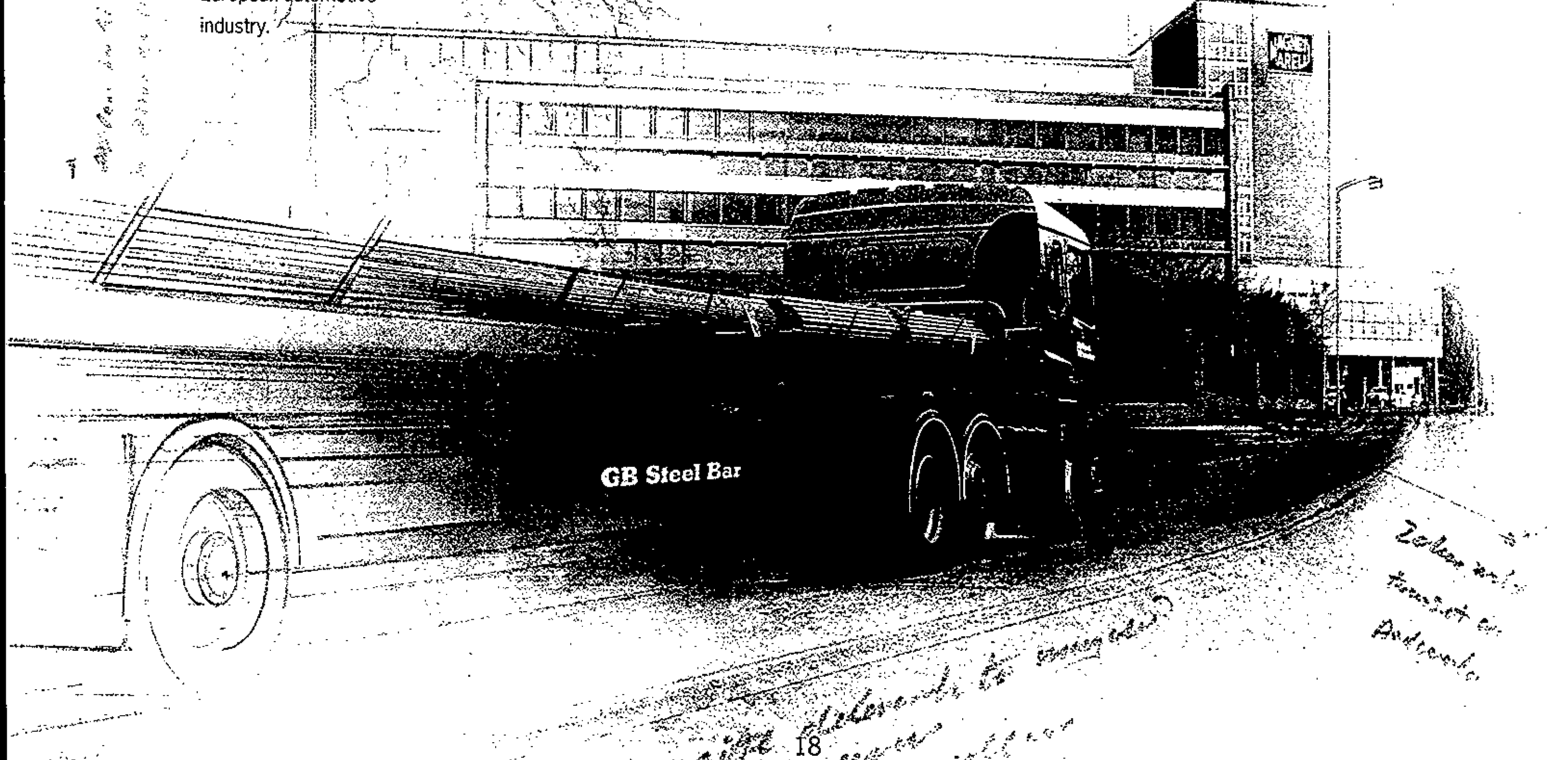
Order books in GB Steel Bar and Longmore Brothers increased considerably during the early part of the year for all grades of engineering steel. Output levels had to be increased and the operations co-operated closely to satisfy demand. Order books in the second half returned to more manageable levels and the overall performance for the year was very satisfactory.

Macreadys, the division's steel bar distribution business, benefited both from buoyant trading and from the substantial investment which had been made previously in its central distribution warehouse in Rugby. Its close supply relationship with the Bright Drawn and Hot Rolling facilities within the division enables it to maintain an unrivalled service to its customers.

The specialist Cold Rolled Strip operations of JB & S Lees and Firth Cleveland enjoy an international reputation as premier producers of metal-cutting, bandsaw strip and



A new production bay at Newman-Tipper Tubes which manufactures a wide range of semi-finished products ready for assembly into automotive components and sub-assemblies. The control board operator in the foreground is Stuart Smart.



Bright steel bars from GB Steel Bar, part of Glynwed Steels & Engineering division, are delivered to this Magneti Marelli plant for the manufacture of components for the European automotive industry.

hardened and tempered materials. Buoyant conditions in most developed and emerging markets produced strong demand for their specialist products, whilst the traditional Cold Rolling activities of Ductile Cold Mill and Stourbridge Rolling Mills benefited from being significant suppliers to the automotive industry.

The UK steel tube businesses of Monmore Tubes, Newman Tipper Tubes and London Steel Tube Mills benefited from capital investment to increase output and to introduce a wide range of new products and processes. This on-going programme will also see additional tube making capacity installed in a major expansion at Newman Tipper in 1996. These businesses are supported and complemented by HUB, the UK's largest precision tube distributor, which enjoyed buoyant demand throughout the year.

Columbia-MBF in Canada benefited from some recovery in its national economy and widened its product range into mechanical tube to complement its already strong position in electrical conduit.

The division's engineering businesses made encouraging progress in developing new products and markets, becoming less dependent on the depressed construction sector. Tower Manufacturing continued to invest in its cold forged fastener range, finding niche export markets. Paul Fabrications began to see improvements in the aerospace sector and new commercial fabrication business was secured during the year. Ansell Jones continued to develop its range of marine and offshore equipment and, during the year, acquired William Prentice Forgings, a business specialising in high integrity industrial and marine fittings. Both Steelway-Fensecure and Ductile Sections have successfully diversified their product ranges away from their previously strong links with the construction sector into less volatile engineering products.

The Steels & Engineering division prospers because of its unique position in the industry and investments made during 1995, and those due in 1996, will reinforce this position.

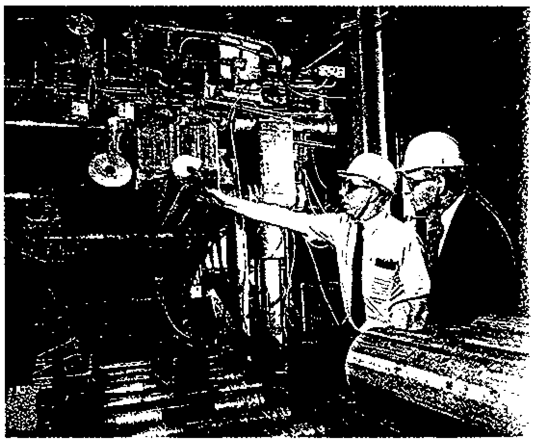
Tubes & Fittings

Albion

Wednesbury Tube

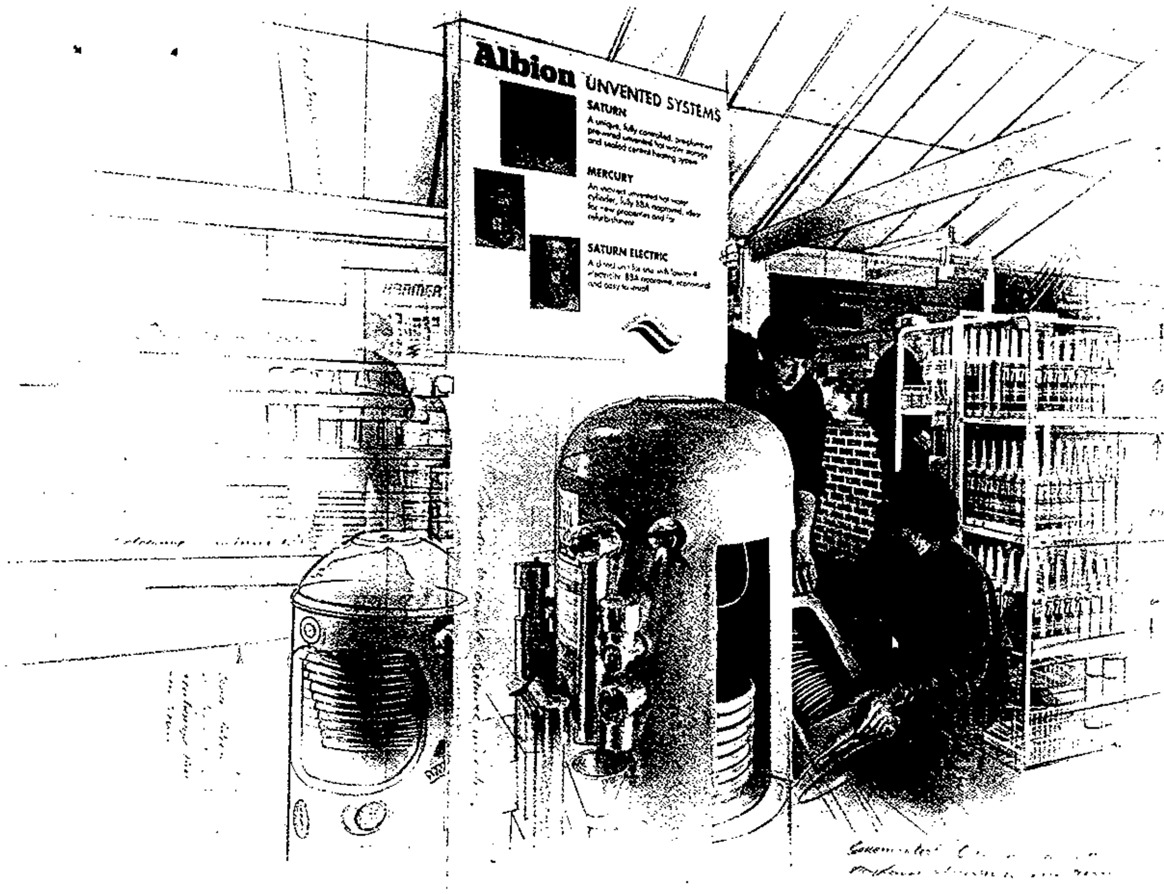
Financial results for the year were again disappointing, although trading losses were reduced significantly from the levels reported last year. This was despite further heavy rationalisation costs at Wednesbury Tube. Losses were reduced to £2.0 million from £3.9 million on sales up from £71.0 million to £78.0 million. By the fourth quarter performance had improved considerably, due to greater efficiencies at the Bilston plant which was then trading at break-even levels. Prospects for 1996 are therefore much better.

Demand for copper tube in the UK remained poor throughout the year, due to the continuing recession in the housing, construction and heating-products markets. Importers marginally increased their share in 1995 but, conversely, Wednesbury Tube's exports accounted for 36% of sales in the year.



A major innovation at Wednesbury Tube during 1995 was the hollow casting of copper billet. John Stalker (right), Divisional Managing Director of Glynwed Tubes & Fittings, examines the process together with Production and Engineering Manager, Graham Loynes.

Efforts to improve efficiency, reduce costs and develop new products continued across the division. New tube manufacturing plant and equipment, commissioned during 1994, is now consistently operating at a satisfactory level. During the year, the factory was completely re-organised to maximise the benefits from the new processes; numbers employed were reduced by a further 20% . Additionally, continuous casting of hollow billet was successfully introduced into the manufacturing process mid-way through the year, allowing for engineering



Albion have worked with distributors to create Supercentres throughout the UK. This one is located at Willbond Ltd of Nottingham where the latest Mainsflow, unvented Saturn and Superduty CF45 products are displayed. Willbond trade counter hand, Steven Szczur (left), is seen pointing out the technical advantages of the CF45 to a customer.

Tubes & Fittings continued

tube applications to be manufactured more cost-effectively.

Albion, the division's manufacturer of copper hot water systems, suffered from the same reduced demand in the housing and construction sectors which affected tube sales. Volumes of standard water cylinders were lower compared with the previous year; Albion's growth in the unvented cylinder market was also slower. Nevertheless, stringent cost controls and efficient manufacturing facilities ensured that the business remained profitable over the year.

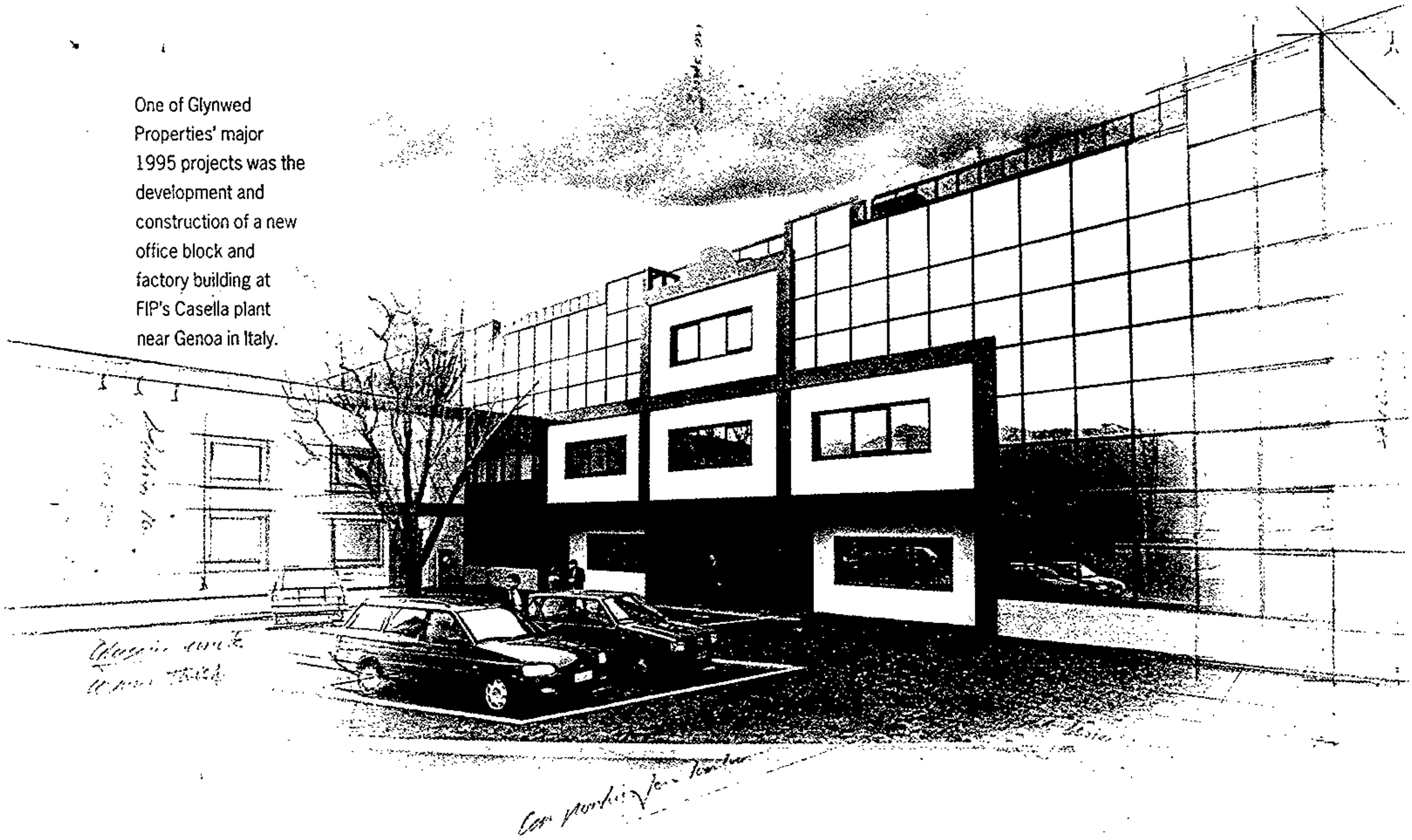
Properties

The profit for the year was reduced from £10.1 million in 1994 to £8.2 million because profit on the sale of properties in 1994 of £2.9 million was reduced to £0.3 million in 1995. However, net rental incomes were increased and vacant property costs were reduced by £0.6 million so that the underlying net rental income from properties has increased from £7.2 million to £7.9 million.

The property investment programme continued to run at a substantial level throughout the year with total expenditure of £7.1 million. A new warehouse for the Metal Services Division was completed at Express Trading Estate, Farnworth near Manchester and occupied by the company during the Spring. The existing offices at Leisure, Long Eaton were refurbished and extended to provide modern facilities to suit the requirements of this developing business. Construction works were also completed for the Steels & Engineering and Foundry Products divisions to improve the environmental control of various parts of the businesses. In the Plastics Division, the manufacturing facilities were extended at Durapipe at Norton Canes and a new office and an additional manufacturing building were constructed for FIP, at Casella, Genoa, Italy.

Trevor Barnes, Divisional Managing Director of Glynwed Properties, discusses the busy 1995 project programme with the division's solicitor Fay Wheeler.

A major extension to the Newman Tipper Tubes' works was constructed towards the end of the year at Wednesbury in the West Midlands. Land to



One of Glynwed Properties' major 1995 projects was the development and construction of a new office block and factory building at FIP's Casella plant near Genoa in Italy.

accommodate the factory extension was purchased from the Black Country Development Corporation, which supported the project with a substantial amount of grant aid. Similarly, at Larkhall near Glasgow, a new factory has been built on land purchased from the local Authority. Grant aid has been received from the Lanarkshire Development Agency, Hamilton District Council and The Scottish Office to support this particular project for the building of a new forging facility for the William Prentice Forgings business that was purchased earlier in the year.

During the year a property revaluation was carried out which resulted in the book values being written down by £9.5 million.

Conclusion

The latter part of 1995 undoubtedly presented more difficult trading conditions than those experienced in the first half of the year. Nevertheless, our commitment to new product introductions to service our markets better, and the constant efforts of all our employees to be more efficient stood us in good stead and good results were achieved overall.

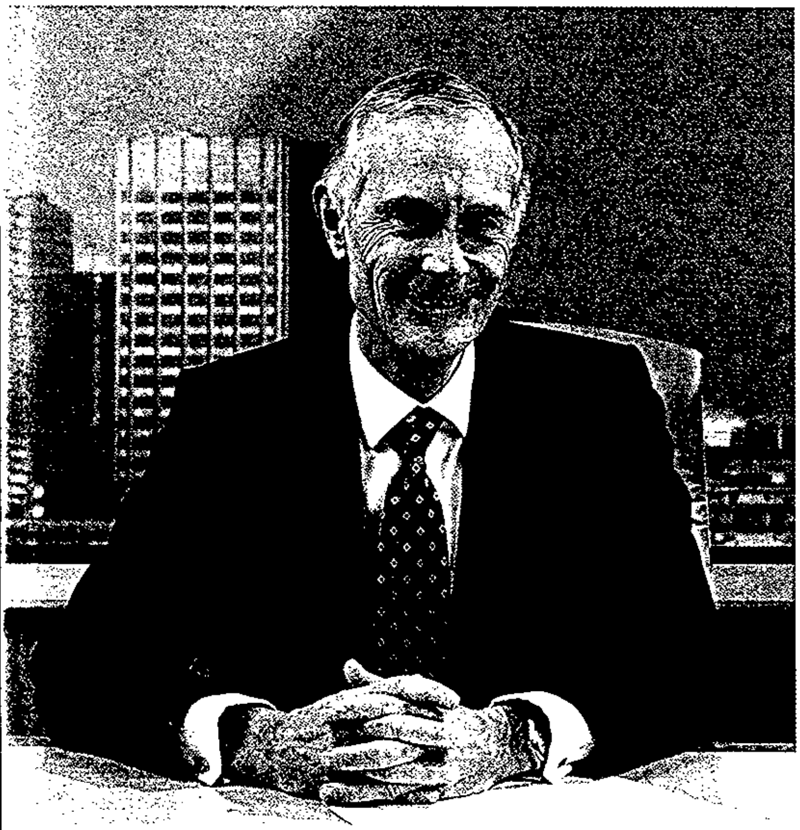
In particular the efficiency of capital usage, margins and value added per employee all improved. All of this was achieved in a year of heavy capital spending and pressure on inventories from higher material costs.

As yet we have not seen any pronounced up-swing from the levels of trading experienced in the final quarter of last year but we are confident that with continued concentration on these aspects of our business we shall continue to progress. The acquisition of Victaulic will be a positive influence in this respect.

Finally, I would add my thanks, to those of the Chairman, to all our employees worldwide for their considerable efforts and loyalty.

Bruce Ralph
Chief Executive
18th March 1996

Financial Review



Group Finance Director David Milne reviews the 1995 Financial Year.

Introduction

This review provides an analysis of the financial information in these accounts and highlights certain aspects of the Group's financial performance which are not immediately evident from the accounts.

Operating results and ratios

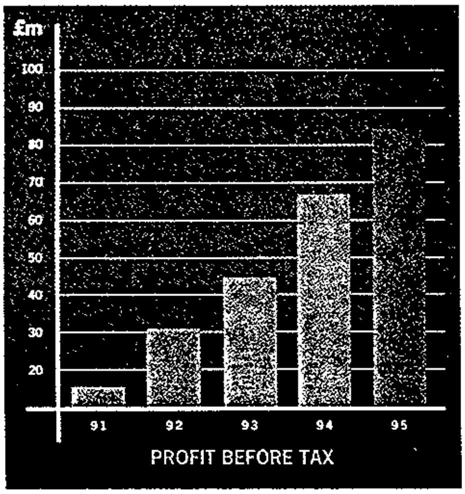
Victaulic PLC was purchased at the end of August 1995 for £165.1 million of which £125.9 million was paid for by the issue of Glynwed shares and the balance of £39.2 million in cash and loan notes. This is the largest acquisition that the Group has made since Amari plc in 1988 and has had a significant effect on the Group's accounts in 1995.

The Group's profit before tax increased to £41.5 million in the first half of 1995. In the second half of 1995 there was a slowing of growth. As a result, profit before tax in the second half year, including acquisitions, was £42.7 million to bring the pre-tax profit for the year to £84.2 million.

Sales increased to £1,251,7 million, up 22.1% from the previous year. The effect of exchange rate movements was to increase sales by £5.3 million and to change profits by an insignificant amount.

In 1995 the profit before interest increased by £18.6 million (25.0%) to £93.0 million. A segmental analysis of the Group's results is set out in Note 2 and shows the divisional results with each division incorporating the appropriate businesses of Victaulic. Sales per employee increased by 10.2% and value added per employee by 6.4 %.

The Group's overseas operations had sales of £268.8 million (1994 £211.1 million) and trading profits of £19.7 million (1994 £16.1 million). Export sales from the United Kingdom were £157.5 million (1994 £116.9 million), an increase of 34.7%. Exports from the UK manufacturing businesses represented 23.8% of their total sales. Sales to overseas customers, including the sales of the group's overseas



subsidiaries, were 33.5% of turnover (1994 31.3%) and it is estimated that approximately another 17% of the Group's UK deliveries are for indirect export. An analysis of sales and profits of overseas operations is shown in Note 2 to the accounts.

Pension costs are an element of staff costs detailed in Note 5 of the accounts. The charge of £6.1million for 1995 comprises £4.4million on the two main U.K. schemes and £1.7million on other schemes in the U.K. and overseas. The two main U.K. schemes are revalued every three years as at 31st March. The revaluation as at 31st March 1995 produced both a lower surplus and a higher regular pension cost under the SSAP24 rules than the 1992 revaluation. As a result the gross charge to profit and loss for the main schemes in 1995 was £6.0million, which was reduced to £4.4million by utilisation of a prior year provision. For 1994 the charge was only £2.1million. The three main reasons for the higher charge and lower surplus are the adverse change in the pensions funds' reclaims of ACT, introduced in the Spring Budget of 1993, the reduction in expected levels of inflation which has made it prudent to recognise the increased costs of the pension increase guarantee specified within the schemes' rules, and the partial suspension of company contributions.

Interest costs increased by 20.5% from £7.3 million to £8.8 million because of the interest cost on the cash and loan note element of the consideration for the purchase of Victaulic and increased average borrowings required to support additional working capital arising from increased sales and purchase prices.

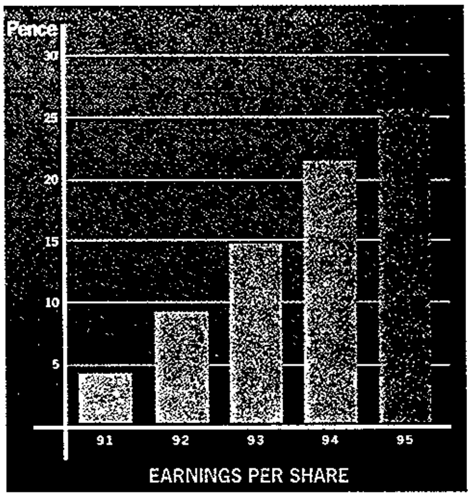
Profit before tax, including £2.7 million for Victaulic , increased by £17.1 million (25.5%) to £84.2 million.

Taxation

The Group's taxation charge increased by 20.4%, mainly because of the increase in profit before tax. The effective tax rate is 32.3% (1994: 33.7%).

Earnings per share

Earnings per share, calculated on the net basis, as shown in Note 11 to the accounts, increased by 20.7%, from 21.34p to 25.76p.



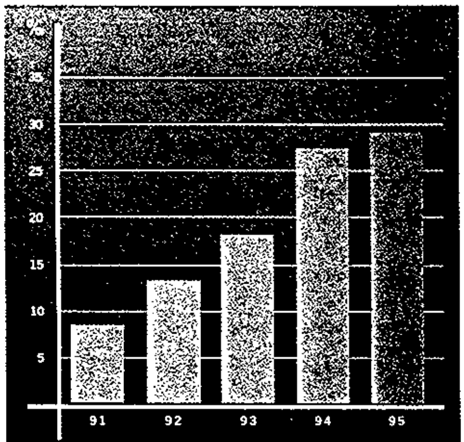
Earnings per share, calculated as defined by the Institute of Investment Management and Research, are also shown in Note 11, and have increased by 27.8% to 25.49p.

Net operating assets

The Group's net operating assets increased by £67.1 million (24.0%) to £347.0 million. The return on average capital employed (average net assets) increased to 29.3% (1994 27.3%) and the capital turn to 3.9 times (1994 3.8 times).

Capital expenditure was £39.8 million (1994 £22.6 million) and the depreciation charge was £23.8 million (1994 £20.8 million).

Working capital, being stocks and operating debtors less creditors (see page 64), increased by £43.4 million to £185.4 million. Of the increase, £26.2 million related to acquisitions (see Note 24) and £17.2 million to underlying trading activity. At the end of 1995 the current ratio was 1.3, the same as 1994. The current ratio is a measure of the Group's ability to pay its debts in the short term. It is calculated by dividing current assets (including cash) by creditors falling due within one year (including short term borrowings).



RETURN ON CAPITAL EMPLOYED

Shareholders' funds

Shareholders' funds increased by £23.9 million from £221.9 million to £245.8 million.

This increase contained the following elements:

	£ million
Profit retained	25.8
New share capital subscribed	8.6
Share premiums	119.1
Goodwill written off arising from acquisitions	(121.8)
Deficit on property revaluation	(9.5)
Currency translation	1.7
Total	23.9

Goodwill written off was almost entirely attributable to the acquisition of Victaulic. The premium on new shares issued nearly covered the goodwill written off.

Cash flow

The cash flow statement is set out on page 37. As well as conforming to FRS1, this statement gives additional information to show the movement between opening and closing borrowings. Borrowings include all finance leases, hire purchase contracts and bills of exchange that have a cost to the Group. The Group's borrowings rose during the year by £43.7 million to £100.8 million mainly due to the purchase of Victaulic.

A summary of the change in the net debt is shown below:-

CASH FLOW STATEMENT

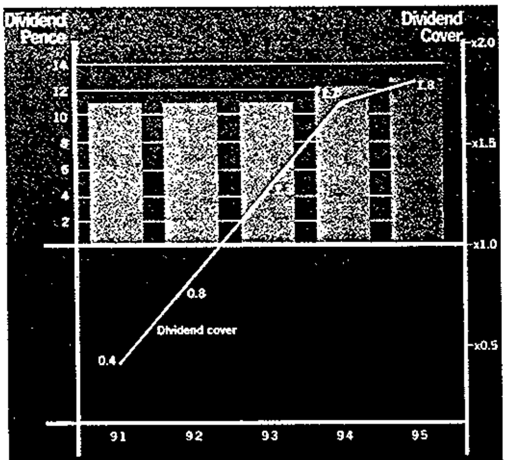
	£ million
Cash flow from operations before depreciation	79.7
Depreciation	23.8
Net cash flow from operations (Note 25)	103.5
Capital expenditure and finance lease purchases	(39.8)
Fixed asset and investment disposals	5.9
Acquisitions (Note 24)	(49.0)
Prior year's discontinued activities	(0.4)
Interest	(9.5)
Taxation	(28.0)
Net cash outflow before dividends	(17.3)
Dividends	(27.7)
Cash from shares issued	1.8
Minority interest repaid	(0.1)
Exchange adjustment	(0.4)
Increase in net debt	(43.7)

Financial needs and resources

The funding of the Group's capital employed of £347.0 million is shown below together with the cost of servicing those funds:

	Funds £ million	Cost of Funds £ million
Ordinary shareholders' funds	244.5	31.0
Preference shares	1.3	0.1
Glynwed shareholders' funds	245.8	31.1
Minority shareholders' interests	0.4	0.1
Total shareholders' funds	246.2	31.2
Net borrowings	100.8	8.8
Total funds	347.0	40.0

The Group's ability to pay its dividend out of current earnings is measured by the dividend cover, which is calculated by dividing earnings (net profit after taxation, preference dividends and minority interests) by the ordinary dividend for the year. In 1995, the dividend cover was 1.8 times (1994 1.7 times).



DIVIDEND PER SHARE - DIVIDEND COVER

The Group's debt/equity ratio (net borrowings as a percentage of total shareholders' funds) at the end of 1995 was 40.9% (1994 25.6%). The group's ability to pay its interest cost is measured by the interest cover (profit before interest divided by interest cost) which in 1995 was 10.6 times (1994 10.2 times).

The Group has borrowing facilities of approximately £267 million, of which 53% are committed; of those committed facilities, 85% are committed for more than one year. Net borrowings at the end of the year were £100.8 million, which comprised gross borrowings of £131.5 million less cash deposits £30.7 million. Of the gross borrowings, £92.2 million (70%) were drawn from committed facilities. Average net borrowings during the year were £102.4 million, which is 38.4% of the total facilities. The average net interest rate paid by the Group was 8.6%, which is higher than short term rates were during the year, principally because the Group had £32.2 million of fixed rate loans at an average rate of 9.7%. The 10.75% unsecured loan stock 1994/99 of £5.7 million was redeemed at par on the 1st May 1995.

The Group can clearly meet all its short term requirements from its existing borrowing facilities, and is comfortably within all its borrowing covenants. There are no restrictions which prevent the Group moving its funds to or from subsidiaries overseas, except that withholding tax may arise on certain transfers and, to comply with Bermudian insurance laws, the Group's wholly-owned subsidiary Headland Insurance Ltd maintains a minimum cash balance, free of encumbrance, of £8.6 million.

Going concern

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

Shareholders' return and value

The return on equity is calculated by taking the profit before tax of £84.2 million as a percentage of shareholders' funds and minority interests at the end of the year of £246.2 million. For 1995 the return on equity increased to 34.2% from 30.1% in 1994.

At the close of business on the date of the directors' report the ordinary shares had a value of 351p per share (1994 293p) valuing the Group at £853.3 million on the London Stock Exchange compared with a book value of £244.5 million of ordinary shareholders' funds, equating to 100.6p per share.

The total dividend of 12.75p per share proposed by your Board gives a yield of 4.7% based on the above market value of the shares.

David Milne
Finance Director
18th March 1996

Report of the directors

The Directors of Glynwed International plc present their annual report, together with the accounts of the Company, for the 52 weeks ended 30th December 1995. These will be submitted to members at the annual general meeting to be held at Headland House, New Coventry Road, Sheldon, Birmingham B26 3AZ at 12 noon on Thursday, 9th May 1996.

■ ACTIVITIES AND BUSINESS REVIEW

Glynwed International plc is the holding company of the Group; its principal subsidiaries and their activities are shown on pages 61 and 62.

A review of the activities and prospects of the Group and of its principal businesses is given on pages 8 to 25.

■ RESULTS AND DIVIDENDS

The profit for the Group for the financial period was £56.9 million (1994 £44.4 million). After dividends of £31.1 million (1994 £25.7 million) the profit retained of £25.8 million (1994 £18.7 million) has been dealt with as shown on pages 34 and 56.

Earnings for the period were £56.8 million (1994 £44.3 million) as shown in Note 11 on page 48, and earnings per share on the net basis were 25.76p (1994 21.34p).

An interim dividend of 4.40p per ordinary share was paid on 6th December 1995. The directors recommend a final dividend of 8.35p per ordinary share payable on 7th June 1996 to members on the register at the close of business on 23rd April 1996, making a total for the period of 12.75p per ordinary share (1994 12.25p).

■ SHARE CAPITAL

Allotments of ordinary shares of 25p each of the Company were made during 1995 as set out in Note 22 on page 55.

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 securities under sections 80 and 95 of the Companies Act 1985 ("the Act"). Resolution no. 6 renews the directors' authority to issue relevant securities up to a nominal value of £20,259,897, being one-third of the nominal value of the Company's issued ordinary share capital on the date of this report. Resolution no. 7 renews the directors' authority under section 95 of the Act to allot ordinary shares for cash without first offering them pro rata to existing shareholders as otherwise required by section 89 of the Act; the authority sought is limited to issues of equity securities with a nominal value not to exceed £3,038,984, being equivalent to 5% of the nominal value of the Company's issued ordinary share capital at the date of this report.

■ SHAREHOLDERS

At 30th December 1995, ordinary shareholders totalled 12,610 (1994 : 11,709). Their holdings are analysed below:

Number of shares	% of shareholders	% of shares in issue
1 – 5,000	87.91	5.52
5,001 – 50,000	8.58	6.59
50,001 – 250,000	2.20	13.14
Over 250,000	1.31	74.75
	100.00	100.00

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

Person notifying interest:	Number of ordinary shares	% of issued ordinary capital
Britannic Assurance plc	12,515,000	5.15
Prudential Corporation group of companies	7,952,662	3.27
Legal & General Investment Management	7,701,649	3.16
Sun Life of Canada Group	7,312,605	3.01

Report of the directors

■ DIRECTORS

The members of the Board at the date of this report, each of whom held office throughout the year, are shown on pages 6 and 7. In accordance with the articles of association, Mr BC Ralph and Mr JC Blakeley retire by rotation and, being eligible, offer themselves for re-election. Mr Ralph and Mr Blakeley each has a service contract with the Company which is terminable on two years' notice.

■ DIRECTORS' INTERESTS

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

	At 30th December 1995	At 31st December 1994
G Davies	174,670	174,228
BC Ralph	–	–
DL Milne	109,789	109,268
JC Blakeley	51,098	50,210
B Doyle	8,529	8,581
WJ Biffen	–	–
JD Eccles	3,439	3,372
CJ Farrow	1,000	1,000

Since the 30th December 1995, purchases of ordinary shares of 25p each have been made as follows:

G Davies 26 shares, DL Milne 23 shares, JC Blakeley 42 shares and JD Eccles 3 shares.

Details of options exercisable by directors over shares in the Company are given on pages 31 and 32 as part of the Report of the Remuneration Committee.

No director had an interest in any contract of significance with any Group company during the year.

The Company has purchased insurance to cover directors' and officers' liability as permitted by section 310(3) of the Act.

■ TANGIBLE FIXED ASSETS

The movements of tangible fixed assets are set out in Note 12 on page 49 and include a net book value of £31.8 million arising from the acquisition of new businesses.

■ ACQUISITIONS

The principal acquisitions during the period and the related considerations were:

February Aquadart Limited (45.45% minority interest) £1.0m
August Victaulic PLC £165.1m.

The purchases have been accounted for as acquisitions in accordance with Financial Reporting Standard No 6 (FRS6).
Details relating to the fair value of net assets acquired and the consideration are set out in Note 24 on pages 56 and 57.

■ RESEARCH AND DEVELOPMENT

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

■ EMPLOYEES

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

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

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

Good communications and relations with employees are maintained, mainly by practices developed in each operating unit compatible with its own particular circumstances. Senior management 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 individual operating units, a process which is supplemented and aided by the distribution of a regularly-published in-house newspaper.

■ HEALTH AND SAFETY AND ENVIRONMENT

General Principles

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

Policy Framework

To carry through this overall policy, a Group Health and Safety Committee and a Group Environmental Committee have been established, each chaired by a director of the Company and comprising representatives from all the Group's operating divisions. Both committees meet at regular intervals during the year and are responsible for reviewing standards and encouraging improvements within their respective spheres of interest.

Health and Safety

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

The Group makes an Annual Health and Safety Award, which in 1995 went to Paul Fabrications: the adjudicating panel, comprising mainly independent experts, laid particular emphasis on the effectiveness of responses to current statutory developments and reviewed the performance of operating units both within and outside the UK.

Environment

In relation to environmental matters a Group Policy Statement forms the basis for more detailed policies, with clearly devolved management responsibilities, appropriate to the varying circumstances of the Group's individual operating divisions and businesses. Recent practical developments include the establishment of an environmental survey programme across all divisions and substantial investment, to standards exceeding statutory requirements, in arrestment plant for foundry emissions.

■ PERSONAL EQUITY PLAN

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

Report of the directors

■ CHARITABLE DONATIONS AND COMMUNITY RELATIONS

During 1995 the Group gave £101,196 for charitable purposes in the UK. Amongst the principal beneficiaries were organisations concerned with medical research, the elderly, people with physical or mental disabilities and inner city projects. The Group's charitable giving is one aspect of its relationships with the communities within which it works: importance is attached to those relationships, which encompass the provision of help and support, in financial and other ways, not just to the organisations as already mentioned but also in the fields of education, the arts and sport.

■ POLITICAL CONTRIBUTION

The Group gave £40,000 in 1995 for political purposes to the Conservative Party.

■ CAPITAL GAINS TAX

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

■ CLOSE COMPANY STATUS

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

■ CREST

CREST is the electronic system which will permit title to certain listed shares to be evidenced and transferred without a written instrument. A notification relating to the Board resolutions, which will enable the Company's ordinary and preference shares to join the CREST system in due course, is set out on page 67.

■ AUDITORS

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

By order of the Board
Ian Shearman
Secretary
Birmingham
18th March 1996

Ian Shearman

Corporate governance

Statement of Compliance

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

■ BOARD OF DIRECTORS

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

■ AUDIT COMMITTEE

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

■ INTERNAL FINANCIAL CONTROL

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

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

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

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

Report of the Remuneration Committee

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

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

Report of the Remuneration Committee (continued)

The individual elements of remuneration in 1994 and 1995 are set out below in respect of each director:

			Salary £	Fees £	Annual Bonus £	Benefits-in-kind £	Total £
Mr G Davies	–	1994	257,500	–	57,668	21,195	336,363
	–	1995*	107,292	58,333	53,303	16,791	235,719
Mr BC Ralph	–	1994	260,000	–	53,396	12,515	325,911
	–	1995	270,000	–	53,820	12,803	336,623
Mr DL Milne	–	1994	142,500	–	31,455	11,538	185,493
	–	1995	150,000	–	29,498	12,197	191,695
Mr B Doyle	–	1994	120,000	–	26,795	8,579	155,374
	–	1995	125,000	–	24,840	11,520	161,360
Mr JC Blakeley	–	1994	110,000	–	22,135	7,028	139,163
	–	1995	120,000	–	22,770	10,726	153,496
Mr JD Eccles	–	1994	–	32,000	–	3,875	35,875
	–	1995	–	35,000	–	4,171	39,171
Mr WJ Biffen	–	1994	–	20,000	–	–	20,000
	–	1995	–	20,000	–	–	20,000
Mr CJ Farrow	–	1994	–	20,000	–	–	20,000
	–	1995	–	20,000	–	–	20,000

* Mr G Davies retired from executive office in May 1995.

During 1995 a bonus of £12,938 in respect of service during 1994 and consultancy fees of £42,900 were paid to Mr. A Miller, who retired as an executive director of the Company in June 1994.

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

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

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

The interests of directors at the beginning and end of the 1995 financial year in the currently-operating share option schemes were as follows:

	Options under the Senior Executive Share Option Scheme approved in 1984					Options under the Savings-Related Share Option Schemes approved in 1984 and 1994	
	at 264pps	at 304pps	at 308pps	at 200pps	at 307pps	at 182pps	at 243pps
G Davies							
at beginning of 1995	37,500	60,000	125,000	50,000	–	8,241	–
at end of 1995	37,500	60,000	125,000	50,000	–	8,241	–
BC Ralph							
at beginning of 1995	–	–	–	–	175,000	–	–
at end of 1995	–	–	–	–	175,000	–	–
DL Milne							
at beginning of 1995	24,000	9,000	75,000	46,500	–	4,532	–
at end of 1995	24,000	9,000	75,000	46,500	–	4,532	3,975
JC Blakeley							
at beginning of 1995	15,000	12,000	30,000	35,500	–	7,005	–
at end of 1995	15,000	12,000	30,000	35,500	–	7,005	2,271
B Doyle							
at beginning of 1995	22,500	12,000	25,000	50,000	–	4,120	–
at end of 1995	22,500	12,000	25,000	50,000	–	4,120	4,259
JD Eccles							
at beginning of 1995	–	–	–	–	–	–	–
at end of 1995	–	–	–	–	–	–	–
WJ Biffen							
at beginning of 1995	–	–	–	–	–	–	–
at end of 1995	–	–	–	–	–	–	–
CJ Farrow							
at beginning of 1995	–	–	–	–	–	–	–
at end of 1995	–	–	–	–	–	–	–

The interests above have not changed since the end of the 1995 financial year.

Report of the Remuneration Committee (continued)

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

Senior Executive Share Option Scheme

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

Savings-Related Share Option Scheme

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

The savings-related share options granted under the 1994 savings-related share option scheme at 243p per share shown in the table at the foot of page 31 were the only options granted during the year. No options in favour of directors were exercised or lapsed during the year.

The mid-market price of Glynwed International plc ordinary shares on 1st January 1995 and 30th December 1995 was 334p and 321p respectively. During the period the market price of the shares ranged between 293p and 377p.

Mr DL Milne, Mr B Doyle, Mr JC Blakeley and Mr JD Eccles are members of a defined-benefit pension scheme which provides for a pension of two-thirds of final pensionable remuneration on retirement at normal retirement age with 20 or more years of pensionable service. In relation to Mr BC Ralph, the Company makes contributions to separate personal pension arrangements.

Mr DL Milne has a service contract which expires on 10th September, 1996. The other three executive directors (Mr BC Ralph, Mr B Doyle and Mr JC Blakeley) have service contracts terminable on two years' notice. Formerly of three years' duration, the notice period has been reduced to a term which in the opinion of the board provides consistency both with long-established service contract arrangements applying to the other most senior UK-based executives in the Group and with the need for directors to take a long-term rather than a short-term view in their conduct and planning of the Company's affairs. None of the contracts contains any provision for predetermined compensation in the event of termination.

JD Eccles
Chairman
Remuneration Committee
18th March 1996

Auditors' Report on Corporate Governance

To the members of Glynwed International plc

We have reviewed the directors' statement of compliance on page 30 and the finance director's comments on going concern on page 25 relating to the Company's compliance with the paragraphs of the Code of Best Practice specified for our review by the London Stock Exchange. The objective of our review is to draw attention to non-compliance with those paragraphs of the Code which is not disclosed.

Basis of opinion

We have carried out our review in accordance with Bulletin 1995/1 "Disclosures relating to corporate governance" issued by the Auditing Practices Board. That Bulletin does not require us to perform the additional work necessary to, and therefore we do not, express any opinion on the effectiveness of either the group's system of internal financial control or its corporate governance procedures. We have carried out additional work on the statement on page 25 relating to the Group's ability to continue in operational existence to ascertain if this statement has been made with due care.

Opinion

With respect to the directors' statement on internal financial control on page 30, in our opinion, the directors have provided the disclosures required by paragraph 4.5 of the code (as supplemented by the related guidance for directors) and such statements are not inconsistent with the information of which we are aware from our audit work on the financial statements. With respect to the statement made by the finance director on going concern on page 25, the statement provides the disclosure required by paragraph 4.6 of the Code (as supplemented by the related guidance) and has been made with due care.

Based on enquiry of certain directors and officers of the Company, and examination of relevant documents, in our opinion the directors' statement of compliance on page 30 appropriately reflects the Company's compliance with the other paragraphs of the Code specified for our review.

Coopers & Lybrand
Chartered Accountants
Birmingham
18th March 1996

Consolidated profit and loss account

for the 52 weeks ended 30th December 1995

	Notes	**1995** 52 weeks to 30th December £m	**1994** 53 weeks to 31st December £m
Turnover			
– acquisitions		**50.7**	–
– other continuing activities		**1,201.0**	1,024.9
Total turnover	2&3	**1,251.7**	1,024.9
Profit on ordinary activities before interest			
– acquisitions		**3.6**	–
– other continuing activities		**89.4**	74.4
Total profit on ordinary activities before interest	2&3	**93.0**	74.4
Interest payable (net)	6	**(8.8)**	(7.3)
Profit on ordinary activities before taxation	2	**84.2**	67.1
Tax on profit on ordinary activities	7	**(27.2)**	(22.6)
Profit on ordinary activities after taxation		**57.0**	44.5
Equity minority interests		**(0.1)**	(0.1)
Profit for the financial period		**56.9**	44.4
Dividends (including non-equity)	9	**(31.1)**	(25.7)
Profit retained	10	**25.8**	18.7
		pence	pence
Earnings per share – net basis	11	**25.76**	21.34

The above results relate to continuing activities.

Notes to the accounts are on pages 39 to 62.

Movements on reserves are set out in note 23.

Supplementary statements

Statement of Total Recognised Gains and Losses

For the 52 weeks ended 30th December 1995

	Notes	1995 £m	1994 £m
Profit for the financial period		**56.9**	44.4
Unrealised deficit on revaluation of properties	12	**(9.5)**	-
Currency translation adjustment on foreign currency net investments	23	**1.7**	-
Total recognised gains and losses relating to the period		**49.1**	44.4

Note of Historical Cost Profits and Losses

For the 52 weeks ended 30th December 1995

	Notes	1995 £m	1994 £m
Reported profit on ordinary activities before taxation		**84.2**	67.1
Realisation of property revaluation (losses)/gains of previous periods		**(0.3)**	0.8
Difference between an historical cost depreciation charge and the actual depreciation charge of the period calculated on the revalued amounts		**0.5**	0.5
Historical cost profit on ordinary activities before taxation		**84.4**	68.4
Tax on profit on ordinary activities	7	**(27.2)**	(22.6)
Equity minority interest		**(0.1)**	(0.1)
Dividends	9	**(31.1)**	(25.7)
Historical cost profit for the period retained after taxation, minority interests and dividends		**26.0**	20.0

Reconciliation of Movement in Shareholders' Funds

For the 52 weeks ended 30th December 1995

	Notes	1995 £m	1994 £m
Profit for the financial period		**56.9**	44.4
Dividends	9	**(31.1)**	(25.7)
Profit retained	23	**25.8**	18.7
Currency translation adjustment on foreign currency net investments	23	**1.7**	-
New share capital subscribed – share capital	22	**8.6**	0.4
– share premium	23	**119.1**	4.5
Goodwill written off arising from acquisitions	24	**(121.8)**	(4.6)
Unrealised deficit on revaluation of properties	12	**(9.5)**	-
Net increase in shareholders' funds		**23.9**	19.0
Shareholders' funds at beginning of period		**221.9**	202.9
Shareholders' funds at end of period		**245.8**	221.9

Notes to the accounts are on pages 39 to 62.

Consolidated balance sheet

As at 30th December 1995

	Notes	1995 £m	1994 £m
Fixed assets			
Tangible assets	12	**207.2**	171.4
Investments	14	**1.2**	2.6
Total fixed assets		**208.4**	174.0
Current assets			
Stocks	15	**224.7**	174.7
Debtors	16	**266.1**	222.2
Cash at bank and in hand	19	**30.7**	25.6
Total current assets		**521.5**	422.5
Creditors – amounts falling due within one year			
Operating creditors	17	**(357.5)**	(291.5)
Short term borrowings	19	**(31.1)**	(29.8)
Total amounts falling due within one year		**(388.6)**	(321.3)
Net current assets		**132.9**	101.2
Total assets less current liabilities		**341.3**	275.2
Creditors – amounts falling due after more than one year			
Operating creditors	17	**(9.0)**	(10.7)
Medium and long term borrowings	19	**(81.3)**	(40.0)
Provisions for liabilities and charges	21	**(4.8)**	(1.7)
Total net assets employed		**246.2**	222.8
Capital and reserves			
Ordinary shares	22	**60.7**	52.1
Preference shares	22	**1.3**	1.3
Called up share capital		**62.0**	53.4
Share premium account	23	**19.2**	17.6
Revaluation reserve	23	**24.2**	33.4
Profit and loss account	23	**140.4**	117.5
Total shareholders' funds (including non-equity interests)		**245.8**	221.9
Equity minority interests		**0.4**	0.9
Total capital and reserves and minority interests		**246.2**	222.8

G Davies **Chairman**
JD Eccles **Deputy Chairman**
DL Milne **Finance Director**

Notes to the accounts are on pages 39 to 62.

Company balance sheet

As at 30th December 1995

	Notes	1995 £m	1994 £m
Fixed assets			
Investments	14	**163.0**	114.4
Current assets			
Debtors	16	**327.4**	300.5
Cash at bank and in hand	19	**0.2**	1.7
Total current assets		**327.6**	302.2
Creditors – amounts falling due within one year			
Operating creditors	17	**(185.1)**	(172.5)
Short term borrowings	19	**(31.2)**	(21.1)
Total amounts falling due within one year		**(216.3)**	(193.6)
Net current assets		**111.3**	108.6
Total assets less current liabilities		**274.3**	223.0
Creditors – amounts falling due after more than one year			
Medium and long term borrowings	19	**(77.4)**	(33.5)
Total net assets employed		**196.9**	189.5
Capital and reserves			
Ordinary shares	22	**60.7**	52.1
Preference shares	22	**1.3**	1.3
Called up share capital		**62.0**	53.4
Share premium account	23	**19.2**	17.6
Profit and loss account	23	**115.7**	118.5
Total shareholders' funds (including non-equity interests)		**196.9**	189.5

G Davies **Chairman**
JD Eccles **Deputy Chairman**
DL Milne **Finance Director**

Notes to the accounts are on pages 39 to 62.

Cash flow statement

for the 52 weeks ended 30th December 1995

	Notes	1995 £m	1995 £m	1994 £m	1994 £m
Net cash inflow from operations	25		**103.5**		76.0
Net interest paid	26	**(9.5)**	**(9.5)**	(7.3)	(7.3)
Net cash inflow from operations after interest			**94.0**		68.7
Dividends		**(27.7)**	**(27.7)**	(24.3)	(24.3)
Net cash outflow in respect of returns on investments and servicing of finance		**(37.2)**		(31.6)	
Tax paid			**(28.0)**		(13.5)
Net cash inflow from operations after interest, tax and dividends			**38.3**		30.9
Net cash outflow from investing activities	27		**(76.7)**		(22.5)
Net cash (outflow)/inflow before financing			**(38.4)**		8.4
Movement in financing – cash inflow/(outflow)	28		**42.7**		(18.5)
Increase/(decrease) in net 3 month cash	29		**4.3**		(10.1)

■ **MOVEMENT IN NET BORROWINGS AND NET CASH FLOW**

	Notes	1995 £m	1995 £m	1994 £m	1994 £m
Net cash (outflow)/inflow before financing			**(38.4)**		8.4
Purchase of fixed assets with finance leases	32	**(0.5)**		(0.4)	
Borrowings more than 3 months acquired with or issued for acquisitions	24	**(6.1)**		–	
Shares issued		**1.8**		4.9	
Minority interest repaid		**(0.1)**		–	
Funds (outflow)/inflow			**(4.9)**		4.5
Exchange adjustment: increase in sterling equivalent of foreign currency borrowings			**(0.4)**		(0.2)
(Increase)/decrease in net borrowings			**(43.7)**		12.7
Opening net borrowings			**57.1**		69.8
Closing net borrowings			**100.8**		57.1
(Increase)/decrease in net borrowings			**(43.7)**		12.7

Net 3 month cash is cash less borrowings repayable within three months from the date of advance and equates to cash or cash equivalents as defined in FRS1.

The effect of acquisitions on the 1995 cashflow is detailed in note 24.

Notes to the accounts are on pages 39 to 62.

Source and distribution of value added

for the 52 weeks ended 30th December 1995

	1995	1994
	£m	£m
■ SOURCE OF VALUE ADDED		
Turnover	**1,251.7**	1,024.9
Cost of materials and services used	**(898.0)**	(724.9)
Total value added	**353.7**	300.0

■ DISTRIBUTION OF VALUE ADDED

	1995		1994	
	£m	%	£m	%
Employees – costs	**236.9**	**67.0**	204.8	68.3
Taxation – UK and overseas	**27.2**	**7.7**	22.6	7.5
Providers of capital				
Interest payable on borrowings	**8.8**	**2.5**	7.3	2.4
Dividends to shareholders	**31.1**	**8.8**	25.7	8.6
Minority shareholders in subsidiaries	**0.1**	**–**	0.1	–
Total cost of capital provided	**40.0**	**11.3**	33.1	11.0
Re-investment in the business				
Depreciation	**23.8**	**6.7**	20.8	6.9
Profit retained	**25.8**	**7.3**	18.7	6.3
Total re-invested	**49.6**	**14.0**	39.5	13.2
Total value added	**353.7**	**100.0**	300.0	100.0

Notes to the accounts

1. Accounting Policies

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

Basis of accounting

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

Consolidation

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

Acquisitions

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

Allocations to acquisitions and discontinued activities

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

Research and development

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

Foreign currencies

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

1. Accounting Policies (continued)

Stocks

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

Depreciation

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

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

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

Deferred taxation

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

Leases

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

Borrowings

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

Pension costs

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

2. Principal Activities

■ Segmental Analysis

a) By division 1995

	Turnover				
	Gross	Inter-divisional	Net	Profit	Net operating assets
	£m	£m	£m	£m	£m
Consumer Products	**136.4**	**–**	**136.4**	**12.1**	**20.2**
Foundry Products	**86.3**	**–**	**86.3**	**7.3**	**24.5**
Metal Services	**290.9**	**(2.3)**	**288.6**	**16.8**	**53.0**
Plastics	**292.5**	**(0.8)**	**291.7**	**26.3**	**92.5**
Steels & Engineering	**352.9**	**(1.3)**	**351.6**	**30.8**	**70.7**
Tubes & Fittings	**78.4**	**(0.4)**	**78.0**	**(2.0)**	**27.4**
Properties	**14.7**	**(13.8)**	**0.9**	**8.2**	**97.9**
Other operations	**18.6**	**(0.4)**	**18.2**	**(3.8)**	**(4.5)**
Central costs	**–**	**–**	**–**	**(2.7)**	**8.9**
Total continuing activities	**1,270.7**	**(19.0)**	**1,251.7**	**93.0**	**390.6**
Discontinued activities	**–**	**–**	**–**	**–**	**(1.6)**
Total activities	**1,270.7**	**(19.0)**	**1,251.7**	**93.0**	**389.0**
Interest	**–**	**–**	**–**	**(8.8)**	**–**
Tax and dividends	**–**	**–**	**–**	**–**	**(42.0)**
Net borrowings	**–**	**–**	**–**	**–**	**(100.8)**
Total Group	**1,270.7**	**(19.0)**	**1,251.7**	**84.2**	**246.2**

Turnover of £50.7 million and profit after interest of £2.7 million (after restructuring costs of £1.0 million and interest of £0.9 million) relating to acquisitions are included in the 1995 figures above.
The results for Victaulic PLC have been included under the respective divisions into which it has been integrated. Profit before interest of £1.4m for Foundry Products, £1.9m for Plastics and £0.3m for Steels & Engineering has been included, making a total contribution from Victaulic PLC of £3.6m before interest.

By division 1994

	Turnover				
	Gross	Inter-divisional	Net	Profit	Net operating assets
	£m	£m	£m	£m	£m
Consumer Products	126.5	(0.6)	125.9	14.0	18.4
Foundry Products	66.0	(0.2)	65.8	3.9	8.4
Metal Services	214.3	(1.8)	212.5	11.3	37.1
Plastics	233.1	(0.7)	232.4	19.9	60.9
Steels & Engineering	296.9	(0.5)	296.4	23.1	60.7
Tubes & Fittings	71.3	(0.3)	71.0	(3.9)	30.9
Properties	13.7	(12.9)	0.8	10.1	90.4
Other operations	20.1	–	20.1	(1.3)	(0.2)
Central costs	–	–	–	(2.7)	9.2
Total continuing activities	1,041.9	(17.0)	1,024.9	74.4	315.8
Discontinued activities	–	–	–	–	(1.5)
Total activities	1,041.9	(17.0)	1,024.9	74.4	314.3
Interest	–	–	–	(7.3)	–
Tax and dividends	–	–	–	–	(34.4)
Net borrowings	–	–	–	–	(57.1)
Total Group	1,041.9	(17.0)	1,024.9	67.1	222.8

An analysis of net operating assets by category of asset is given on page 64.

The above tables reflect the change to the management structure of the Group at the beginning of 1995. The effect of the change is to reclassify businesses with turnover of £5.0 million, profit of £0.3 million and net operating assets of £1.4 million to the Consumer Products division from Other operations.

2. Principal Activities (continued)

Segmental Analysis

b) Geographically 1995

	Turnover Gross	Turnover Inter-region	Turnover Net	Profit	Net operating assets
	£m	£m	£m	£m	£m
United Kingdom	**1,007.4**	**(24.5)**	**982.9**	**73.3**	**313.2**
Europe (except United Kingdom)	**126.8**	**(0.3)**	**126.5**	**5.1**	**40.4**
North America	**118.4**	**–**	**118.4**	**10.5**	**23.0**
Australia & Asia	**24.5**	**(0.6)**	**23.9**	**4.1**	**14.0**
Total continuing activities	**1,277.1**	**(25.4)**	**1,251.7**	**93.0**	**390.6**
Discontinued activities	**–**	**–**	**–**	**–**	**(1.6)**
Total activities	**1,277.1**	**(25.4)**	**1,251.7**	**93.0**	**389.0**
Interest	**–**	**–**	**–**	**(8.8)**	**–**
Tax and dividends	**–**	**–**	**–**	**–**	**(42.0)**
Net borrowings	**–**	**–**	**–**	**–**	**(100.8)**
Total Group	**1,277.1**	**(25.4)**	**1,251.7**	**84.2**	**246.2**

The above analysis includes the following relating to the acquisition of Victaulic PLC:

	Turnover Net	Profit	Net operating assets
	£m	£m	£m
United Kingdom	**35.7**	**3.4**	**36.3**
Europe (except United Kingdom)	**11.6**	**0.1**	**8.3**
Rest of World	**0.7**	**0.1**	**–**
Total Victaulic PLC	**48.0**	**3.6**	**44.6**

Geographically 1994

	Turnover Gross	Turnover Inter-region	Turnover Net	Profit	Net operating assets
	£m	£m	£m	£m	£m
United Kingdom	831.6	(17.8)	813.8	58.3	257.8
Europe (except United Kingdom)	81.6	(0.1)	81.5	5.3	26.3
North America	105.9	(0.2)	105.7	6.4	20.7
Australia & Asia	24.6	(0.7)	23.9	4.4	11.0
Total continuing activities	1,043.7	(18.8)	1,024.9	74.4	315.8
Discontinued activities	–	–	–	–	(1.5)
Total activities	1,043.7	(18.8)	1,024.9	74.4	314.3
Interest	–	–	–	(7.3)	–
Tax and dividends	–	–	–	–	(34.4)
Net borrowings	–	–	–	–	(57.1)
Total Group	1,043.7	(18.8)	1,024.9	67.1	222.8

2. Principal Activities (continued)

c) Turnover by customer location	1995 £m	1995 %	1994 £m	1994 %
North and South America	**138.1**	**11.0**	124.6	12.1
Europe (except United Kingdom)	**223.8**	**17.9**	149.3	14.6
Australia & Asia	**38.1**	**3.0**	33.3	3.2
Middle East	**16.4**	**1.3**	11.1	1.1
Africa	**3.3**	**0.3**	2.7	0.3
Total overseas	**419.7**	**33.5**	321.0	31.3
United Kingdom	**832.0**	**66.5**	703.9	68.7
Total turnover	**1,251.7**	**100.0**	1,024.9	100.0

The above analysis for 1995 includes the following relating to the acquisition of Victaulic PLC, United Kingdom **£28.0** million, Europe (except UK) **£15.6** million, Australia and Asia **£2.2** million, Middle East **£1.9** million and North and South America **£0.3** million.

Sales value of direct exports from the United Kingdom during the year was **£157.5** million (1994 £116.9 million).

Exports from UK subsidiaries to overseas subsidiaries were an additional **£24.5** million (1994 £17.8 million).

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

3. Net Operating Costs

	1995	1994
	£m	£m
Turnover	**1,251.7**	1,024.9
Less operating profit	**(93.0)**	(74.4)
Net operating costs	**1,158.7**	950.5
Net operating costs		
Raw materials and consumables	**719.6**	576.8
Staff costs (see note 5)	**236.9**	204.8
Other operating charges	**160.2**	133.3
Change in stocks of finished goods and work in progress	**(22.8)**	(23.4)
Own work capitalised	**(0.5)**	(0.8)
Other operating income	**(6.2)**	(6.0)
Other external charges	**47.9**	45.0
Depreciation and other amounts written off tangible fixed assets	**23.8**	20.8
Share of profits in associated undertakings	**(0.2)**	–
Total net operating costs	**1,158.7**	950.5

	1995	1994
Net operating costs include the following:	£m	£m
Reorganisation and redundancy	**5.1**	2.7
Profit on sale of tangible fixed assets	**0.7**	2.9
Operating lease rentals		
Hire of plant, equipment and vehicles	**5.0**	4.7
Other operating leases – property rentals	**9.1**	7.6
Total operating lease rentals	**14.1**	12.3
Auditors' remuneration		
Audit services		
(Company £0.3 million (1994 £0.2 million))	**1.3**	1.1
Other services provided by Group auditors		
– Stock exchange transactions	**0.1**	–
– Other	**0.2**	0.1
Research and development	**4.3**	3.3

Net expenditure in respect of discontinued activities in the current period amounted to £0.4 million, all of which was provided for in previous years.

3. Net Operating Costs (continued)

The figures for 1995 include the following amounts relating to acquisitions:

	1995
	£m
Turnover	**50.7**
Less operating profit	**(3.6)**
Net operating costs	**47.1**
Raw materials and consumables	**15.0**
Wages and salaries	**13.0**
Social security costs	**1.3**
Other pension costs	**0.6**
Other operating charges	**13.3**
Change in stocks of finished goods and work in progress	**3.4**
Other operating income	**(1.1)**
Depreciation and other amounts written off tangible fixed assets	**1.6**
Net operating costs	**47.1**

Notes to the accounts

4. Directors' Emoluments of Glynwed International plc

	1995	1994
	£000	£000
Salary and benefit as executives	**829**	1,019
Performance-related	**197**	220
Pension contributions	**202**	165
Payments in respect of retirement	**–**	17
Non-executive directors' fees	**145**	76
Total directors' emoluments	**1,373**	1,497

Payments in the year to former directors in respect of services as directors amounted to £12,938 (1994 nil).

	1995	1994
Chairman	£	£
Salary and benefits	**182,416**	278,695
Performance-related	**53,303**	57,668
Pension contributions	**–**	–
Total	**235,719**	336,363

	1995	1994
Highest paid director	£	£
Salary and benefits	**282,803**	278,695
Performance-related	**53,820**	57,668
Pension contributions	**70,880**	–
Total	**407,503**	336,363

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

£	Number of directors	
335,001 to 340,000	**1**	1
325,001 to 330,000	**–**	1
235,001 to 240,000	**1**	–
190,001 to 195,000	**1**	–
185,001 to 190,000	**–**	1
160,001 to 165,000	**1**	–
155,001 to 160,000	**–**	1
150,001 to 155,000	**1**	–
135,001 to 140,000	**–**	1
95,001 to 100,000	**–**	1
35,001 to 40,000	**1**	1
15,001 to 20,000	**2**	2
Total number of directors	**8**	9

Further details of directors' emoluments are given in the Report of the Remuneration Committee on pages 30 to 32.

5. Employee Information

	Number of employees	
	1995	**1994**
Average number of employees		
United Kingdom and Europe	**11,266**	10,139
United States of America	**407**	370
Canada	**174**	164
Australia	**369**	353
Total (including executive directors)	**12,216**	11,026

Notes to the accounts

5. Employee Information (continued)

	1995	1994
Staff costs	£m	£m
Wages and salaries	**209.5**	182.9
Social security costs	**21.3**	18.9
Other pension costs	**6.1**	3.0
Total staff costs (including executive directors)	**236.9**	204.8

Pension costs

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

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

The valuations produced both a lower surplus and a higher regular pension cost than the previous revaluation as at 31st March 1992. As a result the charge to profit and loss for the main schemes in 1995 was £6.0 million, which was reduced to £4.4 million by utilisation of a prior year provision. For 1994 the charge was only £2.1 million.

6. Interest Payable (net)

	1995	1994
Interest payable and similar charges	£m	£m
On borrowings wholly repayable within five years		
(other than by instalments)	**6.2**	4.0
On all other borrowings	**3.7**	3.9
On finance leases	**1.0**	0.9
Total interest payable and similar charges	**10.9**	8.8
Less interest receivable and similar income	**(2.1)**	(1.5)
Interest payable (net)	**8.8**	7.3

7. Taxation

	1995	1994
On the profit for the period	£m	£m
United Kingdom corporation tax		
(based on a rate of 33%,1994 33%)	**19.6**	17.5
Overseas taxation	**7.6**	4.6
Taxation on the profit for the period	**27.2**	22.1
Previous year adjustments	**-**	0.5
Total tax on profit on ordinary activities	**27.2**	22.6

8. Profit for the Financial Period

Group profit after taxation and minority interests for the period was **£56.9** million (1994 £44.4 million). Glynwed International plc has taken advantage of section 230(3) of the Companies Act 1985 and has not included its own profit and loss account in these accounts: its corresponding profit was **£28.3** million (1994 £28.8 million).

9. Dividends

	1995	1994
Ordinary dividends	£m	£m
Interim dividend paid of 4.40p per share (1994 4.15p)	**10.7**	8.7
Proposed final dividend of 8.35p per share (1994 8.10p)	**20.3**	16.9
Total ordinary dividends of 12.75p per share (1994 12.25p)	**31.0**	25.6
Preference dividends 5.425%	**0.1**	0.1
Total dividends	**31.1**	25.7

10. Profit Retained

	1995	1994
	£m	£m
Glynwed International plc	**(2.8)**	3.1
Subsidiary companies	**28.6**	15.6
Total profit retained	**25.8**	18.7

11. Calculation of Earnings per Share

Earnings per share have been calculated using the earnings set out below and an average of **220.5** million (1994 207.6 million) ordinary shares of 25p each in issue. The average shares in issue include 11.7 million as a result of the 33.5 million shares issued during the period in relation to the acquisition of Victaulic PLC. The earnings per share under the Institute of Investment Management and Research (IIMR) definition are disclosed to show the basis of the calculations of the earnings per share that will be used by the financial press.

	1995		1994	
	net	IIMR	net	IIMR
	£m	£m	£m	£m
Profit on ordinary activities before taxation	**84.2**	**84.2**	67.1	67.1
Add back:				
Profit on sale of tangible fixed assets	–	**(0.7)**	–	(2.9)
Disposal of discontinued operations				
– Loss on disposal	–	**0.4**	–	3.5
– Prior year provisions written back	–	**(0.4)**	–	(3.5)
Adjusted profit on ordinary activities before taxation	**84.2**	**83.5**	67.1	64.2
Taxation	**(27.2)**	**(27.1)**	(22.6)	(22.6)
Profit after taxation	**57.0**	**56.4**	44.5	41.6
Equity minority interests	**(0.1)**	**(0.1)**	(0.1)	(0.1)
Profit for the financial period	**56.9**	**56.3**	44.4	41.5
Less preference dividend	**(0.1)**	**(0.1)**	(0.1)	(0.1)
Earnings	**56.8**	**56.2**	44.3	41.4
	pence	pence	pence	pence
Earnings per share	**25.76**	**25.49**	21.34	19.94

12. Tangible Fixed Assets

	1995						1994
	Land and buildings				Fixtures	Total	Total
	Freehold	Leasehold Long	Leasehold Short	Plant and machinery	fittings tools and equipment	tangible fixed assets	tangible fixed assets
Cost and valuation	£m	£m	£m	£m	£m	£m	£m
At beginning of period	93.0	7.7	1.2	182.8	63.0	**347.7**	335.3
Exchange adjustments	0.3	–	–	1.1	0.4	**1.8**	0.7
Businesses acquired	13.6	–	0.2	40.4	9.2	**63.4**	2.4
Additions at cost	7.0	0.1	–	22.1	10.6	**39.8**	22.6
Disposals	(1.2)	(0.2)	(1.0)	(4.9)	(6.7)	**(14.0)**	(13.3)
Deficit on revaluation	(16.2)	(0.8)	–	–	–	**(17.0)**	–
Reclassification	–	(0.4)	0.4	–	–	**–**	–
At end of period	96.5	6.4	0.8	241.5	76.5	**421.7**	347.7
Analysis of cost and valuation							
Cost	–	–	0.8	240.4	76.3	**317.5**	257.9
Professional valuations							
1995	91.7	6.3	–	–	–	**98.0**	–
Previous years	–	–	–	–	–	**–**	85.2
Directors' valuations	4.8	0.1	–	1.1	0.2	**6.2**	4.6
At end of period	96.5	6.4	0.8	241.5	76.5	**421.7**	347.7
Accumulated depreciation							
At beginning of period	5.2	0.9	1.1	124.0	45.1	**176.3**	162.9
Exchange adjustments	–	–	–	0.8	0.2	**1.0**	0.3
Businesses acquired	–	–	–	26.4	5.2	**31.6**	1.1
Provision for the period	1.5	0.1	0.1	14.0	8.1	**23.8**	20.8
Disposals	–	–	(0.8)	(3.7)	(6.2)	**(10.7)**	(8.8)
Revaluation elimination	(6.7)	(0.8)	–	–	–	**(7.5)**	–
Reclassification	–	(0.2)	0.2	–	–	**–**	–
At end of period	–	–	0.6	161.5	52.4	**214.5**	176.3
Net book value							
At end of period	96.5	6.4	0.2	80.0	24.1	**207.2**	171.4
At beginning of period	87.8	6.8	0.1	58.8	17.9	**171.4**	172.4

Freehold and long leasehold properties, held for the long term by the Group, were valued at 30th December 1995 by King Sturge, Chartered Surveyors, in the United Kingdom, Chesterton plc in mainland Europe, Edward Rushton Australia Pty Ltd in Australia and by local professional valuers in the United States of America. Most properties were valued according to their vacant possession open market value for existing use; these valuations amounted to **£69.2** million. The remaining more specialised properties were valued at their vacant possession open market value, the resulting valuations amounting to **£28.8** million. Both sets of valuations have been included in the accounts giving a deficit of **£9.5** million (deficit of £17.0 million less elimination of depreciation £7.5 million) against the net book value. This deficit has been deducted from existing revaluation reserves (see note 23). The annual charge for depreciation for future years based on the buildings' valuation will be decreased by approximately **£0.4** million.

The values of the tangible fixed assets not included in the professional valuations were considered by the directors and in their opinion the aggregate value of those fixed assets was not less than their aggregate net book value as stated in the accounts.

Included in the cost of tangible fixed assets is **£3.7** million (1994 £2.9 million) in respect of assets in course of construction.

The historical cost of tangible fixed assets amounts to **£402.5** million (1994 £311.5 million) and the accumulated depreciation thereon is **£225.0** million (1994 £180.3 million) giving a net historical book value of **£177.5** million (1994 £131.2 million).

The net book value of tangible fixed assets includes **£13.2** million (1994 £13.6 million) in respect of assets held under finance leases. Depreciation for the period on these assets was **£2.0** million (1994 £2.0 million).

13. Commitments

	1995	1994
Group	£m	£m
a) Capital commitments		
Authorised by the Board but not contracted for	**11.0**	4.8
Contracted for but not provided in the accounts	**3.1**	6.4
Total capital commitments	**14.1**	11.2

	Land & buildings		Other operating leases	
b) Operating lease commitments for 1996	1995	1994	1995	1994
	£m	£m	£m	£m
For leases expiring				
After more than five years	**6.6**	4.3	**1.4**	–
Between two and five years	**2.3**	2.0	**2.5**	1.8
Between one and two years	**1.1**	0.8	**0.9**	0.9
Within one year	**0.6**	0.5	**0.6**	0.8
Total operating lease commitments	**10.6**	7.6	**5.4**	3.5

Glynwed International plc has no capital or operating lease commitments (1994 nil).

14. Investments

	Share of net assets of associated undertakings	Other investments	Total
Group	£m	£m	£m
Fixed asset investments			
Cost at beginning of period	0.6	2.1	**2.7**
Exchange adjustment	0.1	–	**0.1**
Disposals	–	(1.7)	**(1.7)**
Increase in value in the period	0.1	–	**0.1**
Cost at end of period	0.8	0.4	**1.2**
Provision at beginning of period	–	(0.1)	**(0.1)**
Release of provision in the period		0.1	**0.1**
Provision at end of period	–	–	**–**
Net book value at end of period (all unlisted)	0.8	0.4	**1.2**

14. Investments (continued)

Company	Cost of shares	Provisions	Net book value	Amounts due from subsidiaries	Amounts due to subsidiaries	Total
	£m	£m	£m	£m	£m	£m
Subsidiaries						
At beginning of period	158.5	(45.5)	**113.0**	283.3	(149.2)	247.1
Additions	48.8	–	**48.8**	–	–	48.8
Transfers from other Group companies	0.8	–	**0.8**	–	–	0.8
Movements in period	–	0.4	**0.4**	26.1	(8.6)	17.9
At end of period	208.1	(45.1)	**163.0**	309.4	(157.8)	314.6
Other investments						
At beginning of period	1.5	(0.1)	**1.4**	–	–	1.4
Disposals	(1.5)	0.1	**(1.4)**	–	–	(1.4)
At end of period	–	–	–	–	–	–
Total investments						
At end of period	208.1	(45.1)	**163.0**	309.4	(157.8)	314.6
At beginning of period	160.0	(45.6)	**114.4**	283.3	(149.2)	248.5

15. Stocks

	1995	**1994**
	£m	£m
Raw materials and consumables	**53.5**	38.8
Work in progress	**25.0**	20.3
Finished goods and goods for resale	**146.2**	115.6
Total stocks	**224.7**	174.7

16. Debtors

	Group		Company	
	1995	**1994**	**1995**	**1994**
Amounts falling due within one year	£m	£m	£m	£m
Trade debtors	**238.3**	200.1	–	–
Amounts owed by Group undertakings	–	–	**309.4**	283.3
Other debtors	**9.2**	5.7	–	–
Prepayments and accrued income	**13.5**	12.2	–	–
Advance corporation tax	–	–	**12.9**	13.0
Total debtors falling due within one year	**261.0**	218.0	**322.3**	296.3
Amounts falling due after more than one year				
Advance corporation tax	**5.1**	4.2	**5.1**	4.2
Total debtors	**266.1**	222.2	**327.4**	300.5

17. Operating Creditors

	Group		Company	
	1995	**1994**	**1995**	**1994**
Amounts falling due within one year	£m	£m	£m	£m
Trade creditors	**204.8**	175.2	**–**	–
Bills of exchange payable				
– discounted at a cost to the Group (note 19)	**8.2**	0.2	**–**	–
– other	**3.4**	3.7	**–**	–
Amounts owed to Group undertakings	**–**	–	**157.8**	149.2
Social security	**4.5**	3.4	**–**	–
Dividends payable	**20.3**	16.9	**20.3**	16.9
Accruals and deferred income	**51.9**	43.5	**0.4**	1.0
Taxation	**26.8**	21.7	**6.1**	4.7
Other creditors	**35.7**	24.9	**0.5**	0.7
Finance leases (note 18)	**1.9**	2.0	**–**	–
Total operating creditors falling due within one year	**357.5**	291.5	**185.1**	172.5
Amounts falling due after more than one year				
Finance leases (note 18)	**9.0**	10.7	**–**	–
Total operating creditors falling due after more than one year	**9.0**	10.7	**–**	–

18. Obligations under Finance Leases

	1995	**1994**
Group	£m	£m
Payable after more than five years	**3.0**	4.5
Payable between two and five years	**4.5**	4.7
Payable between one and two years	**1.5**	1.5
Total payable after more than one year	**9.0**	10.7
Payable within one year	**1.9**	2.0
Total obligations under finance leases	**10.9**	12.7

19. Borrowings

a) Summary of borrowings from the balance sheet	1995 Bills of exchange	1995 Finance leases	1995 Other borrowings	1995 Total	1994 Bills of exchange	1994 Finance leases	1994 Other borrowings	1994 Total
	£m	£m	£m	£m	£m	£m	£m	£m
Floating Rate Loan Notes 1996/2002	–	–	4.1	**4.1**	–	–	–	–
10.75% Loan Stock 1994/99	–	–	–	–	–	–	5.7	5.7
Other short-term borrowings	–	–	27.0	**27.0**	–	–	24.1	24.1
Total short-term borrowings (page 35)	–	–	31.1	**31.1**	–	–	29.8	29.8
Discounted bills of exchange payable with a cost to the group (note 17)	8.2	–	–	**8.2**	0.2	–	–	0.2
Finance leases (note 18)	–	1.9	–	**1.9**	–	2.0	–	2.0
Total falling due within one year	8.2	1.9	31.1	**41.2**	0.2	2.0	29.8	32.0
Finance leases (note 18)	–	9.0	–	**9.0**	–	10.7	–	10.7
Medium and long term borrowings (page 35)	–	–	81.3	**81.3**	–	–	40.0	40.0
Total borrowings	8.2	10.9	112.4	**131.5**	0.2	12.7	69.8	82.7
Cash at bank and in hand (page 35)				**(30.7)**				(25.6)
Total net borrowings				**100.8**				57.1

b) Maturity of borrowings	1995 Secured	1995 Unsecured	1995 Total	1994 Secured	1994 Unsecured	1994 Total
Group	£m	£m	£m	£m	£m	£m
Amounts repayable						
– within one year	1.9	39.3	**41.2**	2.0	30.0	32.0
– between one and two years	1.5	21.2	**22.7**	1.5	0.5	2.0
– between two and five years	4.5	59.7	**64.2**	4.7	35.3	40.0
– after five years						
– by instalments	3.0	0.4	**3.4**	4.5	0.1	4.6
– other	–	–	–	–	4.1	4.1
Total borrowings	10.9	120.6	**131.5**	12.7	70.0	82.7
Cash at bank and in hand			**(30.7)**			(25.6)
Total net borrowings			**100.8**			57.1

Interest rates are not more than the appropriate market rate.

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

19. Borrowings (continued)

b) Maturity of borrowings (continued)	1995			1994		
	Secured	Unsecured	Total	Secured	Unsecured	Total
Company	£m	£m	£m	£m	£m	£m
Amounts repayable						
Within one year	–	31.2	**31.2**	–	21.1	21.1
After one year						
– between one and two years	–	18.3	**18.3**	–	–	–
– between two and five years	–	59.1	**59.1**	–	29.4	29.4
– after five years						
– other than by instalments	–	–	–	–	4.1	4.1
Total amount repayable after one year	–	77.4	**77.4**	–	33.5	33.5
Total borrowings	–	108.6	**108.6**	–	54.6	54.6
Cash at bank and in hand			**(0.2)**			(1.7)
Total net borrowings			**108.4**			52.9

20. Contingent Liabilities

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

21. Provisions for Liabilities and Charges

	1995	1994
	£m	£m
a) Pensions		
Provision at beginning of period	**1.7**	1.7
Businesses acquired	**0.5**	–
Provided in period	**2.6**	–
Provision at end of period	**4.8**	1.7

b) Deferred taxation	Provided		Potential unprovided	
	1995	1994	1995	1994
	£m	£m	£m	£m
Timing differences mainly between tax allowances and depreciation	**0.1**	1.2	**10.1**	7.0
Other timing differences	**(0.1)**	(1.2)	**(5.0)**	(3.5)
Corporation tax payable if properties were disposed of at revalued amounts	–	–	–	0.4
Total deferred taxation	–	–	**5.1**	3.9

22. Share Capital

	Ordinary shares of 25p each		5.425% Cumulative Preference shares of £1 each	
	1995	**1994**	**1995**	**1994**
Value	£m	£m	£m	£m
Authorised	**81.8**	73.2	1.3	1.3
Issued	**60.7**	52.1	1.3	1.3
Number	million	million	million	million
Authorised	**327.0**	292.6	1.3	1.3
Issued	**243.1**	208.6	1.3	1.3

The issued preference share capital of **£1.3** million (1994 £1.3million) represents the only non-equity interests included in total shareholders' funds.

During the period **33.5** million ordinary shares of 25p each (nominal value £8.4 million) were issued in relation to the acquisition of 44.8 million ordinary shares in Victaulic PLC (see note 24).

Additionally **1.0** million ordinary shares of 25p each (nominal value £0.2 million) were issued in connection with the Company's share option schemes for an aggregate consideration of **£1.8** million.

Options have been granted and were outstanding at 30 December 1995 under the following schemes as set out below.

Glynwed International plc Senior Executive Share Option Scheme

Number of ordinary shares	Option price p per share	Exercisable in the 7 years to
208,500	264	April 1997
204,200	304	April 1998
895,000	308	September 1999
1,446,000	200	September 2002
175,000	307	September 2003
2,928,700	Total	

Glynwed International plc Savings-Related Share Option Schemes

Number of ordinary shares	Option price p per share	Exercisable in the 6 months to
1,742,235	182	November 1997
2,778,110	243	December 2000
4,520,345	Total	

Additionally, certain options granted under Victaulic PLC schemes before the company's acquisition by Glynwed International plc have been converted to options for Glynwed International plc shares. At 30 December 1995 options outstanding under these schemes are set out below:

Executive Share Option Scheme

Number of ordinary shares	Option price p per share	Exercisable in the 7 years to
38,826	121.05	May 1998
7,765	200.89	April 2000
32,030	243.39	April 2001
95,122	382.73	April 2002
99,008	302.88	April 2004
272,751	Total	

Savings-Related Share Option Scheme

Number of ordinary shares	Option price p per share	Exercisable in the 6 months to
25,454	158.65	June 1996
105,839	247.25	June 1997
134,996	230.77	June 1998
145,195	245.19	June 1999
163,682	216.35	June 2000
575,166	Total	

23. Reserves

Group	Share premium	Revaluation reserve	Other reserves	Profit and loss account	Total
	£m	£m	£m	£m	£m
At beginning of period	17.6	33.4	–	117.5	**168.5**
Exchange differences	–	–	–	1.7	**1.7**
Premium on shares issued*	1.6	–	117.5	–	**119.1**
Goodwill written off arising from acquisitions (note 24)	–	–	(117.5)	(4.3)	**(121.8)**
Transfer between reserves	–	0.3	–	(0.3)	–
Unrealised deficit on revaluation of properties	–	(9.5)	–	–	**(9.5)**
Profit retained	–	–	–	25.8	**25.8**
At end of period	**19.2**	**24.2**	–	**140.4**	**183.8**
Company					
At beginning of period	17.6	–	–	118.5	**136.1**
Premium on shares issued*	1.6	–	–	–	**1.6**
Transfer from reserves	–	–	–	(2.8)	**(2.8)**
At end of period	**19.2**	–	–	**115.7**	**134.9**

* The difference between the fair value and nominal value of ordinary shares issued as consideration for the acquisition of Victaulic PLC was **£117.5** million. This amount has been used to write off the goodwill arising on that acquisition of **£121.4** million. In the company accounts, advantage has been taken of the merger relief rules and shares issued as consideration for the acquisition of Victaulic PLC have been accounted for at nominal value.

The cumulative amount of goodwill written off to reserves in respect of continuing businesses since 1984 is **£305.6** million.

In accordance with SSAP 20, for each currency, exchange differences arising from the translation of foreign currency borrowing used to finance foreign currency investments, have been offset as reserve movements against exchange differences arising on the retranslation of the net investment in that currency. In total, net exchange gains on foreign currency borrowings of **£0.4** million (1994 £0.1 million losses) have been taken to reserves.

24. Acquisitions

The principal acquisitions during the period were:

February Aquadart Limited (45.45% minority interest)
August Victaulic PLC

The company has taken advantage of the merger relief provisions relating to the issue of its shares in relation to the acquisition of Victaulic PLC. The Group has used acquisition accounting for each acquisition.

The results of Victaulic PLC from 1st January 1995 to the date of acquisition of 25th August 1995 are summarised below:

	1st January to 25th August 1995
	£m
Turnover	90.4
Operating profit	5.5
Net interest payable	(0.2)
Profit on ordinary activities before taxation	5.3
Taxation	(1.8)
Profit on ordinary activities after taxation	3.5
Currency translation differences on foreign currency net investments	0.2
Total recognised gains and losses relating to the period	3.7

The profit on ordinary activities after taxation for the year ended 31st December 1994 was £8.7 million.

24. Acquisitions (continued)

Goodwill arising from acquisitions

	Victaulic				Other Acquisitions	Total
	Book value	Revaluation	Other provisions	Fair value	Book & Fair value	Net
	£m	£m	£m	£m	£m	£m
Assets purchased						
Tangible fixed assets	41.7	(9.5)	(0.9)	31.3	0.5	31.8
Stocks	22.9	–	(1.0)	21.9	0.4	22.3
Debtors	27.6	–	(0.7)	26.9	0.4	27.3
Total assets	92.2	(9.5)	(2.6)	80.1	1.3	81.4
Less liabilities assumed						
– minority interests	(0.1)	–	–	(0.1)	0.6	0.5
– taxation	(6.0)	–	1.1	(4.9)	–	(4.9)
– pension provision	(0.5)	–	–	(0.5)	–	(0.5)
– other creditors	(21.3)	–	(1.4)	(22.7)	(0.7)	(23.4)
Net operating assets acquired	64.3	(9.5)	(2.9)	51.9	1.2	53.1
Less borrowings acquired						
– finance leases				(0.4)	(0.1)	(0.5)
– other borrowings repayable more than 3 months				(1.5)	–	(1.5)
– borrowings repayable within 3 months				(6.3)	(0.1)	(6.4)
Net assets acquired				43.7	1.0	44.7
Cash paid				35.1	1.4	36.5
Floating Rate Loan Notes 1996/2002 issued				4.1	–	4.1
Shares issued (nominal value £8.4 million, note 22)				125.9	–	125.9
Total consideration				165.1	1.4	166.5
Goodwill written off arising from acquisitions (note 23)				121.4	0.4	121.8

The £9.5 million adjustment on revaluation of fixed assets reflects a change to the vacant possession basis used by Glynwed International plc. The other provisions represent a re-assessment of the balances included in the management accounts at the date of acquisition.

Effect of acquisitions on the Group cash flow statement

At acquisition the effect of acquisitions on net borrowings was an increase of £49.0 million as follows:	£m	£m
Borrowings acquired repayable within 3 months		6.4
Cash paid		36.5
Net movement in cash and cash equivalents (note 27)		42.9
Finance leases acquired	0.5	
Other borrowings acquired repayable more than 3 months	1.5	
Floating Rate Loan Notes 1996/2002 issued	4.1	
Borrowings more than 3 months acquired with or issued as consideration		6.1
Increase in total net borrowings		49.0

Post-acquisition the effect on the Group cash flow statement was an additional inflow of £11.9 million being:
additional cash inflow from operations of £16.6 million, additional interest paid of £0.9 million, additional tax paid of £3.5 million and an additional cash outflow from investing activities of £0.3 million.

25. Reconciliation of Operating Profit to Net Cash Flow from Operating Activities

	1995	1994
	£m	£m
Operating profit	**93.0**	74.4
Add back reorganisation and redundancy costs	**5.1**	2.7
Operating profit before reorganisation and redundancy costs	**98.1**	77.1
Cash paid for reorganisation and redundancy	**(3.1)**	(2.6)
Depreciation charges	**23.8**	20.8
Profit on sale of tangible fixed assets	**(0.7)**	(2.8)
Profit on sale of investments	**(0.2)**	–
Share of associated undertakings	**(0.2)**	–
Increase in stocks	**(26.7)**	(33.4)
Increase in debtors	**(15.0)**	(23.3)
Increase in creditors	**26.2**	40.3
Exchange adjustment on current assets	**1.3**	(0.1)
Net cash inflow from operations	**103.5**	76.0

26. Net Interest

	1995	1994
	£m	£m
Interest received	**2.1**	1.5
Interest paid	**(10.6)**	(7.9)
Interest element of finance lease rentals	**(1.0)**	(0.9)
Net interest paid	**(9.5)**	(7.3)
Interest charge per profit and loss account	**(8.8)**	(7.3)
Movement in prepayments and accruals	**(0.7)**	–
Net interest paid	**(9.5)**	(7.3)

27. Investing Activities

		1995		1994
	£m	£m	£m	£m
Capital expenditure – total (note 12)	**(39.8)**		(22.6)	
– less purchased with finance leases (note 32)	**0.5**		0.4	
		(39.3)		(22.2)
Acquisitions – increase in Group borrowings (note 24)	**(49.0)**		(9.4)	
– less those borrowings more than 3 months acquired with or issued as consideration (note 24)	**6.1**		–	
		(42.9)		(9.4)
Sale of tangible fixed assets		**4.0**		6.5
Sale of investments		**1.9**		0.1
Cash received from disposal of businesses in previous periods		**–**		5.3
Cash flow re discontinued activities (note 33)		**(0.4)**		(2.8)
Net cash outflow from investing activities		**(76.7)**		(22.5)

28. Movement in Financing

	1995	1994
	£m	£m
Inflow/(outflow)		
Issue of ordinary share capital	**1.8**	4.9
Minority interest repaid	**(0.1)**	–
Finance lease repayments	**(2.8)**	(2.6)
Increase/(repayment) of loans (note 31)	**35.8**	(12.7)
Increase/(reduction) in bills discounted	**8.0**	(8.1)
Movement in financing – cash inflow/(outflow)	**42.7**	(18.5)

Movement in financing represents changes in the Group's external financing and excludes the change in the net 3 month cash. Loans are borrowings repayable more than three months from the date of advance.

29. Analysis of Changes in Net 3 Month Cash during the Period

	1995	1994
	£m	£m
Net 3 month cash at beginning of period	**0.9**	10.9
Increase/(decrease)	**4.3**	(10.1)
Exchange adjustment	**(0.5)**	0.1
Net 3 month cash at end of period	**4.7**	0.9

Net 3 month cash is cash less borrowings repayable within three months from the date of advance and equates to cash or cash equivalents as defined in FRS1.

30. Analysis of Net 3 Month Cash in the Balance Sheet

	1995	1994	Change in period
	£m	£m	£m
Current period			
Borrowings due within one year (note 19)	**(41.2)**	(32.0)	(9.2)
10.75% loan stock	**–**	5.7	(5.7)
Floating rate loan stock	**4.1**	–	4.1
Other non-bank borrowings	**–**	0.1	(0.1)
Bank borrowings due within one year	**(37.1)**	(26.2)	(10.9)
Less current portion of long term loans	**11.1**	1.5	9.6
3 month borrowings	**(26.0)**	(24.7)	(1.3)
Cash at bank and in hand (note 19)	**30.7**	25.6	5.1
Net 3 month cash	**4.7**	0.9	3.8

	1995	1994	Change in period
	£m	£m	£m
Prior period			
Bank borrowings due within one year	(26.2)	(43.5)	17.3
Less current portion of long term loans	1.5	24.7	(23.2)
3 month borrowings	(24.7)	(18.8)	(5.9)
Cash at bank and in hand	25.6	29.7	(4.1)
Net 3 month cash	0.9	10.9	(10.0)

31. Analysis of Changes in Financing during the Period

	Share capital and premium	Other borrowings	Finance lease obligations	Bills of exchange
	£m	£m	£m	£m
Current period				
Balance at beginning of period	71.0	69.8	12.7	0.2
Balance at end of period	(81.2)	(112.4)	(10.9)	(8.2)
Exchange translation adjustments	–	(0.1)	–	–
Finance lease contracts taken out (note 32)	–	–	0.5	–
Businesses acquired	8.4	5.6	0.5	–
Total	(1.8)	(37.1)	2.8	(8.0)
Cash flow included in net 3 months cash (note 30)	–	(1.3)	–	–
Cash (inflows)/outflows from financing (note 28)	(1.8)	(35.8)	2.8	(8.0)
Total	(1.8)	(37.1)	2.8	(8.0)
Prior period				
Balance at beginning of period	66.1	76.3	14.9	8.3
Balance at end of period	(71.0)	(69.8)	(12.7)	(0.2)
Exchange translation adjustments	–	0.3	–	–
Finance lease contracts taken out (note 32)	–	–	0.4	–
Total	(4.9)	6.8	2.6	8.1
Cash flow included in net 3 months cash (note 30)	–	(5.9)	–	–
Cash (inflows)/outflows from financing (note 28)	(4.9)	12.7	2.6	8.1
Total	(4.9)	6.8	2.6	8.1

32. Major Non-Cash Transactions

During the period the Group entered into finance lease arrangements in respect of assets with a total capital value at inception of the leases of **£0.5** million (1994 £0.4 million) (see note 27).

Part of the consideration for the purchase of Victaulic PLC comprised shares and loan notes. Further details of the acquisition are set out in note 24.

33. Disposals of Discontinued Operations

	1995	1994
Cash flow:	£m	£m
Cash received from disposals in previous periods	–	5.3
Costs of discontinued operations	**(0.4)**	(2.8)
Total cash flow	**(0.4)**	2.5

34. Trading Subsidiaries

The following is a list of the Company's principal trading subsidiaries at 30th December 1995, and a brief description of their current activities. The capital in each case consists, unless otherwise stated, wholly of ordinary shares or common stock. Where subsidiaries are not wholly-owned the percentage of capital owned is stated in brackets.

Unless otherwise stated the companies are registered in England and operate in the United Kingdom.

■ CONSUMER PRODUCTS DIVISION

Glynwed Consumer Products Limited† trading as:
- Aga-Rayburn – manufacturer of high quality domestic multi-fuel cooking and heating appliances.
- Falcon Catering Equipment – manufacturer of commercial catering equipment.
- Flavel-Leisure – manufacturer of domestic cookers and gas fires.
- Leisure – manufacturer of kitchen sinks and shower cubicles.
- Wholesale Catering Equipment UK – distributor of commercial catering equipment.

* **Aga Cookers Inc** (USA) – distributor of Glynwed consumer products.
Aquadart Limited† – shower screen manufacturer.
* **Glynwed Australia Pty Limited**† (Australia) – distributor of Glynwed consumer products.
Service Line, Catering Equipment Engineers Limited† (50%) – commercial catering equipment servicing.

■ FOUNDRY PRODUCTS DIVISION

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

* **Cassart Special Products SA**† (Belgium) – distributor of iron and steel products for the building and construction industry.
Victaulic PLC trading as:
- Victaulic Systems – pipe joints and fittings for steel pipe.
- Viking Johnson – pipe couplings, fittings and repair products for water, gas and industrial pipeline markets.
- Viking Johnson Fabricators – manufacturer of special fabrications, fittings and repair products for water, gas and industrial pipelines.

* **Helden Armaturen GmbH** (Germany) – pipe couplings, fittings and repair products for water and gas pipelines and shipbuilding.
* **Helden Couplings BV** (Holland) – pipe couplings, fittings and repair products for water and gas pipelines and shipbuilding.
* **Wask-RMF Limited** – gas service fittings, metal to polyethylene pipe fittings and drilling equipment.
* **Wask-RMF GmbH** – gas service fittings, metal to polyethylene pipe fittings and drilling equipment.

■ METAL SERVICES DIVISION

Glynwed Metal Services Limited trading as:
- Aalco – UK distributor of high performance metals.
- Active Service Metals – regional distributor of high performance metals.
- Amari Contract Services – supplier of diverse packages of metal products for international major contracts.
- Amari Copper Alloys – specialist distributor of copper alloys.
- Amari Overseas – international distributor of high performance non-ferrous metals.
- Amari Transport Products – specialist supplier of aluminium for commercial vehicle building.
- Cashmores – national stockholder and processor of stainless steel.
- CJA Stainless Steels – stainless steel distributor specialising in tube, bar and sections.
- Slater Metals – regional distributor of high performance metals.
- Baigent Stock Alloys – processor, by plasma profiling and abrasive sawing, of stainless steel sheet and plate, and stockist of stainless steel bar.

Amari Aerospace Limited – distributor of high performance metals.
Amari Metals Limited – specialist distributor of aluminium and its alloys in the UK.
* **Amari Dublin Limited** (Republic of Ireland) – specialist distributor of aluminium and its alloys.
* **Aalco SA** (Spain 99.9%) – distributor of high performance metals.
* **Amari GmbH**† (Germany) trading as:
- Jera Metall – regional distributor of high performance metals in Southern Germany.
- LCK Metall – regional distributor of high performance metals in Northern Germany.
- Günzler Metall– specialist distributor of aluminium in Southern Germany and Austria.

* **Amari Metals BV** (Holland) – specialist distributor of aluminium and high performance metals.

■ PLASTICS DIVISION

Glynwed Plastics Limited trading as:
- Capper P-C – UK distributor of thermoplastic pipework systems.
- Durapipe – manufacturer of pressure pipework systems in PVC, ABS, polyethylene, polypropylene and other thermoplastic materials.
- MCA-Calder – manufacturer, hirer and repairer of thermoplastic pipe jointing equipment.
- Townsend Polymer Engineering – manufacturer of precision moulded rubber components.
- Vulcathene – manufacturer of polyethylene and polypropylene chemical waste drainage systems, Gascoil electrofusion systems and injection mouldings.

* **Enfield Industrial Corp** (USA) – manufacturer and distributor of thermoplastic pipework systems.
* **FIP Formatura Iniezione Polimeri SpA**† (Italy) – manufacturer of thermoplastic pressure pipe fittings and valves. Also trades as Flowline Systems – flow metering equipment for pipelines.
* **Harrington Industrial Plastics Inc** (USA) – distributor of thermoplastic pipework systems.
* **Philmac Pty Limited** (Australia) – manufacturer of plastic fittings for application in water distribution and irrigation systems.
* **SAM Innoge** (Monaco) – manufacturer of polyethylene electrofusion systems.
* **SED Ventilsysteme GmbH** – specialist manufacturer of diaphragm valves.
* **Amari Plastics plc** – UK distributor of plastic sheet and rod.
* **Port Plastics Inc** (USA) – distributor of plastic sheet.
Victaulic PLC trading as:
- Action Hose Couplings – quick action and safety hose couplings.
- C E Heinke – rubber compression and injection moulded and extrusion products.
- Stewarts & Lloyds Plastics – Polyethylene gas and water pipe and fittings.
- Victaulic Industrial Polymers – Seals for pipes and pipe couplings, tunnel segment gaskets and rail pads.

* **Kunststoffwerk Höhn GmbH** (Germany) – polyethylene pipe manufacturer.
* **Material de Aireacion SA (MASA)** (Spain 97%) – polyethylene pipe for water and gas distribution systems.
* **Valvestock Limited** – distributor of valves, design and assembly of valves and actuator packages.

34. Trading Subsidiaries (continued)

■ STEELS & ENGINEERING DIVISION
Glynwed Steels Limited trading as:
Ductile Cold Mill – precision cold roller of steel strip.
Ductile Hot Mill – hot roller of steel strip and flats.
Ductile Steel Processors – steel coil picklers and slitters; supplier of chemical and mechanical laboratory testing services.
Dudley Port Rolling Mills – hot roller of steel bars, flats and special sections.
Firth Cleveland Steel Strip – manufacturer of high carbon, cold rolled, hardened and tempered steel strip.
GB Steel Bar – manufacturer of cold finished, bright drawn, turned and ground carbon alloys and stainless steel.
George Gadd & Co – hot roller of steel bars, flats and sections.
JB & S Lees – specialist manufacturer of cold rolled steel strip and producer of bi-metal steel strip for metal cutting bandsaws and power hacksaws.
Longmore Brothers – manufacturer of bright drawn steel, steel conduit and precision tubes.
Macreadys – UK distributor of bright and black carbon and alloy steels, stainless steel, silver steel, ground flat stock and tool steels.
Midland Engineering Steels – hot rolled steel stockholders and bright turned steel suppliers.
Stourbridge Rolling Mills – precision cold roller of steel strip.
W Wesson – manufacturer of hot rolled steel strip, flats and bars; cold rolled steel strip; bright drawn wire; bright machined edge flats and bright machined squares.
* Firth Cleveland Steels Inc (USA) – distributor of steel strip.
* JB & S Lees Inc (USA) – distributor of steel strip.
Glynwed Engineering Limited trading as:
Ansell Jones – manufacturer of specialist lifting and marine equipment.
Ductile Sections – manufacturer of cold rolled, formed sections, perforated steel strip and general presswork, electrical cable trays and support systems.
Oddbolt – stockist of special and non-standard fastenings.
Steelway-Fensecure – manufacturer of steel flooring, stairways, security fencing and fabrications.
Tower Manufacturing – manufacturer of cable clips, masonry nails, wall plugs and cold forged products.
Paul Fabrications Limited – manufacturer of precision components and fabrications.
Glynwed Steel Tubes Limited trading as:
Monmore Tubes – manufacturer of welded steel tube and coated steel tube.
Newman-Tipper Tubes – manufacturer of ERW, slotted, cold drawn seamless, sculptured, plastic coated and heat treated tube.
HUB – stockist of welded and seamless steel tube.
London Steel Tube Mills – manufacturer of precision/mechanical welded steel tube.
* Columbia International Inc (Canada) – manufacturer of metallic and non-metallic electric conduit accessories and fittings, and distributor of electric roughing-in products and power and communication ducts.
Victaulic PLC trading as:
Insoll Components – Ptfe extrusions and machined components.
Lindapter International – technical steelwork fixing solutions for the construction, transportation and process industries.
PTFE Fabricators – Ptfe extrusions and machined components.
Stainless Fittings – Hygienic stainless steel pipework, fittings and fabrications.
* Dairy Pipe-Lines Limited – manufacturer of stainless steel fluid handling equipment.
* Lindapter GmbH (Germany) – technical steelwork fixing solutions for the construction, transportation and process industries.
* Lindapter SA (France) – technical steelwork fixing solutions for the construction, transportation and process industries.

■ TUBES & FITTINGS DIVISION
Glynwed Tubes & Fittings Limited trading as:
Albion – manufacturer of domestic hot water cylinders and storage systems.
Wednesbury Tube – manufacturer of domestic water, plastic-coated, engineering and medical copper pipe.

■ OTHER OPERATIONS
Leavlite Group, consisting of:
Adeptal Systems Limited – fabricator of IsoSystems window and door systems.
* API Timbron SA (Belgium) – extruder of plastic materials for the building industry.
* Dimatsystèmes SA (France) – fabricator of replacement window and door systems.
* Ford & Barley Exhibitions Limited – (75%) exhibition stand designer and constructor.
* Leavlite Electropaint Limited – processor and finisher of metal and plastic extrusions.
Metoxal U.K. Limited – specialist colour coater for aluminium extrusions.
Timbron Limited – manufacturer of Timbron, a polystyrene-based substitute for timber.

■ CORPORATE SERVICES AND PROPERTIES
Glynwed Group Services Limited – management services.
Glynwed Estates Limited – UK land and buildings.
* Glynwed Inc (USA) – management services.
Glynwed Properties Limited – UK land and buildings.
Glynwed Property Management Limited – leasehold property management.
* Headland Insurance Limited (Bermuda) – insurance services.
* Glynwed Dublin Corporation (Republic of Ireland) – debt factoring.

■ PRINCIPAL HOLDING COMPANIES
Astec Holdings Limited
Glynwed Overseas Holdings Limited
* Glynwed Canada Limited (Canada)
* Glynwed Pacific Holdings Pty Ltd (Australia)
* Glynwed USA Inc (USA)

* Investment held by a subsidiary of Glynwed International plc.
† Subsidiary companies not audited by Coopers & Lybrand. The aggregate turnover of subsidiaries not audited by Coopers & Lybrand amounted to 20.4% of the Group's turnover.

Directors' responsibilities

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

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

The directors consider that in preparing the financial statements on pages 33 to 62, the Company and the Group have used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates, and that all accounting standards which they consider to be applicable have been followed.

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

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

Auditors' report

To the members of Glynwed International plc

We have audited the financial statements on pages 33 to 62.

Respective responsibilities of directors and auditors

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

Basis of opinion

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

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

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and the Group at 30th December 1995 and of the profit, total recognised gains and cash flow of the Group for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

Coopers & Lybrand

Coopers & Lybrand
Chartered Accountants and Registered Auditors
Birmingham
18th March 1996

Ten year financial record

		1995	1994	1993	1992	1991
		£m	£m	£m	£m	£m
Trading results						
Turnover		**1,251.7**	1,024.9	965.8	908.3	987.3
Profit before interest		**93.0**	74.4	55.6	42.9	29.7
Interest payable (net)		**(8.8)**	(7.3)	(10.1)	(12.0)	(17.3)
Profit before taxation		**84.2**	67.1	45.5	30.9	12.4
Taxation		**(27.2)**	(22.6)	(14.6)	(11.8)	(6.3)
Profit after taxation		**57.0**	44.5	30.9	19.1	6.1
Equity minority interests		**(0.1)**	(0.1)	(0.1)	(0.1)	2.7
Preference dividends		**(0.1)**	(0.1)	(0.1)	(0.1)	(0.1)
Earnings for the period		**56.8**	44.3	30.7	18.9	8.7
Ordinary dividends		**(31.0)**	(25.6)	(24.1)	(24.0)	(24.0)
Profit retained/(transfer from reserves)		**25.8**	18.7	6.6	(5.1)	(15.3)
Operating assets						
Fixed assets		**208.4**	174.0	175.1	179.6	185.4
Stocks		**224.7**	174.7	137.1	159.0	157.6
Operating debtors less creditors		**(39.3)**	(32.7)	(13.3)	(7.3)	(5.8)
Taxation and dividends		**(42.0)**	(34.4)	(23.7)	(21.9)	(19.0)
Pension provision		**(4.8)**	(1.7)	(1.7)	(0.9)	–
Net operating assets		**347.0**	279.9	273.5	308.5	318.2
Total net borrowings		**(100.8)**	(57.1)	(69.8)	(102.2)	(107.6)
Deferred taxation		**–**	–	–	–	–
Total net assets employed		**246.2**	222.8	203.7	206.3	210.6
Financed by:						
Ordinary shares		**60.7**	52.1	51.7	51.4	51.4
Reserves		**183.8**	168.5	149.9	152.9	155.9
Ordinary share capital and reserves		**244.5**	220.6	201.6	204.3	207.3
Preference shares		**1.3**	1.3	1.3	1.3	1.3
Equity minority interests		**0.4**	0.9	0.8	0.7	2.0
Total funds		**246.2**	222.8	203.7	206.3	210.6
Net (decrease)/increase of funds arising from property revaluations		**(9.5)**	–	–	–	–
Statistics						
Profit before interest to turnover	%	**7.4**	7.3	5.8	4.7	3.0
Turnover to average net operating assets	x	**3.9**	3.8	3.2	2.9	2.8
Profit before interest to average net operating assets	%	**29.3**	27.3	18.5	13.8	8.5
Interest cover	x	**10.6**	10.2	5.5	3.6	1.7
Debt/equity ratio	%	**40.9**	25.6	34.3	49.5	51.1
Net assets per ordinary share	p	**100.6**	105.8	97.5	99.4	102.5
Dividend per ordinary share	p	**12.75**	12.25	11.65	11.65	11.65
Dividend cover	x	**1.8**	1.7	1.3	0.8	0.4
Earnings per share – net basis	p	**25.76**	21.34	14.91	9.20	4.24
– IIMR	p	**25.49**	19.94	13.70	10.32	

1990	1989	1988	1987	1986	
£m	£m	£m	£m	£m	
					Trading results
1,103.8	1,126.6	839.8	556.2	478.9	**Turnover**
82.0	101.8	88.0	60.6	44.0	**Profit before interest**
(18.7)	(13.0)	(5.5)	(2.7)	(3.0)	Interest payable (net)
63.3	88.8	82.5	57.9	41.0	**Profit before taxation**
(23.0)	(31.3)	(28.4)	(20.5)	(14.8)	Taxation
40.3	57.5	54.1	37.4	26.2	**Profit after taxation**
0.7	0.5	(0.2)	(0.1)	–	Equity minority interests
(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	Preference dividends
40.9	57.9	53.8	37.2	26.1	**Earnings for the period**
(23.9)	(23.8)	(19.8)	(13.8)	(11.3)	Ordinary dividends
17.0	34.1	34.0	23.4	14.8	**Profit retained/(transfer from reserves)**

1990	1989	1988	1987	1986	
					Operating assets
190.7	153.8	126.7	90.5	84.1	Fixed assets
208.0	206.7	185.6	108.9	86.8	Stocks
(26.7)	(13.5)	(12.6)	(2.8)	7.9	Operating debtors less creditors
(38.9)	(60.5)	(54.0)	(36.5)	(31.8)	Taxation and dividends
–	–	–	–	–	Pension provision
333.1	286.5	245.7	160.1	147.0	**Net operating assets**
(108.4)	(102.5)	(59.5)	(16.1)	(15.8)	Total net borrowings
–	–	–	–	(1.3)	Deferred taxation
224.7	184.0	186.2	144.0	129.9	**Total net assets employed**
					Financed by:
51.2	51.0	50.9	28.5	27.9	Ordinary shares
169.7	129.3	131.9	113.7	100.6	Reserves
220.9	180.3	182.8	142.2	128.5	**Ordinary share capital and reserves**
1.3	1.3	1.3	1.3	1.3	Preference shares
2.5	2.4	2.1	0.5	0.1	Equity minority interests
224.7	184.0	186.2	144.0	129.9	**Total funds**
29.4	–	0.6	–	–	Net (decrease)/increase of funds arising from property revaluations

1990	1989	1988	1987	1986	
					Statistics
7.4	9.0	10.5	10.9	9.2	Profit before interest to turnover
3.1	4.2	4.0	3.6	3.1	Turnover to average net operating assets
23.1	38.0	41.6	38.9	28.6	Profit before interest to average net operating assets
4.4	7.8	16.0	22.4	14.7	Interest cover
48.2	55.7	32.0	11.2	12.2	Debt/equity ratio
109.6	88.4	89.7	83.1	76.7	Net assets per ordinary share
11.65	11.65	9.70	8.08	6.73	Dividend per ordinary share
1.7	2.4	2.7	2.7	2.3	Dividend cover
20.01	28.40	28.81	22.12	15.97	Earnings per share – net basis

Notice of meeting

Notice is hereby given that the fifty-fifth annual general meeting of Glynwed International plc will be held at **Headland House, New Coventry Road, Sheldon, Birmingham B26 3AZ, on 9th May 1996 at 12 noon** to transact the following ordinary business:

1. To receive and adopt the annual report and accounts for the 52 weeks ended 30th December 1995.

2. To declare a final dividend.

3. To re-elect Mr BC Ralph as a director.

4. To re-elect Mr JC Blakeley as a director.

5. To re-appoint the auditors and to authorise the directors to determine the auditors' remuneration.

6. To consider the following resolution, which will be proposed as an ordinary resolution:

   That the authority conferred on the directors by Article 4(B) of the Company's Articles of Association be renewed for the period expiring on the earlier of the date 15 months after the passing of this resolution and the conclusion of the next annual general meeting of the Company following the passing of this resolution and for that period the "section 80 amount" is £20,259,897.

7. Subject to the passing of the foregoing resolution no. 6, to consider the following resolution which will be proposed as a special resolution:

   That the power conferred on the directors by Article 4(C) of the Company's Articles of Association be renewed for the period expiring on the earlier of the date 15 months after the passing of this resolution and the conclusion of the next annual general meeting of the Company following the passing of this resolution and for that period the "section 89 amount" is £3,038,984.

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
Ian Shearman
Secretary
Birmingham
12th April 1996

NOTES

1 A form of proxy is enclosed for the use of shareholders. This form should be completed, signed and returned so that it arrives at the office of the Company's registrars not less than 48 hours before the time of the meeting. By signing and returning the form of proxy a shareholder will not be precluded from attending and voting in person should he subsequently find it possible to be present.

2 Copies of the contracts of service of directors (unless expiring or determinable by the Company within one year without payment of compensation) will be available for inspection at the Company's registered office between 9.00am and 4.30pm on any weekday (Saturdays and public holidays excluded) from the date of this notice up to and including the day before the meeting, and also at the place of the meeting for 15 minutes prior to the meeting and during the meeting.

3 An explanation of resolutions nos. 6 and 7 is set out in the Report of the Directors on page 26 under the heading "Share Capital".

CREST

Notification of directors' resolutions relating to the CREST system

TO ALL MEMBERS OF THE COMPANY

This is to give you notice, in accordance with the Uncertificated Securities Regulations 1995 ("the Regulations"), that on 7th March 1996 the Company resolved by resolutions of its directors that the title to the ordinary shares of 25p each and the 5.425% cumulative preference shares of £1 each in the Company, in issue or to be issued, may be transferred by means of a relevant system. The resolutions of the directors will become effective immediately prior to CRESTCo Limited ("CRESTCo") granting permission for the shares concerned to be transferred by means of the CREST system.

Explanatory notes

(1) The Regulations provide for the transfer without a written instrument, and the evidencing otherwise than by a certificate, of title to securities in accordance with a computer-based system and procedures, defined in the Regulations as a "relevant system". The CREST system is the relevant system operated by CRESTCo.

(2) The Company is obliged to notify all its members of the passing of "directors' resolutions" (as defined in the Regulations). The directors' resolutions will enable the ordinary shares and preference shares to join the CREST system in due course.

(3) The ordinary shares and preference shares do not become transferable by means of the CREST system merely by virtue of the passing of the directors' resolutions, nor do they become so by virtue of the directors' resolutions becoming effective. The permission of CRESTCo must also be given before the shares can become so transferable. CRESTCo is likely to give its permission for the ordinary shares and preference shares to join the CREST system in January 1997 and the actual date will be announced when agreed with CRESTCo. In addition, notwithstanding CRESTCo permitting the shares to be admitted to the CREST system, a holder of ordinary shares or preference shares is not obliged to hold those shares in uncertificated form. Each shareholder can choose whether or not to convert his shares into uncertificated form.

(4) The effect of the directors' resolutions is to disapply, in relation to those ordinary or preference shares that are converted into uncertificated form, those provisions of the Company's articles of association that are inconsistent with the holding and transfer of those shares in the CREST system and with any provision of the Regulations, as and when those ordinary or preference shares enter the CREST system. This disapplication does not relate to ordinary or preference shares held in certificated form. The Company's registrars will continue to register written instruments of transfer and issue share certificates in respect of ordinary or preference shares held in certificated form in accordance with the provisions of the Company's articles of association.

(5) Members of the Company may, under Regulation 16(6), by ordinary resolution resolve that the directors' resolutions shall either not come into effect or shall cease to have effect (as appropriate).

(6) A leaflet giving further information about the CREST system will be sent to shareholders at a later date.

By order of the Board
Ian Shearman
Secretary
Birmingham

Ian Shearman

12th April 1996

1996 Financial calendar

Annual general meeting	9th May
Final ordinary dividend payable	7th June
Half-year end	29th June
Interim ordinary dividend payable	4th December
Preference dividend payable	30th June, 31st December
1996 year end	28th December

■ HEAD OFFICE AND REGISTERED OFFICE

Headland House, 54 New Coventry Road
Sheldon, Birmingham B26 3AZ
Telephone: 0121 742 2366
Fax: 0121 742 0403
Registered in England No. 354715

■ REGISTRARS

Barclays Registrars
Bourne House, 34 Beckenham Road
Beckenham, Kent BR3 4TU
Telephone: 0181 650 4866
Fax: 0181 658 3430

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