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Annual report and accounts 1977

POLYMER

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Notice of meeting

Notice is hereby given that the eightieth annual general meeting of Lindusries Limited will be held at Grosvenor House (Audley Suite), Park Lane, London, W1, on Friday 29 July 1977 at 12 noon for the following purposes:

- 1 To receive and adopt the report of the directors and the accounts for the financial year ended 2 April 1977 and to declare final dividends on the Ordinary shares and the Preferred Ordinary stock. (Resolution 1)
- 2 To re-elect the following as directors of the company:
Mr. B. M. Knox (Resolution 2)
Mr. A. E. Luke (Resolution 3)
Mr. R. J. Lupini (Resolution 4)
- 3 To consider and, if thought fit, to pass the following ordinary resolution:
"That from and including the third day of April 1977 until the company in general meeting shall otherwise determine the directors' fees shall be at the rate of £20,000 per annum or such lower figure as the directors may from time to time determine." (Resolution 5)
- 4 To reappoint Coopers & Lybrand as auditors and to authorise the directors to fix their remuneration. (Resolution 6)

A member entitled to attend and vote may appoint a proxy, who need not be a member of the company, to attend and vote instead of him. More than one proxy may be appointed.

By order of the Board

P. J. W. Shuttleworth, Secretary

31 St. Andrew Square, Edinburgh, EH2 2AB

6 July 1977

A statement of the share transactions and copies of the service contracts of directors will be available at the company's registered office from 6 to 29 July 1977 and at the annual general meeting from 11.45 a.m. until its conclusion.

Directors

Executive

W. E. Luke

Director, Powell Duffryn Ltd
Council Member, Aims for Freedom and Enterprise
President, United Kingdom South Africa
Trade Association Ltd

Non-Executive

D. A. Hunter Johnston

Chairman, The Association of Investment Trust
Companies
Director, British American and General Trust Ltd
Director, Trans-Oceanic Trust Ltd

B. M. Knox MC TD

H.M. The Lord Lieutenant for Ayr and Arran
formerly an executive director of Lindustries Ltd.

Sir Ian Morrow CA FCMA

Chairman, The Laird Group Ltd
Deputy Chairman, Hambros Ltd
Deputy Chairman and Managing Director,
U.K. Optical and Industrial Holdings Ltd,
also Chairman, Deputy Chairman or a Director of
12 other companies

Sir Alec Ogilvie

Chairman, Powell Duffryn Ltd
Director, Westinghouse Brake & Signal Co Ltd
Director, J. Lyons & Co Ltd

Executive

P. A. Rippon DFC

Vice-Chairman and Managing Director

I. R. Elfoart FCA

Group Financial Controller

A. W. Fleming

Divisional Chief Executive,
Textile Division

J. A. Harper C Eng MIEE

Divisional Chief Executive,
Engineering Division

A. E. Luke

Divisional Chief Executive,
Polymer Division

R. J. Lupini BA

Group Personnel Executive

P. J. W. Shuttleworth FCIS

Group Secretary

Trevor House
100 Brompton Road
London SW3 1EL

Head Office

Coopers & Lybrand

Auditors

**The Royal Bank
of Scotland Limited**

Bankers

McKenna & Co

Solicitors

**The Royal Bank
of Scotland Limited**
P.O. Box 27
31 St. Andrew Square
Edinburgh EH2 2AB

Registrars and Registered Office

Highlights

Industries Limited and subsidiary companies

	1977 12 months £000	1976 12 months* £000	1975 18 months £000
Turnover			
Sales outside the group	78,964	70,398	104,887
Earnings			
Profit before tax	6,605	5,129	7,031
Profit after tax	3,535	2,658	3,603
Earned for ordinary shareholders	3,247	2,375	3,205
Ordinary dividends	810	737	1,105
Earned per 25p ordinary share	17.6p	12.9p	17.4p
Dividends per 25p ordinary share	4.4p	4.0p	6.0p
Dividend cover	4.0 times	3.2 times	2.9 times
Assets			
Fixed assets and investments	18,865		18,903
Net current assets	20,490		16,534
Net assets	28,805		26,761
Net assets attributable to ordinary capital	26,117		23,852
Net asset value per 25p ordinary share	141.8p		129.5p

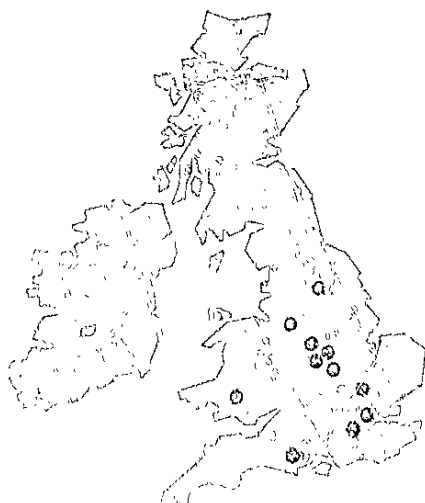
* The previous financial period covered 18 months to 3 April 1976. In order to make comparisons easier, the figures for the final 12 months of that period are shown in the above statement. The ordinary dividends are shown at an annual rate.

Principal subsidiary and associated companies LOCATIONS AND ACTIVITIES

Engineering Division

Company	Location	Managing director	Activity	Turnover 1977 £000
Alfred Walker & Co Ltd	Biddulph, Staffs	B. J. Houston	Bulk handling equipment for the mining and other extractive industries and heavy power presses	4,591
* Delaney Ltd	Barking, Essex Ammanford, Dyfed	F. J. Karan	Hoovers and air conditioners for the motor industry.	10,631
* Delaney Gallay Dynamics Ltd	Cricklewood, London Biggleswade, Beds.	W. R. Stewart (Director and General Manager)	Equipment and components for the aerospace and industrial and marine industries.	2,753
Gallay Ltd	Wellingborough, Northants.	R. V. Matcham	Equipment and components for military, commercial and off-highway vehicles.	1,492
* Robert Morton (DG) Ltd	Burton-on-Trent, Staffs.	D. F. Hutton	Equipment and components for the brewing and allied industries.	2,994
Heating Elements Ltd	Wigston Magna, Leics.	D. Thomas	Electrical elements and heaters for industrial and domestic applications.	1,259
Ratby Engineering Co Ltd C. S. Mine & Co Ltd	Peckleton Common, Leics.	D. Thomas	Engineering components and assemblies for the motor, commercial vehicle, general engineering and machine tool industries. Office machinery, netting machines and gas welding equipment.	3,921
Joseph Rhodes & Sons Ltd	Wakefield, Yorkshire	J. S. W. Martin	Power and extrusion presses, press brakes, shears and strip handling equipment for the metal forming and sheet metal industries.	4,249
Joseph Rhodes Manufacturing Ltd	Wakefield, Yorkshire	J. Blacker (Director and General Manager)		
Rhodes Interform Ltd	Wakefield, Yorkshire	C. E. Middlemiss		
Coil Machinery (Comac) Ltd	Ferndown, Dorset	H. F. Hawkins		

Trading as agent of Delaney Gallay Ltd., London



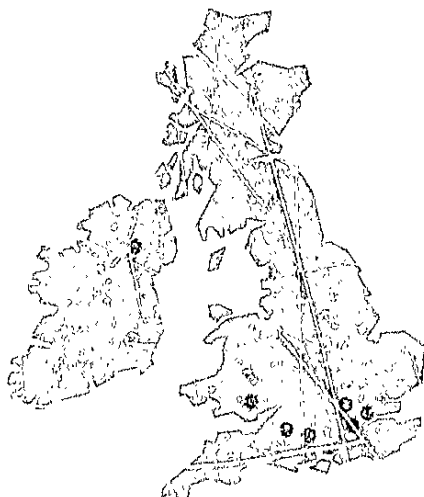
The turnover figures above include sales within the Group of £639,000. Excluded from the turnover are sales of £64,000 of B. & B. Numeric Machining Co. Ltd (formerly Tarpen Engineering Co. Ltd) which ceased trading in July 1976. Also excluded are sales of £532,000 of Whiteley Lang & Neill Ltd which ceased trading in April 1977.

The companies listed above and on pages 5 to 7 are incorporated and registered in the country in which their principal operations are located except where indicated in brackets. Shares of each class in all companies are held by Industries Limited except those marked * which are held by a subsidiary. All subsidiaries are wholly owned except Industrias Alta Mar and Industrial del Fresno in both of which 59.7% of the ordinary shares is held.

Polymer Division

Company	Location	Managing director	Activity	Turnover 1977 £000
H. A. Coombs Ltd	Calne, Wilts.	W. J. Gleeson (Director and General Manager)	Rubber bands, plastic ties and packaging machinery and materials.	2,414
Heston Rubber Products Ltd	Hengoed, Glam.	D. R. Fenton (Director and General Manager)	Rubber tubing, mouldings, rings and industrial polymer products.	1,240
The St. Albans Rubber Co Ltd	St. Albans, Herts.	K. N. Jelfery	Sponge sheeting, mouldings, rubber flooring and material for wet suits.	3,508
William Warne & Co Ltd	Barking, Essex	J. D. Isaac	Rubber gaskets and rings, high pressure hose, tubing and anti-pollution booms.	5,860
Waddington & Duval (Holdings) Ltd	Putney, London	A. J. Lucking	Pourers, taps, dispensers and medical valves.	1,085
Warne Surgical Products Ltd	Andover, Hants. Lurgan, Northern Ireland (Incorporated in England)	R. D. G. Ross	Medical products and disposable and re-usable hospital supplies.	2,408

The turnover figures above include sales within the Group of £1,659,000.

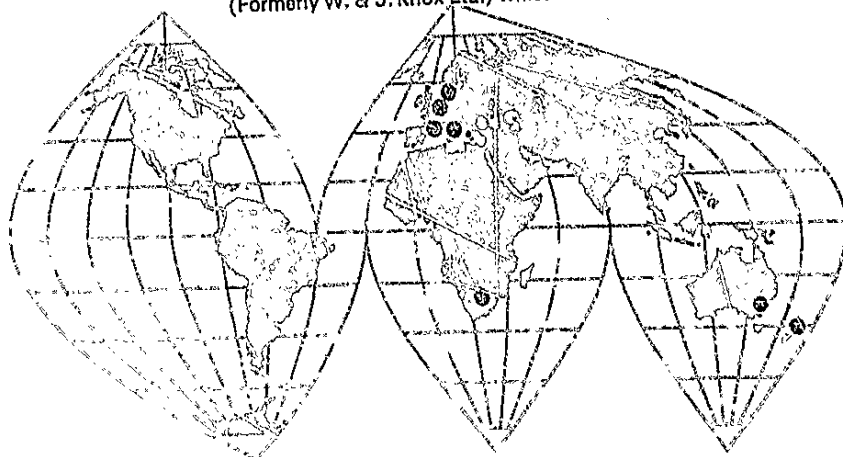
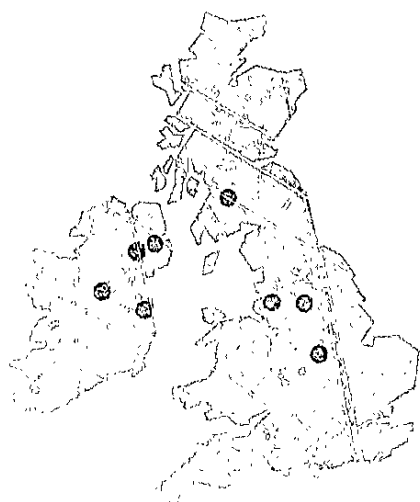


Textile

Company	Location	Managing director	Activity	Turnover 1977 £000
THREAD COMPANIES				
Lindström Textiles Ltd.	Lisburn, N. Ireland (Incorporated in Scotland)	D. W. Barton	Controlling company for Barbour Threads Ltd. and Barbour Threads Manufacturing Ltd.	13,570
Barbour Threads Ltd	Speke, Liverpool	W. E. Peacock	Natural and synthetic threads, twines and braids.	Shown under Lindström Textiles Ltd.
Barbeurgaren - Nederland BV*	Holland		"	"
Barbour Threads Pty Ltd*	Australia		"	"
Barbour Threads (Pty) Ltd*	South Africa		"	"
N.V. Barbour Threads Belgium SA*	Belgium		"	"
Blackstaff Threads Ltd	N. Ireland		"	"
Frank & Bryce (NZ) Ltd*	New Zealand		"	"
The Irish Thread Manufacturing Co Ltd*	Republic of Ireland		"	"
Wolffull Spinning Co Ltd	N. Ireland		"	"
Barbour Threads Manufacturing Ltd	Lisburn, N. Ireland Kilbirnie, Scotland (Incorporated in N. Ireland)	W. Jamieson	Manufacture of natural and synthetic threads, twines and braids.	"
Dunbar McMaster & Co Ltd	Gilford, N. Ireland	W. Jamieson	Gill and wet spun flax yarns.	1,011
Fils à Coudre Barbour S.A.*	Marseilles, France	G. Barrau	Threads, twines and braids.	539
Industria Filati di Lino e Canapa S.p.A.*	Vimercate, Italy	S. R. Bramley	Threads, twines and braids.	2,038
The Longford Textile Co Ltd Longford Manufacturing Ltd	Republic of Ireland	W. Jamieson (Deputy Chairman)	Natural and synthetic yarns.	2,069
OTHER COMPANIES				
E. B. Hamel & Son Ltd	Tamworth, Staffs.	A. Washbrook	Natural and synthetic narrow fabrics.	1,498
Levi Jackson & Sons Ltd	Glossop, Derbys.	C. P. B. Smith	Natural and synthetic twines and ropes, fishing lines and industrial sewing threads.	617

* See note on page 4

The turnover figures above include sales within the group of £2,421,000. Excluded from the turnover are sales of £897,000 (£125,000 within the Group) of Finlayson Bousfield & Co. Ltd. (Formerly W. & J. Knox Ltd.) which ceased trading in March 1977.



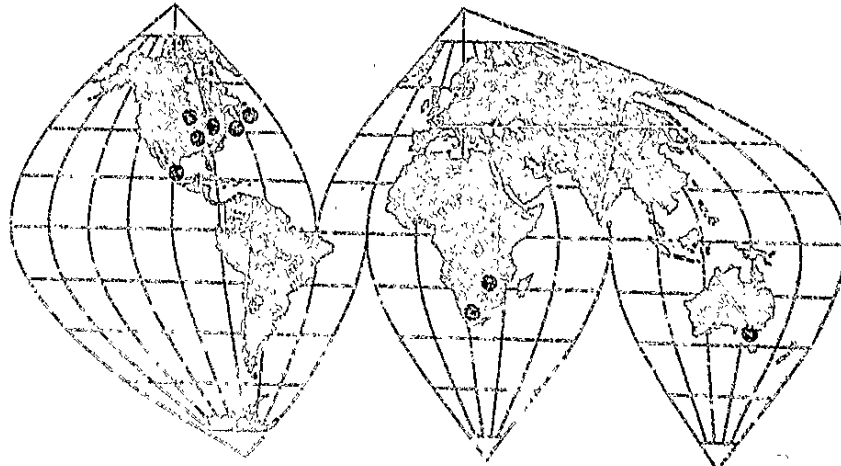
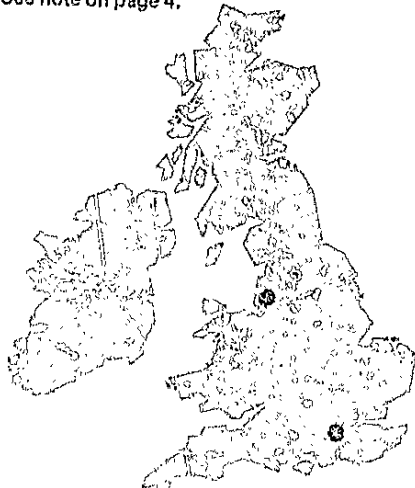
Overseas Division and other group and associated companies

Company	Location	Managing director	Activity	Turnover 1977 £000
Industrias Alta Mar * Industrias del Fresno *	Guadalajara, Mexico	J. F. Nibecker	<i>Fish nets, ropes and twines</i>	3,910
John Leckie Ltd *	Toronto, Halifax, Montreal, St John's and Winnipeg, Canada	R. A. Ingram (President)	<i>Sales of fish netting, threads, industrial and marine hardware. Canvas goods</i>	8,742

Group companies	Location	Activity
Crawford Industrial Properties Ltd	London	<i>Property holding</i>
Lindus Investments Ltd	London (Incorporated in Scotland)	<i>Investment holding</i>
Lindus Management Services Ltd	London (Incorporated in Scotland)	<i>Group Administration</i>

Associated companies			Ordinary shares owned
The Blantyre Netting Co Ltd *	Malawi	<i>Netting</i>	50%
The Boris Net Co Ltd *	Fleetwood, Lancs	<i>Netting</i>	40%
Braitex (Pty) Ltd *	South Africa	<i>Narrow fabrics and elastic</i>	50%
Natal Thread Co (Pty) Ltd *	South Africa	<i>Threads</i>	15%
South African Board of Investments (Pty) Ltd *	South Africa	<i>Property holding</i>	50%
Trade investments			
Kinnears Ltd *	Australia	<i>Ropes, twines, cordage, yarns and carpets</i>	17%

* See note on page 4.



Chairman's statement



W. E. Luke
Chairman

We have had a very good year, our sales having increased by 12% as compared with the corresponding previous 12 months and the profit before tax by 29% from £5,129,000 to £6,605,000. Due to the increase in the proportion of profits earned overseas, which attract a lower rate of tax than in the UK, the profit after tax shows a greater increase of 33% from £2,658,000 to £3,535,000.

Engineering division

The performance has been most creditable, not only in relation to previous years but also by comparison with the profit experience of many other British engineering companies. The return on capital employed has increased by 38% and the division, even after capital expenditure of over £1 million, has generated for the Group over £2 million in cash, some of which accrued from the sale of buildings and machinery no longer required. Delanair is now making consistent profits as are all but one of the eight main companies in the division. We are implementing expansion plans for the division which include substantial investment in manufacturing facilities for brewing processing equipment, machinery for the coal mining industry and for motor car components, all areas where there are dramatic development prospects. We have ceased manufacturing operations and sold the machinery at Whiteley Lang & Neill but the building is now used by Barbour Threads in our Textile division as a sales and distribution centre. We have also sold Tarpen Engineering which never made a satisfactory profit.

Polymer division

In comparison with the previous twelve months the overall profit increased by 55%. Heston Rubber and Warne Surgical made substantially better profits than last year and both St. Albans and Waddington & Duval traded at very satisfactory levels due to heavy concentration on export markets. William Warne at Barking is capital and labour intensive and has a high break-even point and at a time when the low volume of orders restricted output, management did well to contain the loss to a relatively small figure. The loss at H. A. Coombs, largely brought about by competition from low cost Far East imports, was very much reduced from the previous year.

Textile division

The largest company, Barbour Threads, together with the overseas marketing subsidiaries, again made a substantial contribution to Group profits attributable to a further impressive increase in export sales. The Longford Textile Company in the Irish Republic also made a good contribution. In Italy, despite labour and other problems which make life so difficult for manufacturing industries, our subsidiary made a remarkably good profit. During the year we sold to Cosalt Ltd. the netting and twine business of W. & J. Knox, the oldest company within the Group, which was one of the constituent parts of The Linen Thread Company (by which name this company was formerly known) when it was formed in 1898. Of recent years the company has been concerned almost exclusively with the manufacture of fish netting, a large proportion of which was sold in the Canadian market through our subsidiary, John Leckie, but competition from Japan and other countries has restricted this trade and had we not sold this part of the business many workers would

have faced redundancy. Cosalt, which is well established in the manufacture and sale of trawl nets and in other areas of the fishing industry, needed the additional manufacturing capacity and, knowing their reputation as good employers, it was very much to the advantage of workers and shareholders alike that we should effect the sale. The adjacent factory now occupied by Barbour Threads Manufacturing will continue to manufacture various types of thread but we have disposed of the knit-wear machinery since this section of the business has been unprofitable. It is our intention to invest a further £1½ million in the Textile division during the current year, most of it in the Barbour and Longford companies.

Overseas

In spite of a 63% devaluation of the Mexican Peso during the year the profits of our Mexican subsidiary when converted into sterling at the new rate actually showed an increase and in terms of local currency were 72% up on those of the previous 12 months. We also did better in Canada despite difficult trading conditions. Our associated companies in South Africa contributed materially to the overall increase in the profits of our overseas investments.

Exports

Our direct exports increased from approximately £11,600,000 in the previous 12 months to £14,470,000, an increase of 25% and this takes no account of our very large indirect exports represented by components which we sell to manufacturers who in turn export the finished product.

Finance

The Company's liquidity is still strong and our net borrowings are less than 25% of our total share capital and reserves. As a result, we have a borrowing capacity of several million pounds and even if there should be a considerable up-turn in trade, the consequence of which would be higher investment in working capital, we do not expect that we should have any difficulty in obtaining the funds by increased bank borrowing which, with our low gearing, would be the cheapest way of raising money. If we require cash for an acquisition or for any other desirable purpose we shall, of course, reconsider the matter but at the moment your Board does not feel it to be necessary to raise more equity capital, the only advantage of such a course of action being that it could enable us to increase our dividend. I hope that the Government will soon realise that the pegging of the dividend level is grossly unfair to shareholders whose standard of living is reduced as a result of inflation and increased levels of taxation without any corresponding increase in income. The inequities created by dividend limitation penalise the shareholders of successful companies. Public companies are now mostly run by managers, some of whom may feel that dividend limitation is a godsend since it enables them to re-invest undistributed earnings within the company but it must be remembered that these earnings belong to the shareholders who own the company and have risked their capital by investing in it in order to obtain an income and, nowadays, as a hedge against inflation. A continuance of dividend limitation will discourage investors (both individual and

institutional) from risking their money in the future and could in the end destroy the whole capitalist system.

Inflation accounting

As final agreement is still awaited on the manner in which accounts should be prepared to reflect the effects of inflation, we have carried out a similar exercise to that reported last year in order to show the effect on the profits of the elimination of stock holding gains and the restatement of depreciation based on the value to the business of the fixed assets. We have also calculated the adjustment to current purchasing power of the net monetary items. The figures are shown in paragraph 3 of the Report of the Directors.

Directors

With much regret I have to inform shareholders that Mr. A. W. Fleming, Chief Executive of our Textile division, is leaving the company on his appointment as Chief Executive of McCleery L'Amie Group Ltd., a textile company based in Northern Ireland, where Mr. Fleming resides. He has been with our company for nearly 30 years and throughout his association has given us splendid service. I am sure everyone in the company will wish him well in his new and challenging career.

Mr. R. J. Lupini, Group Personnel Executive, was appointed to the Parent Board on 3 April 1977 and will specialise in the area of employee relations, a field in which he has impressive experience.

The Bullock Report

Ever since I joined the Board of this company, and with added authority and vigour after I became Chief Executive in 1949, I have tried to foster a true spirit of co-operation and harmony at all levels of employment. The extraordinary recommendations in the Bullock Committee Report, if they reached the Statute Book, would be disruptive and would certainly not improve management efficiency in this company. Promotion to the highest level of management responsibility has always been by merit without relationship to the industrial origin of the person concerned. There are six full-time working directors on the Board and the proposal that most of them should be demoted so that their places can be taken either by their own subordinates or by outside union representatives is nonsensical.

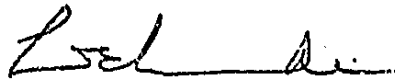
The future

I am optimistic about the company's prospects in the current year and am hoping that our results will again beat inflation. The expected improvement in Great Britain's balance of payments will give rise to greater confidence in the international financial world and there may be other favourable factors. Because of this, the steady decline in the value of the pound may be arrested despite continuing inflation. But there will be no marked reduction in the rate of unemployment until better use is made of our productive machinery resulting in reduced unit costs which will enable us to compete

in export markets without having to rely, as we have done hitherto, on a continuing erosion in the value of our currency.

The net worth of your ordinary shares is 142p as compared with a market price of little more than half that figure. The earnings are 17.6p per share and a total dividend for the year of 4.4p per share is covered 4 times. These factors, added to our considerable borrowing power, should be encouraging to our shareholders and to our 8,000 employees in that they show the company to be in a position to expand and develop its business where the profit potential justifies the investment.

I have now been in the service of the company for over 50 years during which there have been many changes both in its direction and philosophy. We have had our ups and downs but the loyalty and dedication of our employees at all levels has enabled us to make great progress and I am grateful to them all not only for their past efforts but in particular for the satisfactory results which were achieved last year. Given enlightened management, the same willing co-operation from the other employees and the absence of irresponsible Government interference the company during the next fifty years will continue to thrive and visibly expand.



W. E. Luke
Chairman

15 June 1977

Report of the directors

The directors submit their report and the accounts for the financial year ended 2 April 1977.

1. Principal activities

Lindustries Limited is an industrial holding company whose principal operating subsidiaries in the United Kingdom and abroad are shown on pages 4 to 7. A review of the activities of these subsidiaries is given on pages 16 to 20.

2. Turnover, profit and dividends

Group turnover, profit and dividends are shown in the consolidated profit and loss account on page 21. The turnover and profit for the year of each of the divisions of the Group is shown below together with the comparative figures for the 18 month financial period ended on 3 April 1976 and for the final 12 months of that period.

	12 months ended 2 April 1977 £000	12 months ended 3 April 1976 £000	18 months ended 3 April 1976 £000
Turnover			
Engineering	31,763	29,574	44,936
Polymer	14,856	11,537	17,790
Textile	19,693	14,894	22,389
Overseas	12,652	14,391	19,772
	<u>78,964</u>	<u>70,396</u>	<u>104,887</u>
Profit			
Engineering	2,247	1,670	2,059
Polymer	883	568	967
Textile	2,185	2,157	3,118
Overseas	1,207	1,054	1,555
	<u>6,522</u>	<u>5,449</u>	<u>7,699</u>
Investment income	186	50	88
Interest payable	(499)	(623)	(1,065)
Group profit	<u>6,209</u>	<u>4,874</u>	<u>6,722</u>

The turnover and profit was derived from companies operating in the following geographical areas:

	12 months ended 2 April 1977	12 months ended 3 April 1976	18 months ended 3 April 1976
Turnover			
UK	£000	£000	£000
Other EEC countries	57,504	48,876	74,529
North America	5,132	4,623	6,779
Other areas	12,652	14,391	19,772
	3,676	2,506	3,807
	<u>78,964</u>	<u>70,396</u>	<u>104,887</u>
Profit			
UK			
Other EEC countries	4,071	3,342	4,438
North America	611	451	622
Other areas	948	761	1,116
	579	320	546
	<u>6,209</u>	<u>4,874</u>	<u>6,722</u>

The directors are recommending a final dividend on the ordinary shares of 3.0p per share which with the interim dividend paid previously makes 4.4p per share (1976 (18 months) 6.0p) for the year. This dividend is the statutory maximum permitted if the basic rate of income tax remains at 35%. If the tax rate is reduced in the forthcoming Finance Act the directors will recommend increasing the final dividend to reflect the tax reduction thereby making a payment of the maximum amount then permitted. A final dividend of 2.1% on the preferred ordinary stock is also recommended.

3. Inflation adjusted accounts

As final agreement is still awaited on the manner in which accounts should be prepared to reflect the effects of inflation, the following information has been produced in accordance with the guidance of the Stock Exchange:

- The group profit of £6,209,000 for the financial year ended 2 April 1977 would be reduced to £1,866,000 on a current cost accounting basis by the elimination of stock holding gains of £3,386,000 and by an additional depreciation charge of £957,000 based on the current value of fixed assets other than property.
- The value to the business of the fixed assets other than property is calculated to be £15,179,000 compared with the net book value in the historic accounts of £7,358,000. No revaluation of the property, which is included in the historic accounts at a net book value of £9,846,000, has been attempted.
- The adjustment to current purchasing power of the net monetary items would give rise to a gain of £723,000, representing the diminution in real terms of the net monetary liabilities over the financial year.

4. Employees and remuneration

The average weekly number of employees in the UK during the year was 6,841 and the aggregate remuneration paid or payable to them was £19,013,217. In addition there were 1,027 employees in the overseas subsidiaries.

5. Interests in issued share capital

At 15 June 1977 the directors were not aware of any person holding 5% or more of the issued ordinary share capital of the company.

its in the
at 4 April

therwise
held

6. Fixed assets

An analysis of the fixed assets of the company and its subsidiaries appears in the notes on the accounts on page 28. During the year the assets of Tarpen Engineering Co Ltd and Whiteley Lang & Neill Ltd and the netting and twine business of W. & J. Knox Ltd were sold. The directors are of the opinion that the market value of the Group's interests in land and buildings is substantially in excess of book value.

3,000

566

7. Donations

Donations made for charitable purposes by the Group during the year were £2,724. Other donations were: Aims for Freedom and Enterprise £1,000, British United Industrialists £1,000, Conservative Party £1,000, Economic League £1,000, Scotland is British Campaign £1,000.

8. Exports

Direct exports by UK companies in the Group were made to the following geographical areas:

	12 months ended 2 April 1977	18 months ended 3 April 1976
North America	£000	£000
EEC countries	1,748	3,169
Other European countries	5,206	5,011
Rest of the world	2,396	3,168
	5,120	5,965
	<u>14,470</u>	<u>17,313</u>

9. Directors

The directors are named on page 2. The directors retiring by rotation are Mr. B. M. Knox, Mr. A. E. Luke and Mr. A. W. Fleming. Mr. Knox and Mr. Luke, being eligible, offer themselves for re-election. Mr. Fleming does not seek re-election. Mr. R. J. Lupini, who was appointed a director on 3 April 1977, retires in accordance with the Articles of Association and, being eligible, offers himself for re-election.

10. Directors' interests

According to the register kept by the Company, the directors had interests in the Company's shares and stocks, at 2 April 1977, as shown below. Holdings at 4 April 1976, or at date of appointment, are shown in brackets where different.

	Beneficially held	Otherwise held		Beneficially held	Otherwise held
Ordinary shares			Preferred ordinary stock		
I. R. Eiloart	1,070		B. M. Knox		£3,000
	(1,319)				
A. W. Fleming	8,993		Preference stock		
J. A. Harper	3,000		B. M. Knox		£666
D. A. Hunter Johnston	5,000				
B. M. Knox	29,048	16,400			
A. E. Luke	9,633				
W. E. Luke	51,000				
Sir Ian M'Nown	1,000				
Sir Alec Ogilvie	2,000				
P. A. Rippon	1,605				

The following changes occurred in the directors' interests between 2 April and 15 June 1977:

- (i) Mr. D. A. Hunter Johnston sold 2,000 ordinary shares
- (ii) Mr. R. J. Lupini acquired 1,000 ordinary shares following his appointment to the Board on 3 April 1977.

11. Directors' rights to acquire shares

The following options were held by the directors shown at 2 April 1977 in accordance with the rules of the Lindustries Share Option Scheme (1973) enabling certain senior executives to acquire the Company's shares:

Director	Date of grant of option	Number of shares	Price to be paid per share	Exercisable after	Exercisable before
I. R. Eiloart	4.2.75	35,000	40p	4.2.78	4.2.82
A. W. Fleming	4.2.75	45,000	40p	4.2.78	4.2.82
J. A. Harper	4.2.75	45,000	40p	4.2.78	4.2.82
A. E. Luke	4.2.75	45,000	40p	4.2.78	4.2.82
P. A. Rippon	4.2.75	60,000	40p	4.2.78	4.2.82

Mr. R. J. Lupini who, as stated previously, was appointed a director on 3 April 1977 held the following options on that date:

4.2.75	17,500	40p	4.2.78	4.2.82
16.3.77	7,500	67p	16.3.80	16.3.84

12. Directors' interests in contracts

None of the directors has, or during the financial year under review had, a material interest in any significant contract with the Company or any of its subsidiaries.

13. Auditors

A resolution will be proposed at the Annual General Meeting to re-appoint Coopers & Lybrand as auditors.

14. Review of activities

The following is a review of the trading of each of the operating subsidiary companies:

Engineering division

The Group's Engineering division consists of twelve companies producing a wide range of engineering products. As shown on page 12 the division had a successful year making a further recovery with sales amounting to £31,763,000 – an improvement of 7% and profits of £2,247,000 – an improvement of 35% over the corresponding previous 12 months.

Cowlshaw Walker & Co Ltd which makes bulk handling equipment for the coal mining and other extractive industries and heavy power presses had another good year. The diversification programme which commenced last year continued and began to show results. The year saw the successful introduction of a rock and stone crushing machine for use in the quarrying industry and the company also obtained orders for conveying equipment for sale to customers outside the mining industry. Sales of equipment to the coal mining industry – a particularly important and growing sector of the company's business – were at a good level and prospects for the company in the year ahead are sound. Joseph Rhodes & Sons Ltd which makes power and extrusion presses, press brakes, shears and machinery for use in the metal forming industry and, through Coil Machinery (Coniac) Ltd designs and commissions coil processing equipment also had a good year, with a significant increase in profits: export business accounted for 47% of sales. During the year the company's manufacturing and marketing facilities were reorganised and two new companies were established: Joseph Rhodes Manufacturing Ltd with responsibility for the manufacture of the company's products and Rhodes Interform Ltd with responsibility for worldwide sales and servicing. The current year has started well for these companies with a good level of orders in hand and they are well organised to trade successfully in the future.

Delanair Ltd manufacturers of heaters and air-conditioners for cars and commercial vehicles, produced satisfactory profits on a high level of sales. Although affected from time to time by strikes at its customers there was generally a high level of demand throughout the year for the company's products and the re-organisation carried out in the previous year, together with new plant and machinery installed during the year, enabled the company to meet this demand effectively. Shareholders will recall that 2½ years ago the company made a serious loss and it is gratifying to see that the hard work performed by all the company's employees since that time has produced such a notable change of fortune. Delaney Gallay Dynamics Ltd produces specialised equipment and components for the aerospace and military equipment industries. Demand for the company's products fell during the year and a loss was made. Considerable reorganisation has taken place in order to improve efficiency in the company's factories at Cricklewood and Biggleswade. With firm control of overhead costs the company is now well placed to meet any increased

demand for its specialised products. Sales of military vehicle equipment and components made by Gallay Ltd increased and the company had an excellent year. The diversification programme started last year has continued and several new products have been or are about to be introduced. The outlook for the company continues to be good.

Heating Elements Ltd which designs and manufactures a wide range of electrical heating elements and specialised heaters for the synthetic fibres industry, faced a large fall in demand for its products, especially for those supplied to the textile equipment industry. As a result it was necessary to take stringent action to cut overhead costs and to reduce the number of employees by carrying through a redundancy programme. In the latter half of the year the company was successful in obtaining orders from customers representing a far wider spread of industrial markets and under the circumstances the small profit earned for the year was satisfactory. Ratby Engineering Co Ltd manufactures net-making and printing machines and components for the commercial vehicle, general engineering and machine tool industries. Although a satisfactory profit was earned, margins were somewhat lower than in the previous 12 months. However considerable improvements were made during the year by reorganising the factory, its production flow and cost control systems, which are resulting in reductions in costs and working capital and improved efficiency. The level of orders being obtained by the company is increasing and prospects for the current year are good.

Sales of plant and equipment for the brewing and allied industries by Robert Morton (DG) Ltd were more than double those of the previous 12 months and the company earned very good profits. The demand for the company's products remained strong throughout the year, both at home and abroad, and an expansion of the company's factory was started during the winter of 1976/77 in order to provide additional production capacity. The company has a full order book and expects to have another successful year during 1977/78.

In July 1976 the Group sold the assets of Tarpen Engineering Co Ltd which designed and manufactured electrical hedge trimmers, grass cutters and generating sets. A small terminal loss resulted. During the year the operations of Whiteley Lang & Neill Ltd were progressively closed down in view of the losses incurred by the company in past years and the poor outlook for its future. The company's plant and machinery was sold, producing a profit for the Group, and it was possible to arrange for its factory at Speke, Liverpool to be taken over by another Group company Barbour Threads Ltd, which has established there a distribution centre for all thread products. Although a very different type of work is involved, it was possible for Barbour Threads Ltd to retain some of the company's former employees and maintain the general level of employment.

Polymer division

The Polymer division of the Group comprises six companies manufacturing and marketing a variety of products largely made from natural or synthetic rubber materials or plastic. The industrial section of the division makes industrial hose, anti-pollution booms, mouldings, sheeting, bands and packaging aids; the medical and dispensers section makes surgical and anaesthetic products, disposable hospital supplies and plastic taps and pourers. In highly competitive conditions the division performed satisfactorily during the year with increased sales and profits of

29% and 55% respectively compared with those of the previous 12 months. Exports accounted for 30% of total divisional sales.

The changes made towards the end of the previous financial period in the management structure at H. A. Coombs Ltd, together with the greater emphasis placed on marketing, contributed to a return to profitability in the second half of the year. The company, which manufactures and sells a wide range of rubber bands and packaging aids, made a loss for the year as a whole but a gradual growth in profit is expected during the current year although intense competition is apparent from foreign suppliers.

In general the companies manufacturing and marketing industrial rubber products—Heston Rubber Products Ltd, The St Albans Rubber Co Ltd and William Warne & Co Ltd—had to contend with difficult trading conditions during the year but collectively produced encouraging results. Heston Rubber Products Ltd, marketing a range of rubber hose pipes, tubings, mouldings, gaskets and rings, was able to increase its sales but increases in raw material and other costs put strong pressure on profit margins. The company made a satisfactory profit and is planning to expand its business in the current year. The St Albans Rubber Co Ltd in addition to manufacturing cellular rubber mouldings and sheeting for use in the automotive, packing and other industries, also makes rubber sheeting for manufacturers of wet suits for such activities as water skiing, sailing and diving. The company had a successful year with substantially increased sales and profits and a high level of export orders. Additional facilities for the production of wet suit sheeting are at present being provided to meet the demand for the product. Despite considerable reductions in fixed overhead costs which enabled the loss for the year to be contained, William Warne & Co Ltd which manufactures rubber hoses, gaskets, rings and extrusions, produced disappointing results. This stemmed partly from continued low demand for rubber hose coupled with large increases in the price of the raw materials used in the manufacture of the company's products resulting in a squeeze on profit margins. The company is well placed to meet future increases in demand which would result from an improvement in economic conditions generally.

The two companies forming the medical and dispensers section of the division traded successfully during the year with significant increases in sales and profits. Waddington & Duval (Holdings) Ltd which produces plastic taps, pourers and dispensers for use in the drinks, detergent, oil and pharmaceutical markets had an excellent trading year with a 40% increase in sales compared with those of the previous 12 months, including a high level of export business principally to Australia, France and the USA. During the last quarter of the year the company faced sizeable increases in raw material prices which put pressure on margins. Prospects for the new year are encouraging. Sales of the medical products made by Warne Surgical Products Ltd for use in hospitals throughout the world also increased and satisfactory export business was obtained. The level of sales in the United Kingdom improved and with firm control on overhead costs, the company had a good year. Action is being taken during the current year to increase production capacity in order to meet the greater demand being experienced by the company.

Textile division

The Textile division of the Group consists of seven companies operating in the United Kingdom and nine companies operating overseas which manufacture and market a wide range of natural and synthetic threads, twines, braids, yarns, ropes, fishing lines and narrow fabrics. The results of the division for the year show an increase in sales and profits over those of the previous 12 months of 32% and 1% respectively.

Sales of threads, twines and braids increased in all markets served by Barbour Threads Ltd and, as in the previous year, a high level of export trading was maintained with excellent results. Although the level of trading particularly in the United Kingdom was depressed for some time there was a marked improvement in the last quarter of the year and prospects for the current financial year are good. The year saw an important development with the reorganisation of Barbour Threads Ltd. A new operating company was established – Barbour Threads Manufacturing Ltd based at Lisburn, Northern Ireland, to take over the responsibility for the manufacture of all thread, braid and twine products, whilst Barbour Threads Ltd, based at Speke, Liverpool, has responsibility for the marketing and distribution of all products both at home and abroad. Both companies are directly responsible for their operations to the controlling company, Linindustries Textiles Ltd. During the year the Group purchased the 50% shareholding which it did not previously own in the thread marketing company in Australia, which has been renamed Barbour Threads Pty. Ltd.

Sales by Dunbar McMaster & Co Ltd of products to the weaving trade and other textile processors in this country and overseas showed an increase, with excellent orders being obtained in the USA, and the company made a satisfactory profit. As a result of the severe drought in the flax growing areas of Europe in the summer of 1976 the price of flax increased enormously during the autumn and winter of 1976/77. This increase clearly affected the company's profit margins but it has been able to maintain its trading in all markets and the immediate outlook is favourable. The division's French company, Fils à Coudre Barbour S.A. which manufactures and sells threads in France, had a disappointing year and the improvement in economic conditions in France forecast in last year's report did not materialise to the extent anticipated. Further improvements have been made in the company's management organisation and these should lead to improved results in the future. The results of the Italian company, Industria Filati di Lino e Canapa SpA were most satisfactory with a substantially increased sale of threads, twine and braids, which are sold principally to other industrial users in the shoe, clothing and allied trades. The very unsettled political and economic conditions in Italy continue to pose problems for management and the company faces very difficult working and trading conditions, particularly when compared with those applying in the United Kingdom. In spite of this situation the outlook for the company's future continues to be promising.

The Longford Textile Co Ltd in the Republic of Ireland had a much improved year, earning satisfactory profits on increased sales of high quality yarns to Group companies as well as to other customers, from whom there was strong demand throughout the year. The company is expected to continue trading well in the current year.

The two remaining companies in the division – E. B. Hamel & Son Ltd and Levi Jackson & Sons Ltd – are not involved in the manufacture of threads, braids or twines. E. B. Hamel produces a range of narrow fabrics principally for use in the furnishing and clothing trades. Although general trading conditions for the company were difficult during the first half of the year there was a considerable improvement during the remainder and a modest profit was earned. Current trading conditions in the markets in which this company operates are not as satisfactory as had been hoped some months ago and adequate profits will be hard to earn in the current year. Levi Jackson which makes and sells industrial twines and cordage used mainly in the fishing and allied industries, increased its sales and profits and obtained a high level of export orders. Despite difficulty in recruiting sufficient staff the company was able, on the whole, to maintain a good level of production. It is expected that the company will continue to trade at a satisfactory level during the current year.

There was low demand throughout the year for the netting and twine products made by W. & J. Knox Ltd of Kilbirnie, Ayrshire. The company had some limited success in obtaining business in new export markets but was unable to earn adequate sales and profits. Agreement was reached in March 1977 with Cosalt Ltd of Grimsby to sell to that company the assets, including the trade names, of the company's netting and twine departments and accordingly it was possible to arrange for the staff employed in those sections of the business to continue working at Kilbirnie for Cosalt. The company's knitwear unit, which had not been profitable, was closed down. Part of the company's premises remain under the Group's ownership and will continue to be used for the manufacture of sewing threads under the control of Barbour Threads Manufacturing Limited.

Overseas division

The Group's Overseas division is formed by two companies – Industrias Alta Mar, making fish nets, ropes and twines in Mexico, and John Leckie Ltd of Canada which is a leading manufacturer of tents and a variety of camping and equestrian products. John Leckie is also a major distributor of commercial fishing supplies, marine hardware products and sewing threads for the boating and sailing industries.

Industrias Alta Mar had an excellent year. Despite the devaluation of the Mexican currency during the year, the profits for the year converted into sterling at the new exchange rate exceeded those of the previous 12 months converted at the old rate and were again a record. The company expanded its productive capacity during the year in order to meet the continued high demand for its products from customers both in Mexico and abroad. Results for the first weeks of the current year have been satisfactory and the company should continue to do well.

Owing to the continuing recession in the Canadian economy John Leckie Ltd had another difficult year, with no overall increase in the level of demand for its products. Although profits were inevitably depressed, they were higher than for the previous 12 months. Much work has been done to improve the efficiency of the operations which should benefit profits in the future.

By order of the Board
P. J. W. Shuttleworth, Secretary
31 St. Andrew Square, Edinburgh EH2 2AB
15 June 1977

Consolidated profit and loss account

for the financial year ended 2 April 1977

Lindustries Limited and subsidiary companies

	Notes	1977 12 months £000	1976 18 months £000
Turnover	2	<u>78,964</u>	<u>104,887</u>
Group profit	3	6,209	6,722
Share of profits of associated companies	6	<u>396</u>	<u>309</u>
Profit before taxation		6,605	7,031
Taxation	7	<u>3,070</u>	<u>3,428</u>
Profit after taxation		3,535	3,603
Attributable to minority interests		<u>203</u>	<u>271</u>
Profit attributable to Lindustries Limited before extraordinary items		3,332	3,332
Extraordinary items	8	<u>(163)</u>	<u>652</u>
Profit attributable to Lindustries Limited		3,169	3,984
Dividends	9	<u>895</u>	<u>1,232</u>
Profit for the year retained	10	<u>2,274</u>	<u>2,752</u>
Earnings per 25p ordinary share	11	<u>17.6p</u>	<u>17.4p</u>
Statement of retained profits			
Retained profit for the year		<u>2,274</u>	<u>2,752</u>
Retained profit at the beginning of the year:			
As previously reported		13,679	10,937
Prior year adjustment	12	<u>755</u>	<u>745</u>
As restated		14,434	11,682
Retained profit at the end of the year	21	<u>16,708</u>	<u>14,434</u>

Consolidated balance sheet at 2 April 1977

Lindustries Limited and subsidiary companies

	Notes	1977 £000	1976 £000
Assets employed			
Fixed assets	14	17,204	17,446
Investments	15	1,661	1,457
		<u>18,865</u>	<u>18,903</u>
Current assets:			
Stock	16	22,926	18,684
Debtors		17,991	15,525
Bank and cash balances		1,127	1,042
		<u>42,044</u>	<u>35,251</u>
Current liabilities:			
Creditors and accrued liabilities	17	14,930	12,498
Advance payments from customers		1,417	1,113
Bank overdrafts and short term loans		2,432	2,479
Taxation	18	2,180	2,068
Dividends		595	558
		<u>21,554</u>	<u>18,717</u>
Net current assets		<u>20,490</u>	<u>16,534</u>
		<u>39,355</u>	<u>35,437</u>
Deferred taxation	19	5,349	4,108
		<u>34,006</u>	<u>31,329</u>
Financed by			
Issued capital of Lindustries Limited	20	6,806	6,806
Reserves	21	21,511	19,246
		<u>28,317</u>	<u>26,052</u>
Debentures and term loans	22	5,201	4,563
Minority interests		488	709
		<u>34,006</u>	<u>31,329</u>

W. E. Luke, Director
P. A. Rippon, Director

Notes on pages 24 to 31. Auditor's report on page 33.

Parent company balance sheet at 2 April 1977

Lindustries Limited

	Notes	1977 £000	1976 £000
Assets employed			
Subsidiary companies	13	27,865	25,625
Fixed assets	14	1,008	1,127
Investments	15	28	42
Advance corporation tax recoverable	19	413	496
		<u>29,314</u>	<u>27,290</u>
Current assets:			
Debtors		49	62
		<u>49</u>	<u>62</u>
Current liabilities:			
Creditors and accrued liabilities		82	97
Bank overdraft and short term loans		1,085	1,737
Taxation	18	609	679
Dividends		595	558
		<u>2,371</u>	<u>3,071</u>
Net current liabilities		<u>2,322</u>	<u>3,009</u>
		<u>26,992</u>	<u>24,281</u>

Financed by

Issued capital	20	6,806	6,806
Reserves	21	15,390	13,357
		<u>22,196</u>	<u>20,163</u>

Debentures and term loans	22	4,796	4,118
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We certify that this is a true copy of the last audited Balance Sheet and that the copies herein of the Reports of the Auditor and the Directors are true copies.

Director

Secretary

W. E. Luke, Director

P. A. Rippon, Director

Notes on pages 24 to 31. Auditors' report on page 5.

Notes on accounts

Accounting policies

(a) **Basis of consolidation**
The consolidated accounts include the accounts of all the subsidiaries for the financial year ended 2 April 1977 and of principal associated companies in accordance with (b) below.

(b) **Associated companies**

The consolidated profit and loss account includes the Group's share of the results of the principal associated companies (note 6) and the reserves in the consolidated balance sheet include the Group's share of the post acquisition reserves of these companies (note 21). The figures are taken from the latest reliable accounts, some of which are unaudited and which are in respect of years ended on dates between 31 January 1977 and 2 April 1977. The remaining associated companies are not material and are treated as trade investments in the consolidated accounts.

(c) **Depreciation**

Depreciation is calculated in general on a straight line basis on cost or valuation. Freehold properties and long leasehold properties are depreciated at 2% per annum and short leasehold properties are amortized over the period of the lease. Depreciation on plant and equipment is at prescribed rates ranging from 5% to 33% per annum according to the expected life of the asset. Certain overseas companies calculate depreciation on a reducing balance basis in order to comply with local practice.

(d) **Tooling**

Expenditure on tooling, which is not directly recoverable from the customer, is written off in the year of purchase unless the tooling is expected to be in use for more than three years, in which case it is treated as plant and depreciated over three years.

(e) **Research and development**

Expenditure on research and development, which is not directly recoverable from the customer, is written off in the year in which it is incurred.

(f) **Stock and work in progress**

Stock and work in progress is valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items. Cost includes direct expenditure and the appropriate proportion of fixed and variable production overheads. The basis of valuation has been changed and the effect of this is explained in note 12.

(g) **Deferred taxation**

Provision is made for net tax deferred as a result of timing differences in the accounting and taxation treatment of depreciation, revaluation of properties, stock and certain provisions. Adjustments to the provision are made at the current rates of tax but the opening balance is not revalued to take account of any changes in rates of tax. The provision has been reduced by advance corporation tax recoverable against future liabilities.

(h) **Grants**

Government grants on the purchase of fixed assets are treated as deferred credits and transferred to profit and loss account over the expected useful lives of the assets concerned. Grants for revenue expenditure are credited to profit and loss account in the year in which the corresponding expenditure has been charged, provided the grant has been agreed.

(i) **Foreign currencies**

Assets and liabilities in foreign currencies are converted into sterling at rates of exchange ruling at the balance sheet date. Differences arising from changes in exchange rates are dealt with as follows:

- (i) Those arising from normal trading transactions are dealt with in arriving at the Group profit.
- (ii) Those arising from the conversion of foreign currency capital and reserves of subsidiary and associated companies are shown as extraordinary items in the consolidated profit and loss account (note 3).

2. Turnover

Turnover represents the sale of goods and services outside the Group.

3. Group profit

The Group profit is shown after charging the following:

Interest payable (note 4)	499	1,065
Auditors' remuneration (parent £10,000 – 1976 £8,150)	124	114
Depreciation	1,848	2,651
Emoluments of directors of Lindustries Limited (note 5)	116	198
	<u>186</u>	<u>88</u>

and crediting the following:

Dividends from quoted trade investment	96	83
Other dividends and interest	90	5
	<u>186</u>	<u>88</u>

4. Interest payable

Debentures	142	233
Term loans	251	223
Bank overdrafts	106	609
	<u>499</u>	<u>1,065</u>

5. Emoluments of directors of Lindustries Limited

Fees	5	8
Other emoluments	97	139
Pension scheme contributions	10	20
Pensions	4	7
Compensation for loss of office	—	24
	<u>116</u>	<u>198</u>

Fees and other emoluments were paid as follows (1976 – annual rates):

The emoluments of the Chairman were £8,162 (1976 – £8,387) and of the highest paid director were £22,567 (1976 – £21,744). The table below shows the number of directors within the bands stated; also shown is the amount of tax at the rates ruling for 1976/77 at the top end of each band above £10,000 and the corresponding take-home pay based upon a married man without children and with no other income.

Emoluments £	Tax £	Take-home pay £	1977 Number	1976 Number
Not more than 2,500			3	0
2,501 to 5,000			1	2
7,501 to 10,000			1	1
10,001 to 12,500	5,270	7,230	1	1
12,501 to 15,000	6,991	8,009	1	1
15,001 to 17,500	8,811	8,689	1	1
17,501 to 20,000	10,686	9,314	3	2
20,001 to 22,500	12,674	9,826	—	—
22,501 to 25,000	14,749	10,251	1	1

Notes on accounts continued

6. Associated companies

Lindustries Limited's share of the profits of its principal associated companies has been incorporated in the consolidated profit and loss account as follows (note 1 (b)):

Share of profits before tax
Taxation

Extraordinary item—foreign exchange differences

Dividends paid to Group companies

Profit for the year retained

On 2 October 1976 an associated company became a wholly owned subsidiary through the acquisition by the Group of the 50% shareholding not previously held.

7. Taxation

Based on profits for the year:
UK corporation tax at 52% (1976 52%)
Double taxation relief

Overseas tax
Deferred taxation (note 1 (g))

On share of profits of associated companies:
UK corporation tax
Overseas tax

Adjustments in respect of previous periods:
UK corporation tax
Overseas tax
Deferred taxation (note 1 (g))

8. Extraordinary items

Profit/(loss) on foreign exchange (note 1 (i))
Loss on U.S. dollar borrowings in Mexico resulting from devaluation of the peso, after deducting tax relief of £210,000 and minority interest of £85,000
Profit on redemption of debentures

1977
12 months
£000

1976
18 months
£000

396	309
135	101
261	208
70	8
331	216
61	102
270	114

1,284	2,488
(409)	(577)
875	1,911
867	879
1,236	618
2,978	3,408

14	3
121	98
3,113	3,509

(105)	(109)
(2)	(60)
64	88
3,070	3,428

(195)	652
(125)	—
157	—
(163)	652

9. Dividends

Dividends paid, declared or proposed:
 Preference stock—3.5% (1976 5.25%)
 Preferred ordinary stock—4.2% (1976 6.3%)

1977 12 months £000	1976 18 months £000
30	58
46	69
<u>85</u>	<u>127</u>

Ordinary shares
 Interim paid 1.4p (1976 1st 1.2p; 2nd 2.0p)
 Final proposed 3.0p (1976 2.8p)

258	589
552	516
<u>895</u>	<u>1,232</u>

10. Profit for the year retained

Lindustries Limited
 Subsidiary companies
 Associated companies

2,033	1,009
(29)	1,629
270	114
<u>2,274</u>	<u>2,752</u>

11. Earnings per share

The calculation of earnings per 25p ordinary share is based on earnings of £3,247,000 (1976 (18 months) £3,205,000) and ordinary shares in issue at the year end of 18,422,031 (1976 18,422,031). The earnings figure is the profit attributable to Lindustries Limited before extraordinary items, £3,332,000 (1976 (18 months) £3,332,000), less preference and preferred ordinary dividends, £85,000 (1976 (18 months) £127,000).

12. Prior year adjustment

The basis of valuation of stock was changed at the beginning of the year to conform with the Statement of Standard Accounting Practice No. 9 by the inclusion of certain fixed overheads. The adjustment to the valuation of the opening stock is shown as a prior year adjustment in the profit and loss account. In restating the comparative figures for the eighteen months ended 3 April 1976 to reflect the changed basis of valuation, the profit has been increased by £10,000, and the retained profits at the beginning of the period have been increased by £745,000. The net adjustment of £755,000 has been added to the stock at 3 April 1976 in the balance sheet. In accordance with agreed practice these adjustments have no effect for taxation purposes.

13. Subsidiary companies

Shares at cost less amounts written off
 Amounts owing from subsidiaries
 Dividends receivable
 Amounts owing to subsidiaries

1977 £000	1976 £000
13,752	13,752
14,834	13,512
3,309	2,721
(4,030)	(4,360)
<u>27,865</u>	<u>25,625</u>

The principal subsidiaries are shown on pages 4-7.

Notes on accounts continued

Group	Freehold property £000	Leasehold property Long leases £000	Leasehold property Short leases £000	Plant and equipment £000	Total £000	Parent 1976 £000
Cost or valuation:						
At 3 April 1976	8,019	3,087	136	19,124	30,366	
Exchange rate adjustments	(88)	35	(3)	(338)	(429)	
Capital expenditure	268	(1)	253	1,983	2,539	
Disposals	(238)		(71)	(1,441)	(1,751)	
At 2 April 1977	<u>7,961</u>	<u>3,121</u>	<u>315</u>	<u>19,328</u>	<u>30,725</u>	
Accumulated depreciation:						
At 3 April 1976	1,175	181	46	11,518	12,920	
Exchange rate adjustments	(17)	60	(3)	(175)	(195)	
Charge for year	154		14	1,620	1,848	
Disposals	(57)		(2)	(993)	(1,052)	
At 2 April 1977	<u>1,255</u>	<u>241</u>	<u>55</u>	<u>11,970</u>	<u>13,521</u>	
Net book value	<u>6,706</u>	<u>2,880</u>	<u>260</u>	<u>7,358</u>	<u>17,204</u>	
Valuations incorporated above:						
1957	41				254	
1968	2,282				2,282	
1970	1,535				1,696	
1972	291				291	
1973					1,200	
1976	93				93	
At 2 April 1977	<u>4,242</u>	<u>1,200</u>		<u>213</u>	<u>5,816</u>	
Accumulated depreciation	<u>427</u>	<u>1,361</u>		<u>213</u>	<u>757</u>	
Parent company	<u>3,815</u>	<u>1,244</u>			<u>5,059</u>	
Cost or valuation:						
At 3 April 1976			1,035		183	1,218
Transfers to Group companies					(183)	(183)
At 2 April 1977			<u>1,035</u>			<u>1,035</u>
Accumulated depreciation:						
At 3 April 1976						91
Charge for year					85	21
Transfers to Group companies					(85)	(85)
At 2 April 1977			<u>27</u>			<u>27</u>
Net book value			<u>1,008</u>			<u>1,008</u>

10. Investments

	Group 1977 £000	Group 1976 £000	Parent 1977 £000	Parent 1976 £000
Associated companies				
Unquoted shareholdings at cost or valuation	255	319	—	—
Share of post acquisition reserves:				
At 3 April 1976	762	675	—	—
Profit for the year retained	270	114	—	—
Adjustment on associate becoming subsidiary	13	—	—	—
Group profit on stock eliminated	—	(27)	—	—
	<u>1,300</u>	<u>1,080</u>	<u>—</u>	<u>—</u>
Loans	57	73	28	42
	<u>1,357</u>	<u>1,153</u>	<u>28</u>	<u>42</u>
Trade investments				
At cost or valuation:				
Quoted shareholding (a)	301	301	—	—
Unquoted shareholdings (b)	3	3	—	—
	<u>304</u>	<u>304</u>	<u>—</u>	<u>—</u>
Total investments	<u>1,661</u>	<u>1,457</u>	<u>28</u>	<u>42</u>
(a) Market value	627	1,093	—	—
(b) Directors' valuations	3	3	—	—

The market value and directors' valuations shown above do not take account of any potential tax liability in the event of disposal.

The principal companies included above are as shown on page 7.

16. Stock

Stock is classified as follows:

Raw materials and components
Work in progress
Finished goods

6,730	4,906		
6,830	6,111		
9,366	7,667		
<u>22,926</u>	<u>18,684</u>		

See also note 12.

17. Creditors

Creditors include a deferred credit of £1,253,000 (1976 £1,302,000) in respect of grants received which will be transferred to the profit and loss account over the lives of the assets to which they relate (note 1 (h)).

18. Taxation

U.K. and overseas tax payable before 1 April 1978	1,915	1,748	609	679
U.K. and overseas tax payable on and after 1 April 1978	265	321	—	—
	<u>2,180</u>	<u>2,069</u>	<u>609</u>	<u>679</u>

Notes on accounts continued

19. Deferred taxation

	Group 1977 £000	Group 1976 £000	Parent 1977 £000	Parent 1976 £000
Tax on excess of tax allowance on fixed assets over depreciation charged in the accounts	2,894	2,386	—	15
Estimated potential tax liability arising on the surplus on revaluation of properties	721	716	—	—
Stock appreciation relief	2,650	1,546	—	—
Tax relief on provisions made in the accounts which will be obtained when the expenditure is incurred, less liability on income which will be taxed when received	(503)	(29)	—	—
Advance corporation tax recoverable against future liabilities	(413)	(511)	(413)	(511)
	<u>5,349</u>	<u>4,103</u>	<u>(413)</u>	<u>(496)</u>

The debit balance of £413,000 (1976 £496,000) above is shown as advance corporation tax recoverable on the parent company balance sheet.

The period of deferment of the tax on stock appreciation relief is dependent upon future legislation and stock levels.

20. Share capital

	Authorised 1977 £000	Authorised 1976 £000	Issued 1977 £000	Issued 1976 £000
5% (now 3.5% plus tax credit) cumulative preference stock	1,100	1,100	1,100	1,100
6% (now 4.2% plus tax credit) non-cumulative preferred ordinary stock	1,100	1,100	1,100	1,100
Ordinary shares of 25p each	10,300	10,300	4,606	4,606
	<u>12,500</u>	<u>12,500</u>	<u>6,806</u>	<u>6,806</u>

Certain directors and senior officials of the Group held the following options:

- Exercisable after 4 February 1978 and before 4 February 1982 to subscribe for 575,000 ordinary shares of 25p at a price of 40p.
- Exercisable after 16 March 1980 and before 16 March 1984 to subscribe for 167,500 ordinary shares of 25p at a price of 67p.

21. Reserves

	Share premiums £000	Capital reserve £000	Retained profits £000	Total £000
Group				
At 3 April 1976	4,556	247	12,926	17,729
Parent and subsidiaries	5	4	753	762
Associated companies	4,561	251	13,679	18,491
	—	—	755	755
Prior year adjustment (note 12)	4,561	251	14,434	19,246
	—	(9)	—	(9)
Movement during the year:	—	—	2,274	2,274
Attributable to subsidiary liquidated	—	—	—	—
Profit for the year retained	4,561	242	16,708	21,511
At 2 April 1977	4,556	238	15,672	20,466
Parent and subsidiaries	5	4	1,036	1,045
Associated companies	4,561	242	16,708	21,511
	—	—	—	—
Parent	4,556	112	8,689	13,357
At 3 April 1976	—	—	2,033	2,033
Profit for the year retained	4,556	112	10,722	15,390
At 2 April 1977	—	—	—	—

Retained profits of overseas subsidiary and associated companies of £5,518,000 (1976 £4,757,000) are subject to U.K. tax less double taxation relief if remitted to the U.K. by way of dividend.

		Group 1977 £000	Group 1976 £000	Parent 1977 £000	Parent 1976 £000
22. Debentures and term loans	6½% Debenture stock 1984/89 (secured)	2,157	2,488	2,157	2,488
	Bank loans (unsecured), interest varying with inter-bank rates:				
	Canadian \$3m, repayable February 1979-February 1984	1,655	1,620	1,655	1,620
	U.S. \$1.5m, repayable April 1981	872	—	872	—
	U.S. \$192,539, repayable November 1979	112	—	112	—
	Department of Industry loan (unsecured), interest at 10%, repayable June 1978-June 1982	405	450	—	—
		<u>5,201</u>	<u>4,568</u>	<u>4,796</u>	<u>4,118</u>
23. Commitments	Not provided in accounts:				
	Capital expenditure authorised by directors	1,651	525	—	—
	Including capital expenditure contracted	<u>1,310</u>	<u>292</u>	<u>—</u>	<u>—</u>
24. Contingent liabilities	Guarantees for bank and other loans	109	298	527	468
	Notes receivable discounted	5	20	—	—
	Uncalled share capital	9	9	16	16
	Other claims	19	40	—	—
		<u>142</u>	<u>367</u>	<u>543</u>	<u>484</u>

The parent company has guaranteed annual payments of subsidiaries up to £127,000 (1976 - £89,000).

Source and application of funds

Rs

1977
12 months
£000

1976
18 months
£000

Source of funds

Profit before tax and extraordinary items
less minority interests
Extraordinary items

6,402
(163)
6,239

6,760
652
7,412

Adjustment for items not involving the movement
of funds:

Depreciation

Profits retained in associated companies

Exchange rate adjustments

Total generated from operations

Increase in term loans

Sales of fixed assets

1,848
(270)
259
8,076

2,651
(114)
54
10,003

939
699
9,714

150
351
10,504

Application of funds

Dividends

Tax paid

Purchase of fixed assets

Increase (decrease) in investments in associates

Purchase of debentures

Decrease (increase) in minority interest

Other applications

858
1,718
2,539
(66)
331
221
9
5,610
4,104

1,141
2,099
3,959
28
(275)
(77)
6,873
3,631

Increase in working capital

Comprising:

Increase in net liquid funds:

Increase in bank and cash balances

Decrease in bank overdrafts

Increase (decrease) in stocks

Increase in debtors

Decrease (increase) in creditors

Decrease (increase) in advance payments

85
47
132
4,242
2,466
(2,432)
(304)
4,104

183
1,631
2,014
(704)
1,901
365
55
3,631

Report of the auditors

to the members of Lindustries Limited

We report on the accounts set out on pages 21 to 32. These have been prepared under the historical cost convention which permits the inclusion of leasehold and freehold properties at revaluation.

In our opinion the accounts give a true and fair view of the state of affairs at 2 April 1977 and of the profit and the source and application of funds for the financial year ended on that date, according to the historical cost convention, and comply with the Companies Acts 1948 and 1967.

Coopers & Lybrand
Chartered Accountants

London
21 June 1977

Ten year record

Industries Limited and subsidiary companies

	18 Months	
	1977	1976 ¹
	£000	£000
Turnover		
Sales outside the Group	78,964	104,887
Earnings		
Profit before tax	6,605	7,021
Profit after tax	3,535	3,593
Earned for ordinary shareholders	3,247	3,195
Ordinary dividends ²	810	1,105
Assets employed		
Fixed assets and investments	18,865	18,903
Net current assets	20,490	15,779
Deferred taxation	(5,349)	(4,108)
	34,006	30,574
Financed by		
Ordinary capital	4,606	4,606
Reserves	21,511	18,491
Ordinary shareholders' funds	26,117	23,097
Preference, preferred ordinary and minority interests	2,688	2,909
Debentures and term loans	5,201	4,563
	34,006	30,574
Per 25p ordinary share		
	p	p
Earnings ²	17.6	17.3
Dividends ²	4.4	6.0
Assets	141.8	125.4

Notes: 1 The 1976 figures cover a period of 18 months due to the change of the year end date from September to March.

2 Ordinary dividends, earnings and dividends per share since 1973 are not comparable with earlier years due to the effects of the Finance Act 1972.

1974	1973	1972	1971	1970	1969	1968	1967
£000	£000	£000	£000	£000	£000	£000	£000
61,545	50,933	42,630	36,098	35,070	31,477	27,172	24,504
4,835	4,607	3,011	2,083	2,308	2,553	2,328	1,844
2,331	2,645	1,766	1,360	1,366	1,322	1,232	1,041
2,126	2,478	1,582	1,190	1,202	1,162	1,041	857
684	635	862	770	860	860	776	642
17,534	16,128	14,701	12,313	12,195	10,035	9,652	5,365
12,487	10,112	7,945	8,467	9,119	9,392	9,640	9,062
(2,150)	(1,533)	(1,220)	(833)	(740)	(439)	(368)	(102)
27,871	24,707	21,426	19,947	20,574	18,988	18,924	14,345
4,547	4,547	4,536	4,528	4,528	4,528	4,522	3,349
16,598	15,028	11,807	10,297	10,902	9,238	9,071	6,478
21,145	19,575	16,343	14,825	15,430	13,766	13,593	9,827
2,634	2,544	2,495	2,462	2,484	2,562	2,605	2,518
4,092	2,588	2,588	2,660	2,660	2,660	2,726	2,000
27,871	24,707	21,426	19,947	20,574	18,988	18,924	14,345
p	p	p	p	p	p	p	p
11.7	13.6	8.7	6.6	6.6	6.4	7.3	6.4
3.8	3.5	4.8	4.3	4.8	4.8	4.7	4.5
116.3	107.6	90.1	81.9	85.2	76.0	75.1	73.4

Information for shareholders

Dividend and interest dates

The final dividends for the financial year which ended on 2 April 1977 now recommended by the directors will, subject to declaration at the annual general meeting of the company on 29 July 1977, be paid on 3 October 1977 to those members registered on 25 August 1977.

Subject to declaration where appropriate, dividend and interest payments are made in accordance with the following timetable:

Ordinary shares and preferred ordinary stock

Interim dividend to be announced in December for payment in April.

Final dividend to be proposed in June for payment in October.

Preference stock

Dividend payments are made in May and November in each year.

Debenture stock

Interest payments are made in March and September in each year.

Capital gains tax – market value at 6 April 1965

Ordinary shares	£0.57032
Preferred ordinary stock	£0.7875
Preference stock	£0.6875
Debenture stock	£92.50

The close company provisions of the Income and Corporation Taxes Act 1970 do not apply to the company and there has been no change in that respect since the end of the financial year.

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