

Swan Hunter Group Limited

1977/78 Annual Report
and Accounts

Swan Hunter Group Limited

Annual Report and Accounts

for the 12 months ended 30th June 1978

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Sunley House
Regent Centre
Regent Farm Road
Gosforth
Newcastle upon Tyne NE3 3QA Telephone 0632 842311

Swan Hunter Group Limited

Notice of meeting

Notice is hereby given that the Seventy-fifth Annual General Meeting of the Company will be held at the Royal Station Hotel, Newcastle upon Tyne on Thursday the 28th December 1978, at 12 noon for the following purposes.

Resolution number 1

To adopt the Accounts for the 12 months ended 30th June 1978 and the Directors' and Auditors' Reports thereon.

To re-elect the following Directors:

Resolution number 2

Sir John Hunter who retires by rotation.

Resolution number 3

Mr W J Straker-Smith who retires by rotation.

Resolution number 4

Mr R H Dickinson who retires in accordance with the Articles of Association.

Resolution number 5

To re-appoint the Auditors and to authorise the Board to fix their remuneration.

Sunley House
Regent Centre
Regent Farm Road
Gosforth
Newcastle upon Tyne NE3 3QA

By Order of the Board

Secretary
1st December 1978

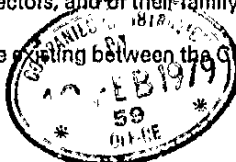
Note 1

Any member of the company entitled to attend and vote at the meeting may appoint another person (whether a member or not) as his proxy to attend and vote instead of him, subject however to the limitation that a proxy shall not be entitled to vote except on a poll. A Proxy Card is enclosed.

Note 2

There will be available for inspection by members at the registered office of the Company during usual business hours from the date of this notice until the conclusion of the annual general meeting:

- (i) Particulars of transactions of Directors, and of their family interests in shares or loan stock of the Company.
- (ii) Copies of any contracts of service existing between the Company and Directors of the Company.



Swan Hunter Group Limited

Officers

Directors

Sir John Hunter CBE DL DSc Chairman

*W J Straker-Smith Vice-Chairman

T McIver CBE Managing Director

*Lord Howick

R Ibison CBE

J M Jardine CA

*R H Dickinson MA

*Non Executive

Secretary and Registered Office

F Brown FCA

Sunley House

Regent Centre

Regent Farm Road

Gosforth

Newcastle upon Tyne NE3 3QA

Auditors

Price Waterhouse & Co

Bankers

Barclays Bank Limited

Midland Bank Limited

Solicitors

Dickinson Dees

Ingledeu Mark Pybus

Registrar

Flambard Registrars Limited

Milburn House

Newcastle upon Tyne NE1 1NH

Swan Hunter Group Limited

Group results in brief

	1977/78 (12 months)	1976/77 (18 months)
Turnover	£22,790,000	£50,072,000
Profit earned after taxation	£1,736,711	£3,517,488
Representing earnings per share per annum of	9.45 pence	12.77 pence
Extraordinary items after taxation	£3,140	£795,000
Representing earnings per share per annum of	0.02 pence	2.88 pence
Dividends—equivalent to	3.0000p per share	10.1892p per share
United Kingdom payroll	£8,997,000	£18,673,000
Average number of United Kingdom employees	2,406	3,562

Swan Hunter Group Limited

Chairman's statement

The events envisaged in my report to you on 29th November, 1977 have now materialised to a considerable extent. The compensation resulting from the nationalisation of our various shipbuilding and shiprepairing interests has been agreed and paid.

The document setting out the proposed scheme of reconstruction, to which I then referred, accompanies this our 1977/78 Annual Report and I hope you will find it both self explanatory and satisfactory to you.

The scheme involves the voluntary liquidation of Swan Hunter Group and the discontinuance of the name of Swan Hunter, with its international fame and repute. My family's association with Swan Hunter began just under 100 years ago in 1880, my own has been lifelong and I am saddened that circumstances dictate this course.

Nevertheless, following nationalisation, change is inevitable and my colleagues and I, supported by our financial advisers, commend the scheme of reconstruction to you for your acceptance. I confirm my previous view that, whilst the new company will be substantially smaller than its predecessor before nationalisation, it forms a worthwhile investment, which should grow in value over the years ahead.

In all the circumstances, after 48 years in the service of Swan Hunter Group, 33 years as a director and latterly 21 years as your Chairman, the time seems opportune for a change. If therefore the scheme is accepted, as I believe it should be, it is not my intention to join the board of the new company but to make way for a younger man.

Those of my colleagues who will be carrying on the new company and who have served with me over many years have made an invaluable contribution to the success of your Company. I know that they will continue to devote their best efforts on behalf of Gosforth. I wish Mr. William Straker-Smith, and his colleagues on the board of Gosforth, together with those responsible for the running of its subsidiary and associate companies on whose efforts its progress and prosperity will largely depend, every success in the future.

Finally, I take the opportunity to express my sincere thanks and good wishes to all those, both staff and workpeople of the nationalised and unnationalised sectors of Swan Hunter Group, at home and abroad, who have given myself and the company their loyal support over many years. Their efforts have made possible, in difficult circumstances, a very considerable achievement in which, in my view, they can all justly take great pride.

Swan Hunter Group Limited

Report of the directors

The directors herewith present their Report and Accounts for the year ended 30th June 1978. The accounts are being sent along with the document setting out the scheme of reconstruction involving the liquidation of the company as a result of which shareholders will receive cash and ordinary shares in a new holding company called Gosforth Industrial Holdings Limited (Gosforth). In view of persistent confusion between the nationalised Swan Hunter and Swan Hunter Group Ltd. it was reluctantly decided to seek a new name which would be acceptable to both the Registrar of Companies and the Stock Exchange and which would fulfil its purpose. Full details of the scheme are set out in the scheme document, and the directors recommend you to vote in favour of the two resolutions which will put the scheme into effect. The proposals follow closely the outline given in the Report of the Directors submitted to the annual general meeting on 29th November, 1977.

Accounts

As set out on page 12, the consolidated net tangible assets of the group at 30th June 1978 amounted to £36.21 million.

Shareholders' attention is drawn to the statement of post balance sheet events on page 14 which brings into account £.957 million being the estimated profits (excluding those of trading subsidiaries) less related taxation subsequent to 30th June 1978 up to 12th January 1979 when the estimated consolidated net tangible assets will amount to £37.168 million. Of the estimated pro forma consolidated net asset value of £37.168 million at 12th January 1979 net assets of £26.865 million will pass to the liquidators to meet liabilities and costs, and for distribution to the shareholders as provided in the scheme leaving net assets of £10.303 million to be transferred to Gosforth. For reasons indicated in the statement £3.240 million has been provided for shiprepairing losses leaving net tangible assets in Gosforth of £7.063 million equivalent to 38p per share on 18,369,750 shares.

Profits and Reserves

The net profit for the year to 30th June 1978 amounted to £1,739,851 (1977 18 months £4,312,488) and, after providing the dividends paid and proposed, the amount of £1,188,758 (1977 18 months £2,440,750) has been added to the group reserves as shown on page 21 in Note 17 to the accounts.

Dividends

In view of the timing of the scheme of reconstruction the directors are not recommending a final dividend for the year to 30th June 1978 (1977 18 months 3.6892p per share). The interim dividend of 3.00p per share paid on 24th July 1978 will thus be the only dividend paid in respect of the year ended 30th June 1978 (1977 18 months 10.1892p).

Activities

The principal activities of the company during the year to 30th June 1978 were ship-repairing, building and civil engineering, pipe engineering and foundry work, and insurance broking.

Swan Hunter Group Limited

Report of the directors

(continued)

Shiprepairing—UK

The year to 30th June 1978 produced the first trading loss incurred by the North Shields yard for 44 years due to the severe adverse trading conditions arising out of the shipping slump. Included in the loss is a wage award made on the 18th August 1978 by the Central Arbitration Committee and back-dated to 1st January 1978. This award cost £268,000 up to 30th June 1978 none of which could be recovered. The result was a trading loss of £1,522,000 for the year to 30th June 1978 and until the demand for shiprepairing increases it is difficult to foresee a return to continuous profitability.

Shiprepairing—Overseas

The contribution to profits from the overseas yards was up to expectations. The managing agency in Singapore expired on 30th November 1978. It is anticipated that the company's interests in Trinidad and South Africa will continue to be profitable.

Building and Civil Engineering

The general level of profits of Brims & Co. was maintained during the year. The current state of the order book is better than at the same time last year but attempts to obtain work overseas have so far been unsuccessful. It is anticipated that the contracts in hand will form a sound basis for maintaining profits in 1979.

Pipe Engineering and Foundry Work

M. W. Swinburne & Sons Ltd. in the past twelve months has pursued a course of steady growth. The piping division has been moved to new leased modern factories giving greater efficiency and improved working conditions, and the foundry has developed more modern techniques to cope with further expansion. The company is listed as an approved company on the Ministry of Defence contractors' lists. Profits have been increased and the new systems introduced into production are making a significant contribution to overall efficiency.

Insurance Broking

In the year to 30th June 1978 Beaver continued to act from time to time for former members of Swan Hunter Group now nationalised, but income from this source could diminish during the next 12 months. Insurance on behalf of existing clients including the Gosforth companies will continue to be placed and plans are in hand to increase the number of clients from other sources.

Compensation for Companies Quoted under the Aircraft and Shipbuilding Industries Act 1977

As previously advised to shareholders agreement was reached with the Secretary of State for Industry on the amount of compensation payable in respect of the companies nationalised under the above Act.

Swan Hunter Group Limited

Report of the directors

(continued)

Directors

The directors retiring by rotation are Sir John Hunter and Mr. W. J. Straker-Smith who, being eligible, offer themselves for re-election.

Since the last Annual General Meeting Mr R H Dickinson accepted an invitation to join the Board. In accordance with the Articles of Association Mr R H Dickinson retires and being eligible offers himself for re-election.

Since 30th June 1978, the executive directors have agreed to the termination of their existing service agreements with the company on payment of compensation to them of £121,308 in aggregate. The duties and responsibilities of the directors will cease on the appointment of the liquidators.

Assuming acceptance of the proposed scheme of reconstruction it is not the intention of Sir John Hunter to join the board of Gosforth. Sir John has had 48 years' service with the company, 33 as a director and latterly 21 years as chairman. The strength of the company today is a reflection of his devotion to the company and of his contribution to its affairs throughout a long and distinguished career.

In view of his other business commitments, Lord Howick has decided that he cannot continue his non-executive directorship of Swan Hunter by undertaking a similar role with Gosforth. Lord Howick's decision has been received with regret as he has made a significant contribution to the deliberations of the board.

With the exception of Sir John Hunter and Lord Howick, the directors of Swan Hunter are the directors of Gosforth.

Directors' Interests

Particulars of the interests of the directors in the Ordinary Share Capital and the 7½% Unsecured Loan Stock of the company at the commencement and close of the financial year and at 1st November 1978 were as follows:

	30th June 1977 & 1978		1st November 1978	
	Ordinary Shares of £1 each	7½% Unsecured Loan Stock 1992/98	Ordinary Shares of £1 each	7½% Unsecured Loan Stock 1992/98
Beneficial				
Sir John Hunter	44,500	403	44,500	403
W J Straker-Smith	19,875	—	19,875	—
T McIver	23,250	—	23,250	—
Lord Howick	1,500	—	1,500	—
R Ibison	6,000	2,000	6,000	2,000
J M Jardine	3,753	—	3,753	—
R H Dickinson	—	—	100	—
Non-beneficial				
Sir John Hunter*	20,049	11,739	20,049	11,739
T McIver*	17,220	8,139	17,220	8,139

*of which 17,220 Ordinary Shares of £1 each and £8,139 of 7½% Unsecured Loan Stock 1992/98 are duplicated.

No director had any interest in any contract which was significant in relation to the group's business, either during or at the end of the year ended 30th June 1978.

Swan Hunter Group Limited

Report of the directors

(continued)

Employees

During the year to 30th June 1978 the average number of employees (excluding those working wholly or mainly outside the United Kingdom) in each week was 2,406 (1977 3,562) and their aggregate remuneration amounted to approximately £8.997m (1977 18 months £18.673m).

Political and Charitable Contributions

The group made the following payments during the year:

	Year to 30.6.78 £	18 months to 30.6.77 £
Charitable	7,237	10,935
Northern Industrialists Protection Association	5,100	—
Economic League	1,000	2,000

Auditors

The auditors, Price Waterhouse & Co. have indicated their willingness to continue in office and a resolution for their re-appointment will be submitted to the Annual General Meeting.

'Close' Company

The 'close' company provisions of the Income and Corporation Tax Act 1970 do not apply to the company.

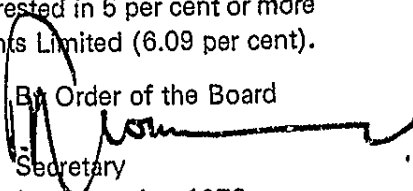
Share Option Schemes

No options have been granted by the directors to any person.

Substantial Holders of Share Capital

So far as the directors are aware the only member who is interested in 5 per cent or more of the issued share capital of the company is Sears Investments Limited (6.09 per cent).

Sunley House
Regent Centre
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Newcastle upon Tyne NE3 3QA

By Order of the Board

Secretary
1st December 1978

Swan Hunter Group Limited

Consolidated profit and loss account

for the 12 months ended 30th June 1978

Note Reference	1977/78 (12 months) £	1976/77 (18 months) £
2 Turnover	<u>£22,790,000</u>	<u>£50,072,000</u>
3 Group trading profit/(loss)	(510,293)	3,316,638
4 Share of trading profits less losses of associated companies	863,499	1,149,753
5 Investment income and interest receivable less interest payable	<u>2,805,666</u>	<u>2,819,114</u>
Group profit before taxation and excluding extraordinary items	3,158,872	7,285,505
6 Taxation thereon	<u>1,422,161</u>	<u>3,768,017</u>
Group profit after taxation and excluding extraordinary items	1,736,711	3,517,488
7 Extraordinary items less taxation thereon	<u>3,140</u>	<u>795,000</u>
Attributable to parent company shareholders	1,739,851	4,312,488
Dividends on Ordinary Shares		
First Interim of 3·0000p per share (1976: 3·0000p per share) paid 24th July 1978	551,093	551,093
Second Interim of NIL p per share (1977: 3·5000p per share)	—	642,941
Proposed Final of NIL p per share (1977: 3·6892p per share)	—	677,704
Profits retained	<u>£1,188,758</u>	<u>£2,440,750</u>
By Parent Company	501,706	609,730
Subsidiary companies	480,660	1,560,729
Associated companies	206,392	270,291
	<u>£1,188,758</u>	<u>£2,440,750</u>
8 Earnings per Ordinary Share per annum		
Excluding extraordinary items	9·45p	12·77p
Including extraordinary items	9·47p	15·65p

Swan Hunter Group Limited

Consolidated balance sheet

30th June 1978

Note Reference		1978 £	1977 £
	Assets employed		
9	Fixed assets	3,135,705	4,210,703
21	Interest in subsidiaries acquired by British Shipbuilders	(3,712,475)	8,274,417
11	Interests in associated companies	2,039,788	1,744,637
12	Trade investments	595,958	786,469
10	Ships on order	—	10,348,028
	Current assets		
	Stocks of stores and materials	491,150	638,180
	Work in progress	7,664,756	16,804,574
13	Investments	12,654,124	2,018,314
14	Trade debts	6,497,099	6,797,145
	Compensation receivable	12,650,004	—
	Short term loans	11,081,665	16,336,556
	Bank balances and cash	97,412	4,389,844
		<u>£51,136,210</u>	<u>£46,984,613</u>
	Current liabilities		
	Trade accounts and accrued charges	6,195,169	5,541,350
	Instalments received on work in progress	4,933,784	15,203,974
15	Provisions	205,117	227,524
	Employees' deposits	263	176
	Other deposits and loans	1,096	796
	Bank overdrafts	1,798,651	2,690,611
	Current taxation	577,483	2,090,158
	Dividend payable	551,093	1,320,645
		<u>£14,262,656</u>	<u>£27,075,234</u>
	Net current assets	36,873,554	19,909,379
19	Deferred taxation relief	271,434	680,332
		<u>£39,203,964</u>	<u>£45,953,965</u>
	Financed by		
16	Share capital of Parent company	18,369,750	18,369,750
17	Reserves and undistributed profits	17,840,667	16,651,909
		<u>36,210,417</u>	<u>35,021,659</u>
5	7½% unsecured loan stock 1992/98	708,093	708,093
10	Loans secured on ships	—	8,030,750
19	Deferred taxation	2,285,454	2,193,463
		<u>£39,203,964</u>	<u>£45,953,965</u>

Directors



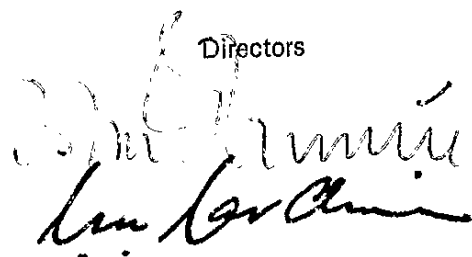
Swan Hunter Group Limited

Balance sheet of Parent company

30th June 1978

Note Reference		1978 £	1977 £
Assets employed			
9	Fixed assets	203,429	193,056
21	Interests in subsidiaries acquired by British Shipbuilders	(3,712,475)	7,795,912
20	Interests in non vesting subsidiaries	(3,447,059)	1,131,647
11	Interests in associated companies	352,246	417,877
12	Trade investments	595,958	786,469
Current assets			
13	Investments	12,654,124	2,018,314
14	Trade debts	1,225,987	159,088
	Compensation receivable	12,650,004	—
	Short term loans	10,892,000	16,069,000
	Bank balances and cash	11,110	3,338,831
		<u>£37,433,225</u>	<u>£21,585,233</u>
Current liabilities			
	Trade accounts and accrued charges	846,859	195,896
	Employees' deposits	263	176
	Other deposits and loans	1,096	796
	Bank overdrafts	81,211	601,091
	Current taxation	524,673	1,035,791
	Dividends payable	551,093	1,320,645
		<u>£2,005,195</u>	<u>£3,154,395</u>
	Net current assets	35,428,030	18,430,838
19	Deferred taxation relief	271,434	680,332
		<u>£29,691,563</u>	<u>£29,436,131</u>
Financed by			
16	Issued share capital	18,369,750	18,369,750
17	Reserves and undistributed profits	10,207,500	9,705,794
		<u>28,577,250</u>	<u>28,075,544</u>
5	7½% unsecured loan stock 1992/98	708,093	708,093
19	Deferred taxation	406,220	652,494
		<u>£29,691,563</u>	<u>£29,436,131</u>

Directors



Swan Hunter Group Limited

Notes to the accounts

1 Post balance sheet events

On 6th July 1978 the directors announced that, following the settlement of the amount of compensation to be received from H.M. Government in respect of the nationalisation of its shipbuilding interests it was their intention to proceed with a scheme of reconstruction ("the Scheme") as outlined in the directors' report accompanying the accounts for the eighteen months ended 30th June, 1977. The compensation has been received.

The proposed reconstruction takes the form of a members' voluntary liquidation of Swan Hunter under which the funds now surplus to group requirements, estimated at between 130p and 145p per share, will be returned to shareholders who will also receive shares in a new company named Gosforth Industrial Holdings Limited ("Gosforth") which will acquire the continuing activities and other interests of Swan Hunter. Application will be made to the Council of the Stock Exchange for the shares in Gosforth to be admitted to the Official List. Consequent upon the liquidation, the 7½ per cent unsecured loan stock 1992/98 of Swan Hunter will be repaid at par plus accrued interest.

Full details of the scheme are given in the document accompanying this report. The following statement summarises the effect on the consolidated net tangible assets of Swan Hunter and its subsidiaries as at 30th June, 1978, of the parent company transactions, actual and estimated, during the period from 1st July 1973 to 12th January 1979, at which date the residual assets are to vest in Gosforth. The statement does not take account of any transactions since 1st July 1978 of the trading subsidiaries to be transferred to Gosforth.

	£'000	
Consolidated net tangible assets of Swan Hunter at 30th June 1978 as shown on page 12		36,211
Estimated subsequent profits (see note (a))		
Profits on sale of investments	1,353	
Interest and dividends receivable	1,733	
Operating expenses of parent company	(668)	
Expenses of reconstruction scheme	(325)	
	<u>2,093</u>	
Less: Taxation applicable thereto	<u>1,136</u>	957
		<u>37,168</u>
Deduct		
Provision for shiprepairing losses (see note (b))	3,240	
Net assets to be passed to liquidators to meet liabilities and costs, and for distribution to the shareholders	<u>26,865</u>	
		<u>30,105</u>
Adjusted net tangible assets at 30th June 1978 available to Gosforth at 12th January 1979		<u>7,063</u>
Represented by:		
Fixed assets		1,500
Interest in associated companies		2,149
Trade investments		596
Interest in shiprepairing subsidiary		
Fixed assets	1,635	
Net current assets	2,331	
Deferred tax	(726)	
	<u>3,240</u>	
Less: Provision against losses (see note (b))	<u>(3,240)</u>	—
Current assets		
Stocks	285	
Work in progress	2,327	
Trade debts	1,976	
Bank balance	<u>3,729</u>	
	<u>8,316</u>	
Current liabilities		
Trade accounts and accrued charges	4,158	
Provisions	135	
Current taxation	<u>52</u>	
	<u>4,345</u>	
Net current assets		3,971
Deferred taxation		<u>(1,153)</u>
		<u>7,063</u>

Swan Hunter Group Limited

Notes to the accounts

(continued)

	£'000
Note (a) Estimated subsequent profits are stated after charging directors' emoluments as follows:—	
Fees paid to non-executive director	1
Executive remuneration	45
Premiums to provide escalation of pensions for executive directors within the limit provided by the Inland Revenue	306
Compensation for loss of office	121
(b) As stated in the Directors' Report, the trading loss for the year ended 30th June 1978 suffered by the shiprepairing subsidiary amounted to £1,522,000. Whilst the present resources of Group are such that losses at that level could be offset by the Group's other trading and investment income, the directors of Gosforth could not take the same view. Consequently the shares in the subsidiary are to be transferred to Gosforth at a nominal figure of £1, thus in effect on consolidation creating a provision of £3,240,000, being the net asset value of the shiprepairing subsidiary at 30th June 1978 as indicated above.	

2 Turnover and trading profit/(loss)

The Group's turnover and the trading profit/(loss) arising from its various activities were as under.

	Turnover		Trading Profit/(loss)	
	1977/78	1976/77	1977/78	1976/77
	£'000	£'000	£'000	£'000
Shipbuilding—adjustments in respect of prior years and unrecovered parent company overheads	—	—	(10)	531
Shiprepairing	9,630	28,214	(1,215)	1,845
Civil Engineering and Building	11,087	19,107	310	327
Marine and General Engineering	2,073	2,751	405	614
Group turnover and trading profit/(loss)	<u>22,790</u>	<u>50,072</u>	<u>(510)</u>	<u>3,317</u>
Group turnover includes exports of	<u>1,552</u>	<u>5,148</u>		

All turnover arises in the United Kingdom

No account has been taken in arriving at the Group's turnover figures for 1977/78 set out above of the export value of the ships as invoiced which amounted to £15.6m. (See Note 10).

3 Group trading profit/(loss)

The Group trading profit/(loss) is stated after charging:

	1977/78	1976/77
	£	£
Depreciation	410,251	648,396
Auditors' remuneration	15,000	21,500
Plant hire	627,525	1,324,112

For details of the emoluments paid to the parent company's directors and charged against trading profit see Note 22.

The Group trading profit is stated after crediting:

Profit on sale of fixed assets	19,382	211,427
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Swan Hunter Group Limited

Notes to the accounts

(continued)

4 Associated companies

A list of the Group's associated companies is shown on page 29. The Group owns at least 20% of the equity voting rights in each of these companies and exercises a significant influence on their financial and commercial decisions.

The results of associated companies are the aggregate of all profits less losses reported in audited accounts of those companies during the period.

5 Investment income and interest receivable less interest payable

	1977/78		1976/77	
	£	£	£	£
Dividends and interest from				
Trade investments	128,546		151,813	
Other unquoted investments	107		162	
Quoted investments	<u>1,384,517</u>		<u>214,448</u>	
		1,513,170		366,423
Interest receivable		1,289,343		2,923,044
Profits on sales of investments		562,719		189,928
Profit on redemption of £Nil (1976/77: £31,000)				
7½% unsecured loan stock bought in and cancelled		—		16,049
Profit/(Loss) on sale of interest in associated company		33,781		(257,227)
		<u>3,399,013</u>		<u>3,238,217</u>
Deduct interest payable				
Bank overdrafts	891		58,966	
Loans and bills payable	558,716		248,272	
7½% unsecured loan stock	<u>53,107</u>		<u>80,485</u>	
		612,714		387,723
		2,786,299		2,850,494
Swan Hunter Group share of associated companies net interest		19,367		(31,380)
		<u>2,805,666</u>		<u>2,819,114</u>
Franked investment income included above amounted to		<u>207,409</u>		<u>292,012</u>

Note:

Dividends and interest on quoted investments shown above amounting to £1,384,517 includes £1,148,712 interest on compensation stock receivable under the provisions of the Aircraft & Shipbuilding Industries Act 1977. Interest payable on loans and bills payable shown above amounting to £558,716 includes interest payable to British Shipbuilders amounting to £392,686 in respect of balances owing to vesting subsidiaries repaid since 30th June 1978 (see Note 21).

Swan Hunter Group Limited

Notes to the accounts

(continued)

6 Taxation

The taxation charge in the accounts is made up as follows:

	1977/78	1976/77
	£	£
United Kingdom Corporation Tax at 52%	669,683	2,487,684
Deferred Taxation at 52%	77,899	331,339
Overseas Tax	199,631	314,003
Tax credits on Franked investment income	72,377	102,233
	<u>1,019,590</u>	<u>3,235,259</u>
Adjustments relating to prior years		
United Kingdom Corporation Tax at 52%	(209,063)	(49,698)
Deferred Taxation at 52%	174,199	38,226
	<u>984,726</u>	<u>3,223,787</u>
	437,435	544,230
Associated companies—Swan Hunter Group share	<u>1,422,161</u>	<u>3,768,017</u>

7 Extraordinary items less taxation thereon

The extraordinary items credited/(charged) in the accounts comprise:

	1977/78		1976/77	
	£	£	£	£
(i) Dividends from vesting subsidiaries	150,000		795,000	
Deduct: Tax credit applicable thereto	(51,000)	99,000	—	795,000
(ii) Profit on sale of the assets of Wallsend Dry Docks	880,881		—	
(iii) Profit on vesting trade investment (see Note below)	118,263		—	
(iv) Profit on vesting subsidiaries (see Note 21)	10,546		—	
(v) Loss on sale of Wallsend Slipway & Engineering Co. Ltd. (See Note 21)	(649,458)		—	
(vi) Loss on sale of two product tankers (See Note 10)	(296,831)		—	
	<u>63,401</u>		<u>—</u>	
Deduct United Kingdom Corporation Tax applicable thereto (see Note below)	(159,261)	(95,860)	—	—
		<u>3,140</u>		<u>795,000</u>

Notes: The dividends received from vesting subsidiaries of £150,000 and £795,000 have been paid out of profits earned for the half year ended 30th June 1977 and the year ended 31st December 1976 respectively, being the last complete financial periods during which the subsidiaries concerned were wholly controlled by the Group. Because the dividend in respect of the half year ended 30th June 1977 was paid after vesting of the subsidiary concerned the £150,000 comprises a dividend of £99,000 plus a related tax credit of £51,000.

The profit of £118,263 on the vesting trade investment comprises the profit on the Group's holding in John G. Kincaid & Co. Ltd. which was taken into public ownership on the 1st July, 1977 under the provisions of the Aircraft & Shipbuilding Industries Act 1977 and reflects only the compensation received on account in respect of this holding—it is not possible to determine the extent of any further profit which may arise until such time as the compensation value attributable to the company's ordinary shares is agreed with H.M. Government.

Tax relief for the loss on the sale of subsidiary at (v) above is limited to an effective rate of 30% on the amount arising after 6th April 1965.

8 Earnings per ordinary share

For the 12 months ended 30th June 1978 the calculation is based upon 18,369,750 ordinary shares being the number of shares in issue throughout.

Swan Hunter Group Limited

Notes to the accounts

(continued)

9 Fixed assets—Group

	Freehold £	Land and Buildings Long leasehold £	Short leasehold £	Plant, machinery and equipment £	Total £
Cost					
As at 1st July 1977	5,320,211	27,163	256,132	4,747,305	10,350,811
Additions	76,693	—	1,704	405,106	483,503
Disposals	(2,060,184)	(—)	(—)	(785,952)	(2,846,136)
As at 30th June 1978	<u>3,336,720</u>	<u>27,163</u>	<u>257,836</u>	<u>4,366,459</u>	<u>7,988,178</u>
Depreciation					
As at 1st July 1977	2,613,874	5,053	40,052	3,481,129	6,140,108
Charge for the year	58,746	447	10,759	340,299	410,251
On disposals	(1,052,722)	(—)	(—)	(645,164)	(1,697,886)
As at 30th June 1978	<u>1,619,898</u>	<u>5,500</u>	<u>50,811</u>	<u>3,176,264</u>	<u>4,852,473</u>
Net Book Value					
As at 30th June 1977	<u>2,706,337</u>	<u>22,110</u>	<u>216,080</u>	<u>1,266,176</u>	<u>4,210,703</u>
As at 30th June 1978	<u>1,716,822</u>	<u>21,663</u>	<u>207,025</u>	<u>1,190,195</u>	<u>3,135,705</u>

Fixed Assets—Parent Company

Cost					
As at 1st July 1977	—	24,833	111,267	111,428	247,528
Additions	—	—	—	25,833	25,833
Disposals	(—)	(—)	(—)	(3,783)	(3,783)
Inter-Group transfer	7,900	—	—	(4,509)	3,391
As at 30th June 1978	<u>7,900</u>	<u>24,833</u>	<u>111,267</u>	<u>128,969</u>	<u>272,969</u>
Depreciation					
As at 1st July 1977	—	4,232	10,434	39,806	54,472
Charge for the year	158	400	2,318	15,056	17,932
Disposals	(—)	(—)	(—)	(1,105)	(1,105)
Inter-Group transfer	1,659	—	—	(3,418)	(1,759)
As at 30th June 1978	<u>1,817</u>	<u>4,632</u>	<u>12,752</u>	<u>50,339</u>	<u>69,540</u>
Net Book Value					
As at 30th June 1977	—	20,601	100,833	71,622	193,056
As at 30th June 1978	<u>6,083</u>	<u>20,201</u>	<u>98,515</u>	<u>78,630</u>	<u>203,429</u>

Capital commitments

	1978 £	1977 £
Commitments authorised by Board	<u>235,000</u>	<u>38,000</u>
of which contracts placed for	150,000	35,000

Swan Hunter Group Limited

Notes to the accounts

(continued)

10 Ships on order

The two 32,000 tonnes deadweight Product Tankers under construction at 30th June 1977 and held for resale were sold during the year, the net loss arising on the sale of £296,831 has been charged as an extraordinary item in the profit and loss account (see Note 7). Prior to the sale of the ships the loans from Midland Bank Ltd. were repaid.

11 Interests in associated companies

	Group		Parent	
	1978	1977	1978	1977
	£	£	£	£
Shares at cost	720,442	758,660	409,883	404,783
Add Swan Hunter Group share of associated companies post acquisition profits less losses	1,261,499	1,055,107	—	—
	<u>1,981,941</u>	<u>1,813,767</u>	<u>409,883</u>	<u>404,783</u>
Loans—Net	57,847	(69,130)	(57,637)	13,094
	<u>2,039,788</u>	<u>1,744,637</u>	<u>352,246</u>	<u>417,877</u>

Further details of associated companies are shown on page 29.

12 Trade investments

	Group		Parent	
	1978	1977	1978	1977
	£	£	£	£
Shares at cost	595,958	786,469	595,958	786,469
(Directors' valuation)	<u>(1,084,000)</u>	<u>(1,983,000)</u>	<u>(1,084,000)</u>	<u>(1,983,000)</u>

Swan Hunter Group Limited

Notes to the accounts

(continued)

13 Investments

	Group		Parent	
	1978	1977	1978	1977
	£	£	£	£
In British Government securities				
at cost	11,314,777	528,785	11,314,777	528,785
(at market value)	(11,073,000)	(582,000)	(11,073,000)	(582,000)
In other quoted investments				
at cost	1,339,347	1,488,529	1,339,347	1,488,529
(at market value)	(2,176,000)	(2,596,000)	(2,176,000)	(2,596,000)
In unquoted investments				
at cost	—	1,000	—	1,000
(at directors' valuation)	(—)	(1,500)	(—)	(1,500)
Cost	<u>12,654,124</u>	<u>2,018,314</u>	<u>12,654,124</u>	<u>2,018,314</u>
(Valuation)	<u>(13,249,000)</u>	<u>(3,179,500)</u>	<u>(13,249,000)</u>	<u>(3,179,500)</u>

14 Trade debts

	Group		Parent	
	1978	1977	1978	1977
	£	£	£	£
Repayable within one year	5,581,739	5,379,705	1,225,987	159,088
Deferred	915,360	1,417,440	—	—
	<u>6,497,099</u>	<u>6,797,145</u>	<u>1,225,987</u>	<u>159,088</u>

15 Provisions

	Group	
	1978	1977
	£	£
For guarantee repairs, dredging and deferred maintenance		
As at 30th June 1977	227,524	373,600
Less Expended during the period	<u>130,358</u>	<u>250,361</u>
	97,166	123,239
Net amount charged against profits	<u>107,951</u>	<u>104,285</u>
	<u>205,117</u>	<u>227,524</u>

16 Share capital

	Parent	
	1978	1977
	£	£
Authorised		
Ordinary shares of £1 each	<u>30,000,000</u>	<u>30,000,000</u>
Issued and Fully Paid		
Ordinary shares of £1 each	<u>18,369,750</u>	<u>18,369,750</u>

Swan Hunter Group Limited

Notes to the accounts

(continued)

17 Reserves and undistributed profits

	Group		Parent	
	1978	1977	1978	1977
	£	£	£	£
As at 30th June	17,840,667	16,651,909	10,207,500	9,705,794
Movement comprising profits of the year retained	1,188,758		501,706	

18 Contingent liabilities

Contingent liabilities existed at 30th June 1978 in connection with guarantees for loans and overdrafts made to associated companies amounting to £28,000 (1977: £28,000).

A writ was issued by Anglomar Shipping Co. Limited ("Anglomar") against Swan Hunter Shipbuilders Limited ("SHS") on 20th September 1978 claiming an unquantified sum of not less than US \$10 million (approximately £5.1 million at current rates of exchange) in respect of a contract for the construction by SHS for Anglomar of a 250,000 tonnes deadweight tanker "London Lion". Swan Hunter was joined as second defendant in these proceedings in respect of a letter of indemnity given by Swan Hunter, as the then parent company of SHS, to Anglomar. On 13th November 1978 the Secretary of State for Industry agreed under the provisions of the Aircraft and Shipbuilding Industries Act 1977 that such of Swan Hunter's liabilities under the letter of indemnity (if any) as were not discharged by Section 53(3) of that Act vested in SHS under Section 20 of that Act on the 1st July 1977.

Steps were therefore taken to secure the discharge of Swan Hunter from the proceedings and on 30th November 1978 it was agreed in the course of a hearing in the High Court of Justice that Swan Hunter be so discharged. An Order of Court to this effect is in process of being drawn up.

19 Deferred taxation

	Group		Parent	
	1978	1977	1978	1977
	£	£	£	£
Corporation tax payable				
1st July 1979	482,111	642,218	7,614	642,218
Deferred taxation				
Stock relief	292,300	531,300	—	—
Other timing differences	1,511,043	1,019,945	398,606	10,276
	2,285,454	2,193,463	406,220	652,494
Deferred taxation relief				
Deferred relief for advance corporation tax	271,434	680,332	271,434	680,332

The deferred relief for advance corporation tax of £271,434 (1977: £680,332) will in the opinion of the directors be recoverable against profits arising in 1978/79.

Swan Hunter Group Limited

Notes to the accounts

(continued)

20 Interests in non vesting subsidiaries

	Parent	
	1978 £	1977 £
Shares at cost	9,677,398	9,677,398
Amounts owing from subsidiaries	945,079	3,717,655
	<u>10,622,477</u>	<u>13,395,053</u>
Amounts owing to subsidiaries	<u>14,069,536</u>	<u>12,263,406</u>
	<u>(3,447,059)</u>	<u>1,131,647</u>

Further details of subsidiary companies are shown on page 29.

21 Interests in Subsidiaries acquired by British Shipbuilders

	Group		Parent	
	1978 £	1977 £	1978 £	1977 £
Vesting subsidiaries				
Shares at cost	14,769,622	14,769,622	14,769,622	14,769,622
Add Amount originally due from subsidiary regarded as part of subsidiary's equity capital in determining agreed compensation amounts	219,836		219,836	
	<u>14,989,458</u>		<u>14,989,458</u>	
Compensation receivable under the provisions of the Aircraft & Shipbuilding Industries Act 1977	16,000,004		15,000,004	
	<u>10,546</u>		<u>10,546</u>	
Profit on vesting subsidiaries transferred to Profit & Loss Account (See Note 7)				
Wallsend Slipway & Engineering Co. Ltd.				
Shares at cost	1,049,458	1,049,458	1,049,458	1,049,458
Proceeds of sale to British Shipbuilders on 25th July 1977	400,000		400,000	
Loss on sale transferred to Profit & Loss Account (see Note 7)	649,458		649,458	
		<u>15,819,080</u>		<u>15,819,080</u>
Net amount owing to vesting subsidiaries	<u>(3,712,475)</u>	<u>(7,544,663)</u>	<u>(3,712,475)</u>	<u>(8,023,168)</u>
	<u>(3,712,475)</u>	<u>8,274,417</u>	<u>(3,712,475)</u>	<u>7,795,912</u>

The amounts indicated above as owing to vesting subsidiaries at 30th June 1978 have been discharged since.

Swan Hunter Group Limited

Notes to the accounts

(continued)

22 Directors emoluments

	1977/78	1976/77
	£	£
Fees paid to Non-Executive Directors	1,500	3,375
Emoluments paid to Executive Directors	91,934	209,299
Pension premiums in respect of Executive Directors	—	218,366
Pension to widow of past Director	—	5,273
The emoluments of the Chairman for the 12 months (1977: 18 months) amounted to	27,445	41,170
The emoluments of the highest paid Director for the 12 months (1977: 18 months) amounted to	27,445	54,902
Other than the Chairman the annual rate of remuneration of Directors during the 12 month period or where applicable part thereof was within the scales set out below:		
£0— £2,500	1	2
£5,501— £7,500	1	1
£10,001—£12,500	1	—
£12,501—£15,000	—	1
£17,501—£20,000	1	—
£22,501—£25,000	1	1
£27,501—£30,000	—	1
£35,001—£37,500	—	1
The number of other employees whose annual rate of remuneration during the 12 month period or where applicable part thereof was within the scale set out below is		
£10,001—£12,500	2	2
£12,501—£15,000	1	2
£15,001—£17,500	2	—

23 Conversion of Currency

Assets, liabilities and results of overseas subsidiary companies have been converted at the exchange rates ruling at the 30th June 1978.

Swan Hunter Group Limited

Statement of accounting policies

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. The consolidated accounts incorporate the results of the associated companies, as detailed on page 29; being those companies in which the group has an equity interest in excess of 20% and where management participation is provided. The consolidated profit and loss account includes the group's share of the profits of these companies; in the consolidated balance sheet, investments in these companies are stated at cost to the group adjusted for the group's share of their retained post-acquisition reserves. Assets liabilities and results of overseas subsidiary and associated companies are converted at the exchange rates ruling at the group's financial year end and any adjustments arising as a result of currency re-alignment are passed through the profit and loss account. The difference between the cost of shares and the book values of net assets attributable to such shares at the dates of acquisition is written off against reserves in the year of acquisition.

Turnover

The value of turnover is expressed in terms of the estimated selling value of work done during the accounting period.

Inter-group turnover is eliminated on consolidation.

Profit

Profit is taken into account as the work is completed and delivered during the accounting period. On long term building and civil engineering contracts a proportion of the estimated final profit is included in the accounting period in which the work is performed. The Group's trading profits in any financial period reflects the normal trading conditions appertaining throughout the period.

Exceptional profits and/or losses arising in any one particular financial period, including prior year adjustments, where material, are shown as an extraordinary item in the profit and loss account.

Inter-group profits/losses are eliminated on consolidation.

Taxation

The amounts set aside for deferred taxation represent adjustments made for the effect of tax deferred by accelerated capital allowances and of stock appreciation relief and other items allocated for taxation purposes to periods other than the current accounting period.

With effect from 1st January, 1973 the company's policy has been to calculate the amount so provided on the 'deferral method'.

Depreciation

Depreciation of fixed assets is on a straight line basis calculated at annual rates estimated to write off each asset (stated net of relevant Government grants) over the term of its useful life. The rates generally in use are as follows:

Freehold buildings are written off over fifty years and freehold land is not depreciated.

Leasehold land and buildings are written off over the period of the lease.

Plant, machinery and equipment are written off at rates relevant to their classification and varying from 5% to 20% per annum.

In respect of additions to fixed assets brought into use during a financial period, a full year's depreciation charge is applied—no depreciation charge is applied in the financial period in the case of fixed assets sold in that period.

Net profits/losses arising on the sale of fixed assets are reflected behind the charge for depreciation, unless such profits/losses are of an exceptional and material nature, in which case, such items are shown separately in the profit and loss account.

Swan Hunter Group Limited

Statement of accounting policies

(continued)

Stocks

Stocks are consistently stated on the basis of the lower of invoiced cost and net realisable value, due provision having been made for obsolescence.

Work in Progress

Building and civil engineering contracts are stated at cost (which includes an appropriate proportion of all production and administration overheads on a normal capacity basis) plus, where considered appropriate a proportion of estimated profit earned to date, or less, in the case of unprofitable contracts, full provision for losses to completion. All other work in progress is stated on the basis of the lower of cost (as defined above) and net realisable value.

Research and Development Expenditure

Expenditure other than on buildings and plant, is charged against profits in the year in which it is incurred.

Guarantees and Deferred Maintenance

In addition to providing in full, at the time of completing long term contracts for the estimated costs which arise under the guarantee clauses of those contracts, it is the policy of the Group to provide on an annual basis, for known recurring major revenue expenditure the cost of which, if not equalised on an annual basis, could have a material effect to the results of any one financial period.

Trade Debts

All known bad debts are written off to profit and loss account and specific provisions are made against any debts considered to be doubtful. Deferred debts are those which will not be repaid until after one year from the Group's financial year end.

Deferred Liabilities

Deferred Liabilities are those liabilities which do not have to be discharged by the Group in full until after one year from the date of the Group's financial year end.

Swan Hunter Group Limited

Statement of Source and Application of Funds

Source of Funds	1977/78		1976/77	
	£	£	£	£
Profit before tax and extraordinary items		3,158,872		7,285,505
Extraordinary items before tax		213,401		795,000
		<u>3,372,273</u>		<u>8,080,505</u>
Loans secured on ships	—		8,030,750	
Decrease/(Increase) in interests in vested subsidiaries				
Shares at cost	15,819,080		—	
Loan repayments—net	(4,052,024)		870,075	
Decrease/(Increase) in interests in associated companies				
Shares at cost	10,939		2,166,667	
Loan repayments—net	(126,977)		589,248	
Decrease/(Increase) in interests in trade investments				
Shares at cost	190,511		(9,387)	
Net book value of fixed assets sold	1,148,250		88,238	
Loans and deposits received	387	12,990,166	—	11,735,591
		<u>16,362,439</u>		<u>19,816,096</u>
Adjustments for items not involving the movement of funds				
Depreciation	410,251		648,396	
Profits retained in associated companies	(206,392)		(270,291)	
Currency re-alignment adjustments relating to investment in overseas associated company	27,279		(52,124)	
Amount due from a vested subsidiary regarded as part of subsidiary's equity capital in determining agreed compensation amount	219,836	450,974	—	325,981
		<u>16,813,413</u>		<u>20,142,077</u>
Total Generated from Operations				
Application of Funds				
Repayment of loans secured on ships—net	8,030,750		—	
Additions to Fixed Assets	483,503		682,606	
Taxation, including associated companies	2,644,208		1,793,263	
Dividends paid	1,320,645		1,086,057	
Loans and deposits repaid	—		93,457	
7½% Loan Stock bought in for cancellation	—	12,479,106	31,000	3,686,383
		<u>£4,334,307</u>		<u>£16,455,694</u>
Increase/Decrease in Working Capital				
Expenditure on ships on order		(10,348,028)		10,348,028
Increase/(Decrease) in stocks of stores and materials		(147,030)		(12,677)
Increase/(Decrease) in net cost of work in progress		1,130,372		(895,203)
Increase/(Decrease) in trade debts		(300,046)		497,492
Compensation receivable		12,850,004		—
(Increase)/Decrease in trade creditors and provisions—excluding taxation and proposed dividends		(631,412)		150,222
		<u>2,353,860</u>		<u>10,087,862</u>
Movement in net liquid funds				
Increase/(Decrease) in net cash balances and short term loans	8,655,363		6,220,181	
Increase in investments held as net current assets	10,635,810	1,980,447	147,651	6,367,832
		<u>£4,334,307</u>		<u>£16,455,694</u>

Swan Hunter Group Limited

Group Comparative Statement

(£'000)

	1968	1969	1970	1971	1972	1973	1974	1975	1976/77	1977/78
Assets employed										
Fixed assets	18,879	20,011	19,901	20,964	21,894	22,836	25,064	4,265	4,211	3,136
Interests in vesting subsidiaries	—	—	—	—	—	—	—	16,498	8,274	(3,712)
Interests in associated companies	851	1,591	1,306	911	595	3,093	4,244	4,178	1,745	2,040
Trade investments	686	25	413	324	323	663	665	777	787	596
Ships on order	—	—	—	—	—	—	—	—	10,348	—
Net current assets	10,205	4,468	833	1,638	8,721	15,135	23,214	15,537	19,909	36,873
Deferred taxation relief	—	—	—	—	—	—	865	600	680	271
	<u>30,621</u>	<u>26,095</u>	<u>22,453</u>	<u>23,837</u>	<u>31,533</u>	<u>41,727</u>	<u>54,052</u>	<u>41,855</u>	<u>45,954</u>	<u>39,204</u>
Financed by										
Issued capital	11,501	11,501	11,501	11,501	11,501	12,246	18,370	18,370	18,370	18,370
Loan stock	894	894	894	894	894	509	779	739	708	708
Reserves and undistributable profits	12,402	10,449	8,317	9,158	13,657	19,088	20,185	21,565	16,652	17,841
Minority interest	3,648	2,133	582	735	739	—	—	—	—	—
Deferred liabilities	1,272	1,032	790	1,140	1,099	669	591	—	—	—
Deferred taxation	904	86	369	409	1,633	5,352	10,839	1,181	2,193	2,285
Loans secured on ships	—	—	—	—	—	—	—	—	8,031	—
Shipbuilding construction grants account	—	—	—	—	2,010	3,563	3,288	—	—	—
	<u>30,621</u>	<u>26,095</u>	<u>22,453</u>	<u>23,837</u>	<u>31,533</u>	<u>41,727</u>	<u>54,052</u>	<u>41,855</u>	<u>45,954</u>	<u>39,204</u>
Results from										
Shipbuilding	184	(5,058)	(6,226)	546	6,188	8,779	8,310	532	531	(10)
Shiprepairing	1,165	847	1,656	1,042	1,012	1,250	3,029	1,830	1,845	(1,215)
Civil Engineering and Building	(54)	104	108	219	247	328	(350)	152	327	310
Marine and General Engineering	117	(182)	14	138	87	46	344	363	614	405
Shipowning	45	34	35	—	—	—	—	—	—	—
Group Trading Profit/(Loss)	1,457	(4,255)	(4,413)	1,945	7,534	10,403	11,333	2,877	3,317	(510)
Share of profits less losses of associated companies	—	—	39	139	239	180	554	712	1,150	863
Investment income and interest received less interest payable	193	974	1,230	799	604	1,251	1,958	2,136	2,319	2,806
Profit/(Loss) before taxation	1,650	(3,281)	(3,144)	2,883	8,377	11,834	13,845	5,725	7,286	3,159
Taxation	(435)	688	(400)	(382)	(1,776)	(5,563)	(6,403)	(2,695)	(3,768)	(1,422)
Profit/(Loss) after taxation	1,215	(2,593)	(3,544)	2,501	6,601	6,271	7,442	3,030	3,518	1,737
Minority interest	42	(942)	(1,550)	155	1,015	173	—	—	—	—
	<u>1,173</u>	<u>(1,651)</u>	<u>(1,994)</u>	<u>2,346</u>	<u>5,586</u>	<u>6,098</u>	<u>7,442</u>	<u>3,030</u>	<u>3,518</u>	<u>1,737</u>
Extraordinary items after taxation	—	—	—	—	—	—	801	783	795	3
Available for distribution	1,173	(1,651)	(1,994)	2,346	5,586	6,098	8,243	3,813	4,313	1,740
Dividends	863	863	—	1,150	914	923	1,003	1,086	1,872	551
Earnings per Ordinary Share										
excluding extraordinary items				11.53p	32.38p	34.24p	40.51p	16.49p	12.77p	9.45p
including extraordinary items				11.53p	32.38p	34.24p	44.88p	20.75p	15.65p	9.47p

- NOTES (i) Dividends stated gross from 1968 to 1971 inclusive. For 1972 the interim dividend is stated gross and the final net.
(ii) The Group's share of the results of associated companies has been included from 1970.
(iii) Earnings per Ordinary Share has been included from 1971, and for comparative purposes have been adjusted to reflect the 1 for 2 Bonus Issue approved at the E.G.M. on 4th June 1974.
(iv) For the years 1975 and 1976/77 the results of subsidiaries taken into public ownership on the 1st July 1977 under the provisions of the Aircraft and Shipbuilding Industries Act 1977 has been excluded and the dividends therefrom included with Extraordinary Items.
(v) The results shown in the Price Waterhouse & Co. report on page 13 of the Scheme of Reconstruction document dated 4/12/78 have been adjusted and are not therefore completely comparable with the results tabulated above.

Swan Hunter Group Limited

Report of the auditors

To the members of Swan Hunter Group Limited.

In our opinion the accounts and notes on pages 11 to 26 which have been prepared under the historical cost convention give, under that convention, a true and fair view of the state of affairs of the Company and the Group at 30th June 1978 and of the profit and source and application of funds of the Group for the year then ended and comply with the Companies Acts 1948 and 1967.

Newcastle upon Tyne
1st December 1978

PricewaterhouseCoopers
Chartered Accountants.

Swan Hunter Group Limited

Members of the Group

	Holding of Ordinary Shares	Country in which registered and operating	Trading activity
Parent Company			
Swan Hunter Group Limited		UK	
Subsidiary Companies			
Smiths Shiprepairers North Shields Ltd (formerly Swan Hunter Shiprepairers Tyne Ltd)	100%	UK	Shiprepairing
Brims & Co Limited	100%	UK	Building & Civil Engineering
Beaver Industries Limited	100%	UK	Insurance Broking
M W Swinburne & Sons Limited	100%	UK	Foundry, pipework, etc.
Swan Hunter (International) Limited	100%	Bahamas	Managing Agents
Swan Hunter Africa (Proprietary) Limited	100%	South Africa	Shiprepairing
Wallsend Shipyard Limited	100%	UK	Shipbuilding
Associated Companies			
Dockyard Investments Limited	50%	UK	Floating Dock owners
Swan Hunter (Trinidad) Limited	50%	Trinidad	Shiprepairing
Dorman Long Swan Hunter (Proprietary) Limited	25%	South Africa	Shiprepairing
Tyne Tanker Cleaning Co Limited	44%	UK	Tank Cleaning
The Glasgow Iron & Steel Co Limited	50%	UK	Brickmaking & Builders Merchants
Charles W Taylor & Sons Limited	21%	UK	General & Marine Engineering castings
Laygate Investments Limited	21%	UK	Investment Trust
North East Broadcasting Co Limited	32%	UK	Local Radio
Principal Trade Investments			
Common Brothers Limited	18%	UK	Shipowning
Tyne Dock Engineering Co Limited	7%	UK	Shiprepairing
Sembawang Shipyard Limited	1%	Singapore	Shiprepairing
Subsidiary Companies taken into public ownership on the 1st July 1977 under the provisions of the Aircraft & Shipbuilding Industries Act 1977 and on 25th July 1977 by separate acquisition			
Swan Hunter Shipbuilders Limited and its subsidiary Mid Tyne Ferries Limited	100%	UK	
Smiths Dock Co Limited and its subsidiary The Grangemouth Dockyard Co Limited	100%	UK	
Goole Shipbuilding & Repairing Co Limited and its subsidiary Clelands Shipbuilding Co Limited	100%	UK	
Barclay Curle & Co Limited	100%	UK	
Swan Hunter Training & Safety Co Limited	100%	UK	
Wallsend Slipway & Engineering Co Limited and its subsidiary W H (Terminal) Limited	100%	UK	
Trade Investments taken into public ownership on the 1st July 1977 under the provisions of the Aircraft & Shipbuilding Industries Act 1977			
John G Kincaid & Co Limited	13%	UK	

Swan Hunter Group Limited

Form of Proxy for use at Annual General Meeting

Fill in your full name(s)
and address(es) in
BLOCK CAPITALS

If any other proxy is
preferred, strike out the
names herein inserted
and add the name and
address of the proxy
desired.

I/We desire my/our
proxy to vote for me/us
on my/our behalf as
follows:

If you do not indicate
(by an X in the relevant
box) how you wish your
proxy to vote, your
proxy may use his
discretion in voting or
abstain from voting.

I/We
of

being a member/members of the above-named company, HEREBY
APPOINT SIR JOHN HUNTER, CBE, of Sunley House, Regent
Centre, Regent Farm Road, Gosforth, Newcastle upon Tyne NE3
3QA, or failing him, W J STRAKER-SMITH of 30 Gresham Street,
London EC2 or failing him, T McIVER, CBE, of Sunley House, Regent
Centre, Regent Farm Road, Gosforth, Newcastle upon Tyne NE3
3QA or

.....of

as my/our proxy to vote for me/us on my/our behalf at the Annual
General Meeting to be held on the 28th December 1978, and at any
adjournment thereof.

Date Signed

RESOLUTIONS	For	Against
1. To adopt the Accounts for the year ended 30th June 1978 and the Directors' and Auditors' Reports thereon		
2. To re-elect Sir John Hunter a Director		
3. To re-elect Mr W J Straker-Smith a Director		
4. To re-elect Mr R H Dickinson a Director		
5. To re-appoint the Auditors and to authorise the Board to fix their remuneration		

NOTES

- (i) This form of proxy to be effective must be deposited with the Company not less than 48 hours before the time fixed for holding the meeting.
- (ii) In the case of a Corporation, the proxy must be executed under its Common Seal, if any, and if none, then under the hand of some officer or attorney duly authorised.
- (iii) In the case of joint holders, the signature of any one joint holder is sufficient.

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**The Secretary,
SWAN HUNTER GROUP LIMITED,
Sunley House,
Regent Centre,
Regent Farm Road,
Gosforth,
NEWCASTLE UPON TYNE
NE3 1BR**

Second fold