
Alcan Aluminium (UK) Limited

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ALCAN ALUMINIUM (UK) LIMITED AND ITS SUBSIDIARIES
Annual Report and Accounts 1975

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Financial Calendar

1 *Interest payments*

9% Convertible Unsecured Loan Stock 1989/94 – paid 30 June and 31 December.

10½% Guaranteed Loan Stock 1989/94 – paid 30 June and 31 December.

2 *Results*

Interim (for half year to 30 June 1976) – announced August 1976

Report and Accounts – published March 1977

Annual General Meeting – April 1977

Alcan aluminium is used throughout British industry because of its strength combined with light weight, resistance to corrosion, formability, conductivity and attractive appearance. It is widely used in building and construction, transportation, consumer goods, printing and the electrical industry, also in the packaging industry where aluminium protects food and many other items, from manufacture to consumption. In our Report this year we illustrate some of the applications of Alcan aluminium in the food and packaging industry.

Notice of Annual General Meeting

Notice is hereby given that the Annual General Meeting of Alcan Aluminium (UK) Limited will be held at Alcan House, 30 Berkeley Square, London W1X 6DP, on 13 April 1976 at 12 noon for the following purposes:

1. To receive and consider the Directors' Report and the Accounts for the year ended 31 December 1975 together with the Auditors' Report thereon.
2. To elect directors.
3. To authorise the directors to determine the remuneration of the Auditors.
4. To transact such other business as may properly come before the meeting.

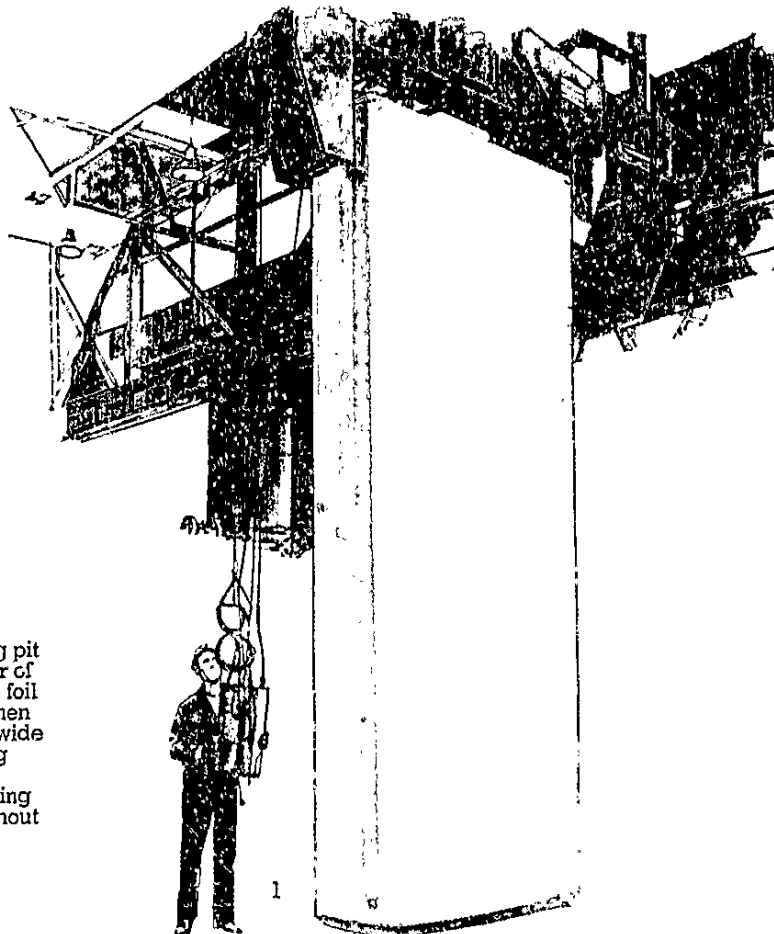
By Order of the Board,
R. H. A. FORBES
Secretary

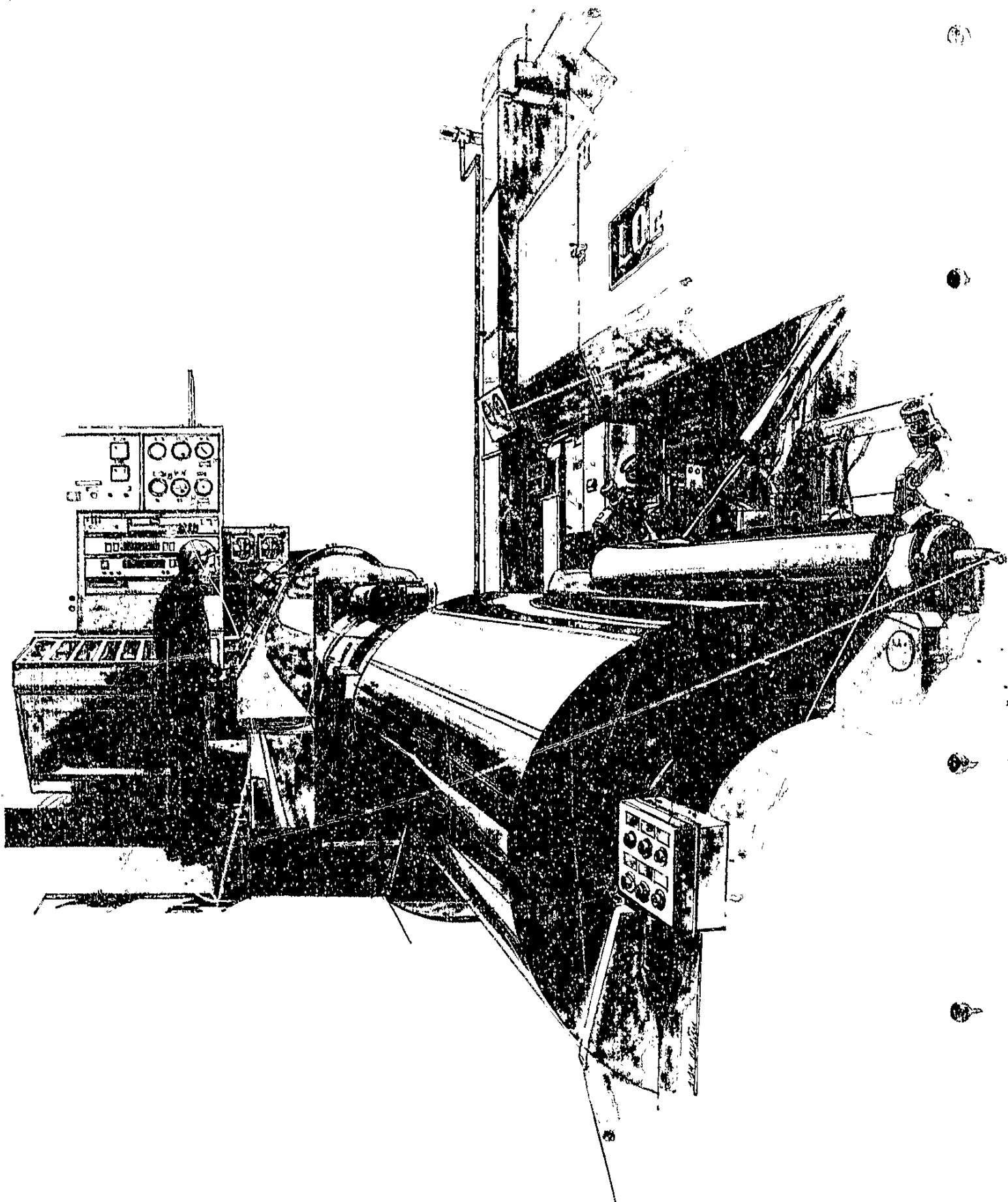
19 March 1976
Registered Office:
Alcan House,
30 Berkeley Square,
LONDON W1X 6DP

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.

N.B.: This Notice is sent to holders of the Company's Convertible and Guarantee Loan Stocks for information only and does not entitle them to attend the meeting.

►A rolling ingot is hoisted from the casting pit at the Lynemouth, Northumberland smelter of Alcan (UK). It will be rolled into aluminium foil between 0.2 mm and 0.008 mm thick and then printed, laminated, or formed for use in a wide range of flexible and semi-rigid packaging products. Alcan (UK) supplies high quality aluminium ingot for rolling, extrusion, casting and remelting in customers' works throughout Britain.





ALCAN ALUMINIUM (UK) LIMITED AND ITS SUBSIDIARIES
Alcan Aluminium (UK) Limited

Directors (during 1975)	P. J. ELTON	<i>Chairman</i>
	A. F. BLACK	<i>Joint Managing Director</i>
	D. A. PINN	<i>Joint Managing Director</i>
	D. M. CULVER	
	J. M. GARDNER	
	J. H. HALE	
	D. MORTON	
	J. W. W. PEYTON	
	R. H. A. FORBES	<i>Secretary</i>

Senior Managers of the Company and its principal subsidiaries during 1975:

Alcan Aluminium (UK) Limited		
	D. A. E. HARRIS	<i>Commercial Manager</i>
	S. K. NOWAK	<i>Manager—Technical Co-ordination</i>
	M. WALKER	<i>Chief Personnel Officer</i>
Alcan Booth Industries Limited		
	D. MORTON	<i>Managing Director</i>
	F. J. DAVIES	<i>Managing Director, Extrusion and Building Products Division</i>
	B. J. C. MALLINSON	<i>Financial Director</i>
	M. C. d'E. MILLER	<i>Managing Director, Foil Division</i>
	J. R. PLACKETT	<i>Managing Director, Sheet Division</i>
	P. J. H. RATA	<i>Managing Director, Manufacturing Division</i>
	R. D. SHARROCK	<i>Managing Director, Stockist Division</i>
Alcan (UK) Limited		
	J. M. GARDNER	<i>Managing Director</i>
	G. RUSSELL	<i>Assistant Managing Director</i>
	P. B. HOLLAND	<i>Financial Director</i>
	J. S. POTTEN	<i>Commercial Director</i>

Registrars Regis Securities,
 Lynton House, 225/259 High Road, Ilford, Essex IG1 1NQ.

◀The illustration opposite shows one of the three new high speed aluminium foil rolling mills installed by Alcan Foils in Rogerstone, South Wales. With ancillary equipment these mills represent an investment of over £5 million which will provide Alcan with the long term capacity for a wider range of high quality products.

Chairman's Review

This report is written for all those interested in the fortunes of Alcan in the UK, and with special emphasis for all our employees upon whom so much of our future success depends.

General

1975 was a difficult period for business in many parts of the world and turned out to be one of the worst years in the history of the aluminium industry. Alcan was no exception and in the UK the falling value of sterling, low demand and high inflation added to our troubles.

The fall in the value of sterling against the dollar caused exchange losses on our dollar borrowings and increased the cost of those raw materials for which we pay in dollars. Together these items have cost over £2.5 millions.

Our loss in 1975 can only be described as most unsatisfactory and we are determined to improve our financial results and return to the improving trend of 1973 and 1974. Increased sales, further improvements in productivity and higher prices are all necessary but it will probably be 1977 before our financial position is corrected.

As mentioned in the interim statement, destocking by customers finished by mid year 1975 and a slow recovery can now be foreseen in the UK for the months ahead. The rate of recovery will depend largely on the USA, Germany and Japan which, while improving, are doing so at a slower pace than many have forecast.

In my view, a slow recovery in the western world will be best for the UK giving us more time to control inflation. Inflation means unemployment and insecurity. Increases in costs of employment and materials of the order of 20-25% cannot be sustained when our competitors overseas have an inflation rate of, say, 8%. Such increases in costs can only result in redundancies, economies and cutbacks.

Capital Expenditure and Profitability

We spent £9 million on new equipment in 1975, the principal project being three new foil mills in Alcan Booth Industries which will replace seven old ones and provide substantially greater capacity and productivity. In 1976 capital expenditure will probably not be more than £5 million, because our profitability is inadequate.

Industry suffers from a lack of understanding by many sections of people about profits. Profits are the lifeblood of all

businesses, without which they will die and render governments unable to finance their activities. Profits are the cash income needed to replace plant and machinery, to purchase new equipment and buildings for expansion, to repay loans we have borrowed for past expansion, to pay for stocks of materials including those on which work is being done and those waiting to be delivered to customers and, not least, to improve the rewards and working conditions for all of us in the company. In addition, we need to pay dividends, a small part of total earnings, to those who have put up money for the business to be established and expanded and provide taxes to the Government for their activities.

In 1973/74, at a time of strong demand, because of price control and an arbitrary and unjustified definition of profit reference levels in the Price Code, we were unable to put up prices in time to give adequate profitability on the large investments in new plant we had made previously. Until such time as sufficient profitability and cash inflow can be foreseen, further expansion is impossible.

Asset Valuation

During 1975 a professional valuation of our land and buildings was undertaken. This showed an increase in values from £19.8 million to £41.3 million which would result, if brought into the balance sheet, in a net addition after tax of £14.5 million. This change has not been incorporated in the accounts because of the uncertainties of the taxation situation and the form in which inflation accounting will be implemented. It is interesting to note also that if we were replacing our smelter and power station facilities today, the completed capital cost would be almost three times the original cost.

Exports

We have made substantial efforts in many parts of the world to achieve exports and I am glad to say have succeeded in a number of areas. Exports in 1975 totalled £18 million.

Industrial Democracy

Much is being written in the UK about industrial democracy or greater participation by employees in a business. Having been a director for many years of companies in Scandinavia I have, with interest, watched and taken part in experiments and developments in this field. There is no doubt in my mind that greater contact between all of us who work in a company

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can only be beneficial, whether he or she is on the Board, in management or on the shop floor, but it does take time to develop and there must also be a willingness on all sides, following such contact, to accept greater responsibility for decision making and the results which come from those decisions.

In my view, participation imposed by Government at this stage will fail, but managements and employees should be encouraged to achieve more contact and discussion within the framework of a code of practice which could be developed for industry, partly out of the existing systems of consultation and partly from lines developed elsewhere such as in Scandinavia. In many of our UK operations progress is being made towards greater participation at all levels.

Taxation

Taxation on personal incomes has now reached a point when I believe it acts as a deterrent to extra effort, drive and initiative, especially as inflation has driven up personal incomes into higher tax brackets with no adequate adjustment of those tax rates. This is particularly hard on key managers, specialists and technologists of all ages in all branches of our business, whose standard of living has fallen substantially in recent months as, even before the £6 per week limit, an increase in salary of 20% to offset inflation in costs to a man earning £5000-£6000 per annum would only provide a net improvement of 10-13% after tax.

Taxation in the UK now penalises hard work and will increasingly drive able young people abroad, including to the EEC, or into other less demanding careers, and yet without these people there will be no progress. Furthermore, this same tax system and the tax rates are beginning to prevent the proper reward of our employees in all jobs, even those at lower levels. In the notes to the annual accounts we show the effect of taxation on some salaries at different levels.

Future Development in the Aluminium Industry

Inflation throughout the world has substantially changed the picture for most basic materials and metals, particularly with respect to the cost of capital intensive projects. Study shows that new greenfield developments which take, say, three to five years to bring into operation, will require product prices 40-60% higher than today's levels even if inflation is controlled at 6-8%. There is, therefore, a

price 'viability gap' in justifying a new project quite apart from the world wide difficulty of finding enough capital to mount it.

This is the reason why developments of all kinds are being cancelled or delayed all over the world, including in the aluminium industry. I believe that only a sure but modest rate of world economic recovery, with a relatively low rate of inflation and a steadily improving price trend, will enable projects to be undertaken without which critical shortages in the future are certain.

It was because of the uncertainties in this economic situation that Alcan and its partners decided in December 1975 to defer a decision to start building the Irish alumina project, even though the financing had been largely arranged.

1975 has been for everyone a very difficult year. I would thank most sincerely all those who work for us for their understanding, unstinting effort and co-operation. 1976 will not be easy, but I am confident we shall progress towards a profitable future.

JOHN ELTON
Chairman

Report on Operations

ALCAN (UK)

Primary Ingot

Demand for the company's primary aluminium ingot products was depressed throughout the year from the levels achieved in 1974. The effects of reduced demand by users was accentuated by a substantial reduction in their stocks of ingot. Operations at the smelter continued to be successful both from a technical and environmental point of view although output was limited during the second half of the year to 80% of installed capacity. Operating efficiencies and metal quality remained excellent. An industrial relations system involving joint participation is being developed. It encourages joint problem solving methods to be applied in all areas of the plant and has been largely responsible for the operating performance and the successful attack on energy costs. The repairs to one boiler in the power station continue and will be completed during 1976. The company will then have its full generating capacity available for the first time. Raw material and other costs continued to rise during the year. The outlook for 1976 is for some improvement in demand.

Secondary Ingot

Demand for foundry ingot was below 1974 levels reflecting the continuing low level of activity in the motor and consumer durable industries. During the year the operating base of Alcan Enfield Alloys Ltd. was broadened, giving effect to the company's policy of increasing the amount of recycled metal available to its operations. This will benefit the company as demand improves.

ALCAN BOOTH INDUSTRIES

1975 was a difficult year for the company with demand for aluminium semi fabricated products some 20% below 1974 levels. Whilst external sales revenue at £112 million was only 8% below the previous year, sales volume was considerably reduced at a time of rapidly rising costs. There was a reduction of 14% in the numbers employed during the year. Market conditions remained extremely competitive throughout the year and margins came under pressure. The company made a loss before tax of £3.9

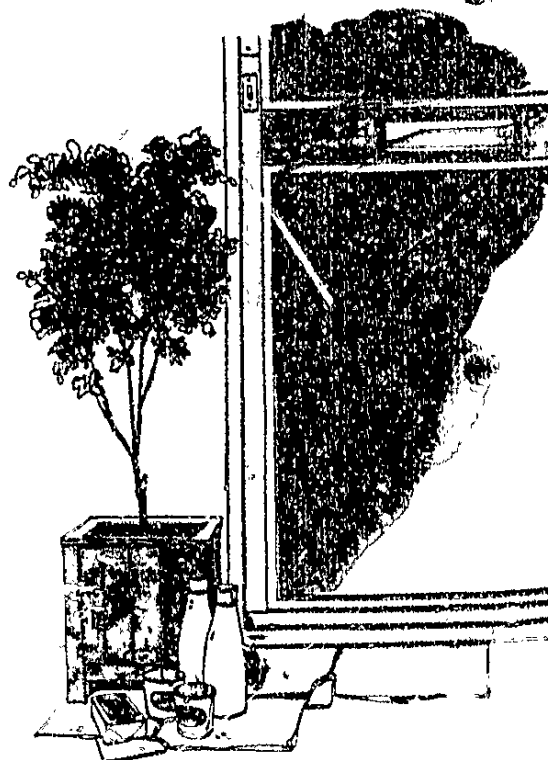
Alcan Booth Sheet produces the aluminium sheet used to produce closures for such well known brands as Gonzalez Byass and Johnnie Walker. They also supply sheet for the production of aluminium beer and soft drink cans used by Tennents, McEwans, A. G. Barr & Co. and others. Customer companies using Alcan aluminium to manufacture closures include Metal Closures, U.G. Closures and Thomas Hunter; Metal Box Limited and Nacanco are major users of Alcan aluminium for cans.

million. Operations are reported under divisional headings.

Sheet Division

External sales by the division at £37.5 million were 15% below the level of the previous year. Sales volume fell sharply reflecting a reduced level of market demand for rolled products. The drop in volume led to spare capacity and consequent pressure on prices. In these very difficult circumstances the division reduced its costs significantly and was also able to reduce its working capital by improved cash collection and operating with substantially lower inventories. The division was successful in expanding export sales during the year in spite of intense competition in overseas markets. The investment programme of the division was continued and a large new remelt furnace and soaking pits have recently been commissioned at the Rogerstone works. These, together with further improvements in metallurgical control, will help to ensure continuing improvement in quality levels. The Kitts Green works was awarded a Lloyds Register of Shipping approval under its new Quality Assurance Scheme for Materials, which demonstrates the high standard of quality control achieved. Kitts Green is the first aluminium works in the world to receive this award.

Alcan on the doorstep - milk bottle tops, butter wraps, yoghurt tops made from aluminium foil supplied by Alcan Foils. And, of course, an aluminium front door - supplied by Alcan Building Systems of Amersham (under the trade name Aluglaze) or Alcan Design Products of Wellingborough using extrusions made by Alcan Booth Extrusions.



Extrusion and Building Products Division and Thomas Bennett Limited

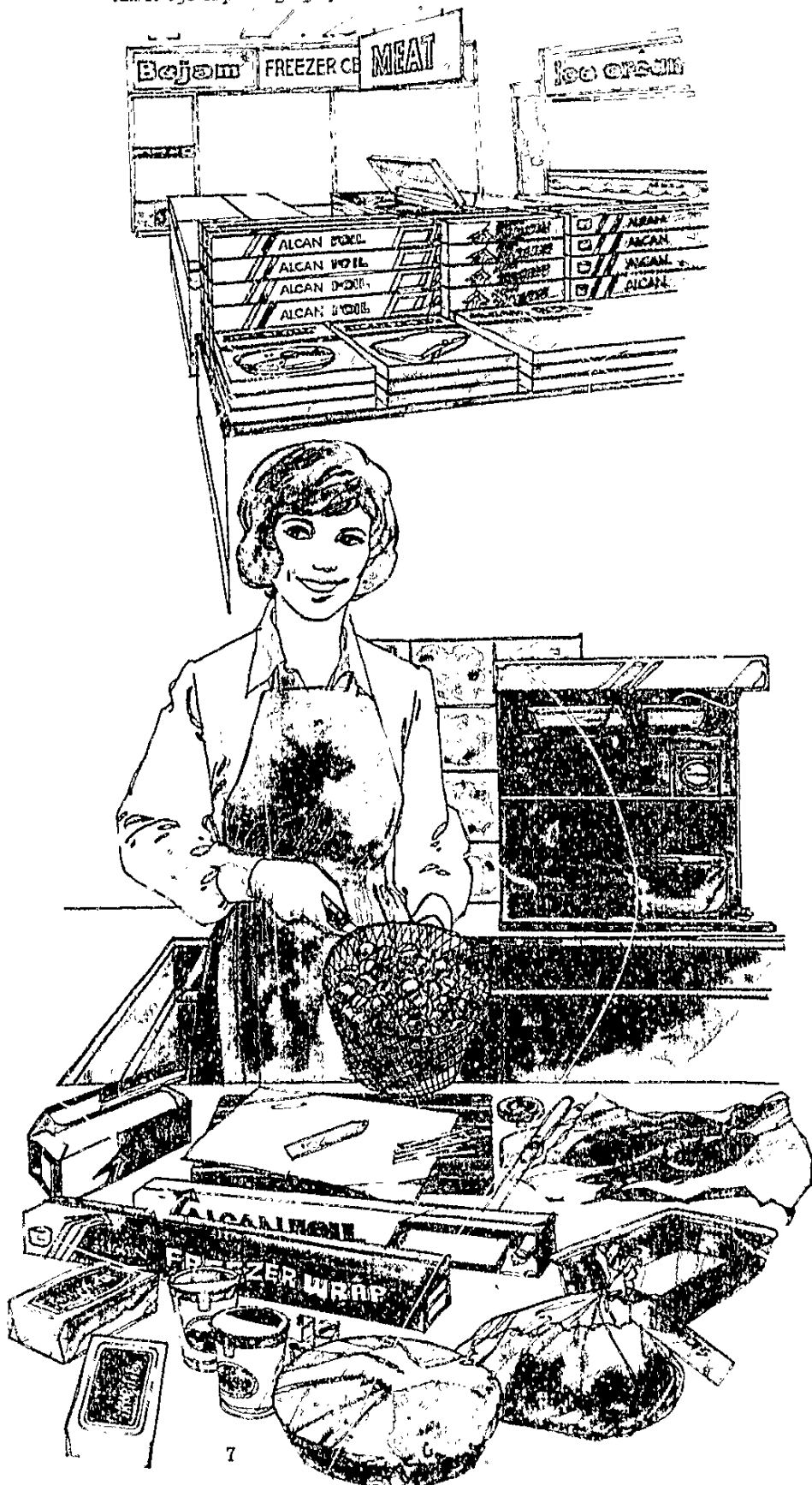
The market for extrusions was generally very depressed throughout the year and the considerable excess of installed capacity over demand had a damaging effect on prices and profitability. The building market also suffered an unprecedented fall in activity which adversely affected the division. Nevertheless, external sales were increased by 2.5% to £28.5 million as a result of a marked expansion in overseas business. The volume of home sales, however, was at a lower level. The investment programme now completed provides a strong base, from remelt to finishing, from which to take advantage of a higher level of demand when this develops. The Properzi mill is now producing high-quality products. Impressive success was achieved in developing the use of Anolok® architectural colour anodising. Sales into the home improvement market through Alcan Booth Systems and Alcan Design Products were at a higher volume. Alcan Building Materials was particularly successful in expanding export sales. Miralex made progress at home and abroad developing miniature extrusion sales. Thomas Bennett did not escape the effect of the lower building activity but maintained volume and profit in most areas. Exports of bullet-resistant glass to Europe represented a high percentage of the activity. In general, 1975 was a difficult year but steps taken to reduce costs and develop new markets at home and overseas put the division in a much stronger position to face 1976.

Foil Division

External sales by the division at £18.5 million increased by 6% over the 1974 level. Volume sales were lower but nevertheless the division increased its share of the UK foil market. The reduction in volume was mainly due to severe de-stocking by industry customers which continued for most of the year. An exception was household foil where the market continued to grow at about 4-5%. Demand for container foil fell away early in the year but recovered towards the year end. The important market for cigarette packaging was adversely affected by measures introduced in the April budget but recovered almost to pre-budget levels by the fourth quarter. De-stocking was largely complete by the end of the year but the packaging industry generally was reporting little sign of any real up-turn in demand. Sales of transparent laminates and associated packaging machinery were started successfully during the year. Alcan Foils Ltd. won the Gold Award of the International Export Association for

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Alcan in the kitchen - a range of products to help the busy cook, with cooking, freezing, wrapping, & cleaning. Alcan Foils Ltd. is a major supplier to the grocery store market in the UK, providing a complete range of foils and wraps for Supermarkets, Cash and Carry, and Freezer Centres such as the Ego chain. Alcan Foils is a major UK manufacturer of high quality aluminium foil containers which are sold to the industrial food processing companies. Alcan Foils offers a full range of packaging systems and closing machinery.



Report on Operations (Continued)

their exports of ALTEL[®] foil for sheathing telephone cables. Three new large foil rolling mills were successfully commissioned at Rogerstone works and will permit the closure of the older foil mills at Wembley early in 1976.

Stockist Division

External sales by the division at £18.5 million were 19% below the previous year, reflecting the low level of demand for all the metals sold by the division. During the year four old warehouses were closed and new premises occupied at Avonmouth, Whitefield and Poynton. A major new warehouse of 90,000 sq. ft. was opened at Sedgley in the West Midlands equipped with a wide range of processing equipment which, together with the modernisation of the distribution network, will allow the division to take advantage of the higher level of demand expected in 1976.

Manufacturing Division

External sales by the division were 8% lower than 1974 levels at £9.0 million. In a generally depressed market Alcan Wire, a leading manufacturer of aluminium alloy wire, experienced a decline of 14% in sales but made further progress in widening the company's export base. Exports now represent over a third of sales. Following re-organisation Alcan Overhead Line Fittings, manufacturers of

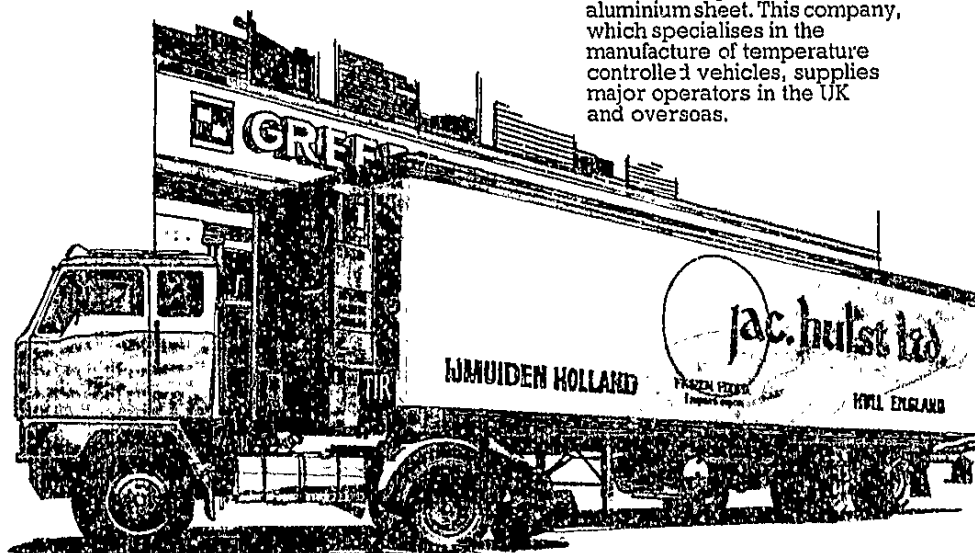
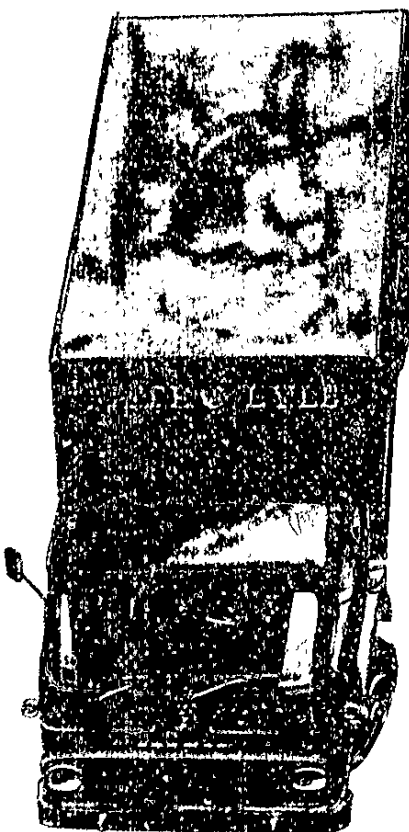
electrical conductor accessories and insulator fittings, had a successful year. Sales increased significantly and exports now account for over 50% of turnover. Although demand for commercial road transport vehicle bodies slumped at the end of 1974, Freight Bonallack maintained a reasonable order book by specialising in the production of refrigerated trailers for the transport of chilled meat, deep frozen foods and dairy products. Similarly, Freight Development, by specialising in the production of van bodies for food and beverage distribution, had a generally successful year, increasing external sales by 5%. E. C. Payter, metal fabricating specialists, consolidated their reputation for high quality workmanship and increased external sales by 11%, in spite of reduced ordering by the engineering and petro-chemical industries.

SAGUENAY SHIPPING (UK)

The company had a successful year with revenues up 12%. In addition to managing the European liner shipping operation of Saguenay Shipping, Montreal, the company provided an advisory service on transportation projects and marine operations. The shipping consultancy service for the Qatar Government continued and the company arranged the purchase and conversion of a vessel for this client.

▼ Distribution and delivery vehicles for the food and beverage industries are built for customers including Tate and Lyle and Cadbury Schweppes Foods by Freight Development Company in Lancing, Sussex using aluminium sheet and extrusions supplied through Alcan Metal Centres, the national distribution arm of Alcan Booth Industries. Freight Development Company, part of the manufacturing division of Alcan Booth Industries, specialises in the construction of three way entry van bodies.

▼ Refrigerated semi-trailers up to 12 metres long and to full international standards are built in Norwich by Freight Bonallack, using extruded aluminium sections and pre-painted aluminium sheet. This company, which specialises in the manufacture of temperature controlled vehicles, supplies major operators in the UK and overseas.



ALCAN ALUMINIUM (UK) LIMITED AND ITS SUBSIDIARIES
Five Year Record

	1971	1972	£ millions 1973	1974	1975
Sales	103	101	139	183	159
Trading profit	2.5	3.1	10.9	15.8	3.8
Profit (loss) before taxation	(3.3)	(4.0)	3.6	7.7	(5.5)
Profit (loss) attributable to shareholders	(1.2)	(3.2)	1.7	2.7	(2.4)
Assets employed					
Fixed assets	78.7	94.0	96.4	98.6	100.3
Investments	0.5	0.6	1.2	1.6	1.7
Net current assets	23.6	20.6	35.8	42.3	34.0
	<u>102.8</u>	<u>115.2</u>	<u>133.4</u>	<u>142.5</u>	<u>136.0</u>
Financed by					
Shareholders' investment					
Capital and reserves	25.0	21.7	27.5	30.1	33.0
Loans from shareholders	7.3	13.9	15.1	15.7	11.8
	<u>32.3</u>	<u>35.6</u>	<u>42.6</u>	<u>45.8</u>	<u>44.8</u>
Government grants	10.4	14.2	16.8	16.0	15.6
Deferred taxation	0.8	—	4.6	11.1	12.6
	<u>43.5</u>	<u>49.8</u>	<u>64.0</u>	<u>72.9</u>	<u>73.0</u>
Long term borrowings	53.7	59.8	63.0	62.2	56.1
Minority interests	5.6	5.6	6.4	7.4	6.9
	<u>102.8</u>	<u>115.2</u>	<u>133.4</u>	<u>142.5</u>	<u>136.0</u>
Depreciation	2.6	2.6	4.8	5.5	6.1
Capital expenditure	26.1	18.6	8.9	9.4	9.2
Funds generated	1.0	1.2	9.7	13.2	2.5
Capital employed	102.8	115.2	133.4	142.5	136.0
Return on capital employed (unlevered and excluding exceptional items)	2.2%	2.4%	7.6%	10.7%	2.1%

ALCAN ALUMINIUM (UK) LIMITED AND ITS SUBSIDIARIES

Directors' Report 1975

The directors submit their report and the audited accounts of the Company and its subsidiaries for the year ended 31 December 1975.

1. DIRECTORS

The directors listed at the top of page 3 served as directors throughout the year. In accordance with the Articles of Association, all the directors retire at the Annual General Meeting and offer themselves for re-election, except for Mr. A. F. Black who is taking up another appointment in the Alcan group. Mr. D. A. Main joined the board as chief financial officer on 1 February 1976.

2. ACCOUNTS

The consolidated accounts for the Company and its subsidiaries are annexed.

3. FIXED ASSETS

Capital expenditure during the year amounted to £9.2 million (1974—£9.4 million).

4. 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.

Alcan Booth Industries Limited commissioned its new foil mills, costing £5m, at Rogerstone, Gwent, and these are operating satisfactorily. During the year Tenon Contracts S.A. (Pty) Limited was sold to a South African purchaser, following the disposal of the principal part of Tenon Contracts Limited's business.

Alcan (UK) Limited operated for most of the year at approximately 80 per cent of capacity, reflecting the substantial downturn in the level of operations both on the primary and semi-fabricating sides of the business.

The depressed level of business activity continues to be a source of concern, in view of the losses incurred despite the reduction in the number of employees and of overhead costs.

5. SHARE CAPITAL

During the year Alcan Aluminium Limited assumed certain debts of the Company and, with the approval of the Trustees of the Company's Convertible Unsecured Loan Stock ("the Stock"), converted its holding of the Stock, resulting in its shareholding in the capital of the Company being increased by 5,164,723 Ordinary Shares of £1 each, bringing the total issued ordinary share capital up to £34,164,723.

6. DIRECTORS' INTEREST IN SHARES

The interests of directors of the Company and their families in stocks of the Company at 31 December 1975 were:

	9% Convertible Loan Stock
A. F. Black	£3,000
P. J. Elton	£13,333
J. M. Gardner	£2,000
J. H. Hale	£12,041*
* including £10,041 held through nominees	

These interests have not changed since 31 December 1974. Interests of directors in shares in Alcan Aluminium Limited are not shown, as the Company is a wholly-owned subsidiary of Alcan Aluminium Limited, a body incorporated in Canada.

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

7. VALUE OF LAND AND BUILDINGS

During the year a professional valuation of land and buildings was undertaken on the basis of open market value, with the exception of the smelter complex, harbour and power station which, because of their specialised nature and recent construction were valued at depreciated replacement cost, as at 31 December 1975. The resulting valuation of £41.3m which in total represents an excess over net book value of £21.5m has not been incorporated in the books of account because of the uncertainties of the taxation situation and the form in which inflation accounting will be implemented. After provision for taxation at current rates, the effect of incorporating the revaluation in the group accounts would have been to increase reserves by approximately £14.5m made up as follows:

Valuation	£m
Depreciated replacement cost:	
Freehold properties	25.7
Open market value:	
Freehold properties	12.6
Leasehold properties	3.0
	<hr/>
Book values	41.3
Original cost or valuation	24.8
Accumulated depreciation	5.0
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Net book value	19.8
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Excess over net book value	21.5
Provision for taxation	7.0
	<hr/>
Possible addition to shareholders' funds	14.5
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8. EXPORTS

Goods to the value of £18.2 million were directly exported by the Group from the United Kingdom in 1975 (1974—£15.3 million).

ALCAN ALUMINIUM (UK) LIMITED AND ITS SUBSIDIARIES

Directors' Report 1975

The geographical analysis of exports is:

	£m	%
Europe	11.0	60
Africa	3.9	21
North & South America	2.3	13
Others	1.0	6
	<u>18.2</u>	<u>100</u>

9. CHARITABLE DONATIONS

Charitable contributions totalled £14,000 (1974—£21,000). No political contributions were made during the year.

10. EMPLOYEES

The average weekly number of employees of the Group during the year was 8,438 (1974—9,382) and their aggregate gross remuneration was £27.7 million (1974—£23.9 million).

11. PENSION FUNDING

The Group operates a pension plan for all employees. Contributions are held in trustee-administered funds completely separate from the Group's finances.

An actuarial valuation of the Fund at 30 June 1975 revealed that vested liabilities were fully covered by assets and the Pension Plan was fully funded.

12. AUDITORS

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

13. 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.

19 March 1976

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

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

In our opinion the accounts and notes set out on pages 12 to 24 give a true and fair view of the state of affairs of the Company and the Group at 31 December 1975 and of the loss and the source and application of funds of the Group for the year then ended and comply with the Companies Acts 1948 and 1967.

19 March 1976

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

ALCAN ALUMINIUM (UK) LIMITED AND ITS SUBSIDIARIES

Consolidated Profit and Loss Account for the Year ended 31 December 1975

	Notes	1975 £'000s	1974 £'000s
Sales	1	158,962	182,742
Trading profit	2	3,849	15,820
Other income (net)	4	75	998
		3,924	16,818
Interest	5	(8,083)	(9,162)
		(4,159)	7,656
Exchange (loss) profit	6	(1,300)	40
(Loss) profit before taxation		(5,459)	7,696
Taxation	7	2,630	(3,997)
(Loss) profit after taxation		(2,829)	3,699
Minority interest		472	(978)
(Loss) profit attributable to shareholders	13	(2,357)	2,721
Basic (loss) earnings per £1 share	8	(7.4p)	9.4p

ALCAN ALUMINIUM (UK) LIMITED AND ITS SUBSIDIARIES
Consolidated Balance Sheet at 31 December 1975

	Notes	1975 £'000s	1974 £'000s
NET ASSETS			
Fixed assets	9	96,905	95,207
Premiums on acquisition	1	3,356	3,363
Associated company and other interests	11	1,741	1,670
Working capital			
Current assets			
Bank balances and cash		4,333	1,720
Receivables—third parties		31,983	43,197
—fellow subsidiaries		931	1,105
Inventories		28,880	43,621
		<u>66,127</u>	<u>89,643</u>
Current liabilities			
Payables—third parties		24,081	25,559
—fellow subsidiaries		3,967	16,114
Bank overdrafts—secured		144	239
—unsecured		3,019	3,985
Other loans repayable within one year	18	862	1,022
Taxation		—	400
		<u>32,073</u>	<u>47,319</u>
		34,054	42,324
		<u>136,056</u>	<u>142,564</u>
CAPITAL EMPLOYED			
Shareholders' investment			
Share capital	12	34,165	29,000
Share premium		600	600
Profit and loss	13	(1,798)	559
		<u>32,967</u>	<u>30,159</u>
Loans from holding company and fellow subsidiary			
Subordinated	16	11,678	13,643
Other		171	97
		<u>11,849</u>	<u>13,740</u>
Loan stock	17	—	1,900
		<u>44,816</u>	<u>45,799</u>
Government grants	14	15,628	16,037
Deferred taxation	15	12,534	11,089
		<u>72,978</u>	<u>72,925</u>
Loan stocks	17	18,100	18,100
Other loans not repayable within one year	18	36,902	42,756
Deferred liabilities	19	1,139	1,377
Minority shareholders' interest in tangible assets		6,937	7,406
		<u>136,056</u>	<u>142,564</u>

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ALCAN ALUMINIUM (UK) LIMITED

Balance Sheet at 31 December 1975

	Notes	1975 £'000s	1974 £'000s
NET ASSETS			
Fixed assets	9	58	57
Interest in subsidiaries	10	86,103	89,940
Interest in associated companies	11	896	896
Working capital			
Current assets			77
Bank balances and cash		3,276	114
Receivables—third parties		68	61
—subsidiaries		2,113	44
—fellow subsidiaries		4	
		<u>5,461</u>	<u>296</u>
Current liabilities			
Payables—third parties		1,802	535
—subsidiaries		46	28
—fellow subsidiary		72	127
Other loans repayable within one year	18	500	---
		<u>2,420</u>	<u>575</u>
		3,041	(279)
		<u>90,098</u>	<u>90,614</u>

CAPITAL EMPLOYED

Shareholders' investment

Share capital	12	34,165	29,000
Share premium		600	600
Profit and loss	13	(1,961)	371
		<u>32,804</u>	<u>29,971</u>
Subordinated loans from holding company and fellow subsidiary	16	11,678	13,643
Loan stock	17	—	1,900
		<u>44,482</u>	<u>45,514</u>
Deferred taxation	15	1,016	---
		<u>45,498</u>	<u>45,514</u>
Loan stocks	17	18,100	18,100
Other loans not repayable within one year	18	26,500	27,000
		<u>90,098</u>	<u>90,614</u>

P. J. ELTON }
A. F. BLACK } Directors

CERTIFIED AS A TRUE

COPY OF THE ACCOUNTS

Director
Secretary

DIRECTOR

SECRETARY

ALCAN ALUMINIUM (UK) LIMITED AND ITS SUBSIDIARIES

Statement of Source & Application of Funds for the year ended 31 December 1975

	1975		1974	
	£'000s	£'000s	£'000s	£'000s
SOURCE OF FUNDS				
(Loss) profit before taxation		(5,459)	7,696	
Adjustment for items not involving movement of funds				
Depreciation	6,052			5,478
Profits retained in associated companies	(28)			(248)
Premiums on acquisition written off on disposal	222			—
Exchange loss (profit) provision on foreign currency borrowings	1,050			(40)
Taxation adjustments	372	7,668	4,988	(202)
Funds generated from operations		2,209	12,684	
Book value of capital assets sold		327	533	
Total funds generated		2,536	13,217	
Funds from other sources				
Increase in share capital	5,165			—
Government grants	698			505
Group relief of losses	3,749			2,825
Increase in borrowings	—	9,613	3,761	431
		12,149	16,978	
APPLICATION OF FUNDS				
Purchase of fixed assets	(9,185)			(9,449)
Reduction in borrowings	(10,695)			—
Investments and loans in associated companies and subsidiaries	(301)			(323)
Reduction in deferred liabilities	(238)			(705)
Proposed dividend	—	(20,419)	(10,479)	(2)
		(8,270)	6,499	
Increase (decrease) in working capital				
Increase (decrease) in inventories	(14,741)			17,813
Increase (decrease) in receivables	(11,388)			1,432
Increase (decrease) in bank balances and cash	2,613			(972)
Decrease (increase) in payables	13,625			(11,828)
Decrease in bank overdrafts and loans	1,221			186
Decrease (increase) in taxation	400			(132)
		(8,270)	6,499	

ALCAN ALUMINIUM (UK) LIMITED AND ITS SUBSIDIARIES

Notes to the Accounts

1. Accounting Policies

(i) BASIS OF CONSOLIDATION

(a) Composition of the Group.

The Group accounts consolidate the accounts which are made up to 31 December 1975, of the Company and its subsidiaries, the principal ones of which are listed opposite page 24.

As a result of the arrangements described in note 15, the financial year of Alcan (UK) Limited ends on 31 March 1976. However, audited accounts for the year ended 31 December 1975 have been consolidated.

(b) 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 Alcan Aluminium (UK) Limited Group.

(c) Profit and Loss Account.

The profits and losses of subsidiaries and associated companies are incorporated on the following bases:

1. Existing subsidiaries.

The total profits and losses realised for the year are included.

2. Interest in associated companies.

Under the equity accounting principle which has been adopted by the Group the results for the year of the Group include the share of profits attributable to Alcan Aluminium (UK) Limited in these companies, which are listed in note 11. The results of associated companies are derived from the latest accounts available for those companies which are not in all cases audited or made up to 31 December 1975: the effect of using these accounts instead of accounts made up to that date is considered not to be significant in relation to the overall results of the Group.

3. Profit on inter-company sales unrealised at 31 December has been eliminated.

(ii) DEPRECIATION

Depreciation of fixed assets is on a straight-line basis using rates estimated to write off each asset over its useful 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%—3%
Plant and machinery	4%—10%

(iii) INVENTORIES

Inventories have been consistently stated at the lower of cost and net realis-

able 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.

(iv) PREMIUMS ON ACQUISITION

Premiums on acquisition are stated at cost after eliminating the proportion attributable to minority interests in a subsidiary. The premiums relate to the excess of the purchase consideration over net tangible assets of subsidiaries at the time of acquisition.

(v) REPAIRS AND RENEWALS

Repairs and renewals are charged to revenue in the year in which the expenditure is incurred.

(vi) RESEARCH AND DEVELOPMENT COSTS

Research and development costs are written off when incurred.

(vii) 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.

(viii) DEFERRED TAXATION

The Group provides for deferred taxation on the deferral method. Amounts are set aside for the equalisation of capital allowances and for timing differences arising from items charged against or credited to trading profits (including stock appreciation relief), which are dealt with in other years in determining the corporation tax liability, such amounts being reduced by unrelieved tax losses. The charge or credit for taxation in the profit and loss account is computed by reference to the accounting profit or loss after adjusting for items permanently disallowed for taxation, the resulting difference from the corporation tax liability being adjusted through the deferred taxation account.

(ix) FOREIGN CURRENCIES

Assets and liabilities in foreign currencies are converted into sterling at rates ruling at the year-end. Differences arising from changes in exchange rate are dealt with through the profit and loss account. This represents a change in the accounting policy in respect of the translation of a subordinated loan from a fellow subsidiary. The effect of this change is shown in Note 6 to the accounts.

(x) 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 19). The assets are amortised on a straight-line basis over their estimated useful lives and financing costs are absorbed over the terms of the leases.

ALCAN ALUMINIUM (UK) LIMITED AND ITS SUBSIDIARIES

Notes to the Accounts

PROFIT AND LOSS ACCOUNT

2. Trading profit

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

	1975 £'000s	1974 £'000s
Depreciation (See note 1 (ii) and (x))	6,052	5,478
Auditors' remuneration	140	108
Hire of plant and machinery	668	617
Charges from a fellow subsidiary company under the terms of the transaction referred to in note 20	651	—
Redundancy payments	783	124
Pension augmentation	—	510

3. Directors' and employees' emoluments

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

	1975	1974
Fees	3	1
Other emoluments	121	103

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

	1975	1974
Emoluments of the highest paid director, who was chairman	25,000	22,805

The following table shows the numbers of other directors and senior employees of the Company whose emoluments during the year were within the bands stated, and in addition the total amount of income tax at the appropriate graduated rates for 1975/76 based on the higher end of each band with the corresponding pay after tax (assuming the recipient to be a married man without dependent children and with no other source of income).

Emoluments £	Tax £	Pay after tax £	1975	1974
Directors				
Up to 2,500			2	5
2,501—5,000	1,400	3,600	1	1
5,001—10,000	5,500	7,000	—	1
10,001—15,000	9,000	8,500	1	1
15,001—20,000	10,900	9,100	1	2
20,001—25,000	14,900	10,100	2	—
Employees				
Up to 2,500	5,500	7,000	3	3
2,501—5,000	7,200	7,800	2	1

The effect of taxation on other employee income groups is as follows:

	Tax	Pay after tax
3,000—4,000	1,100	2,900
4,001—5,000	1,400	3,600
5,001—6,000	1,800	4,200
6,001—7,500	2,500	5,000
7,501—10,000	3,900	6,100

4. Other income (expenses)

	1975 £'000s	1974 £'000s
Associated companies—share of profits, before taxation	28	248
—interest on loans	32	30
—loss on investment	(40)	—
Short-term interest	185	229
(Loss) profit on sale of investment in subsidiary	(72)	53
Profit on sale of land and buildings	142	438
Premium on acquisition written off on disposal of a business	(200)	—
	75	998

ALCAN ALUMINIUM (UK) LIMITED AND ITS SUBSIDIARIES

Notes to the Accounts

5. Interest charges

	1975 £'000s	1974 £'000s
On debentures and other loans repayable partly or wholly after five years	2,311	4,089
On 9 per cent Convertible Unsecured Loan Stock 1989/94	994	1,080
On bank loans, overdrafts and loans repayable within five years	4,778	3,993
	8,083	9,162

6. Exchange Losses on Foreign Borrowings

As a result of the change in accounting policy (See Note 1 (ix)) losses arising from the translation of borrowings in foreign currencies at current rates of exchange are fully provided for in the accounts of the Company. Insofar as these relate to prior years, adjustments have been made in the appropriate profit and loss accounts and comparative figures.

The effective change in prior year profits and reserves is as follows:—

	Increase (decrease) £'000s
Year ended 31 December 1973 and prior	(1,131)
Year ended 31 December 1974	190
	(941)

Of the £1,300,000 charged in the consolidated profit and loss account in the current year, £250,000 represents a realised loss.

7. Taxation

	1975 £'000s	1974 £'000s
Transfer from (to) deferred taxation account (Note 15)	2,544	(3,437)
Corporation tax	—	(360)
Taxation on share of profits of associated companies	(46)	(104)
Foreign taxation	—	(3)
	2,498	(3,904)
Adjustments in respect of prior years:		
Corporation tax	132	—
Deferred taxation	—	(93)
	2,630	(3,997)

The relief for UK taxation of £2,498,000 is at the current corporation tax rate of 52% and is based on the loss for the year.

8. Earnings per share

The basic loss (1974 earnings) per share is calculated on losses attributable to shareholders of £2,357,000 (1974—earnings £2,721,000). The weighted average number of shares in issue throughout the year was 31,800,000 (1974—29,000,000).

ALCAN ALUMINIUM (UK) LIMITED AND ITS SUBSIDIARIES

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to the Accounts

BALANCE SHEET

9. Fixed assets

(a) Group

	Freehold premises	Leasehold premises		Plant and Machinery	Leased plant	Total
		Short term	Long term			
Cost	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s
Opening balance	21,076	1,492	917	106,349	1,487	131,321
Additions	1,389	160	9	7,420	201	9,185
Disposals	(99)	(2)	(77)	(882)	—	(1,060)
Closing balance	22,366	1,656	849	112,887	1,688	139,446
Depreciation						
Opening balance	3,756	405	113	31,814	26	36,114
Additions	602	138	17	6,234	103	7,094
Disposals	(43)	(2)	(5)	(617)	—	(667)
Closing balance	4,315	541	125	37,431	129	42,541
Net book amount						
31 December 1975	18,051	1,115	724	75,456	1,559	96,905
Net book amount						
31 December 1974	17,320	1,087	804	74,535	1,461	95,207

(b) Company

Cost						
Opening balance	3	142	—	101	—	246
Additions	—	5	—	23	—	28
Group transfers	(3)	(133)	—	(6)	—	(142)
Closing balance	—	14	—	118	—	132
Depreciation						
Opening balance	2	136	—	51	—	189
Additions	—	4	—	21	—	25
Group transfers	(2)	(133)	—	(5)	—	(140)
Closing balance	—	7	—	67	—	74
Net book amount						
31 December 1975	—	7	—	51	—	58
Net book amount						
31 December 1974	1	6	—	50	—	57

Depreciation charge	1975 £'000s	1974 £'000s
The depreciation charge in the profit and loss account is arrived at as follows:		
Charge for the year based on cost	7,094	6,636
Less: transfer from government grants account (see Note 14)	1,076	1,169
	6,018	5,467
Add: under provision of depreciation on disposals of fixed assets	34	11
	6,052	5,478

ALCAN ALUMINIUM (UK) LIMITED AND ITS SUBSIDIARIES

Notes to the Accounts

10. Interest in subsidiaries (opposite page 24)

	1975 £'000s	1974 £'000s
The interest in subsidiaries in the Company's balance sheet is stated at cost, less amounts written off, and comprises:		
Ordinary shares	23,521	26,344
Loans receivable	62,782	64,776
	<u>86,303</u>	<u>90,120</u>
Less: Loans payable	200	180
	<u>86,103</u>	<u>89,940</u>

The Company has an agreement whereby it may be required, at any time after September 1977, to purchase from the minority shareholder in Alcan Booth Industries Limited the shares held by that minority shareholder.

11. Associated company and other interests

	1975		1974	
	Group £'000s	Company £'000s	Group £'000s	Company £'000s
Interest in associated companies:				
Unquoted ordinary shares at cost				
less amounts written off	801	771	817	771
Loans receivable	286	125	260	125
Share of profits after taxation retained in associated companies attributable to:				
Shareholders	163	—	188	—
Minority interests	39	—	32	—
	<u>1,289</u>	<u>896</u>	<u>1,297</u>	<u>896</u>
Other interests:				
Unquoted investment at cost which in the opinion of the directors is a fair valuation	375	—	373	—
Loan	77	—	—	—
	<u>1,741</u>	<u>896</u>	<u>1,670</u>	<u>896</u>

The associated companies and the proportions of the issued ordinary share capital held by the Company or by its subsidiaries at 31 December 1975 are as follows:

HELD BY THE COMPANY

Alcan Enfield Alloys Limited	50%
Luxfer Holdings Limited	33%

HELD BY ALCAN BOOTH INDUSTRIES LIMITED

Alcan Ekco Limited	50%
Johnson & Bloy Aluminium Pigments Limited	36%
Ulam Light Metal Co. (1954) Limited (incorporated in Northern Ireland)	35%

12. Share capital

	1975 £'000s	1974 £'000s
AUTHORISED		
Ordinary shares of £1 each	50,000	42,500
ISSUED AND FULLY PAID		
Ordinary shares of £1 each	34,165	29,000

The authorised share capital was increased to £50,000,000 at an Extraordinary General Meeting held on 12 June 1975.

On the same day 3,265,223 ordinary shares were issued at par to Alcan Aluminium Limited, Montreal, as consideration for their assumption of Can. \$6 million of the Can. \$30 million indebtedness of the Company to a fellow subsidiary and the cancellation by Alcan Aluminium Limited, Montreal, of a loan to the Company of U.S. \$1,664,000 both amounts being converted at the then current exchange rates.

Also on 12 June 1975 Alcan Aluminium Limited, Montreal, converted into ordinary shares £1,899,500 of 9% convertible loan stock 1989/94 held by them.

Of the unissued shares, 11,600,500 are reserved for conversion rights attached to the convertible stock and the loan from the Finance Corporation for Industry Limited.

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

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13. Profit and loss account

The movements during the year were:

	1975		1974	
	Group	Company	Group	Company
	£'000s	£'000s	£'000s	£'000s
Balance at 31 December 1974	559	371	(1,029)	(1,578)
Prior year adjustment in respect of exchange losses (Notes 1(ix) and 6)	—	—	(1,131)	(1,131)
	559	371	(2,160)	(2,709)
(Loss) profit attributable to shareholders	(2,357)	(2,332)	2,721	3,082
	(1,798)	(1,961)	561	373
Proposed dividend	—	—	(2)	(2)
	(1,798)	(1,961)	559	371

14. Government grants

£'000s £'000s

The movements on the account for the Group
during the year were:

Balance at 31 December 1974	16,037
Estimated grants receivable for the year	699
	16,736
Less:	
Amounts credited to profit and loss account in respect of:	
Reduction of the charge for depreciation (Note 9)	1,076
Disposals of fixed assets	32
	1,108
	15,628

15. Deferred taxation

£'000s

The movements on the account for the Group during the year were:

Balance at 31 December 1974	11,089
Transfer to profit and loss account (Note 7) (Company charge £1,016,000)	(2,344)
Group relief of losses (see note below)	3,749
Amount transferred from current taxation in respect of proposed relief for increase in stock values in the years ended 31 December 1973 and 1974	240
	12,534

As a result of losses arising from unused capital allowances, Alcan (UK) Limited is able to obtain group relief with another UK tax group company in respect of taxation periods ending 31 March 1976. Payment for the relevant losses will be made when the taxation becomes due on the profits so grouped, and the amount of £3.7 million (approximately £1.6 million of which is due after 12 months) has been taken up in receivables and credited to deferred taxation account.

ALCAN ALUMINIUM (UK) LIMITED AND ITS SUBSIDIARIES

Notes to the Accounts

16. Subordinated loans from holding company and fellow subsidiary

The amount outstanding is subordinated to the claims of all other creditors except holders of other unsecured indebtedness the terms of which provide for it to be subordinated to the claims of all or any of the unsecured creditors of Alcan Aluminium (UK) Limited

	1975 £'000s	1974 £'000s
Holding company	—	709
Fellow subsidiary *	11,678	12,934
Total stated at current exchange rates	11,678	13,643

*The Company has borrowed Canadian \$24,000,000 from Alcan Finances Overseas NV. At 31 December 1975 this loan is repayable in five equal instalments commencing 31 December 1978 or earlier at the Company's option. The rate of interest was eight per cent per annum until 31 December 1975 and thereafter will be at a rate of $1\frac{1}{2}$ per cent above the Canadian prime rate. The movements in the year relate to capitalisations described in note 12 and the exchange loss arising in 1975.

17. Loan stocks

	1975 £'000s	1974 £'000s
(i) 9% CONVERTIBLE UNSECURED LOAN STOCK 1989/94		
Stock purchased by holding company and included in , shareholders' investment	—	1,900
Stock held by third parties	10,100	10,100
Total stock in issue	10,100	12,000
(ii) 10½% GUARANTEED LOAN STOCK 1989/94		
Total stock in issue	8,000	8,000
	18,100	20,000

The terms relating to these stocks are as follows:—

- (i) The convertible stock is repayable at the Company's option on giving not less than three months' notice on or after 30 June 1989. Any stock outstanding at 30 June 1994, will be repaid on that date. In the year ending 30 June 1981, and in each following year the Company is required to set aside a sum equivalent to $2\frac{1}{2}$ per cent of the nominal value of the stock then outstanding and apply it in repayment at par of stock to be selected by drawings: in lieu of this obligation the Company may surrender to the Trustees stock previously purchased. Each stockholder has the right to convert each £1 of stock into £1 fully paid ordinary shares, such right being exercisable on 31 May in any of the years 1976 to 1980 inclusive. If (see below) the guaranteed stock becomes a debenture stock, the convertible stock will become a 9 per cent debenture stock ranking in point of security pari passu therewith but without prejudice to any conversion rights then outstanding. As stated in note 12, during the year the convertible stock held by the holding company was, with the consent of the Trustees, converted into ordinary share capital.
- (ii) The guaranteed stock is guaranteed by Alcan Aluminium Limited. It is repayable at the Company's option on giving not less than three months' notice on or after 30 June 1989. Any stock outstanding at 30 June 1994, will be repaid on that date. In the year ending 30 June 1981, and in each following year, the Company is required to set aside the sum of £200,000 and apply it in repayment at par of stock to be selected by drawings: in lieu of this obligation the Company may surrender to the Trustees stock previously purchased. If the net assets and profits of the Alcan Aluminium (UK) Group rise to certain levels the guarantee by Alcan Aluminium Limited, Montreal may, on one month's notice be withdrawn. In that event the guaranteed stock will become a debenture stock secured by a floating charge on the undertaking, property and assets of the Company and of certain of its subsidiaries.

ALCAN ALUMINIUM (UK) LIMITED AND ITS SUBSIDIARIES

Notes to the Accounts

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18. Other loans

	1975		1974	
	Group	Company	Group	Company
	£'000s	£'000s	£'000s	£'000s
LONG TERM LOANS (Repayable partly or wholly after five years)				
<i>Alcan Aluminium (UK) Limited</i>				
Advances from a consortium of banks (see medium term loans below).	—	—	12,000	12,000
<i>Alcan Booth Industries Limited</i>				
8 per cent Debenture Stock 1981/86 (secured)	6,328	—	6,328	—
This stock is repayable at par at any time between 15 December 1981 and 15 December 1986, at three months' notice by the Company				
7 per cent Mortgage (secured) repayable between 1981 and 1983	30	—	30	—
11 per cent Mortgage (secured) repayable in 1994	22	—	22	—
	<u>6,380</u>	<u>—</u>	<u>18,380</u>	<u>12,000</u>
MEDIUM TERM LOANS (Repayable within five years)				
<i>Alcan Aluminium (UK) Limited</i>				
Advance from Finance Corporation for Industry Limited repayable on 29 July 1979, or earlier at the Company's option. The rate of interest is dependent on the rate at which the Corporation itself borrows from its bankers and averaged 12.6 per cent for the year (1974—14.5 per cent). The Corporation is entitled to subscribe, on 31 May of any of the years 1976 to 1980, for up to 1,500,000 ordinary shares at par, if the guarantee for the guaranteed stock is withdrawn (see note 17) and if required by the Corporation, the Corporation's loan will be secured by a charge ranking pari passu with the security for the loan stocks	15,000	15,000	15,000	15,000
Advances from a consortium of banks which bore interest at an average rate of 12.6 per cent (1974—14 per cent). The loan is repayable in quarterly instalments of £500,000 commencing 31 October 1976, of £750,000 from 31 October 1977 and of £1 million from 31 October 1979 to 31 July 1980	12,000	12,000	—	—
<i>Subsidiaries</i>				
Bank overdrafts (total facilities £10 million) not repayable, except at a subsidiary's option until 1978	3,558	—	8,904	—
Bank loan secured by a debenture on a subsidiary company's assets, repayable on or before 31 March 1976	350	—	—	—
Bills payable under revolving credit	—	—	1,000	—
Loan from shareholder of subsidiary company repayable on demand	450	—	450	—
Other loans	26	—	44	—
	<u>37,764</u>	<u>27,000</u>	<u>43,778</u>	<u>27,000</u>
Less: Amount wholly repayable within one year	862	500	1,022	—
Leaving amounts payable after one year	<u>36,902</u>	<u>26,500</u>	<u>42,756</u>	<u>27,000</u>

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

19. Deferred liabilities

	1975 £'000s	1974 £'000s
(i) Payable to suppliers of capital equipment for the smelter Interest is payable on this amount at varying rates which averaged 10% (1974—13.3%) during the year	28	206
(ii) Amounts due to be paid for plant acquired under financing leases (Note 1 (x))	1,111	1,171
	1,139	1,377

20. Contingent liabilities

	1975 £'000s	1974 £'000s
(a) Group		
Accounts receivable and bills under discount	139	1,559
Guarantees	399	587
	538	2,146

(b) Company	63
Guarantees	

- (c) During the year a subsidiary of the Company sold 24 thousand tonnes of ingot to a subsidiary of the ultimate holding company at a price of U.S. \$20 million. The buying company has the right after March 1978 to require the selling company to repurchase the ingot at the original selling price fixed in terms of U.S. dollars. The selling company has the right to repurchase the metal at any time at the same price.
Under the terms of the sale agreement, the selling subsidiary has agreed to rebate to the purchaser such amount as may reasonably reflect the option rights and the purchaser's charge for administration, finance and standing charges, handling etc.

21. Capital expenditure

	1975		1974	
	Group £'000s	Company £'000s	Group £'000s	Company £'000s
Future expenditure authorised by the directors:				
Amounts contracted for but not provided for in the accounts	1,900	—	4,300	—
Amounts for which no contracts have been placed	2,600	—	4,200	—
	4,500	—	8,500	—

Government grants of £600,000 (1974—£500,000) may be receivable in respect of the total expenditure authorised.

22. Holding company

The Company's ultimate holding company is Alcan Aluminium Limited, incorporated in Canada.

23. Subsidiaries and associated companies

The principal subsidiaries and associated companies of the Group are listed opposite.

ALCAN ALUMINIUM (UK) LIMITED AND ITS SUBSIDIARIES

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Subsidiaries and Associated Companies

The following were the principal operating subsidiaries and associated companies of the Group at 31 December 1975. The shares of subsidiaries shown inset are held by the company under which they are listed.

Subsidiary Companies	Market Interests	% of nominal value of issued ordinary shares held by The Company	% of nominal value of issued ordinary shares held by Subsidiaries
ALCAN (UK) LIMITED*	<i>Ingot production and distribution; chemical sales</i>	100	100
Alcan Farms Limited	<i>Mixed farming in Northumberland</i>		100
Alcan Properties Limited	<i>Property in Northumberland</i>		100
ALCAN BOOTH INDUSTRIES LIMITED⁽¹⁾	<i>Manufacture and distribution of aluminium, semi-fabricated aluminium and end use products</i>	75	
Sheet Division			
Alcan Booth Sheet Limited	<i>Sheet, coil, plate and heavy extrusions</i>		100
Extrusion and Building Products Division			
Alcan Booth Extrusions Limited	<i>Extruded sections and rod</i>		100
Alcan Booth Systems	<i>'Aluglaze' sections for home improvements</i>		—
Alcan Building Materials Limited	<i>Roofing, cladding and patent glazing systems</i>		100
Alcan Design Products Limited	<i>Domestic and industrial double glazing and home improvement products</i>		75
Minalex Limited	<i>Miniature extrusions</i>		100
Foil Division			
Alcan Foils Limited	<i>Foil and other packaging products</i>		100
Alcan Polyfoil Limited	<i>Household foil, domestic products</i>		100
Manufacturing Division			
Alcan Overhead Line Fittings Limited	<i>Electrical conductor accessories and insulator fittings</i>		100
Alcan Wire Limited*	<i>Aluminium wire and tapes</i>		100
Bonallack Vehicles Limited	<i>Vehicle distributors and repairers</i>		100
Freight Bonallack Limited	<i>Refrigerated trailer and container manufacturers</i>		100
Freight Development Company Limited*	<i>Vehicle body builders</i>		100
E. C. Payer & Co. Limited	<i>Specialist fabricators and designers in aluminium and stainless steel</i>		100
Serco-Ryan Limited	<i>Stockists of small tools and fastenings</i>		100
Stockist Division			
Alcan Metal Centres Limited	<i>Metal stockists</i>		100
Alcan Transport Services	<i>Metal stockists for road and rail transport industries</i>		100
Coventry Metal Bars Limited	<i>Metal stockists</i>		—
Rapp Metals	<i>Metal stockists</i>		100
Alcan Booth (Export Purchasing) Limited	<i>Purchasing agents</i>		75
Thomas Bennett Limited*	<i>Aluminium and glass architectural products</i>		
ALCAN ENGINEERING SERVICES (UK) LIMITED	<i>Engineering consultants</i>	100	
SAGUENAY SHIPPING (UK) LIMITED	<i>Shipping agents and transport advisers</i>	100	
ASSOCIATED COMPANIES			
Alcan Enfield Alloys Limited ⁽²⁾	<i>Foundry alloys production</i>	50	
Luxfer Holdings Limited	<i>High-pressure cylinders</i>	33	
Alcan Ekco Limited ⁽³⁾	<i>Foil containers</i>		50
Johnson & Bloy Aluminium Pigments Limited ⁽²⁾	<i>Aluminium powder and paste</i>		36
Ulam Light Metal Co. (1954) Limited ⁽³⁾	<i>Metal fabrications</i>		35
OTHER ALCAN COMPANY IN THE UK			
Alcan International Limited	<i>(Research laboratories)</i>		
(including Alcan Research and Development Limited)			

NOTES

- 25% owned by a wholly-owned subsidiary of Kaiser Aluminum & Chemical Corporation. The company and its subsidiaries own a number of other subsidiaries, sub-subsidiaries and minority interests, of insufficient significance to note.
- 50% owned by The Delta Metal Company Limited and 50% owned by Alcan Aluminium (UK) Limited.
- Shares held by Alcan Booth Industries Limited.

Where indicated by an asterisk the companies have preference shares which are held in the same proportion as the ordinary shares (except for Alcan (UK) Limited where 80 preference shares are held outside the Group and Thomas Bennett Limited where 100 preference shares are held outside the Group).