



**Alcan Aluminium (UK) Limited**  
Annual Report and Accounts 1978

# ALCAN ALUMINIUM (UK) LIMITED AND ITS SUBSIDIARIES

## Report to Shareholders

### The Business of Alcan

Alcan Aluminium (UK) Limited is a member of the Canadian based Alcan Group of Companies and operates in the UK for the benefit of shareholders, employees and consumers.

It is vertically integrated from aluminium smelting to end product manufacture, a strategy designed to enable it most effectively to serve and develop the diverse markets in which it is involved.

Its strength lies in its resources, its operating and technical skills and its people. It aims to achieve a continuing competitive return on the shareholders' investment and provide a stimulating and rewarding environment in which able and committed individuals can serve the company and the consumer with high standards of integrity.

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**ALCAN ALUMINIUM (UK) LIMITED AND ITS SUBSIDIARIES**  
**Group Results at a Glance 1977/8**

	1978 £ million	1977 £ million
Sales	269.7	266.9
Added value	80.2	83.3
Profit before tax	11.0	24.7
Profit attributable to shareholders	8.1	19.4
Capital expenditure	16.8	10.6
Average capital employed	187.3	176.5
Pre-tax return on capital employed (before interest)	9.4%	17.1%
Earnings per share (net)	18.3p	56.9p
Dividend per share (net)	9.9p	9.9p
Number of employees (at year end)	8970	9195

## Alcan Aluminium (UK) Limited

## Chairman's Statement

### Directors as at 31 December 1978

D. A. PINN *Chairman & Managing Director*

F. J. DAVIES

P. J. ELTON

J. H. HALE

D. A. MAIN *Assistant Managing Director*

J. W. W. PEYTON

J. R. PLACKETT

G. RUSSELL *Assistant Managing Director*

I. SUCHOVERSKY

F. F. WEST\*

R. H. A. FORBES *Secretary*

\*Appointed 21 March 1978

### Management Committee

D. A. PINN	Chairman
J. C. CASTLE	Chief Personnel Officer
F. J. DAVIES	Managing Director, Finished Products Division
D. A. MAIN	Financial Director
M. C. d'E. MILLER	Commercial Manager
J. R. PLACKETT	Managing Director, Mill Products Division
G. RUSSELL	Chairman, Alcan Lynemouth Limited

### Auditors

Price Waterhouse & Co.,  
Chartered Accountants, Southwark Towers,  
32 London Bridge Street, London SE1 9SY.

### Registrars

Regis Securities,  
Lynton House, 255/259 High Road, Ilford,  
Essex IG1 1NQ.



D. A. Pinn

Two significant changes in the equity structure of the Company occurred during 1978. In May holders of 82 per cent of the Convertible Loan Stock elected to convert and in June the remainder was converted and a listing for the ordinary shares was granted by The Stock Exchange. As a result the ordinary share capital of the Company is now £44.3m. of which 80.66 per cent is held by Alcan Europe N.V., the holding company for Alcan Aluminium Limited's European interests.

### Results

The consolidated profit before tax was £11.0m. compared with £24.7m. in 1977. The recovery in demand for our products did not occur until later in the year than had been anticipated and insufficient volume of sales throughout a large part of 1978 adversely affected profits. This was not however the only factor. Because of the predominance of North America in the world aluminium industry, prices ruling there in dollars per tonne, particularly for primary ingot, influence the price levels in other parts of the world. The devaluation of the US dollar in 1978 put pressure on prices throughout Europe with the result that the European primary industry has had inadequate realisations and earnings. Our own production has also suffered through equipment failures and lower than acceptable levels of productivity, and there have been exceptional costs in strengthening and re-organising some of our downstream operations.

During the summer, a seven week strike by craftsmen at Alcan Lynemouth's smelter and power station, while not causing significant loss of production during the period of the strike, delayed routine and annual maintenance, interrupted investment programmes and reduced production capability in the last quarter.

1978 saw the start of a major capital investment programme aimed mainly at modernising our semi-fabricating operations. Capital expenditure though less than planned was £16.8m. and expenditures above that level can be anticipated in 1979 and 1980. During the year Alcan Ekco (50% owned) purchased the rigid foil container business of C. & W. Avery Limited.

### Corporate Structure and Organisation

Mr. P. J. Elton resigned as Chairman of the Board at the end of June after 31 years of service to the Company, but I am glad to say he continues to serve as a Director. As previously announced Mr. David Morton will succeed me as Managing Director and Chief Executive Officer in April 1979 and I will continue then as Chairman. Mr. Morton's experience with the Alcan Group commenced in 1954 and he returns to the United Kingdom after two years as a Vice-President of Alcan Aluminium Limited in Montreal where he was responsible for corporate planning.

## Chairman's Statement (continued)

Following the acquisition in 1977 of minority interests in the main subsidiary companies the corporate structure was simplified during 1978 with three objectives. Firstly, it now relates more directly with the management organisation and will reduce administration and other costs; secondly, the elimination of intermediate holding companies has improved communication and organisational effectiveness; and thirdly, all subsidiaries whose products use aluminium now trade under the Alcan name with the exception of the Luxfer gas cylinder business.

The Finished Products Division companies serving the Building and Transport markets respectively were reorganised into two main groups, with some merging of related operations.

The rolled product operations now operate as two separate subsidiaries trading under the names of Alcan Sheet Limited from Rogerstone, Gwent, and Alcan Plate Limited from Kitts Green, Birmingham. The primary metal business previously operating as Alcan (UK) Limited is now called Alcan Lynemouth Limited. Also during the year, most of the Company's head office administrative functions, which previously were split between London and Banbury on six different sites, have been consolidated in a new office building in Banbury leaving a small executive head office in London. The new organisation, which finally became effective on 1 January 1979, is shown on page 31 of this report.

### Employee Relations

The rigidity of wage restraint policies over the past three years and the continuing disincentive effect of the UK tax structure have made it increasingly difficult to motivate employees and reward them appropriately. This, coupled with the present industrial relations climate in the UK, adversely affects productivity levels which are well below those of our main overseas competitors.

Despite these difficulties, it is encouraging to report that at many of our locations new work practices have been negotiated which involve new pay structures and higher productivity, although much more remains to be done in this area. It is a major objective at all our sites to achieve higher levels of labour productivity to support our capital investment programme.

Significant improvements in the benefits under the Retirement Income and Life Assurance Plan were introduced in November 1978. The scheme for employee participation in the Plan, begun in 1977, was successfully developed during the year.

### Industrial Education

An inadequate level of academic support for careers in industry has been the subject of comment in recent years. In a positive act designed to help remedy this situation, the Company has endowed a Chair of Industrial Management at Newcastle University where the faculties cover most of the engineering disciplines.

### Energy

Programmes designed to increase the efficiency of energy used continue at all sites. Alcan Plate received the Gas Board's top prize for a major improvement in the use of energy and Alcan Sheet was amongst the finalists in this national competition.

### 1979

At this time, in the early weeks of the year, four imponderables loom on the horizon all of which can and may affect performance in 1979. Economic growth may, as it is widely predicted to do, slow down in the UK, the USA and in some European countries bringing a reduced demand for our products. UK inflation is likely to be on a rising path in the second half of the year entailing rising costs. The certainty of a general election, but the uncertainty of the date and the outcome, may well impair business confidence. Finally, the movement in currency parities, particularly in relation to the US dollar can, as I said earlier, put upward or downward pressure on the prices of our products.

However, I believe all of the above are likely to be only short term influences on the fortunes of the aluminium industry. Excess inventories have been falling throughout 1978 and on a world basis are now near to normal levels. Profitability in the past five years or so has not been sufficient to encourage the building of new capacity on a scale which will do more than at best maintain a balanced situation between supply and demand, while the need to conserve energy coupled with the recycling opportunities for aluminium, is encouraging new uses in the automobile, insulation and packaging industries in particular.

With this background, the Company plans to return to and maintain capacity output at its smelter, continue the momentum of improving reliability at its semi-fabricating plants, increase the profitability and penetration of downstream operations and achieve higher productivity. Success in these efforts will bring higher profitability.

At a time of major industrial stress and social change I would like to thank all employees for their co-operation in seeking agreed solutions to the problems which have faced us and will continue to do so. The increasing impact of external factors on all businesses over recent years has placed a heavy additional load on managers. Your Company has a team of able, loyal and committed managers for whose support I am grateful.

As I said earlier the Company is embarked on a major programme to modernise particularly its semi-fabricating assets. A sustained effort by all to make certain that these investments lead to higher productivity and improvements in service to customers is the only way to ensure opportunities for permanent employment and higher levels of earnings.

D. A. PINN  
Chairman



## Review of Operations

### ALCAN LYNEMOUTH LIMITED



G. Russell

#### Primary Metal

1978 was a difficult year for the smelter and power station. Problems with turbines, rectifiers and industrial relations led to a production shortfall which seriously affected profitability. In addition the decline in home and export realisations prompted by the decline in the US dollar value caused a further erosion in margins. Sales value at £121m. fell from £131m. in 1977, although volume fell by a smaller percentage.

A seven week strike of craftsmen at Lynemouth during the summer period in support of their pay claim in the 1978 negotiations further accentuated the Lynemouth problems. It has taken until the end of the year to provide the smelter with a reliable enough equipment base from which to increase production from the current level of 85% capacity utilisation.

The major capital investment decision of the period has been to expand the size of the power tie line to the National grid. This will give the smelter additional security in the event of a failure of the Lynemouth Power Station.

The 1979 prospects would appear to be more optimistic. Demand for the primary product is strong, price realisations are rising and margins will widen as the plant returns to full capacity working during the course of the year.

### ALCAN ENFIELD ALLOYS LIMITED (50% owned)

#### Secondary Metal

The problems in the UK motor car industry have been reflected in the general demand for foundry alloys in the UK. Alcan Enfield has been fortunate in not following the trend and has managed to hold profitability at the level achieved in 1977, along with a slight increase in volume.

Margins were held during the period despite rapid price fluctuations in home and export markets. This success has been in no small way due to the decision taken to place a greater accent on the recycling of poor quality scrap with the result that this activity has almost doubled in the year.

Having achieved a further significant increase in exports, the company is now virtually running at capacity. The aim in 1979 – given no worsening of the motor car situation in the UK – will be to hold to the 1978 profitability levels and attempt to improve these by increasing the output levels of existing equipment along with additional scrap recycling.

### LUXFER HOLDINGS LIMITED

This, the first year of 100% ownership, was another satisfactory year for Luxfer. Sales increased by 20%, with associated increases in profit and cash generation. The additional volume was achieved through higher productivity.

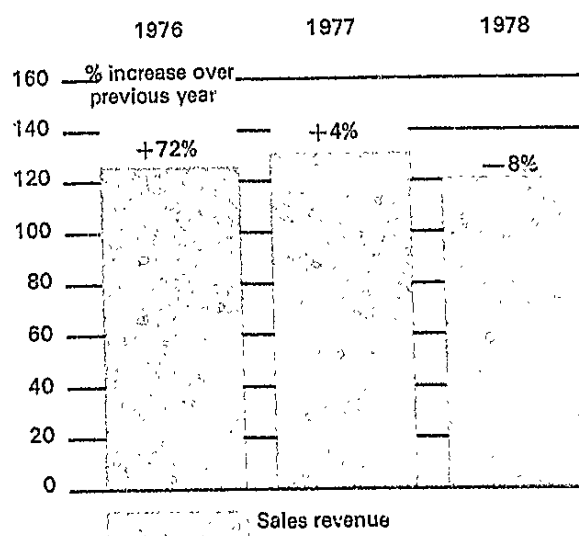
Overseas markets were relatively buoyant although still highly competitive. A resident manager was established in Hong Kong to cover the Asia/Pacific Area, and further progress was also made in Latin America.

The major overhaul of our California cylinder production plant was completed and new heat treatment facilities were installed at Nottingham as the second phase of UK modernisation.

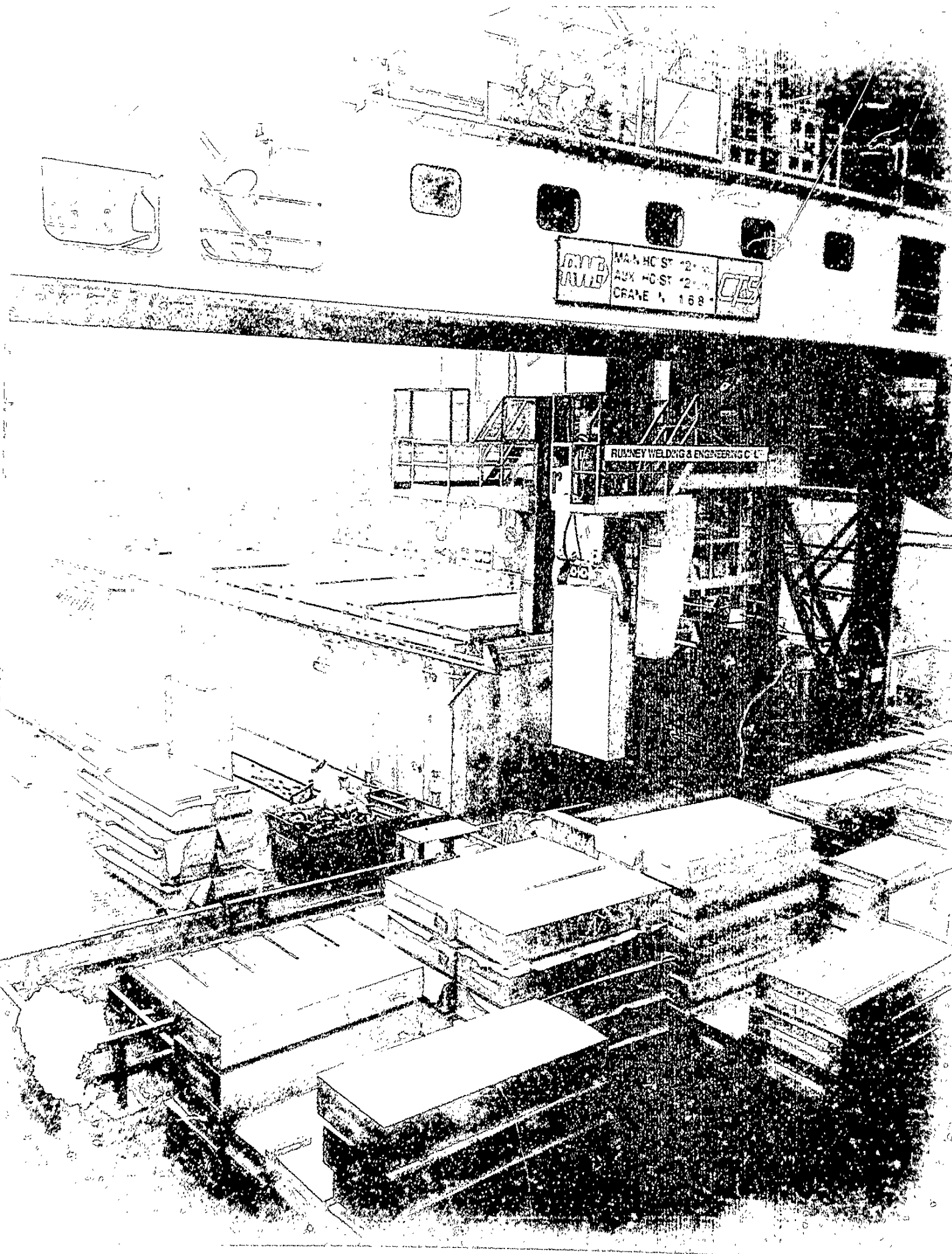
Fibre wrapping of ultra lightweight cylinders for specialist applications was established as a separate division of Luxfer USA.

It is expected that 1979 will be another good year for Luxfer Holdings with increased penetration in South East Asia. Demand is expected to continue to grow in traditional markets but margins are expected to narrow as the price of steel, which is the major competitive product, is unlikely to rise in line with the prices of aluminium.

#### Primary – sales revenue (£million) (including sales to other Divisions)



Anode charging at the smelter of Alcan Lynemouth Limited in Northumberland.





## Review of Operations (continued)

### MILL PRODUCTS DIVISION



J. R. Plackett

The Mill Products Division markets were weak in the first half of 1978 but improved in the second half of the year. However, the improvement in market conditions did not allow all cost increases to be recovered. The relatively high value of the pound meant that UK markets were more attractive to imports. The increasing market share of semi-fabricated products held by imports, with its consequent downward pressure on prices, is of great concern. The division embarked on a major investment and productivity plan designed to make operations fully competitive in the 1980s, and so to maintain domestic market share and to increase exports.

At the beginning of the year the two rolled products locations at Kitts Green and Rogerstone were organised into separate companies under the names of Alcan Plate Limited and Alcan Sheet Limited. This move has proved a success, allowing concentration of management effort on the separate objectives of the two sites.

Alcan Sheet had lower profits in 1978, operating as it does in a very competitive market. External sales were £58.1m of which £12.8m were exports. Alcan Sheet is the most fully integrated of the semi-fabricated operations with an increasing proportion of its output going through Alcan's foil companies, Alcan Metal Centres and other Finished Products companies. The new foil mills at Rogerstone are steadily improving their performance and were producing tonnages ahead of plan by the year end.

Over £6 million was invested at Rogerstone in 1978 and similar amounts will be invested in 1979. The major emphasis is on the hot and cold rolling mills and the sheet finishing equipment. Towards the end of the year considerable progress was made in negotiating changes in working practices leading to productivity improvements which, together with the new investment, should improve profitability. Output per employee did increase by 10% in 1978 but substantial further improvements are required in 1979 and 1980.

Alcan Plate increased its output per employee by 10% in 1978. This followed the implementation of a productivity deal in January 1978. External sales rose to £30.5m and the improved productivity, allied with a much stronger market for aircraft plate, led to this company improving its profits. Further technological

advances were made in the development of plate alloys for both aircraft and defence markets. The foil department also had a good year.

A major investment scheme is in an advanced state of preparation for Kitts Green site. This would enable Alcan Plate to take advantage of its technological skills and would make it a leading European supplier of high technology plate throughout the 1980s. Unfortunately, it has not yet been possible to negotiate the changes in working practices necessary to enable this investment to yield an adequate return. It is hoped these negotiations will be completed in the first quarter of 1979.

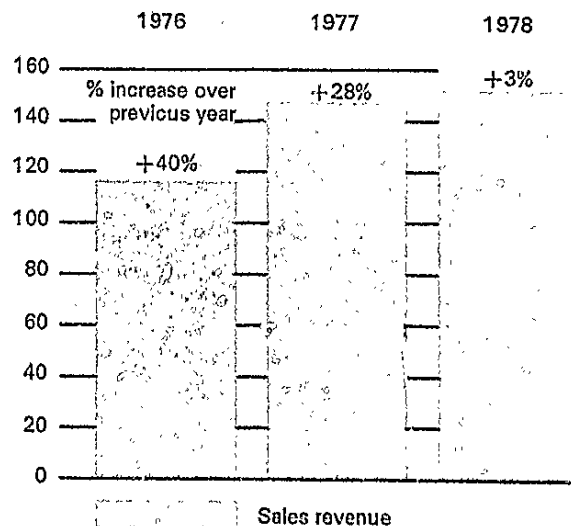
Alcan Extrusions improved profitability in 1978 and had a successful year. The company benefited from the increased consumer spending in the second half of the year that led to a large increase in demand from the home improvement market. External sales were £37.9m.

Both Banbury and Skelmersdale negotiated new pay and productivity agreements in 1978 and volume per employee rose by 11%. Alcan Extrusions were also successful in achieving improvements in their working capital ratios.

The investment programme at Banbury designed to improve productivity is now underway and substantial progress has been achieved on two presses. Further presses at both plants will be modernised in 1979 when a total investment of over £2 million is expected. Despite the press over-capacity that exists in the United Kingdom, Alcan Extrusions are confident that their technology allied with appropriate investment will lead to further increases in profit.

The miniature extrusion operation of Minalex is now achieving a much improved profit performance.

Mill products – sales revenue (£million)  
(including sales to other Divisions)



This crane recently installed by Alcan Sheet Limited as part of the Rogerstone investment programme is designed to handle ingots up to 12 tonnes for the hot mill.

## Review of Operations (continued)

### Mill Products Division (continued)

Alcan Foils had a very disappointing year. Continual industrial relations disruptions led to a fall in volume of 10% in total and of 3.5% per employee. External sales of the company were £16.4m. As a result of these problems the company operated only at break even level.

In the last part of the year new contracts of employment were negotiated for all personnel at Alcan Foils. This has led to a radically different method of operating the works and gives the opportunity to make the substantial improvements in productivity necessary to pay for the investment needed if this company is to enjoy future growth. Investment of £2 million is envisaged in 1979 provided the right conditions exist.

Alcan Ekco and Alcan Polyfoil both showed significant growth in 1978 and the Chesham site continued the steady growth in profits that has been a feature of the last 5 years. Alcan Polyfoil markets both household foil and allied plastic products and its overall volume increase of all products was 30%, taking its external sales to £8.7m. The competition in the grocery trade was intense in 1978 and margins were under pressure, but Alcan Polyfoil's market shares in its product lines continued to increase.

Alcan Ekco had a very successful year with record profits. Its share of the foil container market continued to increase and in September it acquired the shares of C. & W. Avery Limited.

As a result of the growth of the two companies on the site, Chesham is no longer large enough to meet both their needs. Consequently Alcan Polyfoil is moving to a nearby site in Amersham. This will initially increase the costs of both companies but will allow each of them to continue to expand. As part of the move there will be investment of approximately £500,000 in Alcan Polyfoil to improve the productivity of its operations.

There will be continued emphasis in all companies in 1979 on investment for reliability and productivity to enable them to improve their service to customers whilst reducing costs and thus ensuring a profitable future. It will also be necessary to continue the energy saving programme which began to achieve some results in 1978. Despite increases in the price paid for energy, Alcan Sheet, Alcan Extrusions and Alcan Plate all reduced the energy cost per unit of output in 1978. Alcan Plate gained a national award for energy saving. Further substantial savings are still necessary however before our energy consumption is as good as some of our European competitors.

In addition to the emphasis on cost saving and productivity, companies in the Mill Products Division continue to invest in product development and technology. Alcan offers a very wide range of semi-fabricated products. Amongst the areas of technology being improved in 1978 were paint technology for both sheet and extrusions, alloy development for many markets including foil, closure sheet and plate, new laminated foil and non-foil packaging materials, smoothwall foil containers, extrusion die design and many other process areas. These programmes are

carried out by the technical departments of the companies in association with Alcan's Research and Development laboratories at Banbury.

1978 has been a difficult year with increased competition in many markets. However, with the investment programmes beginning to come on stream, with a strong technological base and with the higher productivity that is beginning to be achieved, 1979 should prove a better year, with further advances in 1980. Success in 1979 will depend on a combined willingness to accept change. It is encouraging how much change has been achieved in 1978.

Products manufactured and/or sold by Mill Products Division include the following:

#### Alcan Sheet

General engineering sheet and strip.  
Painted sheet and strip for architectural cladding and for caravans.  
Circles for holloware and beer barrels.  
Lithographic sheet.  
Sheet and strip for closures and cans.  
Foil for packaging, electrical and industrial uses.  
Strong alloy extrusions for aircraft, defence and general engineering applications.

#### Alcan Plate

Heat-treated plate for aircraft, defence and general engineering applications.  
Non-heat-treated plate and shate for transport, and general engineering applications.  
Special quality sheet, coil and circles.  
Foil for containers.

#### Alcan Extrusions

Solid and hollow extruded sections for the building, transportation, electrical and general engineering markets.  
Anodised and painted sections.  
Extruded rod and bar.

#### Alcan Foils

Printed and laminated foil for packaging and industrial uses.  
Transparent printed film laminates for packaging.  
Foil for capping and packaging machines.  
Cable sheathing laminates.  
Thermoform vacuum packaging machines.

#### Alcan Polyfoil

Household foil and plastic cling film for consumer and catering markets.  
Consumer packs of foil dishes, plastic bags and cook bags.

#### Alcan Ekco

Semi-rigid foil containers for home and industry. Dispensing and lidding machinery.

## Review of Operations (continued)

### FINISHED PRODUCTS DIVISION



F. J. Davies

During 1978 the downstream manufacturing and stock holding operations grouped in this Division increased their total turnover by £8 million to £68 million which is an increase of 13% on 1977. This level of sales is virtually double that of the same component parts in 1975, reflecting the greater involvement of the company in downstream operations.

Although benefiting considerably from the very real increase in domestic consumer expenditure 1978 has been a very difficult year in most other areas. There has been little or no growth in manufacturing activity in Britain and the building industry has had yet another depressed year. Many operations have had to look to foreign markets to maintain the growth of sales which has been the pattern for the last few years.

However, the year has been one of considerable activity in consolidating and strengthening operations in preparation for the future.

#### Alcan Metal Centres Limited

Alcan Metal Centres Limited is the Company's stockist operation with twelve regional warehouses located in the main areas of concentration of industrial activity. It handles aluminium, copper and brass, and special steels for the aircraft industry, as well as other metals, such as stainless steel.

Coventry Metal Bars in its geographical area provides a special fast delivery service supplying a range of metals to the engineering industry.

1978 was a particularly difficult year for Alcan Metal Centres, competing with sales of metal, imported at low prices, drawn to Britain by a relatively strong pound and a poor European market. The level of imports of rolled aluminium rose sharply and reflected a common problem of British manufacturing industry. Alcan Metal Centres reacted by taking steps to improve service to customers and its own general efficiency. It finished the year in a stronger position to provide excellent local service. It is backed by the wide range of products produced by the Company's aluminium sheet, plate and extrusion plants.

There has been no real improvement in industrial production through the year and there has been some consumer destocking. However, the market at the end of the year was firmer than for many months previously.

#### Building Products

During the year the building product companies were consolidated and the management strengthened. A

comprehensive range of aluminium products is now offered at home and for export.

At the end of 1977 the business of Gardiner Alumin was acquired from Carlton Industries. This has been merged with Alcan Booth Systems Limited and the Aluminium Architectural Entrance Division of Thomas Bennett Limited to form Alcan Windows Limited, with its headquarters in Weston super Mare, Avon. The consolidation and rationalisation has involved much effort and expense. This was completed within the twelve-month period thus preparing the way for an improved year in 1979 and thereafter.

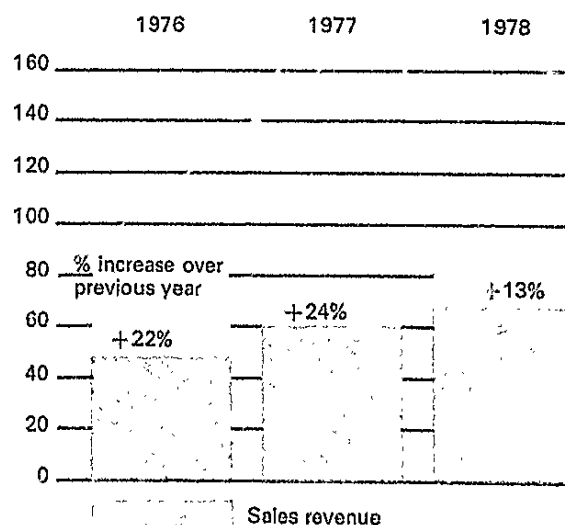
The new company offers the complete range of aluminium glazed products, architectural windows, shop fronts and entrances and domestic windows. A new standard window for use in new housing is about to be launched following a successful testing period. Timber dominates this market in the UK in contrast to most other countries where aluminium predominates.

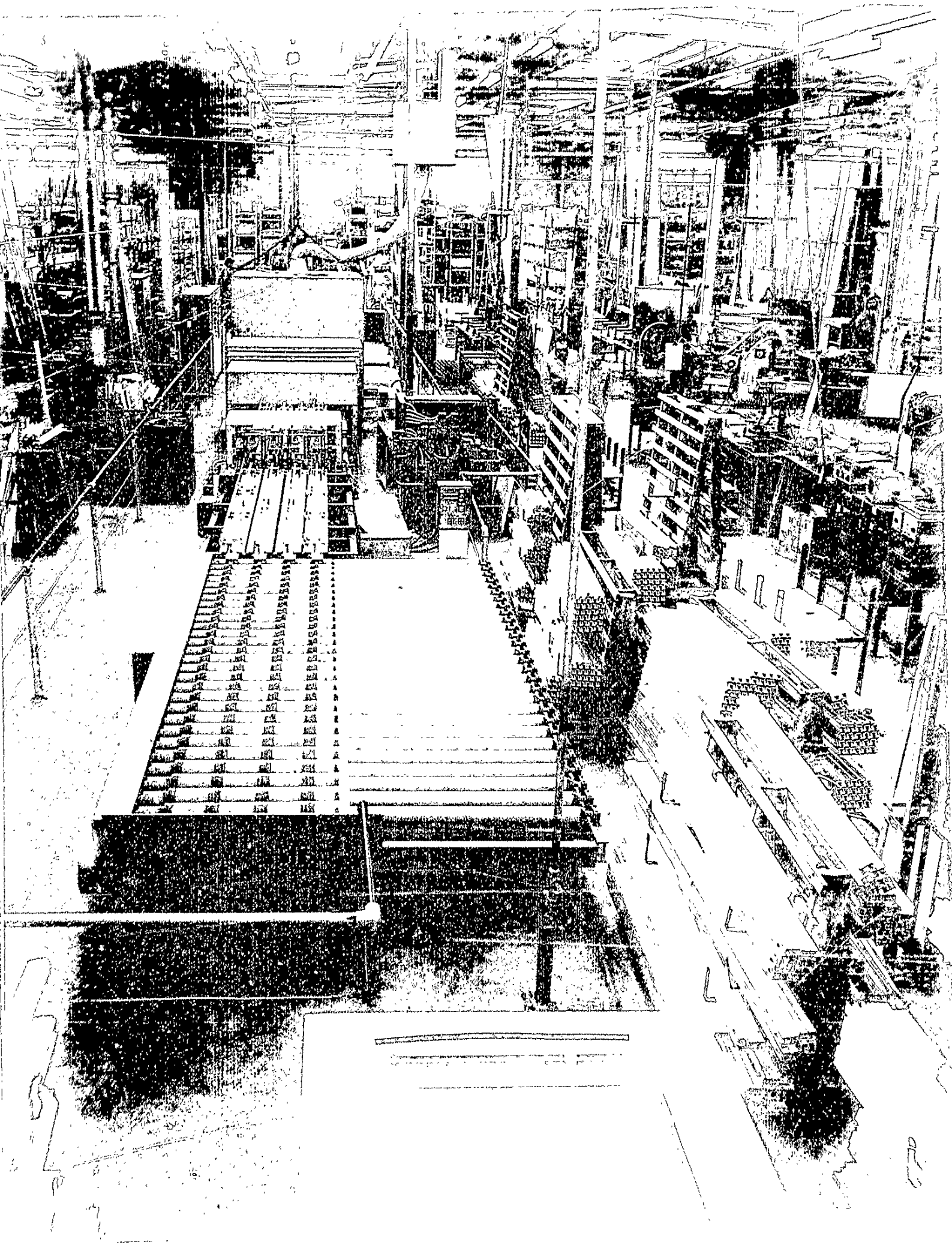
The company also handles the comprehensive range of home improvement systems developed under the Aluglaze<sup>™</sup> trade mark. During the year selected fabricators having agreed to provide high standards of service to our customers, were enrolled as Alcan Windows franchised dealers. The offer of local service by the dealer, backed by the resources and reputation of Alcan, provides the customer with an attractive package.

The domestic building market remained depressed with serious over-capacity in production. However, the home improvement products sold well throughout the year to reach record levels.

The Viking range of architectural entrances was exported in increased volume particularly to the Middle East.

#### Finished products – sales revenue (£million) (including sales to other Divisions)





## Review of Operations (*continued*)

### Finished Products Division (*continued*)

Alcan Design Products Limited, the Wellingborough based home improvement company had an excellent year in all areas. It benefited from the strong consumer spending and its own nationwide development. This company, as the main dealer for Alcan Windows Limited products, is involved in selling directly to the home owner. With local sales and fixing operations throughout the country the company continued to increase its sales and profitability.

Alcan Building Materials Limited based in Worcester produces and sells industrial building products. It operated in the depressed UK market but increased its exports with over 50% of the turnover coming from foreign markets in three continents. There is some sign of improvement in the home market but competition remains severe at home and abroad. It is not unusual to encounter seven different nations competing for a reasonably sized Middle East contract.

The Impactex Glass Division of Thomas Bennett Limited was developed under a new name Alcan Safety Glass Limited. A new factory was built during the year at Cross Green in Leeds. A modern flat glass laminating plant was installed and the factory can produce the widest sheet available today. It was opened in December by the Home Secretary, the Rt. Hon. Merlyn Rees, M.P.

The market for safety glass is comparatively undeveloped in Britain but this must change as the UK catches up with America and much of Europe is recognising its advantages. The additional cost of installing laminated glass in large openings is well worthwhile when compared with the pain and misery of accidents. The motor industry long ago adopted safety glass as standard and it is anticipated that the same trend will follow in building. Security and bullet resistant glass is also a growth market in these days of terrorism and increased crime. Several interesting security contracts were undertaken including a prison in Holland where security glass replaces bars.

Sales in Europe constituted a large part of Alcan Safety Glass turnover although the European building market has been at a low level of activity for two years. The new plant came on stream too late in the year to contribute to 1978.

### Transport Products

In the transport product market the three companies Freight Bonallack, Freight Development and Bonallack Vehicles were merged to form Alcan Transport Products Limited with headquarters at Norwich. The management was strengthened and can now develop a co-ordinated marketing strategy in this area of fast

growing aluminium substitution. The ever important weight advantage of this metal is being reinforced by high fuel costs and the increased weight penalty of safety and environmental requirements.

Alcan Transport Products Limited comprises four main operations. The Norwich plant of the former Freight Bonallack continues to build high quality refrigerated semi-trailers for use mainly in food distribution. Prices were affected by aggressive competition. This is an international market and sales were made in a number of European food exporting areas as well as in Britain. Insulated food stores are sold to hot desert countries.

The Wakefield plant formerly of Freight Bonallack has been developed into a northern body builder of vans and demountables. 1978 proved to be a successful year for sales and profit.

The Lancing plant, formerly Freight Development, serves a similar role in the south. It also enjoyed its best results for some years although the various strikes at chassis makers and component suppliers throughout the year disrupted activities in all of our operations.

Bonallack Vehicles, a main distributor of British Leyland cars, had another successful year in spite of a limited supply of vehicles.

### Other

Alcan Wire based in Merton supplies specialist alloy wire. In spite of a fall in demand and customer de-stocking in the needle wire market it had a profitable year. Both total turnover and profitability were reduced compared with last year, although investment in the year made possible a considerable increase in sales of welding wire and rivet stock. This investment programme will be completed by the first quarter of 1979 and widens the product range of the company away from too heavy a dependence on the needle wire market. Sales to Europe increased and included a substantial German market.

Serco-Ryan Limited, a stockist of fasteners and small tools, has branches throughout Britain. Benefiting from the reorganisation in 1977, this company had an excellent year exceeding all previous levels of profit and sales. Rapid service of a wide range of products to a large number of customers demanded constant attention to costs and efficiency.

Ian Proctor Metal Masts Limited, in which the Company has a 24% participation, had another successful year. Supplying high performance masts to the demanding sailing market calls for constant attention to design and manufacturing efficiency. An order for the Uruguay Navy's 'tall ships' called for the longest masts ever made at Swanwick. During the year Proctor acquired the metal mast business of 'Sparlite'.

Production line at the works of Alcan Windows Limited, Weston-super-Mare, showing the automatic window bar preparation machine.

## Financial Review



D. A. Mann

### Profits

Profit before tax in 1978 declined to £11.0 million by comparison with £24.7 million in 1977. Some reasons for this disappointing performance are:—

(1) As an industry, primary metal prices world-wide have been viewed traditionally in US dollar terms and with the substantial decline in value of that currency during 1978, the price realisations in Europe have been inadequate in relation to local costs, particularly for low value added products. The Company is in the process of building up activities which will reduce dependence on such low value added products.

(2) As stated in the 1977 Directors' Report, a three-year programme was commenced in 1978 to up-grade substantially the physical state and capability of production assets and to improve the ability to compete. In 1978 the Company has suffered some costs and disruptions to production which underline the need for this necessary improvement. In particular, maintenance costs have been exceptionally high.

Profits before interest and taxation expressed as a percentage of total assets employed gave in 1978 a return of 2.2% on an inflation adjusted basis. This lack of real profitability is being corrected by a drive for higher levels of both labour productivity and utilisation of existing assets.

### Source and use of funds (£million)

	1974	1975	1976	1977	1978
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Source					
Funds generated	13	2	21	30	19
New capital and other sources	4	10	3	1	11
	<u>17</u>	<u>12</u>	<u>24</u>	<u>31</u>	<u>30</u>

Use					
Capital expenditure	10	9	9	21	17
Working capital	7	(12)	28	12	5
Dividend					5
Tax				2	2
	<u>17</u>	<u>(3)</u>	<u>37</u>	<u>35</u>	<u>29</u>
Decrease/(increase) in borrowings		15	(13)	(4)	1
Includes £10 million acquisition of minority interests					

### Source and Use of Funds

Cash generated from operations has fallen from £30.1 million in 1977 to £18.9 million in 1978, largely as a result of the decline in profitability.

£16.8 million has been invested as part of a programme to modernise semi-fabricating and end-product manufacturing activities, and to improve the reliability of equipment at the smelter at Lynemouth which is a continuous production operation.

The two principal elements of working capital, inventories and receivables, have been controlled tightly. There is scope for further reductions in stocks held and action is being taken.

### Company and Capital Structure

The full £10.1 million of 9% Convertible Unsecured Loan Stock 1989/94, outstanding at the end of 1977 was converted during 1978 to Ordinary Share Capital of the Company. The London Stock Exchange granted a market quotation for the Ordinary Shares of the Company.

As a result of the corporate restructuring described in the Chairman's statement almost all assets and liabilities are held now by Alcan Aluminium (UK) Limited and the underlying businesses which operate as profit centres, trade as agents of that Company. As part of this restructuring it was felt correct to move up to the UK parent company the Alcan Booth Industries 8% Debenture Stock 1981/86 but the Company was obliged to raise the coupon to 8½%.

### Shareholder Analysis

At 31 December 1978, the ownership of the Ordinary Share Capital was as follows:—

Shareholders	Number of Holders	Number of Shares held	% of Total Ordinary Shareholding
Insurance Companies	20	1,615,206	3.65
Investment Trusts and Institutions	18	239,213	0.54
Pension Funds	14	560,660	1.27
Nominee Companies	54	1,275,570	2.88
Limited Companies	37	316,691	0.72
Banks and Bank Nominee Companies	367	2,271,591	5.13
Individual Shareholdings	2,120	2,279,602	5.15
Alcan	1	36,701,723	80.66
	2,631	44,263,566	100.00

## Financial Review (continued)

### Performance Objectives

In financial terms the company's objectives are these:-

(a) to earn a consolidated profit, before charging interest and tax, of greater than 20% of total assets employed on a historical accounting basis and greater than 10% on a current cost accounting basis.

(b) to maintain a consolidated Balance Sheet position where the ratio of debt to equity is approximately 40 : 60; in other words, it is believed prudent to restrict borrowed money to the equivalent of two-thirds of shareholders' funds but that a lower debt policy would be unnecessarily restrictive on investment.

These objectives will give a fair income and return to investors; they allow a retention of profit which combined with the additional borrowing potential this creates, permits continual regeneration of the business. As indicated in the accompanying charts, these financial objectives are not being met currently on a consolidated basis although some of the individual parts of the business are on target. It is anticipated that these financial performance objectives will be achieved in the early 1980s.

### Finance for the Business

Much of the present debt was raised originally in 1969 to support the construction of the power station and smelter complex at Lynemouth and repayment is being made on schedule. New debt is being obtained as required to finance current operations and investments and the co-operation received from the banking and investing community is appreciated. However, although new debt obtained is secure for a number of years ahead almost all of it is at rates of interest which fluctuate quite considerably because they are dictated by short term market movements. The absence in this

country of long term finance at fixed rates of interest adds a further risk factor to that already inherent in any business investment. It is to be hoped that the UK will soon enjoy the economic climate which will permit the return of fixed interest finance.

During 1978, a borrowing of Canadian \$24 million was changed to a sterling loan to remove the currency risk and some short term finance was replaced with ten year loans. In March 1979 the Company intends to repay the £15 million loan from Finance Corporation for Industry Limited and recently agreement has been reached in principle with this lender to take up a new loan for the same amount with repayment in the years 1987-1991.

### Accounting Policies

In the light of agreement in the UK on a new accounting standard for taxation a review has been carried out of provisions made in the past for potential tax liabilities. Based on present and planned investment and having regard to the minimum volume of stocks necessary to support the business and taxation losses brought forward, taxation deferred because of reliefs for investment and stock appreciation should not become a real liability for many years to come. Accordingly, reserves have been increased by the amount of deferred taxation provision no longer required.

### Pension Fund

Following a valuation carried out as at 6 April 1978 by independent actuaries the Company is advised that the assets of the fund are sufficient to meet the prior service liability (the liability for pension benefits to current pensioners and employees based on years of service to April 1978 and projected final salaries). Furthermore current rates of contribution should be sufficient to ensure the fund remains solvent.

### Return on total assets employed

	Historic Cost Accounting Basis 1976 1977 1978			Current Cost Accounting Basis 1976 1977 1978		
	£ million			£ million		
Profit before interest and taxation	18.6	32.6	18.9	0.4	17.2	6.1
Average total assets employed (before deduction of borrowings)	182	191	200	252	268	281
Percentage return achieved	11.5	17.1	9.4	0.2	6.5	2.2
Objective	Greater than 20.0%			Greater than 10.0%		

### Debt: equity relationship

	At 31 December		Objective
	1977	1978	
	£ million	£ million	%
Debt - Total Borrowings	86.4	84.1	48 44 40
Equity - Share Capital	34.2	44.3	
Reserves	175.1	62.7	
	209.3	107.0	52 56 60
	100	100	100



## Personnel Report



J. C. C. M.

### Employment

The number of employees in the UK group fell from 9061 at the start of the year to 8809 at the year end. There were in addition 161 employees of Luxfer USA Ltd. The average weekly number of UK employees during the year was 9015 (1977 -- 8923).

During the year, redundancy programmes were negotiated for reasons of business re-organisation at Alcan Windows, and at Thomas Bennett. Redundancy programmes were implemented for reasons of business down-turn at Alcan Building Materials, Minalex and Alcan Metal Centres.

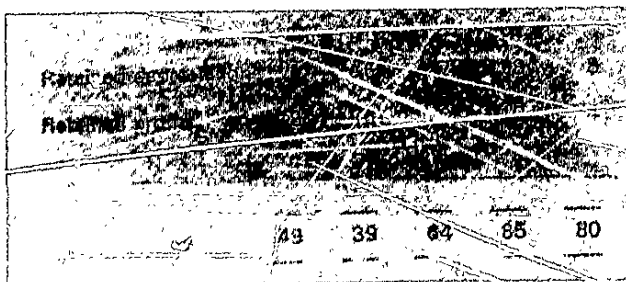
The numbers employed in the main operating divisions at the year end were as follows:

	1978	1977
Alcan Lynemouth	1143	1099
Mill Products Division	5060	5187
Finished Products Division	2070	2229
Luxfer (UK and USA)	472	467
HO & Central Services	225	213
Alcan Aluminium (UK) Ltd.	8970	9195

Alcan Ekco, a 50% owned company, had 202 employees at year end. During the year it acquired the business of C. & W. Avery Ltd, which currently has 29 employees.

### Added value (£million)

	1974	1975	1976	1977	1978
Added value	48	41	65	63	80
Other income & exchange	1	(2)	(1)	2	---
Cost of employment	27	31	39	45	53
Interest paid	9	8	8	8	8
Dividend	---	---	---	3	4
Taxation	---	---	---	3	3



### Industrial Relations

#### 1. Policy and Collective Bargaining Practice

The conduct of collective bargaining within Alcan Aluminium (UK) Limited is the responsibility of the individual operational units. In line with this plant based approach to collective bargaining, arrangements for employee participation and consultation, which are encouraged by the Company, vary according to the needs of employees and management at individual operating units.

The operational units of the Company have recognition relationships with thirteen trade unions, and typically four or five of these trade unions are represented at each site.

#### 2. Survey of the Year

Settlements in 1978 continued to be constrained by the operation of government incomes policy. During each phase of incomes policy, the Company has required constituent operational units to negotiate within the terms of the government's incomes policy guidelines, taking into account overall company needs and the need to maintain local bargaining.

Particularly in the most recent phase of incomes policy, attention of company negotiators has been turned to improving labour productivity, a concern that will be dealt with in more detail in the following section and self-financing productivity agreements have now been concluded with most employee groups.

During the year a number of major initiatives have taken place aimed at improving the industrial relations climate at the plants concerned, and at stimulating an improvement in the level of labour productivity.

In December, following considerable debate amongst the parties concerned, and following almost two years preparatory study, the first steps were taken towards the introduction of a Single Integrated Reward Structure at Alcan Sheet, Hoxtonstone. The principal objects of the scheme have been to eliminate the sectional interests which have bedevilled collective bargaining and interrupted production at the plant over the last few years, and to provide employees with a means of extending their participation in the determination of their terms and conditions of employment.

In October following some months of increasingly deteriorating industrial relations at the Wembley plant of Alcan Foils, a new contract of employment package was offered, and new substantive and procedural agreements negotiated.

The impact of the expansion of employment protection legislation during 1974/75 is continuing to be felt, particularly as many aspects of this legislation were brought into operation on a phased basis, and the courts and tribunals are only just beginning to provide authoritative interpretations of statute. In part stimulated by the continuation of incomes restraint, increased use of Schedule 11 of the Employment Protection Act has been made by some employee groups. However, during 1978 no awards have been made against the Company and references have either been dropped prior to hearing, or rejected by the Central Arbitration Committee as unfounded.



## Personnel Report (continued)

### Productivity and Remuneration

A major area of concern is the level of productivity in our plants particularly in comparison with principal European competitors. Productivity, measured on the basis of the cost of employee remuneration and benefits as a percentage of value added, is detailed below:

	1978	1977
Added value	£80m	£83m
Employee remuneration & benefit cost	£53m	£45m
Employee remuneration & benefit cost as a percentage of added value	66%	54%

As can be seen, employee remuneration constitutes a major portion of the wealth created by the business, and the current trend is towards an increase in remuneration without any commensurate increase in created wealth. In part the trend reflects a difficult business environment, but also underlines a main area of concern for the future which is that the productive use of both physical and people resources must improve in order to safeguard and improve the prosperity of both employees and the Company. To this end considerable attention is being given to the introduction of wage payment systems which reward productivity improvements. These schemes must, however, generate genuine productivity gain, and cannot simply be answers to the pressure for increased payment, which has developed over the last three years of restraint.

### Safety

The greater awareness and concern for Health and Safety at work throughout the country has resulted in increased legislation. Standards are more exacting, putting a greater responsibility on all employees.

Within the Company there has been increased activity and concern particularly in the safety aspects of the development and design of new investments. There has been an extension of the involvement and participation in safety matters in many units with the appointment of Safety Representatives and new and more effective Joint Committees. The Group Safety Committee has continued to meet regularly to co-ordinate activities and develop Group policy.

All units are members of the British Safety Council and most are members of ROSPA. Five of them received British Safety Council Awards for their performance in the year.

Safety performance throughout the Group has improved marginally over 1977. We experienced a small reduction in the number of accidents severe enough to require reporting to the Factory Inspectorate. However, more working days were lost as a result of accidents in 1978 than in 1977. We are pleased to report that there were no fatal accidents during 1978.

	1978	1977
Fatalities	0	1
Reportable accidents	465	487
Working days lost	9083	7960

### Retirement Income and Life Assurance

At the year end 8421 employees were active members of Alcan's UK Retirement Income and Life Assurance Plan. During the year the Plan was opened on a voluntary basis to employees under 21, at which age membership is required as a condition of employment for new employees.

In consultation with the Group Pensions Council the Company has made some significant changes in the Plan rules. These include improving pension accrual on the first part of earnings, establishing more favourable discount factors for early retirement, and the removal of restrictions on the amount of pension members can commute for cash.

The scheme for member consultation on pension matters at local and Group level, mentioned in last year's Report, has continued to function smoothly. Four members elected by the Group Pensions Council serve on the Board of Alcan Pension Trustees Limited.

### Development and Training

In recent years headlines about industrial strife have attracted more attention than the achievements of people in industry. Alcan for many years has maintained on-going development and training schemes for employees as part of its overall career development programme. During 1978 the main activities in training and development were directed at strengthening the individual in pursuit of his career and the quality of his working life.

80 people attended the Alcan Development Programme during 1978, and 45 senior managers attended programmes on creative leadership.

Arising from training programmes, managerial appraisals, and an open system of appointments, 1978 saw a significant increase in the number of employees receiving career guidance and counselling. The majority of vacancies notified throughout the company were filled by existing employees and thereby provided opportunities for career development.

Training of employees in other areas during 1978 has again been extensive. In line with the Health & Safety at Work Act, special attention has been given to safety training throughout the Group and, in particular, to the role of trades unions safety representatives.

The company's investment in new plant involves new concepts of training because of the higher level of technology required. Whereas formerly training could be passed on by the experienced operators, whole groups of existing craftsmen are being retrained, particularly in hydraulics and electronics. Help from local technical colleges has been sought in some cases for specialised programmes.

# ALCAN ALUMINIUM (UK) LIMITED AND ITS SUBSIDIARIES

## Directors' Report 1978

The directors present their report and the audited accounts of the Company for the year ended 31 December 1978 which will be laid before the Shareholders at the Annual General Meeting to be held on 28 March 1979.

### 1. DIRECTORS

The directors as at 31 December 1978 are listed on page 2. Mr. D. Morton was elected a new director on 8 February 1979. In accordance with the Articles of Association all directors retire at the Annual General Meeting and, being eligible, offer themselves for re-election. Mr. D. A. Pinn succeeded Mr. P. J. Elton as Chairman on 30 June. Mr. D. M. Culver and Mr. P. J. J. Rich retired as directors on 21 March 1978.

### 2. ACTIVITIES

The principal activities are the production and sale of aluminium ingot, aluminium semi-fabricated products and the manufacture and sale of a range of related finished products.

At 30 September 1978 the corporate structure of the Company and its subsidiaries was reorganised by the transfer of the assets, liabilities and businesses of all the subsidiaries, (with a few small exceptions) to Alcan Aluminium (UK) Limited although these subsidiaries continue to trade as agents of the Company.

### 3. 1978 RESULTS

Following the downturn in business in the latter part of 1977, market demand for our products did not pick up until later in 1978 than had been forecast, and then was largely associated with a boom in consumer expenditure. The weakness of the US dollar put pressure on prices throughout Europe, and growing imports into the UK increased this price pressure on semi-fabricated products. Thus insufficient volume and a squeeze on margins combined to reduce profits from the 1977 level.

On the production side difficulties were experienced with equipment reliability and the widespread UK

problem of low productivity. A major capital investment and productivity plan has already been started to tackle both these problems.

Reorganisation and strengthening of our downstream operations incurred abnormal costs during the year, but these are now much better placed to develop and expand, particularly in the building and road transport markets.

During the year exceptionally heavy maintenance and repair costs were incurred at the Lynemouth smelter, mainly due to defective plant and equipment, but this was alleviated by the settlement of a claim against certain contractors reached in principle in December 1978 amounting to £2m.

### 4. DIVIDENDS

The directors recommend the payment of a final dividend of 6.6p per ordinary share; this, together with the interim dividend of 3.3p per share paid in October 1978, makes a total ordinary dividend of 9.9p per share for the year. The gross equivalent of this is 14.8p per share, which is similar to that paid in respect of 1977.

### 5. EXPORTS

Goods to the value of £56.7m were directly exported from the United Kingdom in 1978 to 89 countries.

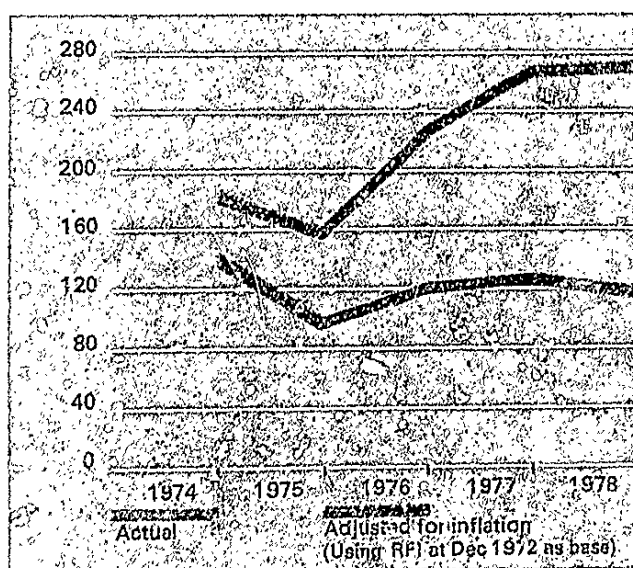
The broad geographical analysis of exports was:

	1978		1977	
	£m	%	£m	%
Europe*	42.9	75	48.6	75
Africa	7.1	13	9.4	14
Middle East	2.4	4	4.1	6
North & South America	3.3	6	1.0	2
Others	1.0	2	1.8	3
	<u>56.7</u>	<u>100</u>	<u>64.9</u>	<u>100</u>

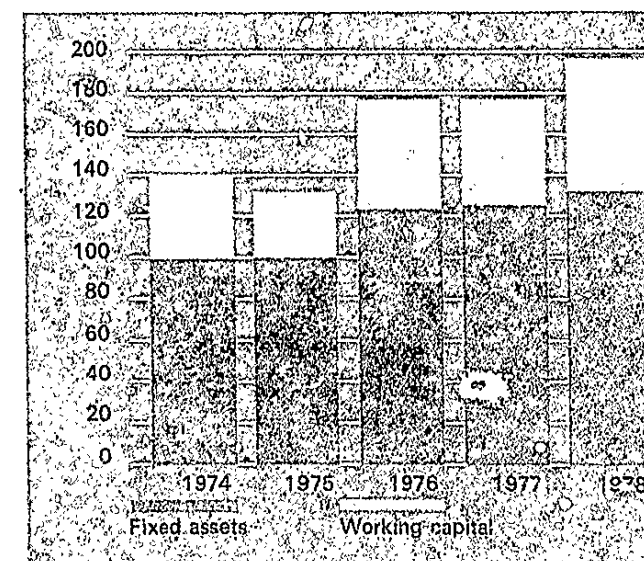
\*includes W. Germany £23.5m (1977 £32.9m)

In addition a high proportion (probably more than 25%) of sales to the home market are eventually exported.

### Sales (£million)



### Analysis of capital employed (£million)



## Directors' Report 1978 (continued)

### 6. EMPLOYEES

The average weekly number of UK employees during the year was 9015, compared with 8923 in 1977, and the total paid in wages and salaries was £44.2m compared with £36.8m in 1977. Further details are given in the Personnel Report on pages 14 and 15.

### 7. VALUE OF LAND AND BUILDINGS

The Accounts include land and buildings at a 1976 valuation. The directors have consulted Edward Erdman & Company on the current value of the Company's properties and consider that there is no material change during the year in the aggregate value of those properties valued on the basis of open market value for their existing use.

With respect to the smelter complex, harbour and power station which, because of their specialised nature were valued by reference to depreciated replacement cost, the directors, having taken professional advice, are of the opinion that, on a similar valuation basis, the value of these properties is approximately £4.5 million above that shown in the Accounts.

### 8. SHARE CAPITAL

During 1978, following the conversion of 10,084,335 9 per cent Convertible Unsecured Loan Stock, the issued share capital of the Company was increased to £44,263,256.

The analysis of the Company's shareholders is set out on page 12. The directors have not been notified of any individual shareholding in excess of 5% of the Company's issued share capital other than the 80.66% holding of Alcan Europe NV.

### 9. CHARITABLE DONATIONS

Charitable contributions during 1978 totalled £31,600 (1977 - £27,900). No political contributions were made during the year.

### 10. DIRECTORS' INTERESTS IN SHARES

The beneficial interests of directors of the Company and their families in stocks and shares of the Company and its ultimate holding company at 31 December were:

	Alcan Aluminium (UK) Limited		Alcan Aluminium Limited
	Ordinary Shares	9% Con- vertible Loan Stock	Common Shares
	1978	1977	1978
P. J. Elton	22,000	25,000	1
J. H. Hale	11,241	13,241	2,000
D. A. Main	1,500	1,500	—
I. Suchoversky	—	—	5
E. F. West	—	—	11,000

Up to 2 February 1979 the Company had not been notified of any changes in the above holdings.

On the date of his appointment to the Board, Mr E. F. West held 6,000 common shares in Alcan Aluminium Limited.

None of the directors has any interest in contracts with the Company or any of its subsidiaries.

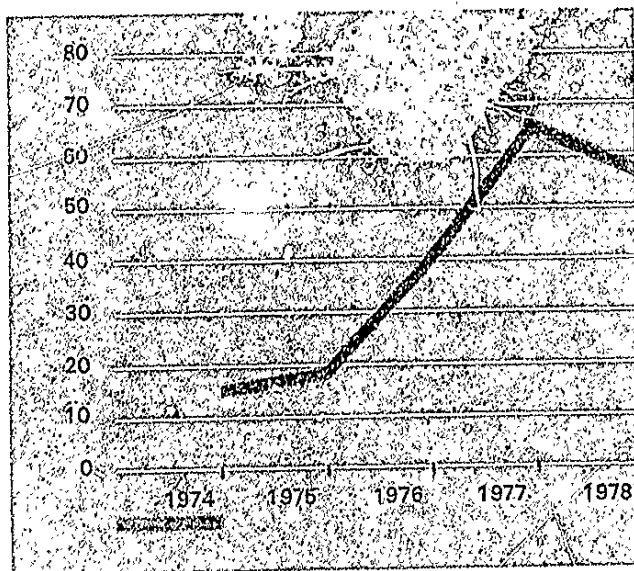
### 11. AUDITORS

Price Waterhouse & Co. have expressed their willingness to continue in office. A resolution concerning their reappointment and remuneration will be submitted to the forthcoming Annual General Meeting.

### 12. CLOSE COMPANY PROVISIONS

The close company provisions of the Income and Corporation Taxes Act 1970 (and of any amendments thereto) do not apply to the Company.

Exports (£million)



2 March 1979

By Order of the Board  
R. H. A. Forbes  
Secretary

ALCAN ALUMINIUM (UK) LIMITED AND ITS SUBSIDIARIES

Statement of Source and Use of Funds for the year ended 31 December 1978

	1978 £ million	1977 £ million
<b>SOURCE OF FUNDS</b>		
Profit before tax	10.97	24.72
Depreciation	8.38	7.80
Other items not involving the movement of funds (note (a))	(0.45)	(2.42)
<b>Total generated from operations</b>	<b>18.90</b>	<b>30.10</b>
Funds from other sources:		
Disposal of fixed assets	0.84	1.04
Increase in share capital (conversion of loan stock)	10.08	—
	<b>29.82</b>	<b>31.14</b>
<b>USE OF FUNDS</b>		
Capital expenditure (net of Government grants £0.65 million (1977 £0.72 million))	16.82	10.56
Minority interests acquired	—	10.40
Increase in working capital (note (b))	4.59	11.67
Taxation paid	2.12	1.84
Dividend paid	4.84	—
Other	0.35	0.33
	<b>28.72</b>	<b>34.80</b>
<b>DECREASE/(INCREASE) IN NET BORROWINGS (note (c))</b>	<b>1.10</b>	<b>(3.66)</b>
	<b>29.82</b>	<b>31.14</b>

	1978 £ million	1977 £ million		1978 £ million	1977 £ million
<b>Note (a)</b>			<b>Note (b)</b>		
Decrease in exchange loss provision	—	(2.32)	Inventories	(0.11)	15.50
Premiums on acquisition	0.05	0.14	Receivables:		
Profit retained by associated companies	(0.50)	(0.43)	Trade	4.05	(0.89)
Arising from disposal/acquisition of a subsidiary	—	0.19	Other	3.33	(3.28)
	<b>(0.45)</b>	<b>(2.42)</b>	Payables	(2.68)	0.34
				<b>4.59</b>	<b>11.67</b>
<b>Note (c)</b>					
Short terms borrowings and cash	10.29	(8.72)			
Medium and long term borrowings	(9.19)	5.06			
	<b>1.10</b>	<b>(3.66)</b>			

ALCAN ALUMINIUM (UK) LIMITED AND ITS SUBSIDIARIES

**Consolidated Profit and Loss Account for the year ended 31 December 1978**

	Notes	1978 £ million	1977 £ million
Sales		269.71	266.89
Bought-in materials and services		189.54	183.61
Added value		80.17	83.28
Cost of employment		52.66	45.20
Depreciation	8	8.38	7.80
Trading profit	2	19.13	30.28
Interest	4	7.94	7.88
		11.19	22.40
Exchange loss (1977 gain)	5	(0.22)	2.32
Profit before tax		10.97	24.72
Taxation	6 and 15	2.83	3.45
Profit after tax		8.14	21.27
Minority interests		0.04	1.83
Profit attributable to shareholders		8.10	19.44
Interim dividend of 3.3p per share		1.46	—
Proposed dividend of 6.6p per share (1977 9.9p)		2.92	3.38
Retained earnings	13	3.72	16.06
Earnings per £1 share (before tax)	7	24.7p	67.0p
Earnings per £1 share (net)	7	18.3p	56.9p
Average number of employees		9,145	9,065
Added value per employee		£8,767	£9,187
Average cost of employment per employee		£5,758	£4,986

ALCAN ALUMINIUM (UK) LIMITED AND ITS SUBSIDIARIES  
Balance Sheets at 31 December 1978

Alcan Aluminium (UK) Limited			Consolidated Group		
1978	1977		1978	1977	
£ million	£ million	Notes	£ million	£ million	
ASSETS EMPLOYED					
125.16	0.23	Fixed assets (net of depreciation)	8	128.09	121.42
3.42	108.12	Subsidiaries, associated companies and other investments	9	2.73	2.20
—	—	Premiums on acquisition		0.11	0.16
Working capital					
Current assets:					
1.95	0.28	Bank balances and cash		2.20	3.43
53.49	1.39	Receivables	10	54.00	46.62
64.20	—	Inventories	11	66.30	66.41
119.64	1.67			122.50	116.46
Current liabilities:					
41.53	3.06	Payables	10	42.48	39.80
2.92	3.38	Proposed dividend		2.92	3.38
6.60	10.31	Borrowings repayable within one year	16	7.35	18.87
2.22	1.74	Taxation		2.46	1.89
53.27	18.49			55.21	63.94
66.37	(16.82)	Net working capital		67.29	52.52
194.95	91.53	TOTAL ASSETS EMPLOYED		198.22	176.30
FINANCED BY					
Shareholders' investment:					
44.26	34.18	Share capital	12	44.26	34.18
59.64	8.76	Reserves	13	62.73	59.12
103.90	42.94			106.99	93.30
13.41	—	Government grants	14	13.52	14.33
0.53	—	Deferred taxation	15	0.53	0.39
76.74	48.59	Loans	16	76.74	67.55
0.37	—	Deferred liabilities	17	0.37	0.69
—	—	Minority shareholders' interests		0.07	0.04
194.95	91.53	TOTAL CAPITAL EMPLOYED		198.22	176.30

DENNISS A. PINN }  
DONALD A. MAIN } Directors

*Donald A. Main*

## ALCAN ALUMINIUM (UK) LIMITED AND ITS SUBSIDIARIES

### Accounting Policies

#### (i) COMPOSITION OF THE GROUP

The Group comprises Alcan Aluminium (UK) Limited ('the Company') and its subsidiaries the principal ones of which are listed on page 31. In addition the Group treats as associated companies those active trading companies in which it holds, as a long term investment, an interest of between 20% and 50%.

#### (ii) BASIS OF CONSOLIDATION

The consolidated accounts incorporate:

- (a) the assets, liabilities, profits and losses, after adjusting for unrealised profits on inter-group transactions, of the Company and its subsidiaries as shown by their audited accounts made up to 31 December 1978.
- (b) the Group's share of the profits and losses of the associated companies as shown by their latest available accounts which are not in all cases audited or made up to 31 December 1978. The effect of using accounts made up to a date other than 31 December 1978 is not considered to be significant in relation to the Group.

#### (iii) SALES

Sales represent the total amount receivable in the ordinary course of business for goods sold and services provided, after deducting freight charges and eliminating sales within the Group.

#### (iv) DEPRECIATION

Depreciation of fixed assets is on a straight-line basis using rates applied to original cost or valuation calculated to write off each asset over its estimated life, commencing from the date when it is first used. Freehold land is not depreciated and leasehold land and buildings are written off over a period not exceeding that of the lease. Freehold buildings, plant, machinery and equipment are written off at fixed annual rates, which normally fall in the following ranges:

Buildings	2% - 5%
Plant and machinery	4% - 10%

#### (v) INVENTORIES

Inventories have been consistently stated at the lower of cost or net realisable value. In addition to the cost of purchase there are included such costs of conversion and overheads as relate to a normal utilisation of facilities.

#### (vi) PREMIUMS ON ACQUISITION

Premiums on acquisition which represent the excess of the purchase consideration over the net tangible assets of subsidiaries at the time of acquisition are amortised over five years from the date of acquisition.

#### (vii) RESEARCH AND DEVELOPMENT COSTS

Research and development costs are written off when incurred.

#### (viii) GOVERNMENT GRANTS

Government grants received and receivable are credited to the Government grants account and a proportion of the grants, based on normal depreciation rates of all the relevant fixed assets, is credited each year to the profit and loss account.

#### (ix) DEFERRED TAXATION

In accordance with Statement of Standard Accounting Practice 15, deferred taxation is provided on the liability method in respect of timing differences between profits as computed for taxation purposes and profits as stated in the accounts, except to the extent that the liability will not be payable in the foreseeable future having regard to unrelieved tax losses and to projected future capital expenditure and inventory levels. Previously full provision was made for deferred taxation on the deferral method.

In consequence of the change in accounting policy the figures for 1977 and those for previous years in the 5 year record 1974 to 1978 (page 30) have been restated on the new basis.

#### (x) FOREIGN CURRENCIES

Assets and liabilities in foreign currencies are translated into sterling at rates ruling at the year-end. Differences arising from changes in exchange rates are dealt with through the profit and loss account with the exception of the differences arising in the changes in exchange rates for fixed assets which are dealt with through reserves. Exchange losses on fixed assets are dealt with through the profit and loss account to the extent that they exceed previously accumulated gains.

#### (xi) LEASED PLANT

Assets acquired under financing leases of seven years or more are capitalised and the corresponding amounts still owing to the finance company are included in deferred liabilities (note 17). The assets are amortised on a straight-line basis over their estimated lives and financing costs are absorbed over the terms of the leases.

# ALCAN ALUMINIUM (UK) LIMITED AND ITS SUBSIDIARIES

## Notes to the Accounts

### 1. CORPORATE STRUCTURE

During the year the assets, liabilities and businesses of the majority of the Company's subsidiaries were transferred to the Company. The subsidiaries concerned will continue to trade as agents for the Company.

### 2. TRADING PROFIT

The trading profit of the Company and its consolidated subsidiaries is arrived at after taking account of the following:

	1978 £ million	1977 £ million
Settlement of claim on contractors*	2.00	—
Hire of plant and machinery	(1.35)	(0.87)
Auditors' remuneration	(0.20)	(0.18)
Associated companies—share of profits, before taxation	0.54	0.54
—interest on loans	0.02	0.02
Profit on sale of fixed assets and investments	0.39	0.30
Premiums on acquisition written off	(0.05)	(0.14)
Exchange loss on foreign fixed assets	(0.07)	—

\*The settlement of a claim against certain contractors was reached in principle in December 1978 and the directors anticipate completion of the final legal documentation relating to this settlement in the near future.

### 3. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

The total emoluments of directors of Alcan Aluminium (UK) Limited (including pension scheme contributions) amounted to:

	£'000	£'000
Fees	4	3
Other emoluments	149	138

Further information regarding directors' emoluments (excluding pension scheme contributions):

Emoluments of the highest paid director £30,923 (1977 £26,235)

Emoluments of the chairmen: to 30 June nil; 1 July to 31 December £14,418 (1977 nil)

The following table shows the total number of directors and senior employees of the Company whose emoluments during the year were within the bands stated:

	Directors		Employees	
£	1978	1977	1978	1977
0—2,500	6	5		
2,501—5,000	1	1		
5,001—7,500	—	1		
7,501—10,000	—	1		
10,001—12,500	—	—	13	8
12,501—15,000	—	—	3	3
15,001—17,500	—	—	2	—
17,501—20,000	—	2	2	—
20,001—22,500	—	—	1	—
22,501—25,000	2	2	1	—
25,001—27,500	—	1	—	—
27,501—30,000	1	—	—	—
30,001—32,500	2	—	—	—

### 4. INTEREST

On debentures and other loans repayable partly or wholly after five years

On 9 per cent Convertible Unsecured Loan Stock 1989/94

On bank loans, overdrafts and loans repayable within five years

Short term interest received

	£ million	£ million
On debentures and other loans repayable partly or wholly after five years	1.35	2.83
On 9 per cent Convertible Unsecured Loan Stock 1989/94	—	0.91
On bank loans, overdrafts and loans repayable within five years	6.93	4.29
Short term interest received	(0.34)	(0.15)
	7.94	7.88

### 5. EXCHANGE LOSS

The exchange loss of £0.22 million is in respect of a foreign currency borrowing which was converted into a sterling loan during the year. The gain of £2.32 million in 1977 represented a reduction in the provision previously set up for exchange losses on the same borrowing

### 6. TAXATION

Advance Corporation Tax

Current taxation

Foreign taxation

Deferred taxation

	£ million	£ million
Advance Corporation Tax	2.16	1.74
Current taxation	(0.01)	0.16
Foreign taxation	0.62	0.31
Deferred taxation	0.14	(0.07)
	2.91	2.14
Adjustments in respect of prior years	(0.08)	1.31
	2.83	3.45

The rate of UK Corporation Tax applicable in 1977 and 1978 was 52%.



# ALCAN ALUMINIUM (UK) LIMITED AND ITS SUBSIDIARIES

## Notes to the Accounts (continued)

### 7. EARNINGS PER SHARE

During the year holders of £10,084,335 of convertible loan stock exchanged their stock for £1 ordinary shares at par which ranked for dividend from January 1978. The number of shares throughout the year was therefore 44,263,256 (1977 weighted average 34,177,188). Earnings per share is shown on two bases, before and after taxation; the earnings before taxation being £10,931,000 (1977 £22,889,000) and the earnings after taxation being £8,104,000 (1977 £19,442,000). Minority interests have been deducted in determining the earnings.

### 8. FIXED ASSETS (£ million)

	GROUP			COMPANY		
	Land & Buildings	Plant & Machinery	Total	Land & Buildings	Plant & Machinery	Total
Cost or valuation						
At 31 December 1977	43.95	127.60	171.55	0.03	0.29	0.32
Additions	2.77	14.70	17.47	1.29	5.95	7.24
Inter company transfers	—	—	—	43.72	132.21	175.93
Exchange adjustments	(0.02)	(0.08)	(0.10)	—	—	—
Disposals	(0.27)	(2.38)	(2.65)	(0.24)	(0.52)	(0.76)
At 31 December 1978	46.43	139.84	186.27	44.80	137.93	182.73
Aggregate depreciation	3.36	54.82	58.18	3.19	54.38	57.57
Net book amount 1978	43.07	85.02	128.09	41.61	83.55	125.16
1977	42.36	79.06	121.42	0.03	0.20	0.23
Land and Buildings	Cost	Valuation 1976	Aggregate Depreciation	Cost	Valuation 1976	Aggregate Depreciation
Freehold	2.90	39.09	2.87	2.79	38.21	2.84
Long leaseholds	0.32	1.00	0.06	0.32	1.00	0.29
Short leaseholds	0.51	2.61	0.43	0.47	2.01	0.06
	3.73	42.70	3.36	3.58	41.22	3.19
	46.43			44.80		

Plant and machinery for both Group and Company includes leased plant at a cost of £1.68 million (1977 £1.69 million) and a net book amount of £1.20 million (1977 £1.45 million).

	GROUP		COMPANY	
	1978	1977	1978	1977
Future capital expenditure				
Contracted for but not provided for in accounts	7.47	4.10	7.37	—
Authorised by directors but not contracted for	22.13	21.30	21.38	—
	29.60	25.40	28.75	—

Government grants of £0.78 million (1977 £1.00 million) may be receivable in respect of the total expenditure authorised.

	1978	1977
Depreciation charge		
The depreciation charge for the year in the profit and loss account is arrived at as follows:		
Freehold properties	1.55	1.46
Long leasehold properties	0.04	0.02
Short leasehold properties	0.22	0.22
Plant and machinery	8.12	7.73
	9.93	9.43
Less: transfer from Government grants account (note 14)	1.42	1.40
	8.51	8.03
Less: over-provision of depreciation on disposals of fixed assets	0.13	0.23
	8.38	7.80

# ALCAN ALUMINIUM (UK) LIMITED AND ITS SUBSIDIARIES

## Notes to the Accounts (continued)

	1978		1977	
	Group £ million	Company £ million	Group £ million	Company £ million
<b>9. SUBSIDIARIES, ASSOCIATED COMPANIES AND OTHER INVESTMENTS (page 31)</b>				
INVESTMENTS IN SUBSIDIARIES (at cost less amounts written off)				
Ordinary shares	—	2.64	—	36.95
Loans receivable	—	—	—	71.19
	—	2.64	—	108.14
Less Loans payable	—	0.29	—	0.24
	—	2.35	—	107.90
INVESTMENTS IN ASSOCIATED COMPANIES				
Unlisted ordinary shares at cost	0.23	0.23	0.23	0.10
Loans receivable	0.16	0.16	0.16	0.12
Share of profits after taxation retained in associated companies attributable to shareholders	1.66	—	1.16	—
	2.05	0.39	1.55	0.22
OTHER INVESTMENTS				
Unlisted investments at cost less amounts written off, which in the opinion of the directors is a fair valuation	0.51	0.51	0.48	—
Loan	0.17	0.17	0.17	—
	0.68	0.68	0.65	—
<b>Total</b>	<b>2.73</b>	<b>3.42</b>	<b>2.20</b>	<b>108.12</b>

The reduction in the investments in subsidiaries during the year arose from the restructuring of the Group (note 1).

In determining the amounts at which ordinary shares in subsidiaries are stated, loans payable (net) of £72.55 million have been deducted.

The associated companies and the proportions of the issued ordinary share capital held by the Company at 31 December 1978 are as follows:

		Issued Share Capital £'000
Alcan Enfield Alloys Limited	50%	500
Alcan Ekco Limited	50%	20
Johnson & Bloy Aluminium Pigments Limited	36%	25
Ian Proctor Metal Masts Limited	24%	7

	1978		1977	
	Group £ million	Company £ million	Group £ million	Company £ million
<b>10. RECEIVABLES AND PAYABLES</b>				
RECEIVABLES				
Third parties	50.31	48.89	41.85	0.12
Subsidiaries	—	0.92	—	1.27
Fellow subsidiaries	3.69	3.68	4.77	—
	54.00	53.49	46.62	1.39
PAYABLES				
Third parties	37.83	36.84	33.40	2.61
Subsidiaries	—	0.32	—	0.05
Fellow subsidiaries	4.65	4.37	6.40	0.40
	42.48	41.53	39.80	3.06

	1978		1977	
	Group £ million	Company £ million	Group £ million	Company £ million
<b>11. INVENTORIES</b>				
Raw materials and stores	17.84	16.78	18.51	—
Work in process	29.31	28.39	35.08	—
Finished goods	19.15	19.03	12.82	—
	66.30	64.20	66.41	—

ALCAN ALUMINIUM (UK) LIMITED AND ITS SUBSIDIARIES  
**Notes to the Accounts (continued)**

	1978 £ million	1977 £ million
<b>12. SHARE CAPITAL</b>		
<b>AUTHORISED</b>		
Ordinary shares of £1 each	50.00	50.00
<b>ISSUED AND FULLY PAID</b>		
Ordinary shares of £1 each	44.26	34.18
During the year holders of £10.08 million of 9 per cent Convertible Loan Stock 1989/94 converted their holdings to ordinary shares in the Company.		

	1978 Group £ million	Company £ million
<b>13. RESERVES</b>		
The movements during the year were:		
Balance at 31 December 1977	29.26	5.81
Adjustment in respect of change of accounting policy for deferred taxation*	29.86	2.95
	59.12	8.76
Retained earnings	3.72	0.89
Revaluation surplus adjustment	(0.11)	—
Adjustment arising from corporate restructuring, relating principally to deferred taxation and revaluation surplus	—	49.99
	62.73	59.64

\*Includes £9.22 million which has been included in the restatement of the 1977 profit and loss account.

Of the reserves at 31 December 1978 approximately £17 million is not regarded by the directors as distributable including share premium of £0.60 million

	1978 Group £ million	Company £ million
<b>14. GOVERNMENT GRANTS</b>		
The movements during the year were:		
Balance at 31 December 1977	14.33	—
Transferred to the Company on corporate restructuring	—	13.64
Estimated grants receivable	0.65	0.12
	14.98	13.76
Less: amount credited to profit and loss account in respect of:		
Reduction of the charge for depreciation (note 8)	1.42	0.34
Disposal of assets	0.04	0.01
	13.52	13.41

ALCAN ALUMINIUM (UK) LIMITED AND ITS SUBSIDIARIES  
Notes to the Accounts (continued)

15. DEFERRED TAXATION

The Group has changed its accounting policy in accordance with Statement of Standard Accounting Practice 15. Consequently deferred taxation is only provided where, with reasonable certainty, it is likely to become payable in the foreseeable future.

The full potential amount of deferred taxation for all timing differences on the liability method assuming all claims for capital allowances and stock relief are made at the first opportunity is as follows:

	1978			1977		
	Total £ million	Provided £ million	Not Provided £ million	Total £ million	Provided £ million	Not Provided £ million
Capital gains	0.53	0.53	—	0.39	0.39	—
Accelerated capital allowances	34.89	—	34.89	33.08	—	33.08
Stock relief	16.70	—	16.70	18.57	—	18.57
Deferred provisions and other timing differences	(0.74)	—	(0.74)	(2.45)	—	(2.45)
Capital gains on ultimate disposal of properties at balance sheet values	8.50	—	8.50	8.50	—	8.50
	59.88	0.53	59.35	58.09	0.39	57.70
Less: Unused tax losses	(11.04)	—	(11.04)	(14.84)	—	(14.84)
ACT recoverable	(3.83)	—	(3.83)	(1.74)	—	(1.74)
	45.01	0.53	44.48	41.51	0.39	41.12

	1978		1977	
	Group £ million	Company £ million	Group £ million	Company £ million
16. LOANS				
LONG TERM LOANS (Repayable partly or wholly after five years)				
10½% Guaranteed Loan Stock 1989/94 (note (a))	8.00	8.00	8.00	8.00
9% Convertible Unsecured Loan Stock 1989/94 (note 12)	—	—	10.09*	10.09*
8½% Debenture Stock 1981/86 (secured) (note (b))	6.33	6.33	6.33	—
Mortgages (secured)	—	—	0.05	—
Loan from Finance Corporation for Industry (note (c))	15.00	15.00	—	—
Bank loans	24.00	24.00	—	—
	53.33	53.33	24.47	18.09
MEDIUM TERM LOANS (Repayable within five years)				
Loan from Finance Corporation for Industry (note (c))	—	—	15.00	15.00
Subordinated loan from fellow subsidiary (note (d))	11.79	11.79	11.57	11.57
Bank loans and overdrafts	—	—	1.15	—
Secured	18.97	18.22	34.23	14.24
Unsecured	84.09	83.34	86.42	58.90
Less: Amounts repayable within one year—				
Fellow subsidiary	2.95	2.95	2.31	2.31
Other	4.40	3.65	16.56	8.00
	76.74	76.74	67.55	48.59

NOTES

(a) The guaranteed stock is guaranteed by Alcan Aluminium Limited, Montreal, who may withdraw the guarantee if the net assets and profits of the Alcan Aluminium (UK) Group rise to certain levels. These conditions have now been satisfied but Alcan Aluminium Limited, Montreal has no present intention of withdrawing the guarantee. If the guarantee were withdrawn the guaranteed stock would become a secured debenture stock.

(b) During the year the 8% Debenture Stock of a subsidiary was cancelled and exchanged for the new Debenture Stock of the Company.

(c) The loan from Finance Corporation for Industry (F.C.I.) bore interest at an average of 11.1 per cent (1977 10.8 per cent) and is contractually due for repayment in July 1979. Agreement has been reached in principle with F.C.I. to repay the loan on 30 March 1979 and to take up on the same date a new loan of £15 million repayable in ten equal half yearly instalments from June 1987 to December 1991.

In 1969 F.C.I. was granted an option whereby it is entitled on 31 May in each of the years 1979 and 1980 to convert part of its advance into, or to subscribe in cash for, up to 1.5 million ordinary shares at par.

(d) The subordinated loan from Alcan Finances Overseas NV of Canadian \$24,000,000 was converted into a sterling loan of £11.79 million during the year and is now repayable in four equal instalments in the years 1979 to 1982. The loan bore interest at an average of 10.3 per cent (1977 9.0 per cent). The amount outstanding is subordinated to the claims of all other creditors of the Company.

\*£1.54 million of the Convertible Loan Stock was held by Alcan Aluminium Limited.

**ALCAN ALUMINIUM (UK) LIMITED AND ITS SUBSIDIARIES**  
**Notes to the Accounts (continued)**

	1978 £ million	1977 £ million
<b>17. DEFERRED LIABILITIES</b>		
Amounts due to be paid for plant acquired under financing leases	0.37	0.62
Other	—	0.07
	<u>0.37</u>	<u>0.69</u>

	1978		1977	
	Group £ million	Company £ million	Group £ million	Company £ million
<b>18. CONTINGENT LIABILITIES</b>				
Bills under discount	0.63	0.63	0.03	—
Guarantees	0.91	0.91	0.57	0.07
	<u>1.54</u>	<u>1.54</u>	<u>0.60</u>	<u>0.07</u>

The Commission of the European Communities issued a statement of objections against the Company and other aluminium companies in Western Europe under articles 85 and 86 (the competition law provisions) of the Treaty of Rome, relating principally to former arrangements for the purchase and sale of aluminium produced in East European Countries.

The Commission is empowered to levy fines against parties violating the Treaty, but the directors believe that there is no basis for the imposition on the Company of any fine in this case.

**19. HOLDING COMPANY**

The Company's ultimate holding company is Alcan Aluminium Limited, incorporated in Canada which at 31 December 1978 held, through its subsidiary Alcan Europe N.V., 80.66 per cent (1977 99.96 per cent) of the ordinary share capital.

**20. SUBSIDIARIES AND ASSOCIATED COMPANIES**

The principal subsidiaries and associated companies of the Group are given on page 31.

**Auditors' Report to the Members of Alcan Aluminium (UK) Limited**

We have examined the accounts set out on pages 18 to 27 which have been prepared under the historical cost convention as modified by the revaluation of properties. In our opinion these accounts give, under the convention stated above, a true and fair view of the state of affairs of the Company and the Group at 31 December 1978 and of the profit and the source and use of funds of the Group for the year then ended and comply with the Companies Acts 1948 and 1967.

We have also examined the current cost statement together with the notes thereon for the year ended 31 December 1978 on pages 28 and 29. In our opinion this statement has been properly prepared in accordance with the method set out in the notes to give the information proposed in the Accounting Standards Committee interim recommendations on inflation accounting of November 1977.

*Price Waterhouse & Co.*

PRICE WATERHOUSE & CO.,  
Chartered Accountants  
Southwark Towers  
32 London Bridge Street  
London SE1 9SY

8 February 1979

ALCAN ALUMINIUM (UK) LIMITED AND ITS SUBSIDIARIES  
**Current Cost Accounts**

**Consolidated Profit and Loss Account for the year ended 31 December 1978**

	1978 £ million	1977 £ million
Sales	269.7	266.9
Bought-in materials and services	191.3	191.1
Added value	78.4	75.8
Cost of employment	52.7	45.2
Depreciation	23.5	20.6
Trading profit	2.2	10.0
Interest	7.9	7.9
Exchange loss (1977 gain)	(5.7)	2.1
	0.2	(2.3)
Gearing adjustment	(5.9)	4.4
	4.1	4.9
(Loss) profit before taxation	(1.8)	9.3
Taxation	2.8	3.4
(Loss) profit after taxation	(4.6)	5.9
Minority interests	(0.1)	1.0
Adjusted (loss) profit attributable to shareholders	(4.7)	6.9
Dividends	4.4	3.4
Retained (loss) profit	(9.1)	3.5

The reconciliation between the historical profit before taxation and that reported above under the current cost convention is as follows:—

Historical profit before taxation	11.0	24.7
Additional depreciation (note 1(b))	(15.1)	(12.8)
Cost of sales adjustment (note 1(d))	(1.8)	(7.0)
Gearing adjustment (note 3)	4.1	4.9
Other adjustments principally profit on sale of fixed assets now deleted	(1.8)	9.8
	—	0.5
CCA (loss) profit before taxation	(1.8)	9.3

## ALCAN ALUMINIUM (UK) LIMITED AND ITS SUBSIDIARIES

### Notes to the Current Cost Accounts

The Current Cost Accounts have been prepared on the same principles as last year with adjustments to reflect the cost of goods sold at values ruling at time of sale as opposed to historic cost at time of acquisition and to relate the charge for use of productive assets to current values of those assets rather than original cost of some years ago. The "gearing adjustment" represents the extent to which CCA adjustments for cost of goods sold and depreciation are attributable to third party finance. The CCA result after bringing in the gearing adjustment is that which is properly attributable to the shareholders.

#### 1. ACCOUNTING BASES

- (a) Land and buildings have been based on a professional valuation in 1976 updated to the balance sheet date. Plant and machinery is stated at current values arrived at partly by the application of inflation factors and partly by discrete valuation of major items. Government grants potentially receivable are taken into account in arriving at current values and the balance outstanding in respect of Government grants already received is transferred to reserves.
- (b) Depreciation has been calculated by applying the Company's normal depreciation rates to current values of assets (other than land) in use, including those which are fully depreciated under the historical cost convention.
- (c) Inventories are valued at the lower of current replacement cost or net realisable value.
- (d) Cost of sales adjustment; aluminium, alumina and other major raw materials are charged to cost of sales at their value to the business at the date of sale. Other inventory costs are adjusted to replacement cost on an averaging basis.
- (e) The charge for taxation in each calendar year represents short term taxation liabilities and advance corporation tax.

#### 2. CONSOLIDATED CAPITAL EMPLOYED

The consolidated capital employed under the current cost convention at 31 December 1978 was as follows:

	1978 £ million	1977 £ million
Working capital		
Current assets		
Receivables and cash	56.2	50.0
Inventories	69.0	69.5
	<u>125.2</u>	<u>119.5</u>
Current liabilities	55.2	63.9
	<u>70.0</u>	<u>55.6</u>
Fixed assets (net of depreciation)	207.8	198.3
Associated company and other investments	2.7	2.2
	<u>280.5</u>	<u>256.1</u>

For the year 1978 the unlevered pre-tax return on average capital employed was 2% (1977 6%) compared with 9% (1977 17%) on a historical cost basis.

#### 3. GEARING ADJUSTMENT

This has been calculated following the interim recommendation by the Accounting Standards Committee. The average gearing percentage for the year was 24.3% (1977 24.7%) and the relationship of net monetary liabilities to net monetary liabilities plus shareholders' equity and loans at the relevant year ends was as follows:

	1978 £ million	1977 £ million
Current liabilities excluding shareholder's loan	52.1	61.6
Loans	68.3	57.4
Monetary assets	(56.2)	(50.0)
	<u>64.2</u>	<u>69.0</u>
NET MONETARY LIABILITIES		
Shareholders' investment and loans	215.1	200.9
	<u>279.3</u>	<u>269.9</u>
Total		

The average gearing percentage of 24.3% applied to the additional depreciation and cost of sales adjustments totalling £16.9 million gives the gearing adjustment of £4.1 million.

**ALCAN ALUMINIUM (UK) LIMITED AND ITS SUBSIDIARIES**  
**Five Year Record (Historic Cost Basis)**

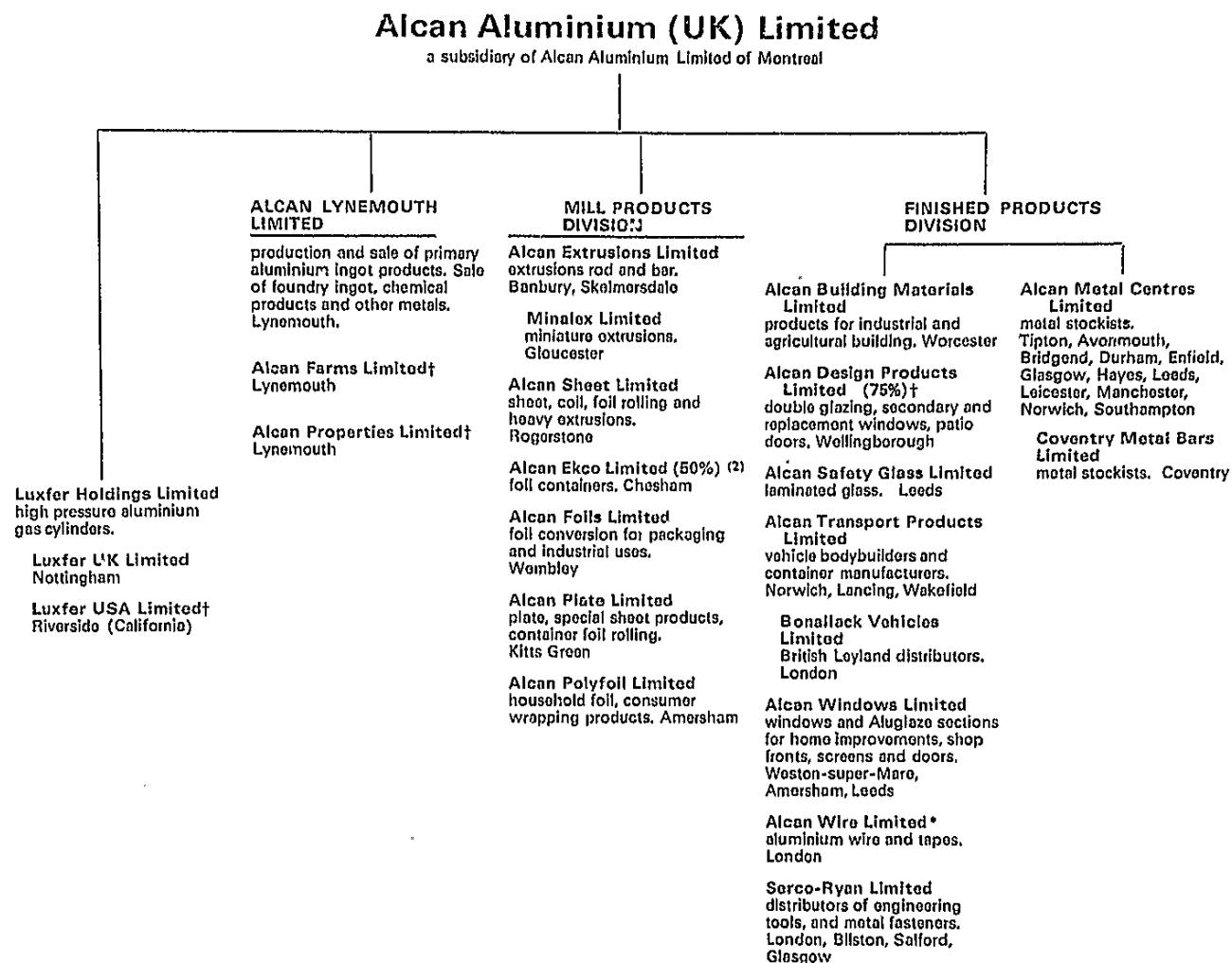
	1974	1975	£ million 1976	1977	1978
Sales	183	159	227	267	270
Trading profit	15.8	3.8	19.8	30.3	19.1
Profit (loss) before taxation	7.3	(5.9)	10.0	24.7	11.0
Profit (loss) attributable to shareholders	8.0	(1.4)	9.7	19.4	8.1
<b>Assets employed</b>					
Fixed assets	95.7	97.2	120.4	121.4	128.1
Investments	1.7	1.9	1.7	2.4	2.8
Net current assets	42.3	34.0	54.6	52.5	67.3
<b>Total assets employed</b>	<u>139.7</u>	<u>133.1</u>	<u>176.7</u>	<u>176.3</u>	<u>198.2</u>
<b>Financed by</b>					
Shareholders' investment	37.3	41.8	74.0	93.3	107.0
Government grants	16.0	15.0	15.0	14.3	13.5
Deferred taxation	0.2	0.4	0.5	0.4	0.5
	<u>53.5</u>	<u>57.8</u>	<u>89.5</u>	<u>108.0</u>	<u>121.0</u>
Medium and long term borrowings	77.9	67.9	75.8	68.3	77.1
Minority interests	8.3	7.4	11.4	—	0.1
<b>Total capital employed</b>	<u>139.7</u>	<u>133.1</u>	<u>176.7</u>	<u>176.3</u>	<u>198.2</u>
Depreciation	5.5	6.1	6.7	7.8	8.4
Capital expenditure	8.9	8.5	5.1	10.6	16.8
Funds generated from operations	12.7	2.2	21.0	30.1	18.9
Capital employed	139.7	133.1	176.7	176.3	198.2
Pre-tax return on average capital employed (before interest)	11.7%	1.5%	11.5%	17.1%	9.4%
Sales of aluminium in all forms ('000s tonnes)	280	215	262	236	224
Earnings per share (net)	27.6p	(4.4)p	28.4p	56.9p	18.3p
Dividends per share	—	—	—	9.9p	9.9p

Note: The above record has been adjusted to take account of the change in basis of accounting for deferred taxation — see accounting policy note (ix).



## ALCAN ALUMINIUM (UK) LIMITED

Principal subsidiaries and associated companies as at 1 January 1979



### OTHER SUBSIDIARIES, ASSOCIATED COMPANIES AND MINORITY SHAREHOLDING

Subsidiary companies	--- Alcan Export Services Limited export purchasing and financial services. Banbury	Saguenay Shipping (UK) Limited† shipping services. London
Associated companies	--- Alcan Enfield Alloys Limited (50%) (1) secondary smelters. Bradford, London Colney Ian Proctor Metal Masts Limited (24%) yacht masts and accessories. Southampton	Johnson & Bloy Aluminium Pigments Limited (36%) aluminium paste and powder. Crawley
Minority shareholding	--- Amari Limited (10%) aluminium extruders and metal stockholders.	

† All the subsidiary companies set out above trade as agents for Alcan Aluminium (UK) Limited with the exception of those indicated †.

### AFFILIATED COMPANIES

Alcan Laboratories Limited Banbury  
Alcan Research and Development Limited Banbury

### NOTES

Unless otherwise stated, subsidiaries are 100% owned through holdings of ordinary shares.

1 50% owned by The Delta Metal Company Limited.

2 Associated company 50% owned by a subsidiary of American Home Products Inc.

\* Where indicated by an asterisk the companies have preference shares which are held in the same proportions as the ordinary shares.

## Notice of Annual General Meeting

Notice is hereby given that the Annual General Meeting of Alcan Aluminium (UK) Limited will be held in The Manhattan Suite, Britannia Hotel, Grosvenor Square (South Side), London, W1 on 28 March 1979 at 2.30 pm for the following purposes:

- 1 To receive and consider the Directors' Report and the Accounts for the year ended 31 December 1978 together with the Auditors' Report thereon.
- 2 To declare a dividend.
- 3 To elect directors.
- 4 To reappoint the auditors and to authorise the directors to determine their remuneration.
- 5 To transact such other business as may properly come before the meeting.

By Order of the Board,  
R. H. A. FORBES  
Secretary

2 March 1979  
Registered Office:  
Alcan House,  
30 Berkeley Square,  
LONDON, W1X 6DP

NOTE: A member entitled to attend and vote at the said meeting may appoint a proxy to attend and vote instead of him. A proxy need not be a member of the Company. Proxies should be lodged at the offices of the Registrars, Regis Securities, Lynton House, 255/259 High Road, Ilford, Essex, IG1 1NQ, not later than 48 hours before the meeting.

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NB: This Notice is sent to holders of the Company's Guaranteed Loan and Debenture Stocks for information only and does not entitle them to attend the meeting.

## Financial Calendar

### 1 *Interest payments*

10½% Guaranteed Loan Stock 1989/94 — 30 June and 31 December.  
8½% Debenture Stock 1981/86 — 15 June and 15 December.

### 2 *Dividend payments.*

Final for 1978 — April 1979.  
Interim for 1979 — October 1979.

### 3 *Results*

Interim (for half year to 30 June 1979) — August 1979  
Report and Accounts — March 1980.  
Annual General Meeting — March 1980.

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