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Glynwed Limited Report and Accounts 1977



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Glynwed Limited

Profile

The name Glynwed first appeared in 1939 by the merging of two companies, The Wednesbury Tube Co Ltd based in Bilston, Staffs, and Glynn Bros Ltd which operated from Park Royal, London.

Over the years Glynwed's progress has been founded on internally-generated growth, and a series of acquisitions following a logical pattern concentrated in the areas of steel, engineering and building products.

Today the group is U.K. market leader in the manufacture of cast iron rainwater piping, soil and drainpipes; a leading supplier of forged steel pipe fittings; is among the top four steel stockholders; is third in the manufacture of high tensile bolts and is the

nation's biggest producer of engineering studs for the motor, commercial vehicle and tractor making industries and one of the largest domestic copper tube producers.

Glynwed exports direct to many countries from production units and depots in Britain but, through indirect exports, the products of the group's 40 operating units are making important contributions to industry, the home, transportation, building and engineering in countries throughout the world.

The group employs more than 17,000 people internationally and sells products and services worth more than £285 million a year.

Financial Highlights

Glynwed Limited and its subsidiary companies

	1977	1976
	£000	£000
Turnover	285,440	243,032
Group trading profit	16,559	18,088
Interest charges	3,532	3,462
Group profit before taxation	13,027	14,626
Group profit attributable to ordinary shareholders	5,726	6,143
Ordinary dividends	5,263	4,537
Group profit retained	463	1,606
Operating assets employed	104,544	96,197
Capital expenditure	5,422	5,727
Depreciation	4,236	4,224
Earnings per ordinary share		
basic	9.97p	11.90p
fully diluted	9.80p	11.61p
Dividends per ordinary share	8.20p	7.425p

Financial Calendar

Glynwed Limited

Annual general meeting	8th June 1978
Final dividend payable	3rd July 1978
Half year end	1st July 1978
Interim dividend payable	20th December 1978
1978 year end	30th December 1978
Interest payments (United Kingdom):	
Preference shares	30th June, 31st December
7.5% debenture stock	6th June, 6th December
10.75% unsecured loan stock	31st March, 30th September
6% convertible unsecured loan stock	30th June, 31st December

Glynwed Limited

President	WGA Russell FCA
Executive directors	<i>Chairman</i> L Fletcher DSC FCA <i>Deputy chairman</i> G Davies FCA MA Hastilow BSc BCom W Garner FCW Whitehouse
Non executive directors	<i>Vice-chairman</i> JD Eccles Sir William Barlow BSc(Tech) CEng Sir Denis Barnes KCB
Secretary	DE Drake FCIS
Group financial controller	RS King CA
Auditors	Coopers & Lybrand Chartered Accountants Birmingham
Bankers	Midland Bank Limited Lloyds Bank Limited National Westminster Bank Limited J Henry Schroder Wagg & Co Limited Standard Chartered Bank Limited
Registrars	Midland Bank Limited Registrar's Department Courtwood House Silver Street Head Sheffield S1 3RD
Head office and registered office	Headland House New Coventry Road Sheldon Birmingham B26 3AZ Telephone 021-742 2366

Subsidiaries

Executive officers

Building and Consumer Products

JM Hill, *Chief Executive* – Glynwed Tubes & Structures Ltd
T O'Neill, *Chief Executive* – Glynwed Domestic & Heating Appliances Ltd
KD Rowlands, *Managing Director* – Glynwed Integrated Services Ltd

Steel and Engineering

W Garner, *Chief Executive* – Glynwed Steels Ltd
DW Richardson, *Chief Executive* – Glynwed Screws & Fastenings Ltd
J Irwin, *Chief Executive* – Glynwed Foundries Ltd

Stockholding and Distribution

E Tunnadine, *Chief Executive* – Steel Stockholding
FCW Whitehouse, *Chief Executive* – Fastenings and Bearings Distribution

Overseas operations

WA Thomson, *Managing Director* – Defy Industries Ltd (South Africa)

Corporate services

Dr RJ Clark, *Group Research and Development*
WP Evans, *Personnel and Corporate Relations*
MW Walton, *Export and Overseas Development*

Chairman's Statement

Glynwed Limited and its subsidiary companies



In the interim statement for the first six months of 1977 we indicated that the recovery in the United Kingdom economy had not gathered momentum, and unfortunately the second six months failed to produce any real upturn. Despite difficult trading conditions the group achieved some improvement during the second half of the year and as a result profits before tax for the total year were £13.03m compared with £14.6m for 1976.

Your directors have decided to recommend the payment of a final dividend of 5.75p per share which makes a total for the year of 8.20p per share compared with 7.425p per share for 1976.

The year's activities

Inevitably the broad statement of figures hides some successes in the group and two or three difficult areas. Dealing first with the positive side, Steel, Engineering and Fastenings Distribution again produced very good results. Indeed, having regard to the state of the world steel industry, it is a remarkable achievement by Glynwed Steels to have produced such good figures.

The Wednesbury Tube Company, despite the low level of activity in the building industry, sustained a high level of production during the year and recorded excellent results, in part due to the National Home Improvement campaign which we supported during 1977.

On the disappointing side, areas which have caused concern include steel stockholding, where profits were reduced by losses of over £1m from Cashmores' Sheet Steel Distribution division; since the year end we have agreed in principle to sell this particular part of Cashmores' business subject only at the time of writing to certain approvals.

The Bath division continued to make losses to the extent that we have been forced to close the Bath works at Falkirk leaving us with two cast iron plants in the Midlands which should now be balanced in capacity to meet any reasonable expectation of future demand. The Foundries division also lost money, due in part to a disappointing level of demand from the automotive industry, but the effects were minimised by the receipt of

Temporary Employment Subsidy which enabled us to work through a programme of reorganisation whilst maintaining as much employment as possible.

Whilst domestic appliances including Flavel and Leisure Gas Cookers showed some improvement towards the end of the year we must nevertheless look into the current year for any real upturn in that area.

Overall, however, the United Kingdom activities showed an improvement over 1976 and I am pleased to report that further progress has taken place since the end of the year in all the problem areas, as a result of which there are currently no significant losses in any part of the United Kingdom activities of the group.

South Africa

Following a very good 1976 performance, Defy produced poor results in 1977 due principally to the set-back in the South African economy. This was reflected in the low level of activity during the normally busy later months of the year; indeed the results were such that no final dividend is to be paid and the first three months of 1978 have shown little improvement.

As announced recently, we have agreed to acquire the South African domestic appliance business of the General Electric Company of America which will greatly strengthen Defy's position in the domestic appliance market. The acquisition of these assets was made in exchange for shares in Defy with the effect that Glynwed's shareholding in that company has been reduced to some 68% and has not called for increased cash investment in South Africa. Only time will show how quickly this step will restore the fortunes of Defy.

Acquisitions and disposals

During the year, the largest acquisition brought into the group The Stourbridge Rolling Mills Ltd. This company, which now forms part of the Glynwed Steels division, is a leading producer of quality cold rolled steel strip and its product range extends and complements that of other companies in the division.

We also acquired three other small companies in 1977 including Fotherby.

Willis Electronics Ltd which brought in some products new to the group.

In 1977 we finally received the proceeds of the sale of the site of the bath works at Greenford of some £800,000, almost two years from the date of closure due mainly to delays in approving a modest change of use for the new owners.

I have already referred to the sale, in principle, of the assets of Cashmores' Sheet Steel Distribution division. This is for an amount in cash, payable over six months, of some £4 to £5m. This sale will reduce our investment in steel stockholding but as far as we can see ahead, sheet steel would call for continuing and increasing cash investment with only very modest returns.

Exports

In 1976 we achieved an improvement of almost 50% in our exports compared with 1975 and almost the same increase was achieved in 1977. Although reservations have been expressed about the competitive position of the U.K. following an upturn in the value of sterling, I believe that we should do even better over the next few years particularly as we have brought Glynwed Overseas into the shape and structure which should now produce the right sort of export business for us. In order to strengthen our overseas effort we have also been actively looking for acquisitions and I believe that one or two will be forthcoming during 1978 and 1979 although investments will probably be relatively small in the first instance.

General

During the last eighteen months, there have been two references and one proposed reference to the Monopolies Commission of matters relating to industries in which we are engaged. The first two are concerned with industrial fastenings, of which we are both manufacturers and distributors, and with domestic gas appliances. A decision has not yet been made about the third, which is non-ferrous semi-manufactures which could include our copper tube activity and it is to be hoped this reference is not proceeded with particularly as the copper tube sector was the subject of a not unfavourable Price

Commission report published as recently as July, 1976

In common with the whole of industry, we are aware of our public responsibilities to provide employment, to maintain as high a level of capital investment as possible and to create wealth for the country in order to pay for the services which are part of our everyday lives. Thus, whilst acknowledging the need for restraints on monopolies and restrictive trade practices, such investigations are very expensive in terms of time and money for the companies involved and constitute an unproductive cost burden which is ultimately borne by the consumer.

Directors and acknowledgments

During the year we were pleased to welcome on to the board Mr W Garner and Mr F C W Whitehouse who had already proved their worth to the group in their management of two of our successful operational divisions. We were also delighted that one of our non-executive directors, Sir William Barlow, was knighted during the year. Subsequently Sir William has taken on the task of the chairmanship of the Post Office; we wish him well in that activity but at the same time are hopeful that he can continue to give us the benefit of his experience and wisdom for many years to come.

Each year I place on record the directors' appreciation of the efforts of our employees and this year is no exception. The success of the group depends on their skill and loyalty and for this we are indeed grateful.

Prospects

Early this year we held a group conference of senior management which we called "Glynwed into the 1980's", indicating that we are now ready for the next period of growth, much of which will be generated from internal sources. We now have an organisational structure which has enabled us to consolidate the activities of the group following several years of acquisitions and which will give us the strength and confidence to look for real improvements in profits and earnings in the future.

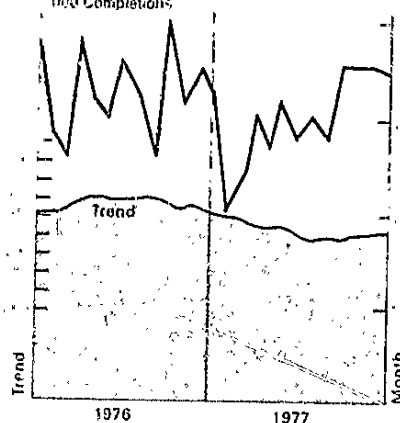
Leslie Fletcher
Chairman

Report of the Directors

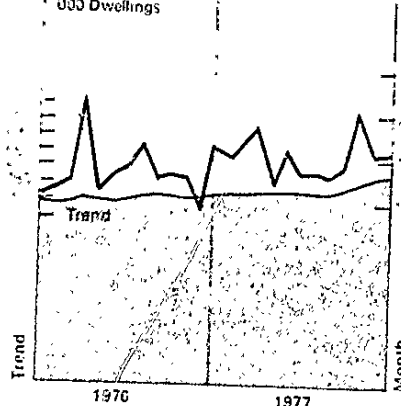
The Directors of Glynwed Limited present their annual report, together with the accounts of the company for the 53 weeks ended 31st December 1977. These will be submitted to the

members at the annual general meeting to be held at Headland House, New Coventry Road, Sheldon, Birmingham, at 3 o'clock in the afternoon on Thursday 8th June 1978.

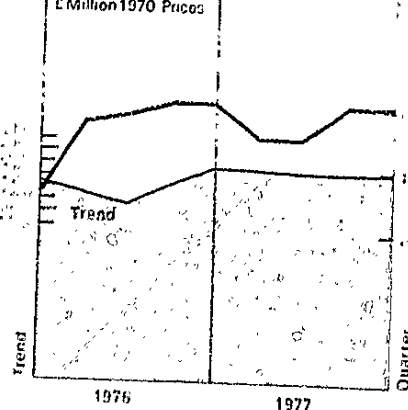
Housing Completions in Great Britain
000 Completions



Home Improvement Grants in Great Britain
000 Dwellings



U.K. Consumer Durable Expenditure—Household Goods
£ Million 1970 Prices



Economic background

During 1977 there were some dramatic improvements in the U.K. economy. Chief amongst these, and in contrast to 1976, was the strengthening of sterling during the second half of the year; the current account almost broke even after four bad years; the decline in interest rates from the all time high of 15% to around 6%; the fall of retail price inflation from a peak of over 17% in July to around 13% by the end of the year.

However, the benefits of these improvements have yet to flow through into the economy in general.

Economic performance in 1977 was extremely sluggish and even the expected improvement in the second half of the year failed to materialise. During 1977 real U.K. output in fact expanded by less than 1% whilst total consumer spending declined and spending on durables stood still. Housebuilding was substantially depressed during 1977, with the number of starts down 20% and completions down 5% on 1976.

Fixed capital investment in the manufacturing sector which has fallen 18% since 1974, registered a real increase of 6.4% during 1977. This was, however, substantially below the 15% to 20% forecasts made earlier in the year.

Motor vehicle production also suffered, especially through import penetration on the home market. Overall vehicle production fell by 0.3% on 1976 levels, although commercial vehicle output did show a recovery of around 5% during the year.

Group results

The group results reported for 1977 are for the 53 weeks ended 31st December 1977 (1976 52 weeks). In 1977, group sales amounted to £285.4 million, compared with £243 million in 1976 – an increase of 17%. Despite an inactive economy, the volume of sales progressed slowly but steadily throughout the year. In the U.K. sales rose by 20% to £249.9 million. Sales overseas, including exports from the U.K., improved by 9.2%. Due to the pound strengthening

against world currencies during the year, the rates used to convert overseas sales at the end of 1977 were about 13% above those used at the end of 1976. Consequently, overseas sales appear to be only marginally better than the previous year. An aggressive policy of opening up more overseas markets during the year was successful and exports from the U.K. rose from £6.9 million in 1976 to £10 million – an increase of 45%.

The group trading profit for the year amounted to £16.6 million (1976 £18.1 million). After the deduction of interest charges of £3.5 million the group profit before tax was £13 million (1976 £14.6 million). Turnover and profits, by sub-groups, are shown on page 7.

The charge for taxation was £6.5 million which included £2.2 million transferred to deferred taxation in respect of stock appreciation relief and timing differences. The basis adopted for accounting for deferred taxation is the same as in previous years and is set out in the accounting policies on page 25. Further consideration will be given to the proposals on deferred taxation contained in Exposure Draft 19 issued by the Accounting Standards Committee when the relevant standard is issued.

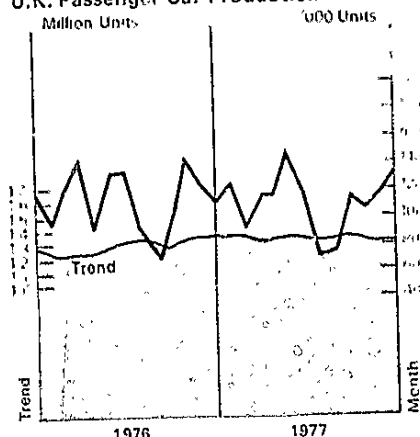
The net charge for the year for extraordinary items amounted to £0.7 million (1976 £0.6 million). The details are given in note 6 to the accounts on page 27.

Group profit after minority interest and extraordinary items amounted to £5.8 million (1976 £6.2 million).

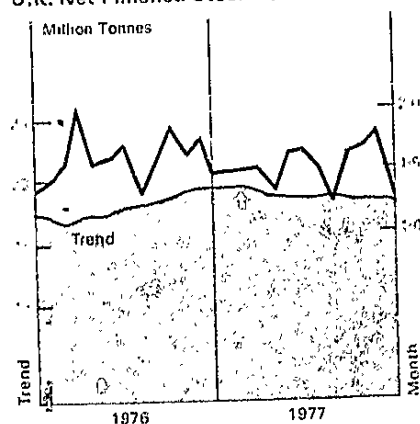
Inflation accounting

In view of the issue of the interim recommendation by the Accounting Standards Committee, commonly referred to as the 'Hyde Guidelines', the directors have decided not to publish the information as in previous years on a current purchasing power basis. Nevertheless, these new guidelines leave several important factors unresolved and your directors have decided that it is not appropriate to incorporate any of these recommendations with these accounts.

U.K. Passenger Car Production



U.K. Net Finished Steel Deliveries



Trend=12 month moving average

Finance and working capital

On Page 20 a statement, which forms part of the audited accounts, sets out the sources of the group's funds and how they were applied.

New, medium term borrowings in 1977 amounted to £5 million.

During the year, the policy of strict cash control was maintained and the increase in working capital, whilst inevitable under an inflationary economy, was kept to a minimum. Cash outflow on working capital amounted to £6.3 million of which £4.5 million was attributable to an increase in stocks. Working capital increases were well below the average rate of inflation.

Group operating assets employed at the end of 1977 amounted to £104.5

million. Operating and financial statistics for the past ten years are set out in the "Ten Year Record" on pages 18 and 19.

Ordinary dividend

A final dividend of 5.75p on the ordinary shares, which the annual general meeting will be asked to approve, is payable on 3rd July 1978. This, together with the interim dividend of 2.45p per share makes a total ordinary dividend of 8.2p per share for the year. The gross equivalent of this (including the related tax credit) is 12.424p per share, an increase of 8.76% over the 1976 rate which has been approved by H M Treasury under the Government's dividend restraint regulations.

Review of activities

Principal activities

Turnover and profit by sub-group

United Kingdom Operations

	1977	1976	1977	1976
	£000	£000	£000	£000
Building and consumer products	87,389	74,098	3,682	3,174
Steel and engineering	73,412	55,771	7,726	5,749
Stockholding and distribution	85,128	71,975	3,794	6,296
Other divisions and trading companies	13,923	12,512	506	305

259,852 214,356 15,708 15,524

Overseas Operations

Household and industrial appliances

25,588 28,676 851 2,564

285,440 243,032 16,559 18,088

Turnover by geographical area

	1977	%	1976	%
	£000		£000	
Africa	26,168	9.2	28,606	11.8
Europe	4,018	1.4	2,541	1.0
Middle East	3,043	1.1	2,357	1.0
Asia and Australasia	1,212	0.4	1,244	0.5
North and South America	1,121	0.4	714	0.3

Total overseas
United Kingdom

35,562 12.5 35,462 14.6
249,878 87.5 207,570 85.4

285,440 100.0 243,032 100.0

Exports

Sales value of direct exports from the United Kingdom during the year was £10 million (1976 £6.9 million).

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

Report of the Directors

(continued)

Financial statements for the year ended 31st March 1978

Building and consumer products

Glynwed Tubes & Structures Ltd

The Wednesbury Tube Co

- ☐ copper tubes and fittings

Glynn Bros

- ☐ lead sheet and pipes

Coventry Tubes Permatube

- ☐ welded stainless steel and nickel alloy tubes

Despite the depressed state of the construction industry and continued pressure from international competition, production of copper tube and fittings by The Wednesbury Tube Co was maintained at a high level during 1977. Wednesbury Tube continued to hold a significant share of the U.K. market for domestic water services tube.

Copper prices during the year opened at just under £800 per tonne, rising to over £900 in the early months of the year and then steadily declining to finish the year at around £660 per tonne – the downward movement in prices contributing significantly to cash flow.

During the year it was decided to close the steel tube stockholding operation in order to concentrate resources on more profitable products.

Disappointing results were experienced from our lead activities, but further improvement in both sales and profits was recorded from our stainless steel tube activities, exports contributing a significant proportion.

Glynwed Bathroom & Kitchen Products Ltd

Vogue Bathrooms

- ☐ cast iron and acrylic baths, hand basins and shower trays

Leisure Kitchen Products

- ☐ sinks and hand basins
- ☐ vanity units
- ☐ shower cubicles
- ☐ steel, acrylic and glass fibre baths

1977 was a difficult year for companies supplying the building industry. Housebuilding in the U.K. was well down on the previous year and, but for an increase in home improvement activity, the overall demand for our products would have

resulted in an even more disappointing performance. The demand for cast iron baths fell even further. Cheap imports of steel baths and the highly competitive situation in plastic baths made it necessary to trim the capacity of the Vogue cast iron plants to match utilization and future market requirements by the closure of a cast iron bath foundry in Cockburn, Scotland. The division's share of the plastic bath market is quite small and, due to the low level of activity and high competition, losses were also made in this area.

The competition in stainless steel sinks continued through 1977 in a market which was about 10% down on 1976. Selling prices were such that losses were incurred during the last nine months of the year, but the position began to improve during the last quarter. A programme to reduce capacity and rationalise the Leisure stainless steel facilities is under way. The demand for Leisure showers, despite a depressed market, showed an improvement over the previous year.

Glynwed Domestic & Heating Appliances Ltd Exact-O-Form Ltd

Sidney Flavel & Co

- ☐ Flavel gas cookers and fires

Leisure Domestic Division

- ☐ Leisure gas cookers and fires

Agaheat Appliances

- ☐ Aga and Rayburn cookers, domestic and commercial boilers, room heaters and open fires

Falcon Catering Equipment

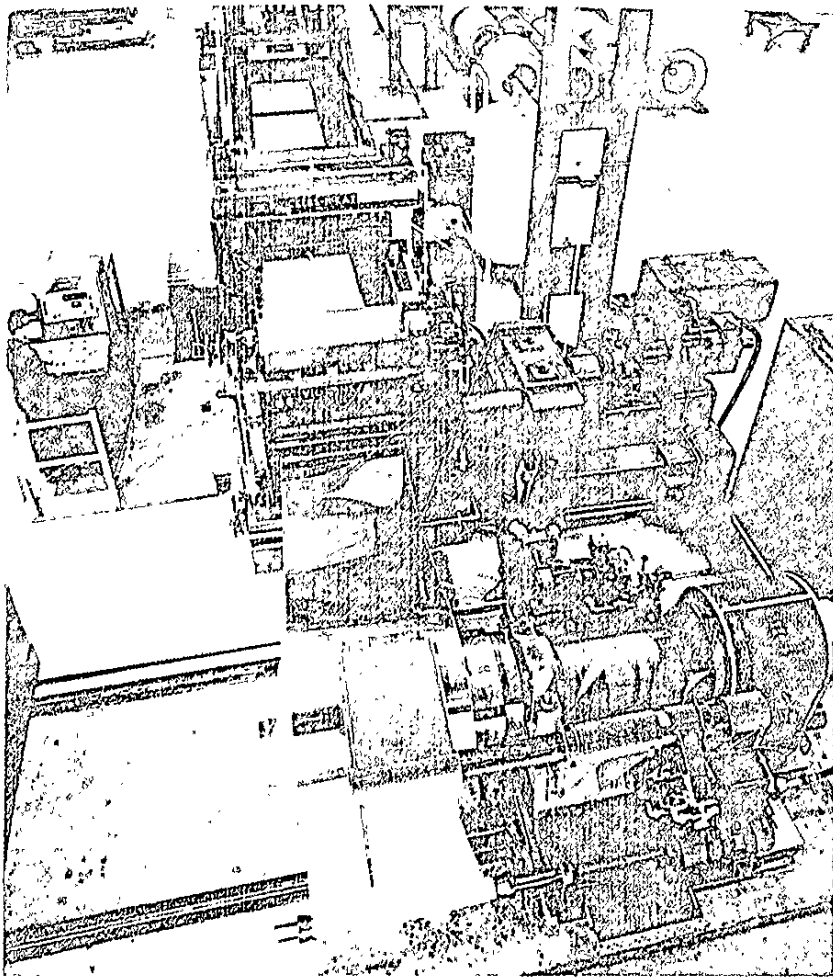
- ☐ catering equipment

Exact-O-Form Ltd

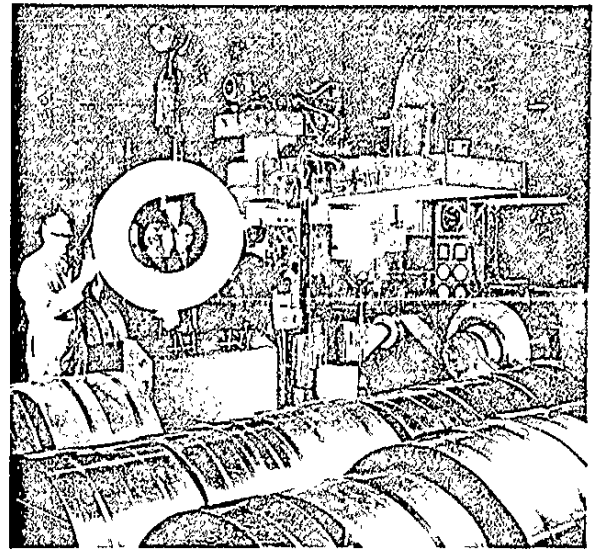
- ☐ metal flow-formed products

All sectors within this division produced an improved contribution in 1977. In domestic cooking, Aga and Rayburn maintained their dominant position for range-type cookers, while Flavel and Leisure increased their exports and secured a greater share of a reduced gas cooker market in the United Kingdom.

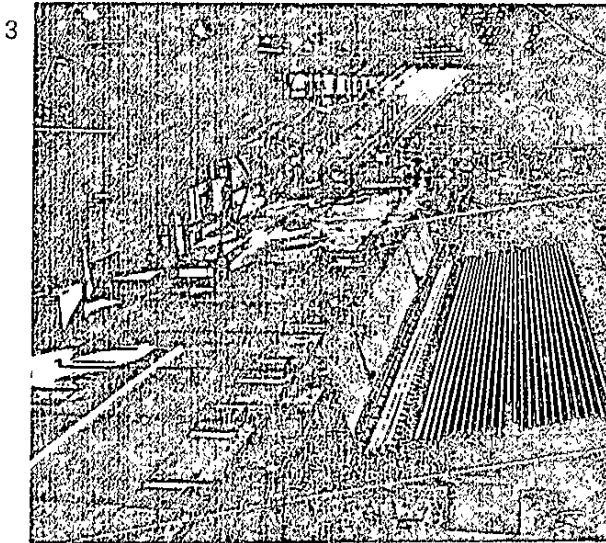
In commercial and industrial catering Falcon improved its share of a poor home market and achieved a significant increase in export business. Flavel maintained its position as premier supplier of cooking equipment in the caravan and boat



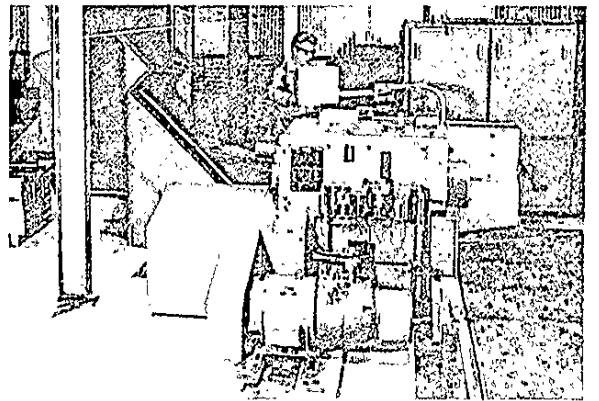
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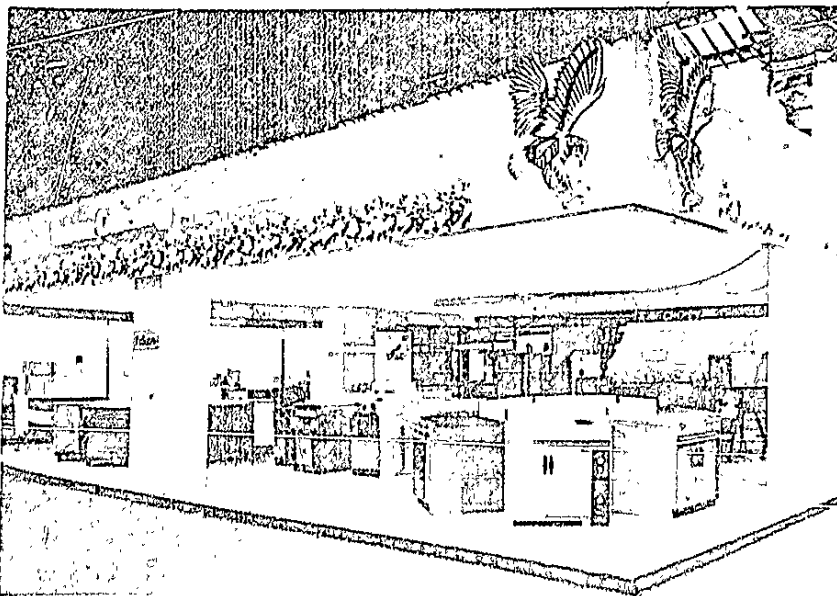
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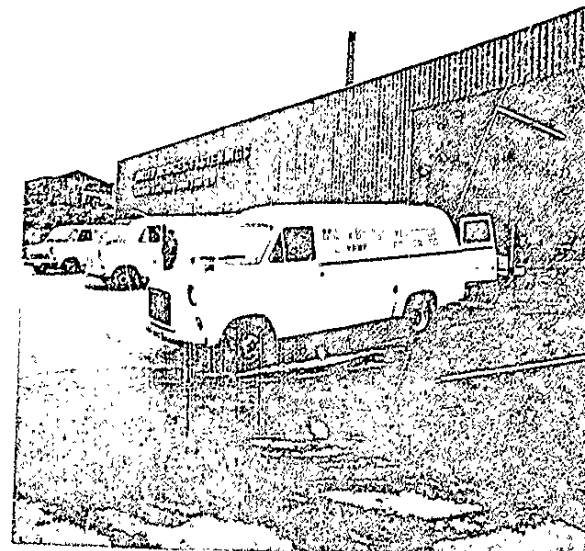
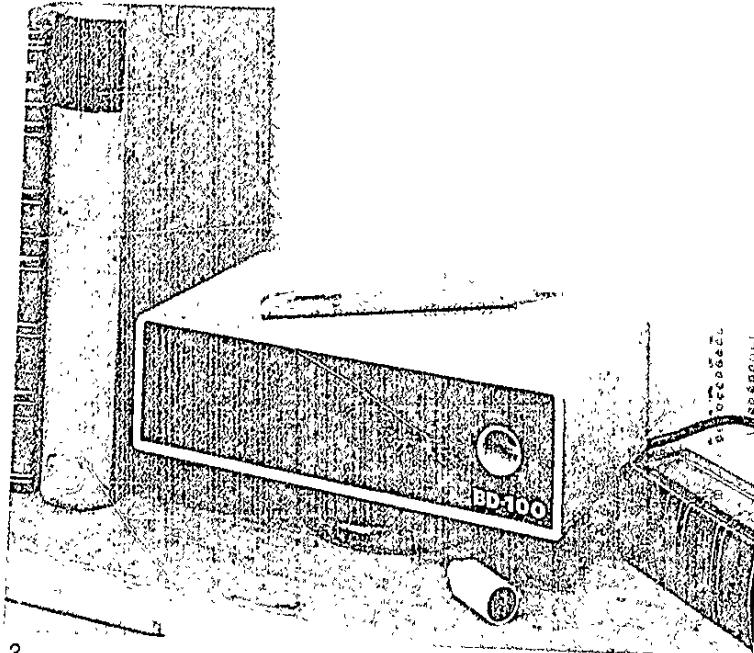
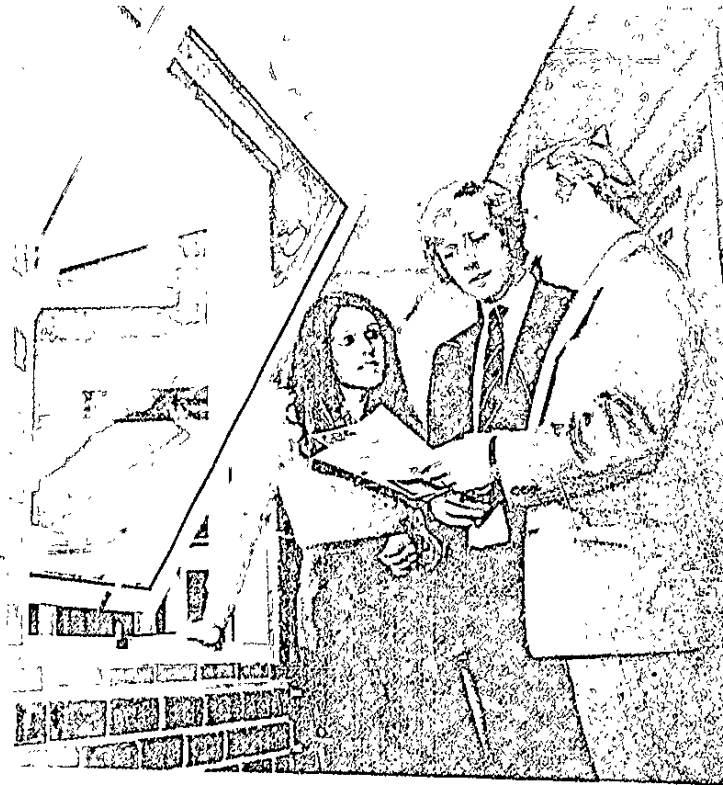
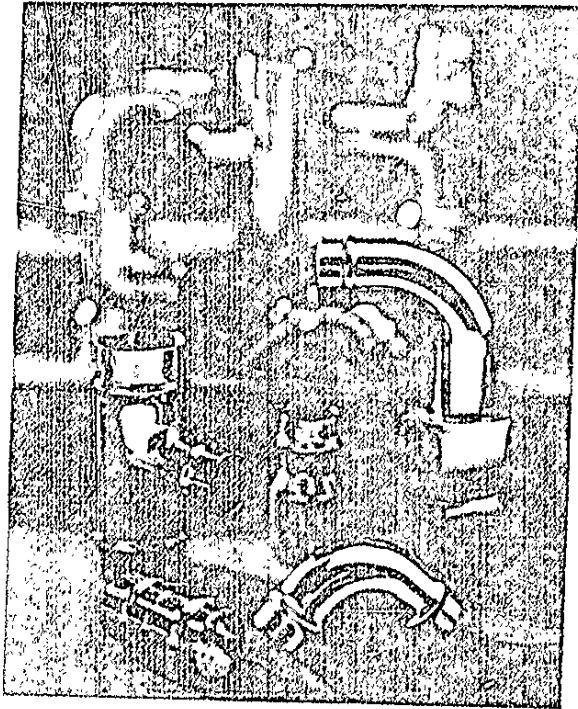


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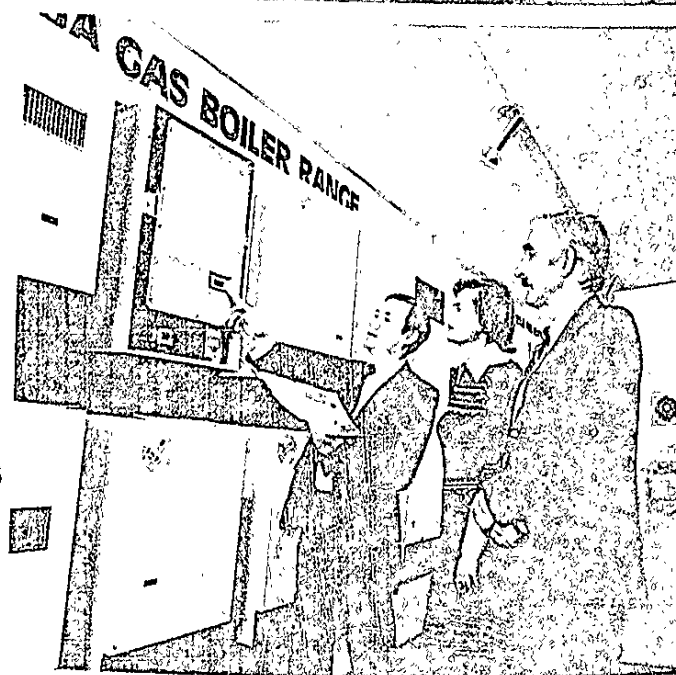
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- 3 An investment of £1.1 million has modernised a 14" hot mill at George Gadd & Co, Dudley, W. Midlands.
- 4 Cooper & Turner have recently installed a £175,000 Hatcher multi-stage nut forming machine which is the most advanced of its kind in Britain.
- 5 Five new products were on public view for the first time on the Fab on Catering Equipment stand at the International Hotel and Catering Exhibition at Olympia, London.



3

- 1 The Wednesbury Tube Co manufacture and market high quality copper tubes, capillary fittings and microbore components.
- 2 Launched at Interbuild, the Glinex modular link uPVC window frame range represents a major breakthrough in maintenance-free window technology.
- 3 Fotherby, Willis Electronics' new digital clock/burglar alarm is the forerunner of a number of security and safety products to be marketed by Glynwed over the next few months.
- 4 One of 12 Miller Bridges Fasteners branches which together stock over 600 million fasteners.
- 5 Agaheat Appliances was another Glynwed company which launched new products at Interbuild. Their new "Hi Light" gas boiler range created wide interest.



5

Report of the Directors

(continued)

Glynwed Limited and subsidiary companies

GLYNWED

Building and consumer products (continued)

markets. In addition, we acquired during 1977 a small company employing a novel process for the manufacture of sink and hotplate combination units which have a high export potential. The division maintained its market position in the heating field and improved profitability.

Glynwed Integrated Services Ltd

Steelway

- ☐ steel flooring ☐ steel stairways
- ☐ steel hand rails ☐ steel fabrications

Steelfab Pipes & Vessels

- ☐ fabrication of pipework
- ☐ fabrication of pressure vessels

T B Mechanical Services

- ☐ heating, ventilating, air conditioning and engineering contracting

Dalcon Joinery

- ☐ contract joinery ☐ building services

Brent Metal Works

- ☐ architectural metal work

The principal markets for the five companies which comprise the division are the building, construction and processing industries.

The two companies affected by the process industry are Steelway and Steelfab. Steelway, despite the economic climate, has produced its best-ever results and has reached an activity which near maximises its existing facilities. Steelfab has suffered from a low order book but the situation is now improving rapidly.

The opportunity has been taken during this period to strengthen the expertise of the company and additional production facilities have been provided to meet future demands.

T B Mechanical Services has maintained its position in the market and improved its efficiency. It has sought opportunities overseas and is currently engaged on its first major contract in Jordan. Overseas work is expected to take an increasing share of the company's activities.

Dalcon Joinery has experienced a turn-round in its performance and is now well established to benefit from an up-surge in the building and construction industry in Scotland which is already taking place.

Brent Metal Works experienced considerable difficulties in its specialised market for architectural metal work.

Steel and engineering

Glynwed Steels Ltd The Stourbridge Rolling Mills Ltd

George Gadd & Co

- ☐ re-rollers of hot rolled steel, carbon and alloys

W Wesson

- ☐ hot rolled steel strip
- ☐ cold rolled flats
- ☐ bright drawn steel bars, rods and flats

Steel Parts

- ☐ bright drawn steel bars and rods
- ☐ hot forgings ☐ general press work

Joseph Gillott & Sons

- ☐ re-rollers of hot rolled steel, carbon and alloys

The Stourbridge Rolling Mills Ltd

- ☐ cold rolled strip

Overall 1977 was a good year. The advantages of policies designed to give low cost flexible plants is amply justified. The ability to respond quickly to customers requiring immediate delivery of large or small quantities has proved extremely beneficial.

A major factor in the success of the division is the continuation of good industrial relations in all companies. There were no stoppages or disruption recorded in any of the companies.

Stourbridge Rolling Mills joined the group in the latter half of the year and is an important acquisition for the Steel division.

Glynwed Screws & Fastenings Ltd

Glynwed Fastenings

- ☐ high tensile bolts, paint clearing screws, pre-assembled screw and washer units, self locking and prevailing torque bolts

Yarwood Ingram & Co

- ☐ bright and high tensile studs and 'U' bolts

Wask Engineering

- ☐ steel and malleable iron pipe fittings
- ☐ malleable iron castings

Tower Manufacturing

- ☐ semi tubular rivets
- ☐ masonry nails and cable clips

Report of the Directors

(continued)

Highland Limited and subsidiary companies

Steel and engineering

(continued)

Cooper & Turner

- ☐ high strength friction grip bolts, load indicator washers, rivets, split cotter pins, railway, mining and construction bolts, standard and high tensile bolts and nuts

James H Smith

- ☐ bolts and non-standard fasteners for the railway, coal, scaffolding and heavy plant industries

The year saw the consolidation and divisionalisation of the Cooper & Turner group with all units performing favourably against their original forecasts.

Exports from the division increased over the previous year with excellent business being obtained particularly by Wask Engineering and Tower Manufacturing.

In view of the current world economic recession and a substantial increase in cheaper imports particularly from the Far East, coupled with cheaper steel being available on the domestic markets of our EEC competitors, the division's results reflected the dedication and professionalism of all divisional employees.

Glynwed Foundries Ltd

Sinclair Iron Works

- ☐ cast iron drainage products
- ☐ automotive castings

Coalbrookdale Works

- ☐ engineering castings
- ☐ automotive castings

Skipton Works

- ☐ Meehanite engineering castings

South Bank Iron Works

- ☐ cast iron drainage products
- ☐ Meehanite engineering castings

Larbert Foundry

- ☐ engineering castings
- ☐ automotive castings

Glynwed Foundries maintained its leading position in the UK as a producer of cast iron drainage products. The new Timesaver Underground Drainage System was launched to complement the now well-established and highly successful Timesaver Soil Drainage System. Overseas sales of drainage products were increased and the division consolidated its markets in the Middle East.

Automotive business in the EEC continued to expand during 1977. Unfortunately this European business could not offset the serious situation in the home market. Prices for many motor castings continued to be fiercely competitive and deliveries to customers during the year were restricted by the unsettled conditions which were a particular feature of the motor industry in the last 12 months. The generally weak demand for engineering castings in the first half improved towards the end of the year. A strengthening and restructuring of the division's marketing and sales organisation has resulted in an improving order book in the last quarter of 1977.

Stockholding and distribution

Glynwed Distribution Ltd (Steel Stockholding)

Cashmores

- ☐ stockholders, processors of steel sheet, plate, bars, sections, and stainless steel
- ☐ scrap merchants
- ☐ dealers in machine tools

Macreadys

- ☐ steel stockholders of bright, carbon and alloy steel bars

Frank Stacey

- ☐ stockholders of stainless steel products

The division's position as a major force in the industry was maintained with improved output levels during a highly competitive period. A world surplus of steel making capacity, combined with a recessionary period resulted in depressed prices, particularly in the sheet division. Very satisfactory performances by Macready and the Stainless division helped to cushion the effects although the total results fell short of the previous year.

The division's performance, however, was creditable, and confident and enthusiastic managements, with well equipped facilities, have considerable optimism for the current year. A wide spread of outlets was maintained and developed.

The machinery division again made a healthy contribution and an excellent return on the capital employed, but the scrap division suffered a rare poor year in an extremely depressed market.

Stockholding and distribution
(Eurofast)

Glynwed Distribution Ltd
(Fastenings and Bearings)

Glynwed Distribution (Eurofast) GmbH

Miller Bridges Fastenings
stockists of all screwed products

MBS Bearings
stockists of bearings, chains and sprockets

Arthur Foxall (Tools)
stockists of engineers' tools

Glynwed Distribution (Eurofast) GmbH
factors of fastenings

Despite a depressed industrial climate in 1977, the division's performance in returning excellent figures indicates a substantial improvement in techniques. The aim during this period was to consolidate the division and also inject more professionalism into all operations.

During the last three years, both divisions – Fastenings and Bearings – have grown. The total operation is now identified under the symbol of MBS – a name that has now, in industry, become synonymous with excellent service.

In the Fastenings division, a new branch was opened in Bristol which is progressing satisfactorily. With an entry into specialised products Bearings division once again had a very good year, opening two new branches in Coventry and Chesterfield. A new distribution outlet in Dusseldorf – Glynwed Eurofast GmbH – is already showing benefits.

Glynwed Wholesale Chemists Ltd

Rudge Roberts
Rudge Roberts (Northern)
Fylde Laboratories

☐ wholesale supplies to retail chemists

During 1977 price inflation in the industry showed a sharp reduction compared with the two previous years, and this resulted in a lower percentage increase in sales and lower gross margins in both the retail and wholesale sectors of the trade. In addition, demand for toiletry and sundry lines was very depressed during the summer months.

Despite these difficult conditions, the company was able to show a small increase in profit.

Other divisions and trading companies

Glynwed Plastics Ltd

Vulcathene & Enfield

☐ chemical waste drainage systems and fabrications, brass laboratory fittings, injection mouldings and vacuum forming

Arlington Plastics

☐ PVC coated fabrics for wall coverings, upholstery, footwear and other industrial applications

☐ polyurethane coated nylons for marine safety equipment, oil booms and various other industrial uses

☐ acrylic coated fabrics for curtain linings and other domestic applications

J Burns

☐ automotive trim, machined components and railway track insulations

The chemical waste drainage systems maintained their position as leaders in this specialist field. These products are held in high esteem throughout the world and 49% of the sales went to export. Brass laboratory fittings, which are in the same markets, improved their profitability and more than half were sold overseas.

The market for PVC coated fabrics continued to be depressed, due to the competition from cheap imports, but this was more than offset by the favourable reaction given to polyurethane coated nylons mainly used in marine safety products.

The unpredictability of demand from the automotive industry necessitated a reduction in manufacturing locations for automotive trim which enabled this section to improve its trading position compared with the previous year. There was an encouraging improvement in demand for machined components and railway track insulations.

Certex Ltd

☐ precision machined engineering components in plastic
☐ uPVC window frames

Within the machined plastics activity the company manufactures an extensive range of individually tailored, precision machined components for use by the power equipment and mechanical engineering sectors of industry. Despite the prevailing economic climate this sector of the business has continued to grow steadily throughout the year.

Report of the Directors

(continued)

Glynwed Limited and subsidiary companies

Other divisions and trading companies

(continued)

A notable 'first' was recorded at Interbuild 77 in November when the company launched "Glintex Modu-Link" a new concept in high performance, completely maintenance-free window framing. Manufactured from steel reinforced high impact uPVC, "Modu-Link" is the only product of this type wholly manufactured in the U.K. at this time. Designed specifically to withstand the most severe rigours of our climate, "Modu-Link" is the product of a joint development programme between Certex and the Central Research Unit.

Thames Bank Iron Company Ltd

- ☐ Thamesflow roof outlets
- ☐ stockists of builders' castings

Although many sectors of the building industry remained in a depressed state, the company produced substantially improved sales and profits.

The Thamesflow Roof Outlet has become an established product in the building industry and in conjunction with our stockists it is being exhibited in various parts of the country. Other new products are being developed for our overseas markets.

The home trade continued at a satisfactory level and good progress has again been made overseas which now represents a significant part of our business.

In recent years improved facilities for stocking and handling goods have enabled the company to deal with an increased volume of trade.

Fotherby, Willis Electronics Ltd

- ☐ electronic controls for domestic and industrial applications

Fotherby Willis, a new acquisition for Glynwed, is engaged in the design, development and production of various electronic items.

Despite the reduced demand in the domestic market the company maintained a major share of the light dimmer market with 10% of turnover going for export.

Overseas company

Defy Industries Ltd

- ☐ the manufacture of electric, gas and solid fuel stoves, washing machines, cast iron and steel baths
- ☐ dishwashers, refrigerators, microwave ovens, vacuum cleaners and tumble driers
- ☐ air conditioning

Against a background of continuing economic inactivity in South Africa, sales of the company's own manufactured products dropped in real terms during 1977. The monetary value of sales, however, was similar to 1976 due to the introduction of more bought out appliances and considerable success in the air conditioning division.

The large decline in profits was accounted for by a fall in gross profit brought about by competitive pressures which prevented prices from being increased to levels that were necessary to preserve margins, as well as an increase in overheads and interest.

The company succeeded in retaining its market position in its traditional lines and has now gained a larger share of the air conditioning market. While a reasonable amount of activity was maintained in the Newcastle stove division during the year, the remainder of the company's productive capacity was operated at a reduced level for most of the year.

Corporate services

Group Research and Development

The completion of the "Glintex Modu-Link" window frame in terms of market proposals and production layout in February, allowed for a concentration of resources on the convector, which was successfully put into production in the latter part of the year ready for marketing in 1978.

Development of the smoke, gas and burglar alarms was completed in early August and the acquisition of Fotherby Willis enabled tooling-up for the manufacture of these products to commence during the latter part of the year.

In other areas such as steel and foundries, projects have been implemented to investigate the possibilities of providing for better production methods and new market

Corporate services

areas. These investigations have wide implications ranging from new vacuum methods of casting metal to the use of electrical resistance heating in rolling steel. Prototypes for both these developments are scheduled to be fully operational in 1978.

Export and Overseas Development

During the year Glynwed Overseas Ltd has been consolidating its role in co-ordinating overseas marketing operations with the group's increasing activity in export markets, particularly in the supply of the group's building products to those areas of the world with large on-going construction programmes.

After establishing a footing in Iran there are now positive indications that Glynwed's products and services in the fields of catering and plumbing/environmental control are in demand and some significant orders have been obtained. This success has enabled us to plan an extension of this activity and opportunities are being sought in the United Arab Emirates and Jordan as well as other parts of the Middle East and Africa.

Personnel and Corporate Relations

Work proceeded on the restructuring of certain divisions to accommodate changing circumstances. A significant number of changes was made in management, nearly 70% of which were by means of internal promotion and transfer. The continued emphasis on improving efficiency and productivity to meet intensified competition against a background of economic uncertainty was a severe test of the calibre and morale of management at a time when the effects of personal taxation and the government's incomes policy were de-moralising influences.

With high unemployment, continuing high inflation and government intervention in business matters, 1977 was a difficult year for industrial relations. Despite these pressures and constraints there was no industrial action of major significance in any of the companies in the group. This reflected the sound working relationships which have been developed over the years between local management and employees.

During the spring of 1977 the group ran two TV and press advertising programmes, one to project the various activities of the group companies and the other to support the campaign of the National Home Improvement Council.

Extensive and increasing use has been made of the group headquarters' showrooms and conference facilities. Over 5,500 people visited the showrooms and nearly 1,500 attended conferences and meetings during the year.

Capital of the company

Acquisitions and issues of share capital:

(a) The satisfaction of the consideration for the purchase of the whole of the issued capitals of Fotherby, Willis Electronics Ltd, FW Components Ltd and Fotherby Willis (Export) Ltd with effect from 1st January 1977 by the issue of 188,775 ordinary shares of 25p each credited as fully paid.

(b) The satisfaction of the consideration for the purchase of the whole of the issued capital of Exact-O-Form Ltd with effect from 1st January 1977 by the issue of 204,546 ordinary shares of 25p each credited as fully paid.

(c) The satisfaction of the consideration for the purchase of the whole of the issued capital of Arthur Foxall (Tools) Ltd with effect from 1st March 1977 by the payment of £85,000 in cash.

(d) The satisfaction of the consideration for the purchase of the whole of the issued capital of The Stourbridge Rolling Mills Ltd with effect from 1st April 1977 by the issue of 2,136,753 ordinary shares of 25p each credited as fully paid.

(e) The allotment to certain holders of the company's 6% convertible unsecured loan stock on 7th October 1977 of 15,441 ordinary shares of 25p each at 246.772p per share in response to elections made on 30th September 1977 in respect of the conversion rights attaching to such stock. See also note 20 on page 32.

Share ownership scheme:

On 4th July 1973 the board resolved that there would be no further allotment under the scheme, and no shares have been issued since that date. 14,500 shares were made fully paid during the period to 31st December 1977.

Share option scheme:

No options have been granted under the scheme since its approval in May 1973.

Report of the Directors

(continued)

Glyndwr Films and Video Hire Company

Shareholders

At 31st December 1977, ordinary shareholders totalled 17,696 (1976 – 17,255) and these are analysed below:

	No. of shares	% of shareholders	% of shares in issue
1 - 2,000		86.71	13.94
2,001 – 5,000		7.05	5.88
5,001 – 50,000		3.06	13.41
50,001 – 250,000		0.92	20.18
Over 250,000		0.26	36.59
		<u>100.00</u>	<u>100.00</u>

Directors

The members of your board at the date of this report are listed on page 3.

Mr RS Heinrich resigned from the board on 31st March 1977. Mr W Garner and Mr FCW Whitehouse were appointed directors on 2nd May 1977 and offer themselves for re-election at the annual general meeting. In accordance with the articles of association Mr JD Eccles and Mr G Davies retire by rotation and, being eligible, offer themselves for re-election.

Directors' interests

The interests of the directors of the company at 31st December 1977 according to the register kept under Section 29 of the Companies Act 1967 were:

Number of shares or amount
of stock held at:

		31st December 1977		26th December 1976†	
		Sole beneficial owner	Family and other interests*	Sole beneficial owner	Family and other interests*
Ordinary shares of 25p each fully paid	L Fletcher	3,750	312	3,750	312
	G Davies	1,250	—	1,250	—
	MA Hastilow	1,025	7,075	1,025	7,075
	W Garner	4,687	1,312	4,687	1,912
	FCW Whitehouse	40,521	—	40,521	—
	JD Eccles	1,250	—	1,250	587
	Sir William Barlow	1,250	—	1,250	—
	Sir Denis Barnes	1,000	—	1,000	—
Share ownership scheme ordinary shares of 25p each, 1p paid	G Davies	17,500	—	17,500	—
	MA Hastilow	17,500	—	17,500	—
	W Garner	10,000	—	10,000	—
	FCW Whitehouse	8,000	—	8,000	—
10 $\frac{3}{4}$ % unsecured loan stock	MA Hastilow	25	—	25	—

* Including non-beneficial trustee holdings

† Or date of subsequent appointment

The company has not been notified of any change in the above holdings during the period 1st January 1978 to 16th April 1978. The directors have not received any notification under Section 26 of the Companies Act 1976 that any person or group of persons has an interest amounting to 5% or more in the ordinary share capital of the company. The directors had no interest during the year in any contract or arrangement with the company.

Fixed assets

The movements of fixed assets during 1977 are set out on page 29. In December 1974, a professional valuation of the freehold and leasehold land and buildings was made, on the basis of existing use as between a willing buyer and a willing seller. This valuation was up-dated in December 1975, and at that time there were indications that the 1974 surplus over the net book value had diminished. Since the state of the property market continues to be uncertain, the directors do not believe either that the valuation should be entered into the accounts or that to state an apparent surplus would be helpful to shareholders.

'Close' company

The company is not a 'close' company within the meaning of the Income and Corporation Taxes Act 1970.

Auditors

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

By order of the board
D E Drake
Secretary

Birmingham
27th April 1978

Finance Act 1965 and capital gains tax

The official price of Glynwed Limited ordinary shares on 6th April 1965 adjusted for the rights issue made in 1976 was 135½p.

Employees

In the United Kingdom the group has employed an average of 14,227 men and women each week of the year. The aggregate gross remuneration paid or payable to them was £45.971 million (1976 - £40.442 million) for the year.

Average number of employees	1977	1976
United Kingdom	14,227	14,179
Overseas	2,991	3,480
	<u>17,218</u>	<u>17,659</u>

Political and charitable contributions

The group made contributions for the following purposes in 1977:

	£
Charitable	28,537
Educational (universities)	809
Political	5,000
	<u>34,346</u>

The whole amount contributed for political purposes was paid to the Conservative Party.

Ten Year Record

1968 and 1969 figures are preliminary

	1968 £000	1969 £000	
Trading results:			
Turnover	30,233	61,783	
Group trading profit	2,804	5,588	
Interest charges	335	846	
Group trading profit before taxation	2,469	4,742	
Taxation	1,074	2,183	
Group profit after taxation	1,395	2,559	
Minority interests	—	68	
Extraordinary items	—	414	
Preference dividends	—	—	
Ordinary dividends	1,104	1,730	
Profit retained	291	347	
	1,395	2,559	
Assets employed:			
Fixed assets	7,669	17,797	1
Trade investments	50	65	
Stocks	6,571	15,165	1
Debtors less creditors	3,957	9,641	
	18,247	42,668	4
Current taxation and proposed dividend	2,631	5,714	
Operating assets employed	15,616	36,954	3
Bank overdrafts and other short term borrowings (net)	2,301	4,831	
	13,315	32,123	32
Financed by:			
Ordinary shares	4,417	7,360	7
Reserves	5,637	5,891	5
	10,054	13,251	13
Preference shares	—	—	1
Total share capital and reserves	10,054	13,251	14
Medium and long term indebtedness	2,500	16,627	16
Deferred taxation	761	931	1
Minority interests	—	1,314	
	13,315	32,123	32
Statistics:			
Trading profit before interest to turnover	%	9.3	9.0
Trading profit before interest to operating assets employed	%	18.0	15.1
Turnover to operating assets employed	X	1.9	1.7
Earnings per share (basic) (note 1)	P	7.5	8.9
Adjusted ordinary dividend per share (notes 1 & 2)	P	3.6	3.9
Dividend cover	X	1.3	1.2

Notes: 1. Prior year figures have been adjusted for the rights issue made in May, 1976.
2. The ordinary dividends per share have been adjusted to show the amount payable under the imputation system.

1969 £000	1970 £000	1971 £000	1972 £000	1973 £000	1974 £000	1975 £ 000	1976 £000	1977 £000
61,783	73,387	85,787	126,180	171,164	208,353	198,217	243,032	285,440
5,588 846	6,939 1,893	9,445 1,888	13,101 2,071	16,789 2,784	19,738 4,028	14,239 3,806	18,088 3,462	16,559 3,532
4,742 2,183	5,046 2,006	7,557 2,816	11,030 4,313	14,005 6,518	15,710 8,282	10,433 5,444	14,626 7,596	13,027 6,504
2,559	3,040	4,741	6,717	7,487	7,428	4,989	7,030	6,523
68 414	45 245	— 106	9 220	1 103	114 410	161 395	224 590	47 280
— 1,730 347	50 2,139 561	100 2,869 1,666	100 3,677 2,711	70 2,880 4,433	70 2,930 3,904	68 3,167 1,198	73 4,537 1,605	70 5,262 463
2,559	3,040	4,741	6,717	7,487	7,428	4,989	7,030	6,523
17,797 65	18,377 65	20,845 277	24,317 1,415	29,052 1,313	30,633 881	31,446 871	34,713 1,086	34,192 1,071
5,165 9,641	15,554 8,781	17,676 8,762	25,430 9,187	34,215 12,605	46,420 8,662	43,831 6,924	58,629 10,634	65,142 12,181
2,668 5,714	42,777 5,101	47,560 6,076	60,349 9,987	77,185 12,054	86,596 9,112	83,072 8,374	105,062 8,805	113,586 9,042
6,954 4,831	37,676 5,295	41,484 2,846	50,362 3,090	65,131 11,404	77,484 15,171	74,698 13,695	96,197 14,486	104,544 15,615
2,123	32,381	38,638	47,272	53,727	62,313	61,003	81,711	88,929
3,360 891	7,506 5,941	8,648 11,068	10,658 11,360	11,533 16,701	11,671 19,549	11,730 20,590	15,565 30,813	16,205 31,167
2,251 —	13,447 1,291	19,716 1,291	22,018 1,291	28,234 1,291	31,220 1,291	32,320 1,291	46,378 1,291	47,372 1,291
251 627 931 314	14,738 16,627 1,016 —	21,007 16,338 1,293 —	23,309 21,879 2,070 14	29,525 21,248 2,940 14	32,511 21,525 6,952 1,325	33,611 16,394 9,668 1,330	47,669 16,682 15,699 1,661	48,663 20,974 18,222 1,070
23	32,381	38,638	47,272	53,727	62,313	61,003	81,711	88,929
9.0 5.1 1.7 8.9 3.9 1.2	9.5 18.4 1.9 9.3 4.1 1.3	11.0 22.8 2.1 12.9 4.9 1.6	10.4 26.0 2.5 14.0 5.5 1.7	9.8 25.8 2.6 15.4 6.0 2.5	9.5 25.5 2.7 14.7 6.0 2.3	7.2 19.1 2.7 9.6 6.4 1.4	7.4 18.8 2.5 11.9 7.4 1.4	5.8 15.7 2.7 10.0 8.2 1.1

no imputation system.

Source and Application of Funds

For the 53 weeks ended 31st December 1977

	1977 £m	1976 £m	
Source			
Profit before taxation	13.0	14.6	
Extraordinary items before taxation	(1.3)	(0.9)	
	<hr/>	<hr/>	
Depreciation	11.7	13.7	
	4.0	4.0	
	<hr/>	<hr/>	
Total funds generated from operations	15.7	17.7	
Funds from other sources:			
Net increase in medium and long term indebtedness	4.3	(0.2)	
Rights issue net of expenses	—	9.7	
Shares issued for the acquisition of subsidiaries	0.6	2.3	
	<hr/>	<hr/>	
	20.6	29.5	
<hr/>			
Application			
Dividends	4.7	3.6	
Taxation	4.7	2.5	
Capital expenditure (net)	3.8	6.1	
Decrease in reserves due to exchange differences	0.8	(1.5)	
Acquisition of subsidiaries (see below)	0.8	2.6	
Increase in net current assets (see below)	5.8	16.2	
	<hr/>	<hr/>	
	20.6	29.5	
<hr/>			
Increase in net current assets			
Movements reducing funds:			
Increase in stocks	4.5	13.3	
debtors	1.6	17.2	
trade investments	—	0.2	
Decrease in creditors	0.2	(13.7)	
	<hr/>	<hr/>	
Net decrease in funds	6.3	17.0	
Decrease in net liquid funds:	(0.5)	(0.8)	
	<hr/>	<hr/>	
Increase in net current assets	5.8	16.2	
<hr/>			
Analysis of the acquisition of subsidiaries			
Net assets acquired		Discharged by	
Stocks	2.0	Shares issued	0.6
Debtors	1.6	Cash paid	0.2
Fixed assets	0.7		
Creditors	(1.5)		
Bank overdraft	(0.5)		
Current taxation	(0.1)		
Deferred taxation	(0.7)		
	<hr/>		
	1.5		
Less surplus arising on acquisition	0.7		
	<hr/>		
	0.8		
	<hr/>		<hr/>
			0.8

Consolidated Profit and Loss Account

GLYNWED

Consolidated Profit and Loss Account

For the 53 weeks ended 31st December 1977

Notes

1977
£000

1976
£000

Turnover

1

Home

249,878 207,570

Overseas (including exports)

35,562 35,462

285,440 243,032

Group trading profit

2

16,559 18,088

Interest charges

4

3,532 3,462

Group profit before taxation

13,027 14,626

Taxation

5

6,504 7,596

Group profit after taxation

6,523 7,030

Minority interests

47 224

Group profit before extraordinary items

6,476 6,806

Extraordinary items

6

680 590

Group profit after extraordinary items

5,796 6,216

Preference dividends

7

70 73

Group profit attributable to ordinary shareholders

5,726 6,143

Ordinary dividends

7

5,263 4,537

Profit retained

8

463 1,606

Earnings per share

basic
fully diluted

10

9.97p 11.90p

9.80p 11.61p

Statement of retained profit

Balance at beginning of year:

Previously reported

21,208 18,798

Change in basis of stock valuation

— 213

21,208 19,011

Retained profit for the year

463 1,606

21,671 20,617

Amount (charged)/credited direct to reserves

(550) 591

Balance at end of year

21,121 21,208

Notes on the accounts, pages 24 to 32.

Consolidated Balance Sheet

Company Limited and subsidiary companies

31st December 1977

Notes

1977
£000

1976
£000

Assets employed

Current assets

Stocks and work in progress	11	65,142	58,629
Debtors, bills receivable and prepayments		63,214	60,002
Bank and cash balances		180	168
		<u>128,536</u>	<u>118,799</u>

Current liabilities

Creditors and accrued charges		51,033	49,368
Bank overdrafts and other short term borrowings		15,795	14,654
Current taxation	12	5,280	5,727
Proposed dividends		3,762	3,138
		<u>75,870</u>	<u>72,887</u>

Net current assets

Fixed assets	14	35,192	34,713
Trade investments	16	1,071	1,086
		<u>88,929</u>	<u>81,711</u>

Financed by

Ordinary shares	18	16,205	15,565
Reserves	19	31,167	30,813
		<u>47,372</u>	<u>46,378</u>

Preference shares	18	1,291	1,291
-------------------	----	-------	-------

Total share capital and reserves		48,663	47,669
----------------------------------	--	--------	--------

Medium and long term indebtedness	20	20,974	16,682
-----------------------------------	----	--------	--------

Deferred taxation	21	18,222	15,699
-------------------	----	--------	--------

Minority interests		1,070	1,661
		<u>88,929</u>	<u>81,711</u>

L Fletcher *Chairman*

G Davies *Deputy chairman*

Notes on the accounts, pages 24 to 32.

Balance Sheet

Glynwed Limited

GLYNWED

1976
1977

31st December 1977

Notes

1977
£000

1976
£000

Assets employed

Current assets

Debtors and prepayments
Bank balances

522 516
26 26

548 542

Current liabilities

Creditors and accrued charges
Bank overdrafts and other short term borrowings
Current taxation
Proposed dividends

1,481 1,571
16,957 17,070
2,711 1,683
3,762 3,138

24,911 23,462

Net current liabilities

(24,363) (22,920)

Interest in subsidiaries

13 96,893 91,680

Trade investments

16 124 149

Advance corporation tax recoverable

3,898 1,668

76,552 70,577

Financed by

Ordinary shares

18 16,205 15,565

Reserves

19 39,309 38,688

55,514 54,253

Preference shares

18 1,291 1,291

Total share capital and reserves

56,805 55,544

Medium and long term indebtedness

20 19,929 15,101

Deferred taxation

(182) (68)

76,552 70,577

L Fletcher *Chairman*

G Davies *Deputy Chairman*

Notes on the accounts, pages 24 to 32.

Notes on the Accounts

Glynwed Limited and subsidiary companies

1. Accounting policies

The following statements outline the main accounting policies of the group:

Basis of accounting

The historical cost convention has been used for the preparation of the accounts with assets generally carried in the balance sheet at or below the cost incurred at their date of acquisition. However, the convention does permit the inclusion in the balance sheet of certain assets at a value in excess of cost and those fixed assets which have been included at valuations in excess of original cost are detailed in note 14 on page 29.

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 year.

Turnover

All internal sales arising within the group are eliminated on consolidation and turnover comprises external sales excluding value added tax.

Research and development

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

Extraordinary items and prior year adjustments

Material profits and losses which derive from transactions outside the ordinary course of business and which are not expected to recur frequently or regularly are treated as extraordinary. Material adjustments arising from changes in accounting policy or the correction of fundamental errors of prior years are treated as prior year adjustments.

Foreign currencies

The accounts of overseas subsidiaries and assets and liabilities in foreign currencies are converted into sterling at the mid market rates of exchange

ruling at the close of the financial year. Differences arising from changes in exchange rates are taken to reserve where they arise on capital items. Exchange differences on revenue transactions are reflected in the profits of the year.

Stocks and work in progress

Stocks and work in progress have been valued at the lower of cost and net realisable value, with the exception of copper stock, where due to the method of trading, copper has, to the extent that it has been contracted to be sold forward, been valued at the net realisable value of the metal element forming part of the sale price. Where not sold forward it has been valued at the lower of cost and the ruling market price at the balance sheet date.

Cost in the case of products manufactured by companies in the group consists of direct material and labour costs and all other expenditure which has been incurred in the normal course of business in bringing those products to their present location and condition.

Depreciation

Depreciation is calculated using the straight line method on the gross values of fixed assets without any deduction for government grants as follows:

- (i) Freehold buildings at 2% per annum.
- (ii) Leasehold land and buildings over 50 years or the period of the lease whichever is the less.
- (iii) Plant, equipment and vehicles over a period of from 4 to 10 years according to their estimated working lives.

No depreciation has been charged on freehold land.

Government grants

Government grants in respect of capital expenditure are taken to deferred credit account which is deducted from the net book value of fixed assets (note 14 on page 29).

A proportion is credited annually to the consolidated profit and loss account by reference to the average life of the relevant fixed assets.

Market value of trade investments

Trade investments are included in the balance sheet at cost unless there is a permanent reduction in their value.

Deferred taxation

This is calculated on the liability method applying the following principles:

Taxation at current rates on:

- (i) The difference between the written down value for taxation purposes and the equivalent net book value of fixed assets based on their historical cost.
- (ii) Transactions included in the accounts but not allowable for taxation purposes until subsequent financial periods.
- (iii) Stock appreciation relief up to the balance sheet date.

less advance corporation tax recoverable.

No provision is made for any possible liability which might arise on a disposal of any property at current values.

Acquisitions

Shares issued as consideration for the acquisition of companies are issued at the value placed on them in the relevant contract or offer document.

Where no value is specified they are issued at par.

Expenses incurred in the issue of such shares are charged against share premium account.

Goodwill arising on consolidation, being the excess of the purchase consideration for shares in new subsidiary companies over the net tangible assets acquired, is set against reserves in the year of acquisition.

If net tangible assets acquired exceed the purchase consideration, the difference is added to reserves on consolidation.

Notes on the Accounts

(continued)

Glynwed Limited and its subsidiaries

2. Group trading profit

This is stated after crediting:
Income from quoted investments
Interest on deposits and loans

1977 1976
£000 £000

117 107
9 10

126 117

and after charging:

Depreciation (note 14 on page 29)

4,236 4,224

Loss

Transfer from deferred credit account

(256) (244)

Included in extraordinary items

— (40)

3,980 3,940

Hire of plant, equipment and vehicles

1,296 996

Emoluments of directors of Glynwed Limited

As directors

12 11

As executives

154 148

Pension paid to former executive director

1 1

Payment to past director upon termination of service agreement

65 —

232 160

Auditors' remuneration

Glynwed Limited

22 17

Subsidiaries

209 184

231 201

3. Directors' and employees' emoluments

The emoluments of the chairman and the number of directors whose emoluments for the year fall within the following scales are stated below:

Emoluments	Net after tax (see note below)		Number of directors	
	1977	1976	1977	1976
<i>Chairman</i>				
1977 £30,202	£12,200	£11,100		
1976 £30,176				
<i>Other directors</i>				
£				
25,001 to 27,500	11,700	10,700	1	1
22,501 to 25,000	11,300	10,200	1	2
12,501 to 15,000	8,900	8,000	1	—
10,001 to 12,500	7,900	7,200	1	—
5,001 to 7,500	5,400	5,100	1	—
2,501 to 5,000	—	—	3	3
up to 2,500	—	—	—	1

Note:

The tax that has been deducted is calculated at the income tax rates in force at the end of each year on the maximum salary within the range where applicable. It has been assumed that the recipient is a married man without children, with no charges on income and with no other source of income.

The number of other employees in the United Kingdom who received emoluments in 1977 in excess of £10,000 is as follows:

£	Number of employees	
	1977	1976
20,001 to 22,500	1	—
15,001 to 17,500	3	4
12,501 to 15,000	8	4
10,001 to 12,500	15	16

1976
£000
107
10
117
2,224
(244)
(40)
940
996
11
148
1
160
17
184
201
ents
ctors
976
1
2
—
—
3
1
ees
76
—
4
4
6

4. Interest charges	1977 £000	1976 £000
Bank overdrafts and other short term borrowings	1,858	2,052
Loans repayable on or before 31st December 1982	373	4
Loans repayable after 31st December 1982	1,301	1,406
	<u>3,532</u>	<u>3,462</u>

5. Taxation	1977 £000	1976 £000
On the profit of the year:		
United Kingdom corporation tax at 52%	4,411	1,643
Overseas taxation	136	514
Transfer to deferred taxation	2,234	5,487
	<u>6,781</u>	<u>7,644</u>
Previous year adjustments	(277)	(48)
	<u>6,504</u>	<u>7,596</u>

6. Extraordinary items	1977 £000	1976 £000
Termination costs on discontinued activities	1,258	819
Loss on disposal of subsidiaries	—	130
	<u>1,258</u>	<u>949</u>
Less: taxation relief applicable	578	359
	<u>680</u>	<u>590</u>

7. Dividends	1977 £000	1976 £000
Preference dividends 5.425% (formerly 7½%)	70	73
Ordinary dividends		
Interim dividend paid of 2.45p per share (1976: 2.450p)	1,536	1,440
Proposed final dividend of 5.75p per share (1976: 4.975p)	3,727	3,097
	<u>5,263</u>	<u>4,537</u>

8. Profit retained	1977 £000	1976 £000
Glynwed Limited	501	824
Subsidiary companies	(38)	782
	<u>463</u>	<u>1,606</u>

9. Comparative figures

The 1977 figures include those of new subsidiaries whose aggregate turnover and profits before taxation amounted to £5,522,000 and £106,000 respectively.

Notes on the Accounts

(continued)

Glynwed Limited and subsidiary companies

10. Earnings per share

The basic earnings per share is calculated on earnings of £6,406,000 (1976: £6,733,000) and 64,270,000 ordinary shares of 25p each (1976: 59,601,000 shares).

Earnings and issued shares have been adjusted in respect of basic and fully diluted earnings to take account of the acquisition of new subsidiaries during each year whether for shares, cash, loan stock or a combination of all three.

The fully diluted earnings per share is based on adjusted earnings of £6,574,000 (1976: £6,903,000) and adjusted shares of 67,106,000 (1976: 59,472,000 shares). Earnings and shares assume that the holders of 6% convertible unsecured loan stock 1983/85 have exercised in 1975, 1976 and 1977 the conversion rights described in note 20 on page 32 of the accounts.

11. Stocks and work in progress

	1977 £000	1976 £000
Raw materials and consumable stores	17,443	16,862
Work in progress	9,333	8,492
Finished goods and distribution stocks	38,366	33,275
	<u>65,142</u>	<u>58,629</u>

12. Current taxation

	1977 £000	1976 £000
United Kingdom corporation tax:		
Payable on or before 1st January 1979	2,383	2,897
Advance corporation tax:		
On interim and final dividends	2,711	2,465
	<u>5,094</u>	<u>5,362</u>
Overseas taxation	186	365
	<u>5,280</u>	<u>5,727</u>

13. Interest in subsidiaries

	1977 £000	1976 £000
Shares at or below cost	52,967	53,745
Amounts owing from subsidiaries	60,622	54,105
	<u>113,589</u>	<u>107,850</u>
Amounts owing to subsidiaries	16,696	16,170
	<u>96,893</u>	<u>91,680</u>

A list of the trading subsidiaries is given on page 35.

14. Fixed assets

	Land and buildings			Plant, equip- ment and vehicles	1977 Total fixed assets	1976 Total fixed assets
	Freehold	Leasehold				
	£000	Long £000	Short £000	£000	£000	£000
Cost and valuation						
At 25th December 1976	25,601	665	503	47,729	74,498	66,946
Exchange adjustments	(577)			(773)	(1,350)	1,886
New subsidiaries	172		12	1,305	1,489	2,121
Additions at cost	249	63	7	5,103	5,422	5,727
Disposals	(952)		(1)	(1,880)	(2,833)	(2,182)
At 31st December 1977	24,493	728	521	51,484	77,226	74,498
Cost	13,777	654	505	45,801	60,737	56,536
Valuation (see below)	10,716	74	16	5,683	16,489	17,962
	24,493	728	521	51,484	77,226	74,498
Accumulated depreciation						
At 25th December 1976	7,599	153	154	31,144	39,050	34,550
Exchange adjustments	(108)			(445)	(553)	751
New subsidiaries	38		9	751	798	1,008
Provision for the year	392	24	9	3,811	4,236	4,224
Disposals	(761)			(1,224)	(1,985)	(1,483)
At 31st December 1977	7,160	177	172	34,037	41,546	39,050
Net book value						
At 31st December 1977	17,333	551	349	17,447	35,680	
At 25th December 1976	18,002	512	349	16,585		35,448
Deduct:						
Deferred credit account					488	735
					35,192	34,713
Valuations have been incorporated in fixed assets as follows:						
Professional valuations						
1953 - 1968	1,327	19		12		
1969	607					
1970	1,423					
1972	1,546					
1973	275					
Directors' valuations						
1963 - 1964	5,408	55	16	5,671		
1970	130					
	10,716	74	16	5,683		

Notes on the Accounts

(continued)

Glynwed Limited and subsidiary companies

15. Capital expenditure

Authorised by the board but not contracted for
Contracted for but not provided in the accounts

Group	
1977	1976
£000	£000
640	667
1,090	1,016
<hr/>	
1,730	1,683

Total expenditure authorised

Glynwed Limited had no capital commitments (1976: nil).

16. Trade investments

	Group		Glynwed Limited	
	1977	1976	1977	1976
	£000	£000	£000	£000
Quoted equity shares, at cost	992	977	71	71
Unquoted equity shares, at or below cost	79	109	53	78
	<hr/>	<hr/>	<hr/>	<hr/>
	1,071	1,086	124	149
	<hr/>	<hr/>	<hr/>	<hr/>
Market value of quoted shares	1,261	732	38	36

The directors estimate the value of unquoted investments to equate to book value.

The following information is given in respect of the investment in unquoted equity shares, showing the country of registration or incorporation and the group's interest in the issued share capital.

Name	Country of registration or incorporation	Capital	% held
European Plumbing Materials Ltd	England	£50,000	50
* Gaycas (Pty) Ltd	South Africa	R200	50
* Inkongweni (Pty) Ltd	South Africa	R2	50
† Irish Foundries Ltd	Eire	£117,910	12.7
Irano British Building Products Ltd	Iran	Rials 25m	49
Lab-Line Industrial Corporation	U.S.A.	\$1,000	50
Vulcathene South Africa (Pty) Ltd	South Africa	R32,000	50

None of the above companies have been dealt with as associated companies as their figures are not significant. No loan capital has been created.

*Shares held by subsidiaries of Glynwed Limited
†In liquidation

17. Contingent liabilities

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

18. Share Capital

	Authorised		Issued	
	No. of shares 000	£000	No. of shares 000	£000
Ordinary shares of 25p each				
Balance at 25th December 1976	80,000	20,000	62,240	15,560
Issued to stockholders exercising rights under 6% convertible unsecured loan stock			15	4
Share ownership scheme shares made fully paid			15	4
Issued during the year in connection with the acquisition of subsidiaries			2,530	632
Balance at 31st December 1977				
Issued and fully paid			64,800	16,200
Share ownership scheme 1p per share paid			470	5
Balances at 31st December 1977	80,000	20,000	65,270	16,205
5.425% Cumulative Preference Shares of £1 each fully paid (formerly 7½%)	1,291	1,291	1,291	1,291

2,369,541 shares of the unissued ordinary share capital are reserved for issue to the holders of the 6% convertible unsecured loan stock who may exercise their conversion rights.

19. Reserves

	Share Premium £000	Retained Profit £000	Goodwill on Consolidation £000	Total £000
Group				
Balance at 25th December 1976	21,447	21,208	(11,842)	30,813
Premium on shares issued	43			43
Issue expenses	(2)			(2)
Exchange differences	(89)	(550)	(166)	(805)
Surplus arising on acquisition of subsidiaries			655	655
Profit retained		463		463
Balance at 31st December 1977	21,399	21,121	(11,353)	31,167
Glynwed Limited				
Balance at 25th December 1976	20,930	17,758		38,688
Premium on shares issued	43			43
Issue expenses	(2)			(2)
Dividends received out of prior years profits of subsidiaries		79		79
Profit retained		501		501
Balance at 31st December 1977	20,971	18,338		39,309

Of the retained profit of £21,121,000, £2,154,000 represents profits retained in South Africa which, under recent legislation, may not be remitted from that country. In addition, reserves of overseas subsidiaries amounting to approximately £1,119,000 would be subject to additional taxation if remitted.

Notes on the Accounts

(continued)

Glynwed Limited and subsidiary companies

20. Medium and long term indebtedness	Repayment date	Group		Glynwed Limited	
		1977 £000	1976 £000	1977 £000	1976 £000
Secured loans					
United Kingdom					
7.5% debenture stock	1989/94	3,196	3,330	3,196	3,330
10.95% term loan (repaid)		—	500	—	—
South Africa					
12.0% loan (1976 – 10.5%)	1978/83	429	582	—	—
12.2% loan	1978/92	102	122	—	—
14.3% loan	1978/82	301	—	—	—
Others	1978/82	213	377	—	—
		4,241	4,911	3,196	3,330

Unsecured loans

United Kingdom					
Variable interest term loan	1980/82	5,000	—	5,000	—
6% convertible loan stock	1983/85	5,847	5,885	5,847	5,885
10.75% loan stock	1994/99	5,886	5,886	5,886	5,886
		16,733	11,771	16,733	11,771
Total		20,974	16,682	19,929	15,101
Medium term (repayable within 5 years)		5,514	36	5,000	—
Long term		15,460	16,646	14,929	15,101

The debenture stock (including accrued interest) is secured by floating charges on the assets and undertakings of Glynwed Limited and certain of its wholly-owned subsidiaries. The sinking fund requirement has been satisfied to date by the purchase and cancellation of £294,300 of stock.

The convertible unsecured loan stock carries the right, exercisable in any of the years 1978 to 1983, to convert 246,772p nominal amount of stock into one ordinary share of 25p. The holders of £38,182 loan stock exercised the conversion option at 30th September 1977.

All loan capital, including any unconverted stock, is repayable at par.

21. Deferred taxation

	1977 £000	1976 £000
Timing differences mainly between tax allowances and depreciation	7,630	6,993
Stock appreciation relief	12,512	10,374
Advance corporation tax recoverable	(1,920)	(1,668)
	18,222	15,699

Auditors' Report

Glynwed Limited

GLYNWED

limited
1976
£000

3,330

3,330

5,885
5,886

1,771

5,101

5,101

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668)

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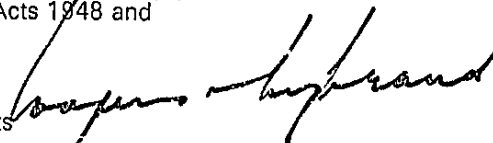
To the members of Glynwed Limited

We report on the accounts set out on pages 20 to 32 and 35. These have been prepared under the historical cost convention, as explained in the statement of accounting policies set out on page 24.

In our opinion the accounts give a true and fair view of the state of affairs at 31st December 1977 and of the profit and source and application of funds for the year ended on that date, according to the historical cost convention, and comply with the Companies Acts 1948 and 1967.

Coopers & Lybrand
Chartered Accountants

Birmingham
27th April 1978



Defy Industries Ltd

Incorporated in South Africa

Information published in accordance with paragraph 4 of the Government Observations on the Fifth Report from the Expenditure Committee on Wages and Conditions of African Workers employed by British Firms in South Africa. (Command 5845)

Defy Industries Ltd employs 2,013 African workers of whom 27 are in the lowest paid grade, the majority of whom are employed at Newcastle and Jacobs works. The average rate of pay of the lowest paid grade is R141.46 per month including bonuses and overtime.

The Minimum Living Level used by the company is that published by the Bureau of Market Research at the University of South Africa, the August 1977 figures being R108.29 per month for Durban and R102.44 for Newcastle (these figures are based on a family unit of 4½); all African employees receive more than the Minimum Living Level.

The Supplemented Living Level is 26½% above the Minimum Living Level, i.e. R136.99 per month in Durban and R129.59 per month in Newcastle; 13 African employees received less than the Supplemented Living Level.

In addition the company:

- (i) pays 5% on basic pay to a pension fund for African workers which is operated by the Industrial Council and which is non-contributory from workers;
- (ii) pays African employees in full for up to two weeks sick leave during the course of the year; if the employee has 10 years' service or more the entitlement increases on a sliding scale to 18 weeks full pay and 34 weeks half pay after 25 years' service;
- (iii) provides free medical service for African employees at factories for both accidents and illness;
- (iv) pays R1 per week per employee towards subsidised meals;
- (v) grants employees with more than six years' service one extra week of paid leave.

The five African liaison committees in existence last year have continued to function.

The company will ensure that the wage rates paid will continue to be ahead of increments authorised by the wage agreement for the engineering industry.

In view of the change in 1976 of statistical information provided by the University of South Africa, in that the Minimum Effective Level (50% above Minimum Living Level) was then replaced by the Supplemented Living Level referred to above, the company now considers that it is more practical to have regard to current statistical practice and therefore undertakes that all adult productive African employees will be paid more than the Supplemented Living Level by the end of 1978.

The following is a list of the company's subsidiaries which traded during the year ended 31st December 1977, all of which, unless otherwise stated, are wholly owned.

The capital in each case consists wholly of ordinary shares unless otherwise indicated.

Registered in England and operating in the United Kingdom

Allied Ironfounders Ltd†
 Certex Ltd (70% owned)†
 Cooper & Turner Holdings Ltd (including preference shares)
 Crackley Ltd
 Exact-O-Form Ltd†
 *Feralco Ltd†
 Flavel Foundries Ltd†
 Fotherby, Willis Electronics Ltd†
 FW Components Ltd†
 Glynwed Bathroom & Kitchen Products Ltd†
 Glynwed Distribution Ltd
 Glynwed Domestic & Heating Appliances Ltd†
 Glynwed Foundries Ltd†
 Glynwed Group Services Ltd
 Glynwed Integrated Services Ltd†
 Glynwed Overseas Ltd
 Glynwed Plastics Ltd
 Glynwed Screws & Fastenings Ltd
 Glynwed Steels Ltd
 Glynwed Tubes & Structures Ltd
 Glynwed Wholesale Chemists Ltd
 Hickman (Aircraft) Ltd†
 *Mercian Garages (Hagley) Ltd†
 *Stourbridge Steel Strip Ltd†
 Thames Bank Iron Co. Ltd†
 The Stourbridge Rolling Mills Ltd†

Incorporated and operating overseas

*Allied Ironfounders Pty Ltd (Australia)†
 Cooper & Turner Inc (USA)
 *Defy Industries Ltd (88% owned) and its subsidiaries (South Africa)†
 Glynwed Distribution (Eurofast) GmbH (Germany)
 Glynwed Eurotrade BV (Holland)
 Nederlandse Autofittings Fabriek BV (Holland)

* Shares held by subsidiaries of Glynwed Limited.

† Companies not audited by Coopers & Lybrand. The aggregate assets of such companies amount to 25% of the group assets.

Notice of Meeting

Glynwed Limited

Notice is hereby given that the thirty-seventh annual general meeting of Glynwed Limited will be held at Headland House, Sheldon, Birmingham, on Thursday the 8th day of June 1978 at 3 o'clock in the afternoon to transact the following business:

- 1 To receive and adopt the annual report and accounts for the 53 weeks ended 31st December 1977.
- 2 To declare a final dividend.
- 3 To elect directors.
- 4 To reappoint Coopers & Lybrand as auditors under Section 14(1) of the Companies Act 1976.

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
D E Drake
Secretary

Birmingham
16th May 1978

Notes

1. A form of proxy is inserted in the report and accounts and is for the use of shareholders who are unable to attend the meeting in person. This form should be completed, signed and returned so that it arrives at the office of the company's registrars not later than 3 p.m. on 6th June 1978. 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. In accordance with the listing agreement - companies, which the company has given to The Stock Exchange, London - the appropriate contracts of service of the directors will be available for inspection at the company's registered office between 9.00 a.m. and 4.30 p.m. on any weekday (Saturday and public holidays excluded) from 17th May 1978 to 7th June 1978 inclusive, and at the place of the meeting for 15 minutes prior to the meeting and during the meeting.

354715

GLYNWED LIMITED

OTHER DIRECTORSHIPS

Mr. L. Fletcher

Standard Chartered Bank Limited
The Chartered Bank Limited
The Standard Bank Limited

Mr. G. Davies

The Wednesbury Tube Pension Trustees Ltd.,

Mr. M. A. Hastilow

European Plumbing Materials Ltd.,
The Wednesbury Tube Pension Trustees Ltd.,
National Home Improvement Council

Mr. W. Garner

None

Mr. F. C. W. Whitehouse

None

Mr. J. D. Eccles

British Nuclear Associates Ltd.,
Finance for Industry Ltd.,
Finance Corporation for Industry Ltd.,
Head Wrightson & Co. Ltd.,
Davy International Ltd.,
Ransome Hoffman Pollard Ltd.,

Sir George William Barlow

Ransome Hoffman Pollard Ltd.,
Royal Worcester Ltd.,
The Post Office.

Sir Denis Barnes K.C.B.

General Accident, Fire and Life Assurance
Corporation Ltd.,

22.6.78



GLYNWED LIMITED

DIRECTORS

	<u>Address</u>	<u>Business Occupation</u>
Leslie Fletcher 14.10.22	Summerfield, Sherfield on Loddon, Basingstoke, Hants.	Chairman
Gareth Davies 13.2.30	'Kelston', Roman Way, Little Aston Park. Sutton Coldfield, West Midlands.	Deputy Chairman
Michael Alexander Hastilow 21.9.23	3 Kendal End Road, Barnt Green, Birmingham	Executive Director
William Garner 20.3.25	"Covertside", Penn Road, Gospel End, Sedgley.	Executive Director
Frederick Charles Wilson Whitehouse 15.2.29	Wentworth Lodge 2 Wentworth Road Four Oaks, Sutton Coldfield, West Midlands	Executive Director
John Dawson Eccles 20.4.31	Moulton Hall, Richmond, Yorks.	Non-Executive Director
Sir George William Barlow 8.6.24	2 Neville Drive, London, W.2	Non-Executive Director
Sir Denis. Charles Barnes 15.12.14 KCB	The Old Inn, 30 The Street, Wittersham, Kent	Non-Executive Director

SECRETARY

Denis Edward Drake	Fairview, North Street, Kilsby, Rugby CV23 8XU
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22.6.78