

GLYNWED STEELS LIMITEDDIRECTORS' REPORT1. ACCOUNTS

The directors present the audited accounts of the company for the 52 weeks ended 30th December 1978. The profit and loss account is set out on page 7.

Interim dividends amounting to £1,340,933 have been paid. No further dividend is recommended.

2. ACTIVITIES

The principal activities of the company are the manufacture of hot rolled steel, carbon and alloys; hot rolled steel strip; cold rolled flats and strip; bright drawn steel bars, rods and flats; hot forgings and general presswork. The undertaking and net trading assets of The Stourbridge Rolling Mills Ltd., Stourbridge Steel Strip Limited, Feralco Limited and Mercian Garages (Hagley) Limited were acquired with effect from 1st January 1978 by an agreement dated 1st March 1978.

3. EXPORTS

The sales value of direct exports from the United Kingdom during the period was £638,446 (1977 - £585,268).

4. FIXED ASSETS

The movements of fixed assets during the period are set out in note 9 on page 12.

5. DIRECTORS

The directors of the company at 30th December 1978, who held office for the whole of the period, except where indicated, were:-

G. Davies	(Chairman)	A. W. Rudge	(Appointed 1.3.78)
I. Aspley		C. J. H. Smith	
W. Devney		G. Smith	
W. Garner		J. R. Smith	
J. A. Gordon		J. A. Stalker	
R. Grosswell		B. G. Standish	
D. Gripton		J. G. Standish	
M. A. Hastilow		R. G. Thatcher	
P. D. Holder		E. Tunnadine	
F. G. Lee		L. F. Vale	
R. J. Miles		M. J. S. Wilkinson	
B. J. Patrick		J. W. Willoughby	(Appointed 1.6.78)

K. E. Parsons retired on 23rd February 1978 and S. E. Bird resigned on 30th June 1978. J. K. Humphreys was appointed a director on 1st January 1979.



GLYNWED STEELS LIMITEDDIRECTORS' REPORT
(Continued)6. DIRECTORS' INTERESTS

According to the register kept under Section 29 of the Companies Act 1967, the undermentioned directors who held office at 30th December 1978 have notified interests in the share capital and other securities of Glynwed Limited as follows:-

Number of shares held at:	30th December 1978	1st January 1978
<u>Ordinary shares of 25p</u> <u>each, fully paid</u>		
J. A. Gordon	200	200
R. Gresswell	174	174
J. R. Smith	441	441
B. G. Standish	361,917	403,265
J. G. Standish	201,050	419,007
R. G. Thatcher	880	880
M. J. S. Wilkinson	61,550	112,500

Share ownership scheme
ordinary shares of 25p
each, 1p paid

R. Gresswell	NIL	3,500
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The interests of G. Davies, W. Garner and M. A. Hastilow, who are also parent company directors, are shown in the directors' report of Glynwed Limited.

GLYNWED STEELS LIMITEDDIRECTORS' REPORT
(Continued)7. AUDITORS

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

BY ORDER OF THE BOARD,

J. C. Glaherty
Secretary

Birmingham,
West Midlands.

11 APR 1979

GLYNWED STEELS LIMITEDREPORT OF THE AUDITORS TO THE MEMBERS

In our opinion the accounts set out on pages 5 to 13 give a true and fair view of the state of the company's affairs at 30th December 1978 and of its profit and source and application of funds for the period ended on that date, according to the historical cost convention, and comply with the Companies Acts 1948 and 1967.

Coopers & Lybrand

Chartered Accountants.

Birmingham,

11 APR 1979

GLYNWED STEELS LIMITEDSOURCE AND APPLICATION OF FUNDS STATEMENT
FOR THE 52 WEEKS ENDED 30TH DECEMBER 1978

	<u>1978</u> £	<u>1977</u> £
<u>SOURCE OF FUNDS</u>		
Profit before taxation	2,955,051	2,848,895
Extraordinary item before taxation	(35,000)	-
	<u>2,920,051</u>	<u>2,848,895</u>
Adjustments for items not involving the movement of funds:		
Depreciation	434,214	298,405
Transfer from deferred credit account	(14,613)	(13,833)
	<u>3,339,652</u>	<u>3,133,467</u>
Total generated from operations		
Funds from other sources:		
Disposal of fixed assets	71,662	1,236,697
	<u>£3,411,314</u>	<u>£4,370,164</u>
<u>APPLICATION OF FUNDS</u>		
Dividends paid	1,340,933	1,353,381
Purchase of fixed assets	844,773	1,027,763
Tax paid	61,841	59,146
Group relief	-	45,903
Deferred taxation transferred	-	110,392
Transfer of trading assets from fellow subsidiary (see page 6)	20,235	-
Increase in net current assets	1,143,532	1,773,079
	<u>£3,411,314</u>	<u>£4,370,164</u>
<u>INCREASE IN NET CURRENT ASSETS</u>		
Movements reducing funds:		
Decrease/(Increase) in external creditors	1,371,374	(1,575,962)
Movements increasing funds:		
Increase in group creditors	17,781	96,435
Decrease/(increase) in stocks and work in progress	279,731	(708,759)
Decrease in external debtors	798,866	60,644
Decrease/(increase) in group debtors	129,648	(479,719)
	<u>1,226,026</u>	<u>(1,031,399)</u>
Net reduction/(increase) in funds	145,348	(544,563)
Reduction in amount due to Glynwed Limited	531,431	2,029,159
Increase in liquid assets	466,753	288,483
	<u>£1,143,532</u>	<u>£1,773,079</u>
Increase in net current assets		

GLYNWED STEELS LIMITED

SOURCE AND APPLICATION OF FUNDS STATEMENT
 FOR THE 52 WEEKS ENDED 30TH DECEMBER 1978
 (Continued)

	£
Net assets acquired	
Stocks	1,252,425
External debtors	1,341,303
Group debtors	5,576
Fixed assets	344,029
Cash and bank	(42,595)
External creditors	(564,072)
Group creditors	(1,528,328)
Deferred taxation	(377,546)
Current taxation	(410,557)
	<hr/>
	£20,235
	<hr/>

GLYNWED STEELS LIMITED

PROFIT AND LOSS ACCOUNT FOR THE 52 WEEKS
ENDED 30TH DECEMBER 1978

	<u>Notes</u>	<u>1978</u> £	<u>1977</u> £
TURNOVER	2		
Home		41,084,324	34,270,081
Export		638,446	585,268
		<u>£41,722,770</u>	<u>£34,855,349</u>
TRADING PROFIT BEFORE TAXATION	3	2,955,051	2,848,895
TAXATION	5	1,597,318	1,495,514
PROFIT AFTER TAXATION		<u>1,357,733</u>	<u>1,353,381</u>
EXTRAORDINARY ITEM	6	16,800	-
PROFIT AFTER EXTRAORDINARY ITEM		<u>1,340,933</u>	<u>1,353,381</u>
INTERIM DIVIDENDS PAID		<u>1,340,933</u>	<u>1,353,381</u>
PROFIT RETAINED		<u>£ -</u>	<u>£ -</u>

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Notes on accounts - pages 9 to 13.

BALANCE SHEET - 30TH DECEMBER 1978

	Notes	£	1978	£	1977	£
<u>ASSETS EMPLOYED</u>						
CURRENT ASSETS						
Stocks and work in progress	7	7,577,320			6,604,626	
Debtors and prepayments		7,433,714			6,831,277	
Bank and cash balances	8	1,805,606			1,381,448	
			<u>16,816,640</u>		<u>14,817,351</u>	
CURRENT LIABILITIES						
Creditors and accrued charges		6,483,269			7,290,571	
Corporation tax		2,782,917			910,000	
		<u>9,266,186</u>			<u>8,200,571</u>	
NET CURRENT ASSETS			7,550,454		6,676,780	
FIXED ASSETS	9		<u>2,933,702</u>		<u>2,236,163</u>	
			10,484,156		8,912,943	
<u>Deduct</u>						
AMOUNTS DUE TO GROUP COMPANIES						
Glynwed Limited		2,608,149			3,139,580	
Other companies		5,217,035			3,670,926	
		<u>7,825,184</u>			<u>6,810,506</u>	
<u>Less</u>						
AMOUNTS DUE FROM GROUP COMPANIES		<u>830,650</u>			<u>954,722</u>	
			6,994,534		5,855,784	
			<u>£3,489,622</u>		<u>£3,057,159</u>	
<u>FINANCED BY</u>						
CAPITAL	11		120,000		120,000	
RESERVE	12		<u>62,985</u>		<u>62,985</u>	
TOTAL CAPITAL AND RESERVE			182,985		182,985	
DEFERRED TAXATION	13		<u>3,306,637</u>		<u>2,874,174</u>	
			<u>£3,489,622</u>		<u>£3,057,159</u>	

C. J. Jones }
J. J. Jones } Directors

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Notes on accounts - pages 9 to 13.

GLYNWED STEELS LIMITEDNOTES ON THE ACCOUNTS1. ACCOUNTING POLICIES

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

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.

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.

Stocks and work in progress

Stocks and work in progress have been valued at the lower of cost and net realisable value.

Cost in the case of products manufactured by the company 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 in respect of plant, equipment and vehicles is calculated using the straight line method on the gross value of fixed assets, without any deduction for government grants, due allowance being made for multi-shift working over a period of from 4 years to 10 years.

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

GLYNWED STEELS LIMITEDNOTES ON THE ACCOUNTS
(Continued)1. ACCOUNTING POLICIES (CONTINUED)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 values of fixed assets.
- (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.

2. TURNOVER

Turnover represents sales of goods at invoice value excluding value added tax.

3. TRADING PROFIT BEFORE TAXATION

	<u>1978</u> £	<u>1977</u> £
This is stated after charging:		
Depreciation (note 9 on page 12)	434,214	298,405
<u>Less: Transfer from deferred credit account</u>	<u>14,613</u>	<u>13,833</u>
	419,601	284,572
Hire of plant, equipment and vehicles	<u>55,210</u>	<u>49,420</u>
Emoluments of directors (note 4 on page 11)		
For management	261,937	117,692
Compensation for loss of office and ex gratia payment	<u>7,385</u>	<u>-</u>
	<u>269,322</u>	<u>117,692</u>
Auditors' remuneration	<u>20,589</u>	<u>8,500</u>

GLYNWED STEELS LIMITED
NOTES ON THE ACCOUNTS
(Continued)

4. DIRECTORS' EMOLUMENTS

Particulars of directors' emoluments excluding pension contributions are:

	<u>1978</u> £	<u>1977</u> £
Chairman's emoluments	2,496	2,000
Emoluments of highest paid director	19,500	17,004
Emoluments of other directors within the following ranges	<u>Number</u>	<u>Number</u>
Nil to £2,500	3	4
£2,501 to £5,000	2	-
£5,001 to £7,500	5	6
£7,501 to £10,000	10	2
£10,001 to £12,500	2	1
£12,501 to £15,000	2	-

5. TAXATION

	<u>1978</u> £	<u>1977</u> £
On the profit of the period:		
United Kingdom corporation tax at 52%	1,505,200	910,000
Transfer to deferred taxation	84,900	602,639
	<u>1,590,100</u>	<u>1,512,639</u>
Previous period adjustments:		
Corporation tax	37,201	(42,087)
Deferred taxation	(29,983)	24,962
	<u>1,597,318</u>	<u>1,495,514</u>

6. EXTRAORDINARY ITEM

	<u>1978</u> £	<u>1977</u> £
Closure of Chessington depot	35,000	-
Loss taxation relief applicable	18,200	-
	<u>16,800</u>	<u>-</u>

7. STOCKS AND WORK IN PROGRESS

	<u>1978</u> £	<u>1977</u> £
Consumable stores	215,007	194,922
Raw materials	4,648,824	3,714,189
Work in progress	315,388	520,260
Finished goods	2,398,101	2,175,255
	<u>7,577,320</u>	<u>6,604,626</u>

GLYNWED STEELS LIMITEDNOTES ON THE ACCOUNTS
(Continued)8. BANK BALANCE

The company together with certain other group companies has given the bank authority at any time to transfer any sum standing to the credit of the company against or towards satisfaction of the liability to the bank of those group companies. At 30th December 1978 the company was contingently liable under this arrangement in respect of the whole of its balance at the bank of £1,728,073.

9. FIXED ASSETS

	<u>Plant, equipment and vehicles</u> £
Cost at 31st December 1977	4,391,815
Group transfers	1,051,501
Additions at cost	844,773
Disposals	(221,515)
	<u>6,066,574</u>
Cost at 30th December 1978	<u>6,066,574</u>
Accumulated depreciation	
At 31st December 1977	2,134,632
Group transfers	705,679
Provision for the period	434,214
Disposals	(154,033)
	<u>3,120,492</u>
At 30th December 1978	<u>3,120,492</u>
Book value at 30th December 1978	2,946,082
<u>Deduct:</u> Deferred credit account	12,380
Net book value at 31st December 1977	<u>2,933,702</u>
Book value at 31st December 1977	2,257,183
<u>Deduct:</u> Deferred credit account	21,020
Net book value at 31st December 1977	<u>2,236,163</u>

10. CAPITAL EXPENDITURE

	<u>1978</u> £	<u>1977</u> £
Authorised by the board but not contracted for	25,000	43,300
Contracted for but not provided in the accounts	104,499	10,969
	<u>129,499</u>	<u>54,269</u>

GLYNWED STEELS LIMITEDNOTES ON THE ACCOUNTS
(Continued)11. CAPITAL

	<u>1978</u> £	<u>1977</u> £
Authorised, issued and fully paid shares of £1 each	<u>120,000</u>	<u>120,000</u>

12. RESERVE

	<u>1978</u> £	<u>1977</u> £
Not available for distribution	<u>62,985</u>	<u>62,985</u>

13. DEFERRED TAXATION

	<u>1978</u> £	<u>1977</u> £
Timing differences	1,869,392	1,051,602
Stock appreciation relief	1,432,859	1,822,572
Roll over relief	4,386	-
	<u>3,306,637</u>	<u>2,874,174</u>

The movement on deferred taxation is:

	<u>1978</u> £	<u>1977</u> £
Opening balance	2,874,174	2,355,805
Group transfers	377,546	(110,892)
Transfer from corporation tax	-	1,660
Profit and loss account:		
Current year	84,900	602,639
Previous year	(29,983)	24,962
Closing balance	<u>£3,306,637</u>	<u>£2,874,174</u>

14. GUARANTEE

The company has jointly and severally with other group companies guaranteed the 7½% Debenture Stock 1989/94 issued by the parent company amounting to £3,086,896. This guarantee has been secured by a first floating charge on its undertaking property and assets both present and future including any uncalled capital.

15. ULTIMATE HOLDING COMPANY

The company's ultimate holding company is Glynwed Limited, a company incorporated in Great Britain.