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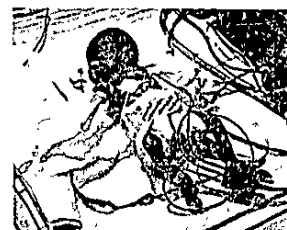
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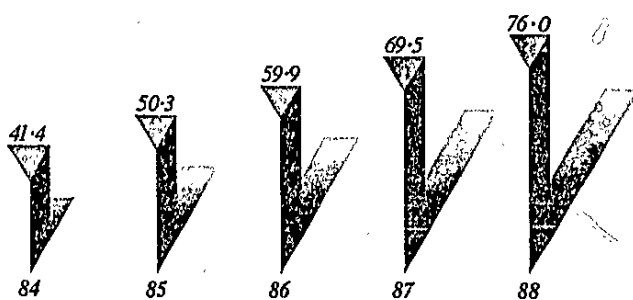
CORPORATE STRATEGY

Vickers is an international company in both sales and manufacturing. Each key business is a leader in its specialist field and each commands a significant share of its market. By developing its international competitiveness the Company aims to improve profitability and ensure consistent growth in earnings. Our strategy embraces both organic development – by product innovation, capital expenditure and worldwide marketing – and selective acquisitions. Above all, we seek to invest in those businesses which are in markets with potential for long term growth: businesses which enable the Company to increase prosperity for its shareholders and employees.

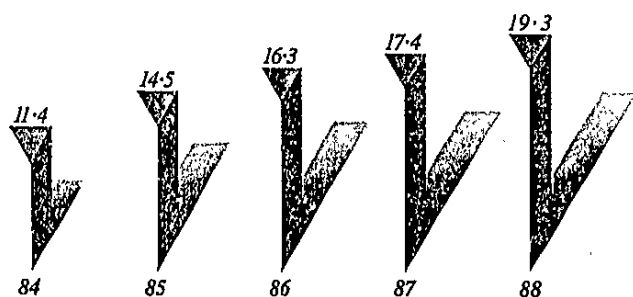


FINANCIAL INFORMATION

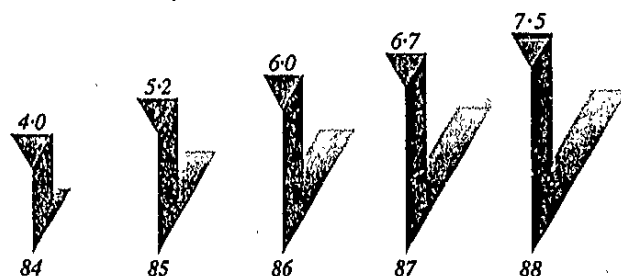
OPERATING PROFIT (£m)



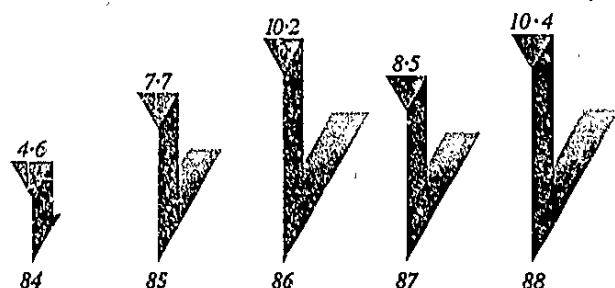
EARNINGS PER 50p ORDINARY SHARE (pence)



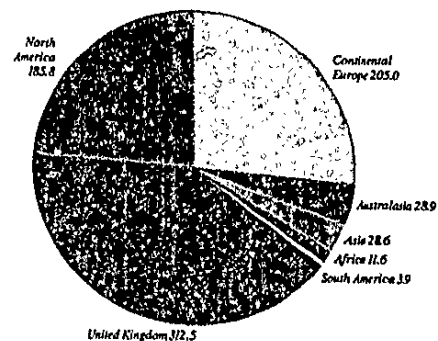
DIVIDENDS PER 50p ORDINARY SHARE (pence)



INTEREST COVER (NET INTEREST BASIS) £m



SALES BY DESTINATION (£m)



BOARD OF DIRECTORS

EXECUTIVE DIRECTORS

Sir David Plastow
Chairman and Chief Executive

Ron Taylor, C.A.
Managing Director

Bill Foreman, C.A.
Commercial Director

Roger Head, F.C.A.
Finance Director

Dr. Tony McCann
Development Director



From left to right: Bill Foreman, Tony McCann, Sir David Plastow, Roger Head, Ron Taylor

NON-EXECUTIVE DIRECTORS

Sir Ian Fraser, C.B.E., M.C.
Deputy Chairman

**H.R.H. The Duke of Kent,
K.G., G.C.M.G., G.C.V.O., A.D.C.**

Derek Kingsbury, C.B.E.

Sir Richard Lloyd, Bt.

John Raisman, C.B.E.

Martin Taylor, F.C.A.

N. Bevins
Secretary



Sir Ian Fraser



H.R.H. The Duke of Kent



Derek Kingsbury



Sir Richard Lloyd



John Raisman



Martin Taylor

CHAIRMAN'S STATEMENT

1988 has been a significant and stimulating year for your Company and I am delighted to report that the year produced an encouraging improvement in our performance as the reshaping of our portfolio of businesses has continued. Pre-tax profits at £69.8 million showed an increase of 11.5%.

Earnings per share were 19.3p, an increase of 10.9% over 1987, growing for the fifth consecutive year. Over that period, earnings per share have grown at a compound annual rate of 28%.

These results were achieved despite being significantly affected by currency movements during the year, a consequence of our international strength and having two-thirds of our sales outside the U.K. In particular, we were hit by the decline of the U.S. dollar. Aggressive currency management considerably reduced the adverse effects of the appreciation of sterling against the currencies in which we principally trade. However, these movements still affected profit before tax by some £14 million on a year-on-year basis.

The sale of our furniture business was very satisfactory in terms of the price achieved. However, as I informed you at the announcement of our interim results in September, the prolonged process of divestment did have a serious impact on the profit of this activity. The final part of the sale was completed in November. The effect of this delayed disposal was offset partly by profits on property disposals which increased by £1.8 million over 1987.

Divisional Performance

An outstanding performance was produced by Rolls-Royce Motor Cars where profits were ahead of those achieved last year, despite the burden of some £9 million because of adverse dollar exchange rates. Sales in the U.S. were up on 1987 in marked contrast to the performances of other highly priced European car imports. Worldwide sales growth demonstrates how the careful development of the Bentley marque has given an exciting new opportunity to this business. The impact was further emphasised by the introduction of the Bentley Turbo R to the U.S.A. towards the end of 1988 when the car received wide and approving press comment.

Following the purchase in 1986 of the Royal Ordnance tank factory at Leeds, the Company presented proposals to the Ministry of Defence in March 1987 for Challenger 2 to replace the ageing Chieftains in service with the British Army. Some twenty-one months later in December 1988, after intense competition particularly with a U.S. rival, our development proposals were accepted by the Government and we will produce a batch of prototype Challenger 2 tanks by September 1990. We have adopted our proven technology, developed in private venture programmes, and are confident that the Government will place a production order with Vickers before the end of 1990. Already the Government's commitment to Challenger 2 has increased international confidence in our Defence Systems Division and its wide range of fighting vehicles. We look forward to capturing overseas business which will comfortably exceed in value the prospective order for the British Army.

We believe the engineering skills at our modern Leeds and Newcastle factories are amongst the best in the world. This, coupled with the dedication of all the employees in this business, gives me confidence that within the next few years our armoured fighting vehicle activity will be a very large contributor to the growth of Vickers.

In the very competitive graphic arts sector, Howson-Algraphy, our lithographic printing plates and supplies Division, had another good year despite the effects of adverse currency movements. The Division increased shares in all key markets. The major addition to capacity of a fifth reel machine at the Leeds production plant has been commissioned. It will contribute to a further improvement in the quality of our printing plates and enable additional significant growth to be attained in 1989 and beyond.

In spite of the relatively weak demand for medical equipment - also experienced by other suppliers to this industry - in the early part of the year, especially in the U.S., our Medical Division made worthwhile progress, particularly in the later months. Our new purchase, the Danish-based

high technology monitoring company S&W, produced profits in line with expectations at the time of acquisition and gives the Division good scope for growth into related areas.

In the difficult area of marine engineering there was some deterioration in profits overall, largely the result of particularly harsh competition for the propulsion equipment manufactured by KaMeWa in Sweden.

Vickers Precision Components, suppliers to the gas turbine aero-engine industry, performed well, as did Crabtree Vickers, the specialist printing machinery Division in Leeds.

Directors

At the Annual General Meeting on 27 April 1989, Sir Ian Fraser, having reached the retirement age for Non-Executive Directors, will be leaving the Company. Sir Ian was appointed Chairman of Rolls-Royce Motors in 1971 and became Deputy Chairman of Vickers on the merger with Vickers in 1980.

A distinguished merchant banker, Sir Ian's contribution over such a long period has been invaluable. He has been a wise counsellor and friend to many in the Company and his ability to calm the wilder notions of the Executive Directors has been carefully matched by his own enthusiasm for the affairs of your Company. His talents have inspired all his colleagues. We wish Sir Ian well in his retirement.

Sir Richard Lloyd, Bt., who has been a member of your Board since 1978, will become Deputy Chairman following Sir Ian Fraser's retirement.



Dividend

The Board is recommending a final net dividend of 4.6p per 50p Ordinary Share, making a total of 7.5p for the year, compared to 6.7p for 1987.

Employees

Once again, I would like to thank our employees for their dedication and contribution to another successful year for the Company. In these fast-moving times, their ability to adapt to change and grasp opportunities as they arise is the key to our continuing progress. Without their commitment and enthusiasm, the many achievements of 1988 could not have been accomplished.

Prospects

We enter 1989 with our Company well placed, with a strong Balance Sheet and an excellent range of products which should provide continuing opportunities for further earnings growth.

David Plastow

David Plastow 20 February 1989

ROLLS-ROYCE MOTOR CARS

Worldwide sales turnover during 1988 at Rolls-Royce Motor Cars increased by 10% over the previous year. In value terms, sales rose to £205.3 million and profit before interest increased by 7.4% to £23.2 million.

The most significant single event during the year was the launch of the Bentley Turbo R in the U.S.A., which contributed to an outstanding sales success for the company in its largest single market.

During 1988 other European manufacturers in the luxury car segment saw their sales in the U.S. fall, whilst sales of Rolls-Royce and Bentley motor cars went against this trend. A total of 1,269 motor cars were sold in North America compared with 1,256 in 1987.

On top of this success, an all-time sales record was set in Japan, which was 13.4% up on the previous year.

Total sales showed steady growth, with retail sales reaching 2,801 motor cars compared with a figure of 2,784 for 1987. Underlying this growth were wholesale figures up by almost 10% worldwide on 1987, reflecting a significant increase in production during the latter months of 1988.

At a time of strong demand, this enabled the business to achieve worldwide retail sales for January 1989 which were nearly 30% up on the previous year.

During 1988 a total of 1,737 Rolls-Royce models were sold, while Bentley sales, boosted by the Turbo R's debut in the U.S. and Australia, moved ahead to 1,064 – 38% of total output.

Visual and engineering enhancements for the 1989 series of motor cars were introduced in mid-1988 and these met with customer and press approval.

Research and development spending during the year rose to £12.3 million, the equivalent to 6% of sales, while investment in new equipment, particularly in new machine tools, reached £11.3 million, an increase of 40% over the previous year.

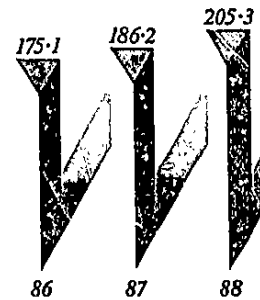
Investment in the dealer network worldwide continued during 1988. In the U.K. and Japan, in particular, substantial improvements were made in dealer facilities, and in Australia there were significant representation changes.

In Europe, investment and carefully targeted marketing efforts continued. The new purpose-built headquarters of Rolls-Royce Motor Cars International, at St.-Prex, in Switzerland, which handles marketing, sales and servicing of Rolls-Royce and Bentley motor cars in Europe and the Middle East, was officially opened by His Royal Highness The Duke of Kent in September.

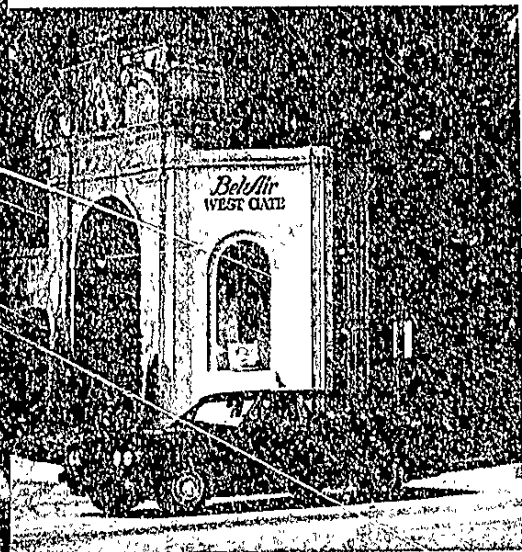
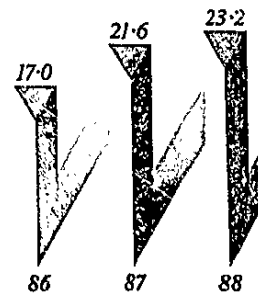


Peter Ward
Chief Executive
Rolls-Royce Motor Cars

SALES (£m)



PROFIT BEFORE INTEREST (£m)

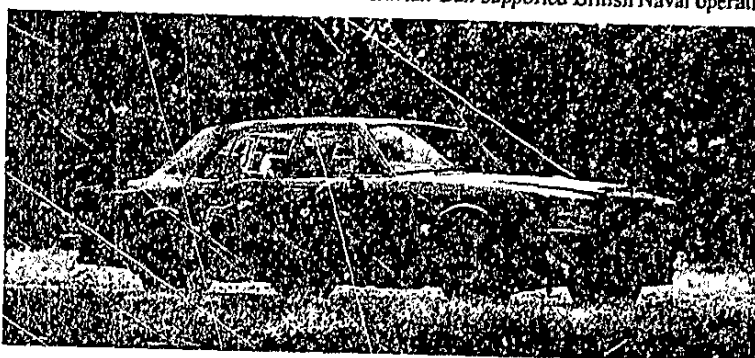


During 1988 more than 300 Bentleys were sold in North America and dealers report continuing high demand.

Specialist Engines

Demand for Specialist Engines spares increased throughout 1988 and deliveries to the Army were up by 30% on the previous year. Orders for steering units for the Royal Ordnance combat engineer tractor were fulfilled exactly to programme.

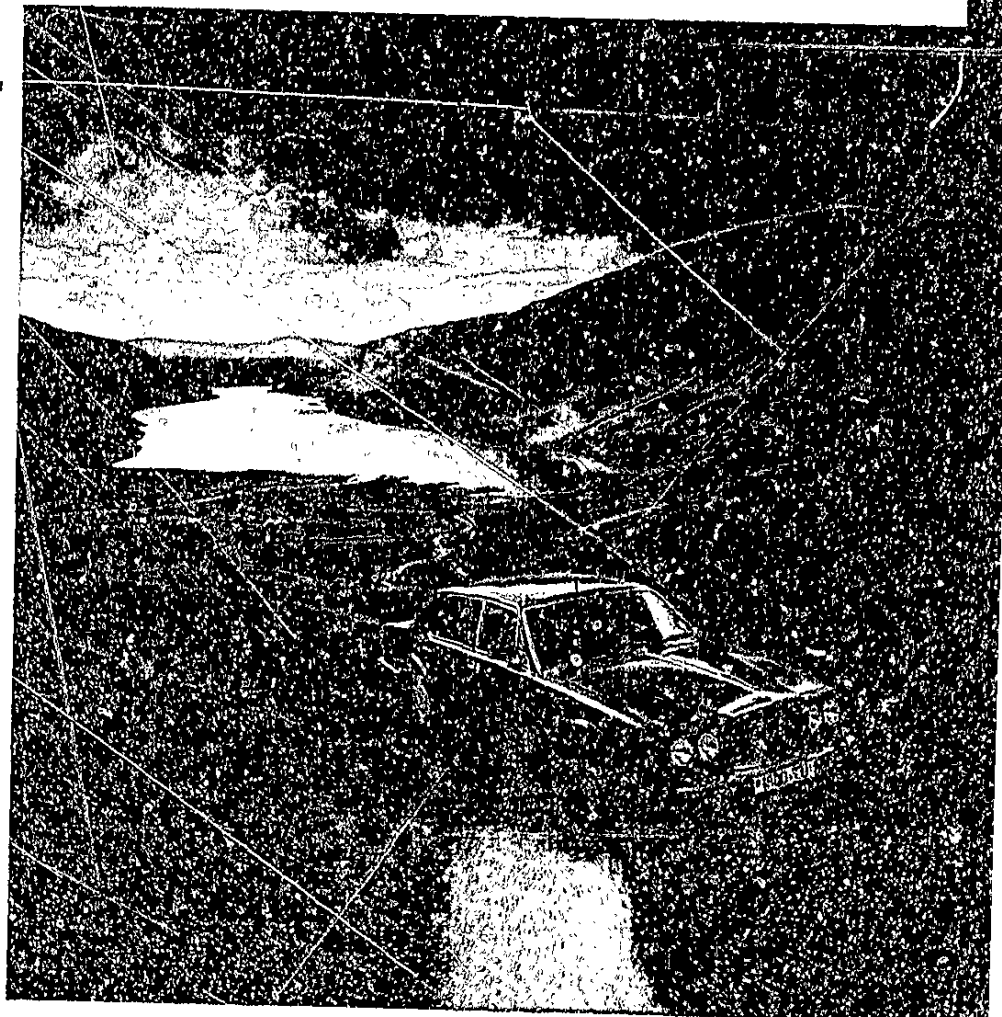
Overhaul requirements for generator modules utilised in Royal Navy minehunters employed in the Arabian Gulf supported British Naval operations there.



Each model in the Rolls-Royce range represents a skilful blend of traditional craftsmanship and proven technology to enhance passenger enjoyment and comfort.

Accounting for almost 40% of total sales, the outstandingly successful Bentley range comprises the Mulsanne S (shown here), plus the Turbo R, Continental and the Bentley 8.

The benefits of modern manufacturing technology and craft skills are combined to provide the highest standards of engineering excellence.



HOWSON-ALGRAPHY PRINTING PLATES

Howson-Algraphy achieved continuing growth in both sales, up by 16.3%, and profit, which increased by 10.3%, during 1988 despite fiercely competitive market conditions. The policy of diversification of product range has contributed towards sales continuing to grow faster than the market as a whole.

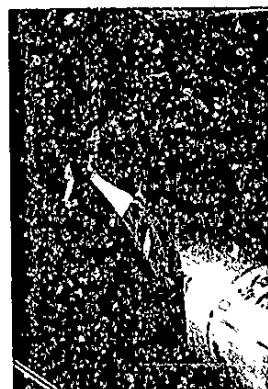
Sales and earnings were to some degree constrained by the longer than planned commissioning period for the new production line in the U.K. The benefits of this fast and flexible new reel machine will be fully realised in 1989.

The worldwide market for lithographic printing plates still shows appreciable growth but there is continuing downward pressure on prices as both major international corporations and small local producers have entered the market with aggressive pricing policies.

The acquisition during 1988 of Imperial Metal & Chemical Company in the U.S.A., the world's largest single marketplace, will bring benefits for both manufacture and marketing through Imperial's strong access to the U.S. newspaper and book-printing industries.

During the year, Howson-Algraphy consolidated its position as the second largest supplier in Europe and is in a strong position to take advantage of the opportunities offered by 1992. In the Far East, the Division continued to dominate the newspaper market in Taiwan and entry into the Japanese market stronghold has made an encouraging start.

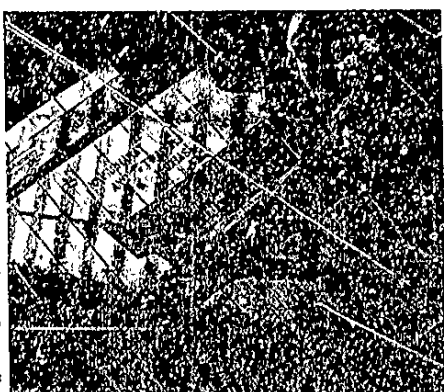
The investment programmes of the U.K. national newspaper publishers have allowed Howson-Algraphy to demonstrate its unique worldwide depth of experience in the printing of newspapers.



Tony Wright
Chief Executive
Howson-Algraphy

Imperial Metal & Chemical is North America's second largest supplier of plates to the newspaper industry. The Washington Post and U.S.A. Today are now among the company's best known U.S. customers.



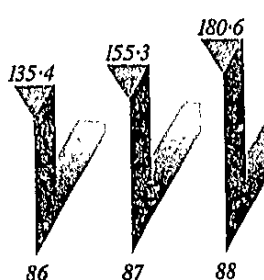


Howson-Algraphy is the world's third largest printing plate supplier and exports to around 100 countries worldwide.

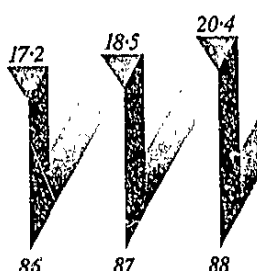


Many hundreds of newspapers and periodicals worldwide are printed using Howson-Algraphy lithographic plates.

SALES (£m)



PROFIT BEFORE INTEREST (£m)



The majority of U.K. national titles are now printed with products from the Division.

Product development in 1988 centered on AQ3, an upgrading of AQ2 which is the largest selling, negative-working aqueous plate in the world. This will enable the Division to maintain its competitive lead amongst large 'negative-working' customers, which include newspapers and book publishers. The programme of updating the 'positive-working' plate range has also continued with the launch of the Super Amazon plate, used for high quality colour printing. Several innovative products which are currently at an advanced development stage will be launched during 1989.

To maintain the growth achieved in recent years is a demanding challenge. However, continuing commitment to a Total Quality Management Programme will further develop and improve the business into the 1990s.

DEFENCE AND AEROSPACE

From beginning to end, 1988 was an eventful year for Vickers Defence Systems Division. Delivery commenced of the British Army's seventh regiment of Challenger 1 main battle tanks and both production and delivery of the tanks has proceeded on schedule.

At the very end of the year, after an intensive competitive assessment, the British Government awarded Vickers a substantial contract to develop the Challenger 2. This main battle tank is a combination of the proven Challenger 1 hull and the considerable private investment made by Vickers in advanced turret designs over the past five years.

The successful completion of the development programme will ensure the future of the Division for the next decade. Vickers has no doubt about its ability to meet the British Army requirement. The decision of the U.K. Government in favour of Vickers Challenger 2 enhances the export prospects for the full range of the Division's products.

The Ministry of Defence also awarded Vickers a significant contract for 47 further Challenger armoured repair and recovery vehicles (CRARRV). The development of this vehicle, under the competitive contract awarded in 1985, is on programme and on cost, ensuring that the in-service date to the Army for this vehicle will be met. CRARRV is a clear demonstration of the Division's ability to meet stringent time-based contractual obligations.

Design work on the Challenger training tank was completed to programme in 1988 in readiness for the vehicles to be manufactured and trialled in 1989.

Production of turrets for the British Army's Warrior infantry fighting vehicle continued on schedule during 1988. A total of 140 turrets were delivered to the prime contractor, GKN.

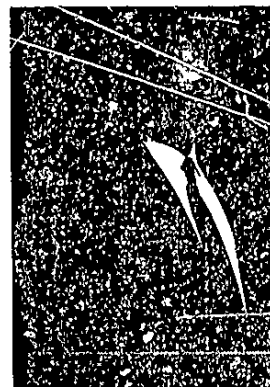
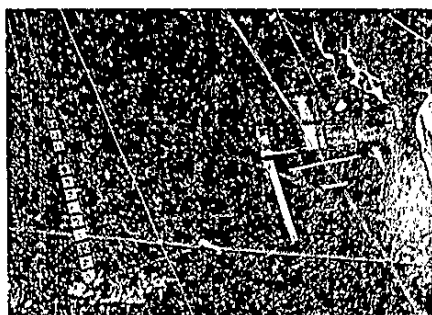
Work continued on the European collaborative programme for a multiple launch rocket system (MLRS) which will enter service with the British, French, West German and Italian armies. Vickers delivered the first of more than 300 crew compartments for MLRS on schedule in April. This achievement drew swift praise from the system integrator, Thyssen Henschel, and from the U.K. Ministry of Defence. Monthly deliveries continue in line with the contractual programme.

The Division achieved its first sale of the Vickers Valkyr armoured personnel carrier. The vehicles were ordered, produced and despatched to the customer in the Middle East within the same year. 1988 also saw a major breakthrough into the Korean market where the Division won a contract for the development and prototype manufacture of bridge-launching equipment. This will be fitted to K1 (Type 88) battle tanks for the Korean Army.

Significant increases in the supply of tank spares, both to the U.K. Ministry of Defence and to overseas armies, were recorded during 1988. Tank spares supply is now recognised as a major business opportunity and considerable effort is being made to expand this area of the Division's activity.

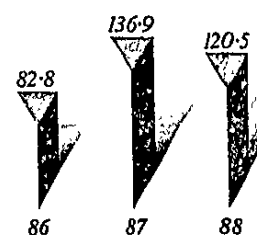
During the summer, Vickers took a prominent part in the British Army Equipment Exhibition at Aldershot where it demonstrated a large number of fighting vehicles and associated turret and armour technology to senior military personnel from all over the world.

Computer-aided design facilities at the Defence Systems factories at Leeds and Newcastle are electronically linked to facilitate speedy interchange of design data.

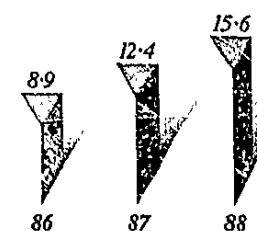


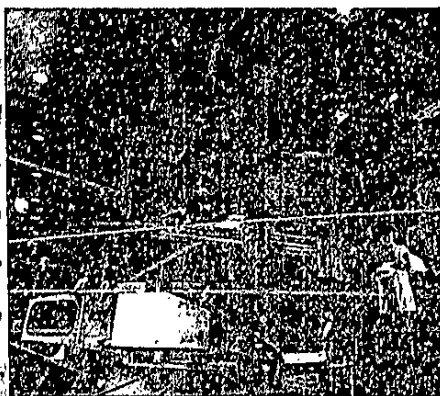
Gerald Boxall
Chairman and Chief Executive
Vickers Defence Systems

SALES (£m)



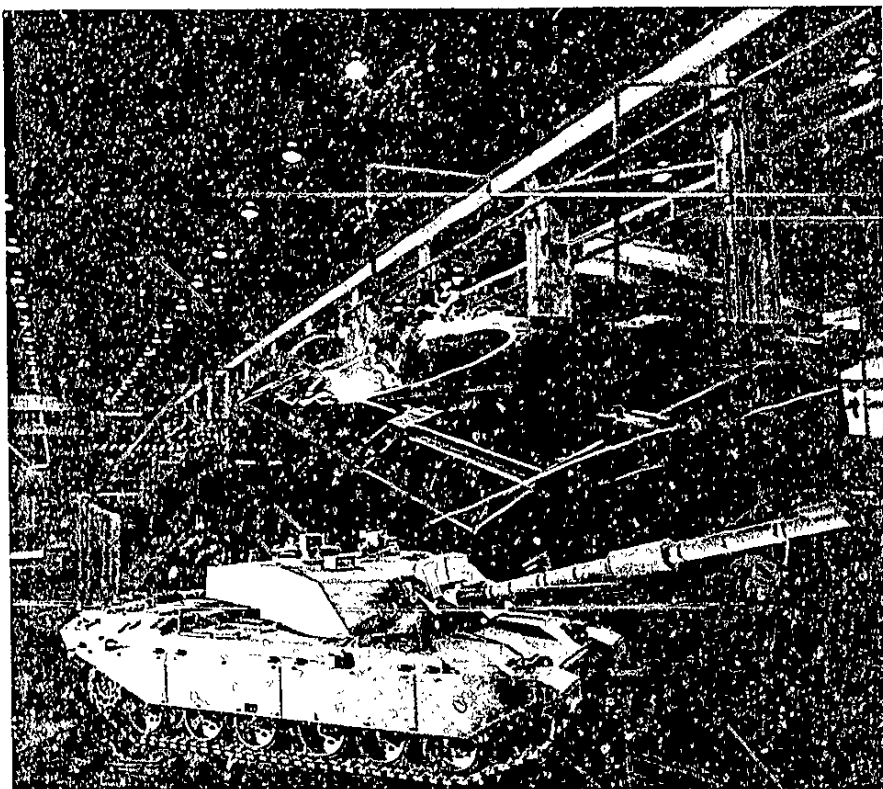
PROFIT BEFORE INTEREST (£m)





To meet the Army's timetable, Vickers Defence Systems began producing prototype turrets for the Challenger 2 tank in advance of the Government's decision.

Challenger 2 is well beyond the model stage at Vickers Defence Systems' new purpose-built Leeds factory. The tank will use the proven hull and suspension system of Challenger 1. Preliminary armour trials have been successful and the new turret is already taking shape.



Examples of high precision castings and fabrications made by Vickers Precision Components. In 1988, the Division won a £15m order to supply components to Pratt and Whitney Canada and the Garrett Turbine Engine Company.



Vickers Precision Components

Vickers Precision Components once again reported an improved performance for the year.

Orders from a number of the world's leading gas turbine manufacturers have continued the recent progress made in broadening the Division's customer base. Fabrication work at Shrewsbury continued to grow with an increasing number of orders from North America, including components for one of the world's largest selling gas turbine engines, the Pratt & Whitney PT6.

Considerable investment in technology, plant and equipment made in recent years has paid off in the form of enhanced capability for fabrications and improved efficiency in cast products.

The international aerospace components industry is extremely competitive but the Division's order book is strong and VPC is in a good position to continue the successful development of the last few years.

MEDICAL EQUIPMENT

The Medical Division made good progress in the last quarter of 1988 after a subdued start to the year. Profits increased by 25.5%, whilst sales rose by 19.7%. The business is now focused on the specialist areas of neonatal intensive care, patient monitoring and neurodiagnostic equipment and all these areas experienced weak demand in the first part of the year, particularly in the U.S.A.

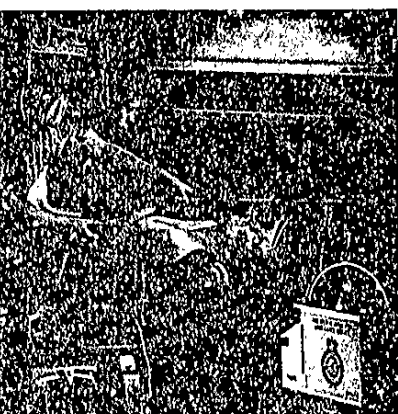
The Division's patient monitoring business was considerably strengthened by the acquisition of the S&W Group of Companies in May 1988. This comprises Medico Teknik, the manufacturing Division in Denmark, and distribution companies in the U.K. and West Germany. This acquisition greatly increases the Division's capability in neonatal monitoring and is complementary to Air-Shields' world dominance in infant incubators and open warming systems.

S&W also provides substantial entry into both the adult intensive care monitoring sector and the market for cardiac defibrillators, used in emergency treatment of heart attacks.

Integration of S&W into the Medical Division has proceeded well and has included combining the U.K. sales, service and distribution operations of Air-Shields Vickers and S&W. This will provide substantial efficiency benefits in 1989 and beyond. Plans are also being implemented to introduce S&W products into the U.S. market through Air-Shields' existing strong sales and distribution network.



Jim Everitt
Chief Executive
Medical Division



S&W market an extensive range of equipment for dealing with cardiac emergencies. The DMS 750 combines defibrillator, non-invasive temporary pacemaker, monitor and recorder in one compact, portable package.

Although the demand for neonatal intensive care remained steady, U.S. hospitals experienced falling bed occupancy in adult departments and there were consequent pressures on money available for capital purchases. This resulted in a slow-down in the purchases of replacement equipment including Air-Shields and TECA products. The last third of the year, however, showed a strong recovery enabling the Division to end the year on a positive note.

In trading terms, the weakness of the U.S. dollar was at least partially compensated by the substantial U.S. manufacturing base of Air-Shields, but profit growth was still adversely affected.

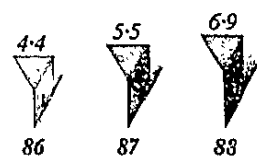
Several promising new products were launched during the year, including the Mistral evoked potential analyser from Medelec, a birthing room warmer from Air-Shields and a range of disposable electromyography needles from TECA. All received an excellent reception from the market and the birthing room warmer immediately commanded a major share of the U.S. market.

The S&W Athena monitoring system which was first announced at the end of 1987, underwent a full product launch in the U.K., Germany and Scandinavia in September 1988 and first indications are extremely encouraging. The system is expected to meet the demand for more sophisticated monitoring systems in both adult and neonatal intensive care units.

SALES (£m)



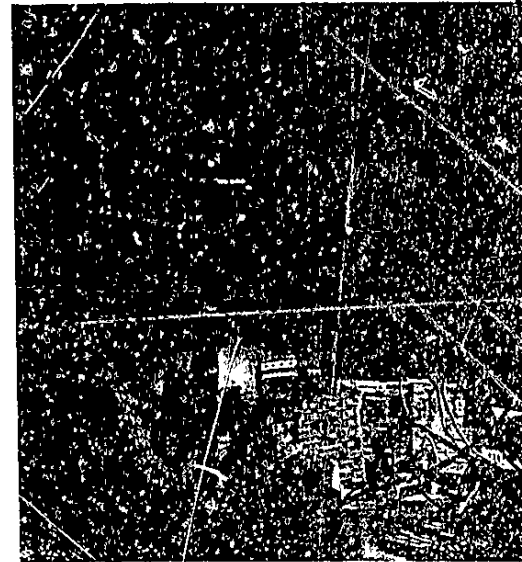
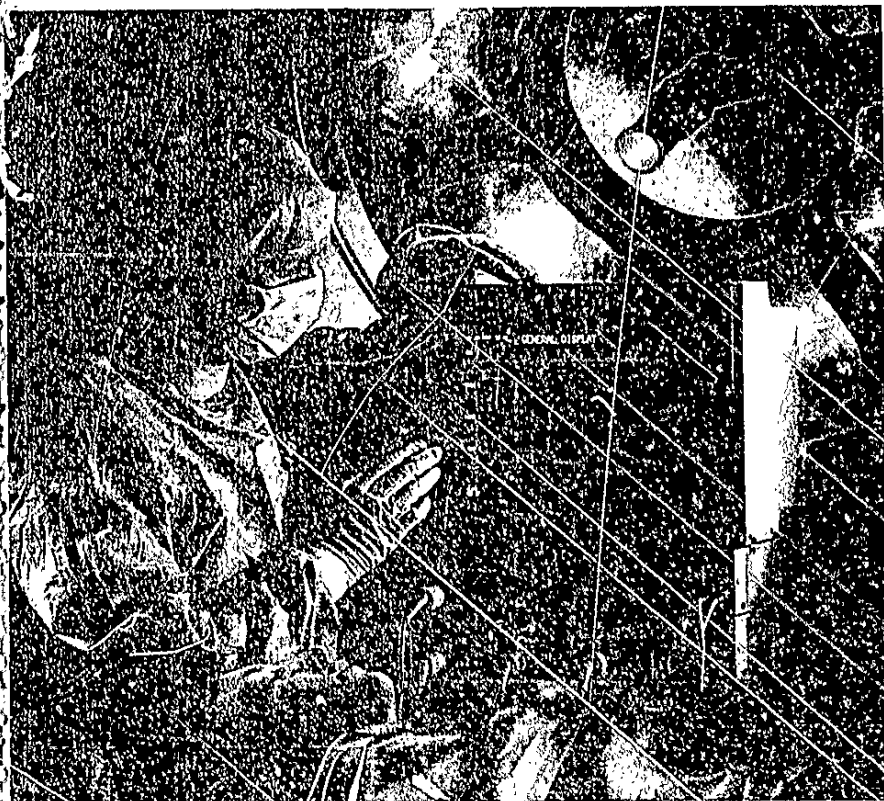
PROFIT BEFORE INTEREST (£m)



In anticipation of 1992, the Division has organised all of its European sales, service and distribution businesses under a unified management structure. This will enable optimum use of resources and maximum flexibility to take advantage of the opportunities presented by the single European market.

Air-Shields' world dominance in the baby incubator and open warming systems market will be further strengthened by S&W with its capability in monitoring technology.

Athena, manufactured by S&W, is a flexible monitoring and information system for collecting, handling and presenting patient data across a range of vital parameters.



Testing components for the Athena patient monitoring system at S&W's plant in Albertslund, Denmark.

MARINE ENGINEERING

The Division had a difficult year in 1988 with the continuing depressed state of the marine market worldwide affecting both sales and margins.

Despite these adverse trading conditions, our business in the U.S.A., Jered Brown Brothers, achieved a record intake of orders during the year, the bulk of which are for the U.S. Navy. Jered has also strengthened its performance in export markets with a major order for deck edge elevators for French nuclear aircraft carriers.

KaMeWa in Sweden has faced the fiercest of international competition for its controllable pitch propellers and thrusters, despite the company's acknowledged technical superiority for its products. However, there have been a number of significant successes in the year, including a record number of orders for waterjets, in particular, from Japan.

The company has also successfully developed its rotatable thruster units and these are to be used as main propulsion for the first time on ferries to operate between Gothenburg and Karlstad.

In the U.K. both Brown Brothers and Stone Vickers have made progress in improving our share of the naval market to compensate for the low level of merchant ship ordering.

Brown Brothers has recently signed a licence agreement with an Indian company allowing the manufacture of digital steering gear control systems. The licence is linked to the supply of steering controls for the latest Indian Navy destroyer, frigate and corvette programmes.

Stone Vickers has also delivered the first pair of fixed pitch propellers for the Royal Navy's Type 23 frigates. The Advanced Programmes Group established within Stone Vickers has secured development projects for the Royal Navy. Michell Bearings is currently working on a new design of bearing for nuclear submarines. This bearing, designed to reduce the acoustic signature, is for key auxiliary equipment such as motor and pumps for the main reactor coolant system.

Conditions will remain difficult in the marine engineering market whilst there is considerable worldwide over-capacity for many of the Division's products.

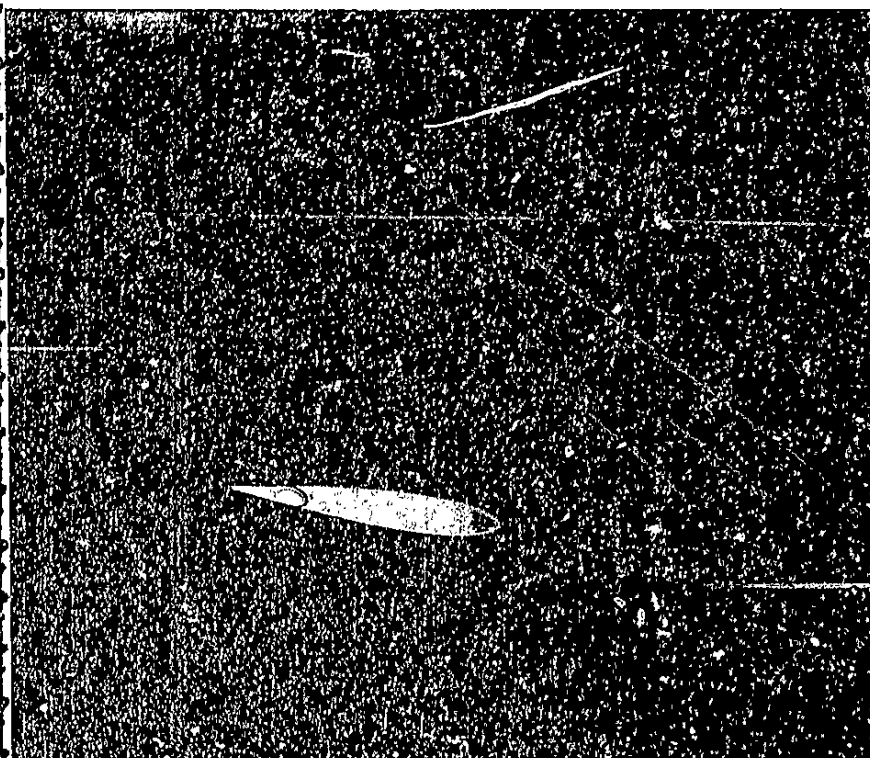


John Crook
Chief Executive
Marine Engineering



Assembly of a steering gear crosshead component manufactured by Jered Brown Brothers for the U.S. Navy's CG47 class vessels.

Operating the KaMeWa controllable pitch propellers and tunnel thrusters from the bridge during the berthing of the Swedish Viking Line car ferry, 'Amorella'.

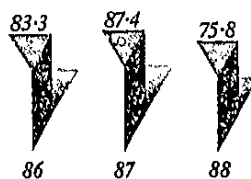


The largest folding fin stabiliser in the world; designed and manufactured by Brown Brothers for three new ships being built in Finland for Carnival Cruise Lines.

Manufacture of one of a number of Michell propeller shaft bearings being supplied for P&O cruise ships under construction at the Fincantari yard in Italy.



SALES (£m)



PROFIT BEFORE INTEREST (£m)



One of twin KaMeWa controllible pitch propellers being fitted to a supply vessel built by Patte of Holland.



OTHER ACTIVITIES

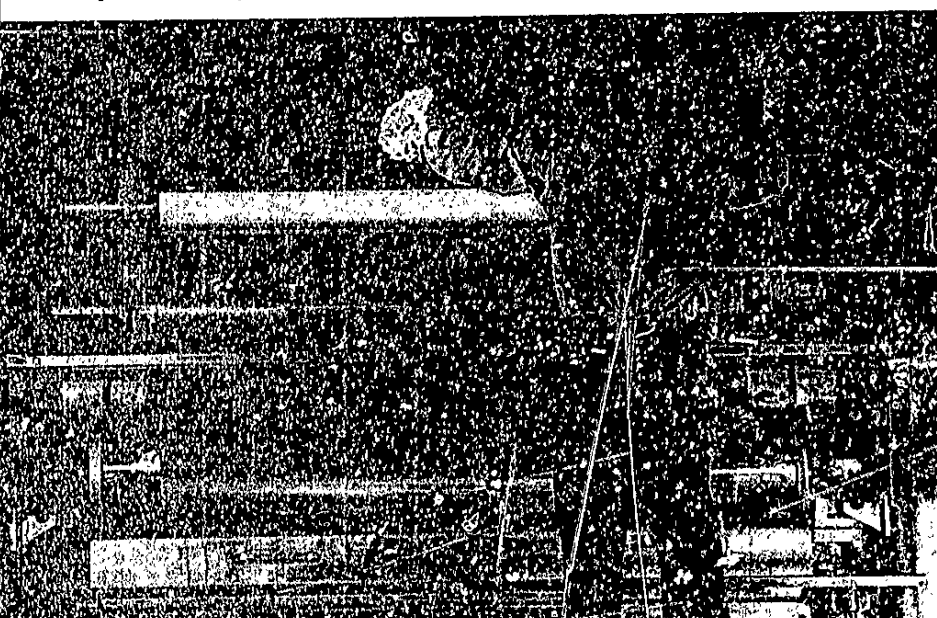
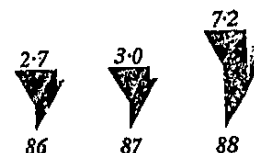
Crabtree Vickers

For the fifth successive year, Crabtree Vickers reported a healthy trading performance and excellent return on capital employed.

Major orders for printing press reconfigurations, conversions and for major assemblies for other suppliers within the industry have enabled the business to maintain high levels of workload and productivity in 1988.

Product development activities have concentrated on the highly successful Civilox inking system, extending the product's application into the offset printing field. Further trial installations are planned for early 1989 in anticipation of a product launch later in the year.

A machine operator at the Washington Post checks their Crabtree Vickers Civilox system. Civilox improves printing quality and helps reduce costs. More than 450 similar systems have now been sold worldwide.

**SALES (£m)****PROFIT BEFORE INTEREST (£m)****Vickers Pressings**

Vickers Pressings, suppliers of presswork to the automotive industry, experienced a significant improvement in trading performance. New orders to supply European car manufacturers are expected to provide further growth in earnings during 1989.

Vickers Properties

Vickers Properties had an active year with a number of major disposals, including two sites on the South Marston Industrial Estate in Swindon, Wiltshire.

DIRECTORS' BIOGRAPHIES

- Sir David Plastow** *Chairman & Chief Executive* Age: 56. Vickers Managing Director and Chief Executive since 1980; Chairman and Chief Executive since 1987. Non-Executive Director, Vickers, 1975-1980. Deputy Chairman of Guinness and a Non-Executive Director of Tenneco Inc., Houston, he is a former Non-Executive Director of Legal & General and GKN. He joined Rolls-Royce Motor Car Division in 1958, and became Managing Director, Rolls-Royce Motors in 1972.
- Ron Taylor, C.A.** *Managing Director* Age: 57. Appointed Deputy Managing Director in 1984 and Managing Director in 1987. Joined Vickers in 1958, held senior appointments in Printing Machinery Group prior to formation of Howson-Algraphy, where he was appointed Chief Executive in 1972. He is a member of the CBI Europe Committee and a former Non-Executive Director of Hopkinsons Holdings.
- Bill Foreman, C.A.** *Commercial Director* Age: 52. Joined Vickers in 1970 as Group Chief Accountant, having been Chief Accountant to The British Printing Corporation. He was appointed to the Vickers Board in 1973 as Director of Finance, subsequently Chief Executive, International Group, becoming Commercial Director in 1982. He is a Non-Executive Director of Chloride Group and Dwek Group.
- Roger Head, F.C.A.** *Finance Director* Age: 42. Joined Vickers Engineering Group in 1977. Formerly Financial and Commercial Director, Vickers Design and Projects; subsequently Finance Director, Vickers Engineering Products Group. Became Staff Director, Business Appraisal, Vickers in 1984; appointed Finance Director, April 1987.
- Dr. Tony McCann** *Development Director* Age: 47. Joined Rolls-Royce Motors Holdings in 1977, and became Vickers Director of Planning, 1980. He is President of Vickers America Holdings, Inc. and was appointed to the Vickers Board as Development Director in 1986.
- Sir Ian Fraser, C.B.E., M.C.** *Deputy Chairman* Age: 65. Deputy Chairman of TSB Group, Director of Pearson and a former Chairman of Lazard Brothers. He was appointed Deputy Chairman of Vickers in 1980, having been Chairman, Rolls-Royce Motors Holdings.
- H.R.H. The Duke of Kent, K.G., G.C.M.G., G.C.V.O., A.D.C.** Age: 53. Among his business and other public interests, His Royal Highness is Vice-Chairman of the British Overseas Trade Board, President of BTEC, and Patron of the British Computer Society and The Institute of Exports. He is also Chancellor of Surrey University. The Duke is a Non-Executive Director of BICC and joined the Board of Vickers in 1987.
- Derek Kingsbury, C.B.E.** Age: 62. Chairman and Chief Executive of the Fairey Group; a member of the Review Board for Government Contracts and Chairman of the Council, Defence Manufacturers Association. He joined the Vickers Board in 1981.
- Sir Richard Lloyd, Bt.** Age: 60. Non-Executive Chairman of Hill Samuel Bank since 1 January 1989 and a Director of TSB Group. His other directorships include Legal & General, Siebe, Simon Engineering and Harrisons & Crosfield. He is a member of the CBI Council and became a Director of Vickers in 1978.
- John Raisman, C.B.E.** Age: 60. Deputy Chairman of British Telecom and former Chairman and Chief Executive of Shell UK. A Director of Vickers since 1981; also a Director of Glaxo and Lloyds Bank. He is Chairman, Investment Board, Electra Candover Partners and Pro-Chancellor, Aston University.
- Martin Taylor, F.C.A.** Age: 54. A Vice-Chairman of Hanson, he is also a member of the CBI Council and a board member of The Securities Association. He was appointed to the Vickers Board in 1986.

Sir Ian Fraser chairs the Audit Committee and the Non-Executive Directors' Committee which is responsible for Directors' remuneration and the Share Option Schemes.

REPORT OF THE DIRECTORS

The Directors present the 122nd Annual Report together with the Consolidated Profit and Loss Account for the year ended 31 December 1988, Consolidated and Company Balance Sheets at that date and the Auditors' Report thereon. The information required under the Companies Act 1985, and by The International Stock Exchange, has been incorporated in this Report, in the Review of Activities on pages 6 to 18 and in the accompanying Accounts.

DIVIDENDS	£m	£m
The profit attributable to members of the Company amounts to		42.9
Dividends already paid or accrued are as follows:		
Preference	(0.4)	
Ordinary—interim of 2.9p per 50p Ordinary Share (equivalent, with associated tax credit, to 3.9p gross)	(7.4)	(7.8)
		35.1
Ordinary—the Directors propose a final dividend of 4.6p per 50p Ordinary Share (equivalent, with associated tax credit, to 6.1p gross)		(11.8)
Leaving a surplus of		23.3

ACQUISITIONS AND DISPOSALS

On 9 May 1988, the whole of the assets and undertaking of the Medico Teknik Division of Simonsen and Weel's Eftf. A/S, a Danish manufacturer of advanced patient monitoring equipment, were acquired, together with the whole of the issued share capitals of the associated subsidiary companies in the U.K. and in the Federal Republic of Germany, for a total consideration of Danish Kroner 99,853,000 (approx. £8,300,000).

The whole of the issued share capital of Imperial Metal & Chemical Company, of Philadelphia, U.S.A., a manufacturer of aluminium printing plates, was acquired on 28 May 1988 for a consideration of approximately U.S.\$2,600,000 and assumption of external borrowings of approximately U.S.\$8,200,000.

The Comforto Group of Companies was sold to Haworth, Inc., on 10 August 1988 for a cash consideration of £17,500,000 and on 7 November 1988 the other units comprising the Company's office furniture business, namely Vickers Furniture, Vickers Roneo S.A. and C. A. Parsons of Ireland Limited, were sold to a management buy-out team for a total consideration of £27,500,000, including a deferred sum of £7,500,000 to be paid in instalments over a period of eight years; in addition, the purchasers refinanced the external borrowings of the business amounting to £8,500,000.

During the year under review, three further divestments were completed for an aggregate consideration of £6,800,000:-

- (i) on 19 January, the whole of the issued share capital of SOFEC Inc., was sold to SOFEC Holdings Inc., a company formed by members of the company's management.
- (ii) on 22 July, the Company's interest in KTM Limited was sold to Flexible Manufacturing Technology Limited, a company formed by members of the company's management.
- (iii) with effect from 26 November, the business assets and undertaking of Vickers Instruments, together with the whole of the issued share capitals of Vickers Instruments (Canada) Incorporated and Vickers Instruments Incorporated, were sold to certain subsidiary companies of Bio-Rad Laboratories Inc., of Hercules, California.

DIRECTORATE

Sir Ian Fraser, who has reached the age of 65, will relinquish his seat on the Board of Directors at the conclusion of the forthcoming Annual General Meeting and will be succeeded as Deputy Chairman by Sir Richard Lloyd, Bt.

The Directors retiring by rotation are Mr. C. W. Foreman and Mr. M. G. Taylor who, being eligible, offer themselves for re-election. Mr. Foreman has a service contract with an unexpired period of three years.

Interests in the issued share capital of the Company beneficially held by members of the Board of Directors, or their families, and in the Company's Share Option Schemes, at the beginning and at the end of 1988, are set out in Note 9 to the Accounts on page 30.

SHARE CAPITAL OF THE COMPANY

All of the Resolutions submitted to the Annual General Meeting held on 28 April 1988 were duly passed, including that which authorised the Directors, in accordance with Section 80 of the Companies Act 1985, to allot relevant securities during the period ending upon the conclusion of the next following Annual General Meeting (or 1 July 1989, whichever should be the earlier) and disappplied the statutory pre-emption rights relating to the issue of Ordinary Shares for a wholly cash consideration.

It is the opinion of the Directors that such authorities should be renewed for a further period of one year in respect of an aggregate of £42,650,000 nominal of Ordinary share capital which represents approximately one-third of the current issued Ordinary capital and includes £12,120,728 nominal Ordinary share capital reserved for the various Share Option Schemes. Renewal of the disapplication of the statutory pre-emption rights would continue to allow the Directors to issue Ordinary Shares, in accordance with recommended institutional investor guidelines, by way of a rights issue and, in addition, a limited amount of Ordinary share capital (viz. £6,350,000 in nominal amount) for cash, otherwise than by way of a rights issue.

It should be stressed that your Directors have no present intention of issuing, or granting rights over, such unissued shares, except in relation to the various Share Option Schemes, and no issue will be made which will effectively alter the control of the Company. Nevertheless, your Directors believe that it is in the best interests of the Company that they possess such powers so that advantage can be taken if any suitable opportunities to develop the Company's interests become available.

Accordingly, a Special Resolution will be proposed at the forthcoming Annual General Meeting to give the Directors the powers and authorities referred to above.

EMPLOYEES

Applications for employment by disabled persons are always fully considered, bearing in mind the respective aptitudes and abilities of the applicant concerned. In the event of employees becoming disabled, every effort is made, including appropriate training, to ensure that their employment with the Company continues. It is the policy of the Company to further, as far as possible, the training, career development and promotion of disabled employees. The Company's equal opportunities and non-discrimination policy statement includes those objectives.

REPORT OF THE DIRECTORS continued

EMPLOYEE INVOLVEMENT

Maintenance of the well-established communications, monthly team briefing and consultative arrangements reported in previous years continues to be a major management responsibility and is immediately established in new businesses acquired by the Company.

Increased importance has been placed on the further development of the Divisional newspapers and newsletters to give more local news coverage relevant to employees. With this shift of emphasis, the Company-wide 'Vickers News' was discontinued in 1988, being seen to have fulfilled its purpose. The local publications will carry Company-wide news.

A major survey of over 300 senior managers worldwide was undertaken during the latter part of the year to obtain their views and experiences of the Company's management development activities, to update the earlier survey in 1982 and to assist with the further development of those programmes. The results are currently being evaluated. All the managers participating will receive a copy of the collated results. The survey was undertaken by independent consultants to maintain individual confidentiality.

FIXED ASSETS

Details of movements in fixed assets are given in Note 10 to the Accounts.

Substantially all of the Group's properties are being professionally valued but the process has not yet been completed. Preliminary indications are that there will be a surplus over book value in the U.K.

RESEARCH AND DEVELOPMENT

It remains the objective of the Company, and of its subsidiaries, to continue to invest significantly in the development of the Group's various products and processes. Your Board considers that this is essential if the Group is to remain competitive and, to that end, ensures that regular monitoring of activities within the sphere of research and development is undertaken during the annual planning cycle. Research and development costs incurred during the year were £32,500,000 gross (1987: £34,400,000) which, after deduction of contributions from customers and government grants, amounted to £22,300,000 (1987: £24,400,000).

AUDITORS

The Auditors, Peat Marwick McLintock, have intimated that they are willing to continue in office and, in accordance with the requirements of the Companies Act 1985, a Resolution concerning their re-appointment will be proposed at the forthcoming Annual General Meeting.

DONATIONS

Donations made in the United Kingdom for charitable purposes during the year amounted to £147,013 gross. No payments were made to political parties.

LARGE SHAREHOLDINGS

The Company has been advised that I.E.P. Securities Limited is the beneficial owner of 24,000,000 Ordinary Shares of 50p each of the Company's issue, representing 9.36% of that issue.

Details of holdings in the Company's Preference Stocks, which also require disclosure in accordance with the requirements of Section 198 of the Companies Act 1985, are as follows:

Stock		%
Preferred 5%	Co-operative Insurance Society Limited	15.03
Preferred 5%	Guardian Royal Exchange Assurance plc	5.50
5% Preference	Co-operative Insurance Society Limited	11.61
Cumulative Preference	Guardian Royal Exchange Assurance plc	22.93
Cumulative Preference	Phoenix Assurance plc	12.98
Cumulative Preference	The Prudential Assurance Company Limited	8.65
Cumulative Preference	Co-operative Insurance Society Limited	8.57
Cumulative Preference	I.E.P. Securities Limited	7.28
Cumulative Preference	Norwich Union Fire Insurance Society Limited	7.28

INCOME AND CORPORATION TAXES ACT 1988

The close company provisions of the Income and Corporation Taxes Act 1988 do not apply to the Company.

Signed on behalf of the Board,
Nicholas Bevins
Secretary
20 February 1989



CONSOLIDATED PROFIT AND LOSS ACCOUNT*For the year ended 31 December*

	Notes	1988 £m	1987 £m
SALES	1	776.3	788.3
OPERATING PROFIT	2	76.0	69.5
Share of profits of related companies		1.2	1.4
PROFIT BEFORE INTEREST		77.2	70.9
Net interest payable less investment income	3	(7.4)	(8.5)
PROFIT BEFORE TAXATION		69.8	62.6
Taxation	4	(19.7)	(17.3)
PROFIT AFTER TAXATION		50.1	45.3
Minority interests		(0.4)	(0.5)
PROFIT BEFORE EXTRAORDINARY ITEMS		49.7	44.8
Extraordinary items	5	(6.8)	(2.5)
SHAREHOLDERS' PROFIT		42.9	42.3
Dividends	6	(19.6)	(17.5)
RETAINED PROFIT	7	23.3	24.8
EARNINGS PER 50p ORDINARY SHARE	8	19.3p	17.4p

Movements in reserves are given in Note 18.

ANALYSES OF SALES AND PROFIT

	SALES		PROFIT	
	1988 £m	1987 £m	1988 £m	1987 £m
PRINCIPAL ACTIVITIES				
Rolls-Royce Motor Cars	205.3	186.2	23.2	21.6
Hewson-Algraphy Printing Plates	180.6	155.3	20.4	18.5
Defence and Aerospace	120.5	136.9	15.6	12.4
Medical	68.7	57.0	6.9	5.5
Marine Engineering	75.8	87.4	1.7	3.3
Other activities	28.4	14.6	7.2	3.0
CONTINUING ACTIVITIES	679.3	637.4	75.0	64.3
Discontinued activities	97.0	150.9	1.0	5.2
TOTAL SALES	776.3	788.3		
OPERATING PROFIT			76.0	69.5
Related companies			1.2	1.4
PROFIT BEFORE INTEREST			77.2	70.9
Net interest payable less investment income			(7.4)	(8.3)
PROFIT BEFORE TAXATION			69.8	62.6

BALANCE SHEETS

At 31 December	Notes	Group		Company	
		1988 £m	1987 £m	1988 £m	1987 £m
FIXED ASSETS					
Tangible assets	10	165.3	186.6	68.9	81.9
Investments—Group companies	11	—	—	119.0	119.4
—Other investments	12	8.0	8.2	5.5	6.0
		173.3	194.8	193.4	207.3
CURRENT ASSETS					
Stocks and work in progress	13	162.5	154.1	51.1	35.3
Debtors	14	145.0	150.9	135.0	204.7
Cash and bank balances		50.1	27.0	19.9	2.3
		357.6	341.0	206.0	242.3
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR					
Borrowings	15	(23.9)	(34.5)	(15.5)	(13.0)
Other liabilities	15	(178.1)	(186.6)	(115.0)	(197.5)
NET CURRENT ASSETS					
		155.6	119.9	75.5	31.8
TOTAL ASSETS LESS CURRENT LIABILITIES					
		328.9	314.7	268.9	239.1
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR					
Borrowings	15	(58.9)	(55.0)	(48.8)	(45.8)
Other liabilities	15	(1.6)	(4.0)	(1.7)	(4.2)
PROVISIONS FOR LIABILITIES AND CHARGES					
	16	(24.7)	(29.0)	(4.3)	(7.7)
		243.7	226.7	214.1	181.4
CAPITAL AND RESERVES					
Called up share capital	17	136.5	135.8	136.5	135.8
Share premium account	18	22.3	21.6	22.3	21.6
Revaluation reserve	18	13.1	12.5	5.2	5.2
Profit and loss account	18	70.6	52.5	50.1	18.8
SHAREHOLDERS' INTEREST					
		242.5	222.4	214.1	181.4
MINORITY INTERESTS					
		1.2	4.3	—	—
		243.7	226.7	214.1	181.4

20 February 1989

David Plastow
R. O. Taylor

David Plastow
R. O. Taylor

Directors

SIX YEAR REVIEW

PROFIT AND LOSS ACCOUNT	1988	1987	1986	1985	1984	1983
	£m	£m	£m	£m	£m	£m
Sales	776.3	788.3	691.8	611.2	528.8	655.2
Operating profit	76.0	69.5	59.9	50.3	41.4	31.8
Related companies—Australia	—	—	—	0.8	(2.6)	0.3
—Other	1.2	1.4	—	0.7	0.4	0.2
Profit before interest	77.2	70.9	59.9	51.8	39.2	32.3
Net interest payable less investment income	(7.4)	(8.3)	(5.9)	(6.7)	(8.4)	(12.8)
Profit before taxation	69.8	62.6	54.0	45.1	30.8	19.5
Taxation—Group companies	(19.2)	(16.7)	(14.7)	(11.2)	(5.4)	(5.5)
—Related companies	(0.5)	(0.6)	—	(0.2)	1.0	(0.1)
Profit after taxation	50.1	45.3	39.3	33.7	26.4	13.9
Minority interests	(0.4)	(0.5)	(0.3)	—	0.2	(0.7)
Profit before extraordinary items	49.7	44.8	39.0	33.7	26.6	13.2
Extraordinary items—Group companies	(6.8)	(2.5)	(8.3)	0.9	(6.7)	(9.3)
—Related companies	—	—	0.4	7.6	(3.5)	—
Shareholders' profit	42.9	42.3	31.1	42.2	16.4	3.9
Dividends	(19.6)	(17.5)	(15.2)	(12.4)	(9.6)	(7.7)
Retained profit (deficit)	23.3	24.8	15.9	29.8	6.8	(3.8)
BALANCE SHEET						
Fixed assets	173.3	194.8	177.8	149.5	184.7	183.4
Net current assets	155.6	119.9	132.5	137.1	125.0	110.2
Amounts falling due after more than one year	(60.5)	(59.0)	(58.9)	(70.5)	(71.5)	(61.5)
Provisions for liabilities and charges	(24.7)	(29.0)	(37.5)	(25.8)	(29.3)	(19.5)
	243.7	226.7	213.9	190.3	208.9	212.6
Shareholders' interest	242.5	222.4	208.9	189.7	208.1	201.0
Minority interests	1.2	4.3	5.0	0.6	0.8	11.6
	243.7	226.7	213.9	190.3	208.9	212.6
EMPLOYEES						
Average number of employees	15,541	16,731	15,871	15,801	15,403	22,205
Total wages and salaries (£m)	206.7	207.4	186.5	160.0	141.2	190.1
EARNINGS PER SHARE						
Earnings per 50p Ordinary Share	19.3p	17.4p	16.3p	14.5p	11.4p	5.6p

Interest incurred during the construction period on major fixed asset additions has been capitalised with effect from 1 January 1987. Comparative figures for prior years have not been restated.

ACCOUNTING POLICIES

1 BASIS OF CONSOLIDATION

The Accounts, prepared on the historical cost basis of accounting modified to include the revaluation of land and buildings, comprise a consolidation of the Accounts of the Company and its subsidiary companies and its share of the post-acquisition results of related companies.

The results of subsidiary and related companies acquired or sold during the year are included in the Accounts from or to the effective dates of acquisition or disposal.

Where businesses or subsidiaries are acquired at a premium or a discount compared to the fair value of the net assets at the date of acquisition, the excess is deducted from or added to reserves.

2 OVERSEAS CURRENCIES

Assets and liabilities in overseas currencies are translated into sterling at the rates ruling at the Balance Sheet date, and the Profit and Loss Accounts of overseas subsidiaries at the average rates for the year.

Exchange differences arising on the retranslation of the net investments in overseas subsidiaries, together with differences on associated borrowing in foreign currencies, are transferred directly to reserves. Other exchange differences are included in the Profit and Loss Account.

3 SALES

Sales consist of amounts invoiced in respect of deliveries, other than on certain long term contracts for which the estimated selling value of the work completed during the year is included together with adjustments relating to previous years' estimates.

4 EXTRAORDINARY ITEMS

Reorganisation costs charged as extraordinary items relate to the net costs of closure, disposal or relocation of a significant and identifiable part of a business. Other reorganisation costs are charged against operating profit.

5 RESEARCH AND DEVELOPMENT EXPENDITURE

Research and development expenditure, other than that which is recoverable on certain projects under contract with third parties, is charged against profit in the year in which it is incurred.

6 TANGIBLE ASSETS

Freehold buildings and leasehold land and buildings are depreciated over their remaining useful lives or periods of lease, whichever are shorter.

Motor car tooling is amortised on a per unit basis which takes into account actual production of each model and a conservative estimate of future production to the end of the model lives.

Other plant and equipment is depreciated, mainly in equal annual instalments, so as to write off the cost of such assets over their estimated useful lives. These lives are reviewed on a regular basis.

Interest costs on major fixed asset additions are capitalised during the construction period and written off as part of the total asset cost.

Assets held under finance leases are included in tangible assets at purchase price and are depreciated over the shorter of the asset life or lease period. The obligations related to finance leases, net of finance charges in respect of future periods, are included as appropriate under creditors due within or after one year. Rentals under operating leases are charged to profit as incurred.

Capital grants are deducted from the cost of the relevant fixed assets. Other grants are taken to profit in the year in which they are received.

7 TAXATION

The charge for taxation is based upon the profit for the year and takes into account deferred taxation on timing differences except where there is reasonable probability that no such taxation will become payable in the foreseeable future.

The rates of taxation used in arriving at the taxation charge are those currently in force in the United Kingdom and, where appropriate, overseas.

Advance Corporation Tax, which is not considered recoverable against taxation liabilities in the foreseeable future, is included in the taxation charge for the period.

No provision is made for United Kingdom and foreign taxation which would arise in the event of the distribution of the retained profits of overseas subsidiaries unless such distribution is proposed.

8 STOCKS AND WORK IN PROGRESS

Stocks and work in progress are valued at the lower of cost and net realisable value except in the case of work in progress in respect of certain long term contracts which is stated at cost, together with a proportion of profit appropriate to the stage of completion of each contract. Full provision has been made for anticipated losses. Cost comprises materials and factory labour, including overheads thereon based on normal levels of activity.

9 PENSION FUNDING

The Company and its major subsidiaries operate both defined benefit and defined contribution pension schemes, the assets of which are administered by Trustees and are independent of the Group's finances. Contributions to pension funds, including those related to past service, are made at rates in accordance with the recommendations of independent actuaries, and are charged against profits as payments are made. Full actuarial valuations are made at regular intervals.

NOTES TO THE ACCOUNTS

Notes

1 SALES BY DESTINATION

	1988	1987
	£m	£m
United Kingdom	312.5	295.3
Continental Europe	205.0	215.9
North America	185.8	198.2
Africa	11.6	27.6
Asia	28.6	24.4
Australasia	28.9	23.2
South America	3.9	3.7
	776.3	788.3

2 OPERATING PROFIT

	1988	1987
	£m	£m
Sales	776.3	788.3
Cost of sales	(553.6)	(542.9)
Gross profit	222.7	245.4
Administrative expenses	(133.0)	(155.2)
Distribution costs	(18.9)	(24.3)
Other operating income	5.2	3.6
Operating profit	76.0	69.5
After charging:		
Research and development	22.3	24.4
Depreciation	23.0	23.3
Auditors' remuneration	0.9	1.0
Operating lease charges:		
Hire of plant and machinery	1.2	1.1
Other lease charges	5.2	3.3
After crediting:		
Rental income, less outgoings, from properties	0.2	0.4
Profit on disposal of fixed assets	6.1	3.3

Notes

3 NET INTEREST PAYABLE LESS INVESTMENT INCOME

	1988 £m	1987 £m
Interest payable and similar charges:		
Borrowings totally repayable within one year	(5.0)	(5.6)
Borrowings totally repayable between one and five years	(4.5)	(5.1)
All other borrowings	(0.7)	(0.7)
	(10.2)	(11.4)
Interest capitalised	0.6	0.8
Interest receivable	2.0	2.1
Investment income	0.2	0.2
	(7.4)	(8.3)

Interest payable on finance leases included above amounted to £0.2m (1987: £0.6m).

4 TAXATION

	1988 £m	1987 £m
United Kingdom taxation:		
Corporation Tax	12.5	9.2
Deferred taxation	(0.1)	0.1
Overseas taxation:		
Current taxation	7.6	8.1
Deferred taxation	0.1	—
Prior years	(0.9)	(0.7)
Related companies	0.5	0.6
	19.7	17.3

The United Kingdom Corporation Tax charge computed at 35% (1987: 35%) has been reduced by £6.2m (1987: £2.2m) due to utilisation of Advance Corporation Tax previously written off and losses brought forward.

5 EXTRAORDINARY ITEMS

The following amounts, which derive from events outside the ordinary activities of the Group, have been classified as extraordinary items:

	1988 £m	1987 £m
Profits on disposal of businesses	6.9	1.4
Losses on disposal and closure of businesses	(13.5)	(5.1)
Relocation costs	(0.2)	(0.2)
	(6.8)	(3.9)
Taxation	—	0.6
Taxation adjustment in respect of prior years	—	0.8
	(6.8)	(2.5)

Losses on disposal and closure of businesses in 1988 includes £1.7m estimated surplus on property; such surplus will be realised in future periods.

NOTES TO THE ACCOUNTS continued

Notes

6 DIVIDENDS

	1988	1987
	£m	£m
Preference, paid April and October	0.4	0.4
Ordinary:		
Interim of 2.9p (3.9p gross), paid November 1988	7.4	6.9
Proposed final of 4.6p (6.1p gross), payable May 1989	11.8	10.2
	19.6	17.5

7 RETAINED PROFIT

	1988	1987
	£m	£m
The Company	31.3	(3.1)
Group companies	(8.3)	27.1
	23.0	24.0
Related companies	0.3	0.8
	23.3	24.8

8 EARNINGS PER SHARE

The calculation of earnings per 50p Ordinary Share is based on the profit after taxation and before extraordinary items of £49.7m (1987: £44.8m) less the preference dividends of £0.4m (1987: £0.4m) and the average number of Ordinary Shares ranking for dividend of 255,595,484 (1987: 254,664,862). Fully diluted earnings per share would not be materially different.

9 DIRECTORS AND EMPLOYEES

(a) Directors' Interests

Interests in the share capital of the Company beneficially held by members of the Board of Directors, or their families, are detailed below:

	At 31 December 1988			At 1 January 1988		
	Ordinary Shares	Option Schemes	Savings Related	Ordinary Shares	Option Schemes	Savings Related
		Executive			Executive	
Sir David Plastow	13,737	436,000	8,112	13,737	250,000	8,112
Sir Ian Fraser	34,990	—	—	33,592	—	—
Mr. R. O. Taylor	1,875	207,500	8,112	1,875	200,000	8,112
Mr. C. W. Foreman	41,562	230,500	8,112	41,562	162,500	8,112
Mr. R. B. Head	1,250	183,875	8,112	1,250	131,375	8,112
H.R.H. The Duke of Kent	1,000	—	—	1,000	—	—
Mr. D. J. Kingsbury	1,562	—	—	1,562	—	—
Sir Richard Lloyd, Bt.	1,250	—	—	1,250	—	—
Dr. A. D. McCann	50,000	207,500	8,112	50,000	162,500	8,112
Mr. J. M. Raisman	1,562	—	—	1,562	—	—
Mr. M. G. Taylor	1,250	—	—	1,250	—	—

In addition, at the end of the year under review, Sir David Plastow held 250,000 options under the 1973 Share Option Scheme. Information in respect of the subscription prices and exercise dates under the Share Option Schemes is set out in Note 17. There have been no changes in the above-mentioned holdings since the end of 1988. None of the Directors has or has had material interests, direct or indirect, in any contract of significance entered into by the Company.

(b) Directors' and Employees' Emoluments

	1988	1987
	£	£
Emoluments of Directors		
Fees	50,000	45,833
Other emoluments	860,620	738,403
Compensation to a former Director in respect of loss of office	50,000	—
Pensions and pension contributions (including £210,000 (1987: nil) in respect of a former Director)	368,584	193,518
Emoluments of the Chairman (and highest paid Director)	296,517	216,322

The following table shows, in bands, the emoluments of other Directors and of those employees in the United Kingdom whose emoluments exceeded £30,000 in the year, excluding Company pension contributions:

Emoluments £	Other Directors		Employees	
	1988	1987	1988	1987
5,001 to 10,000	5	5	—	—
25,001 to 30,000	1	1	—	—
30,001 to 35,000	—	1	21	23
35,001 to 40,000	—	—	16	16
40,001 to 45,000	—	—	11	14
45,001 to 50,000	—	—	17	14
50,001 to 55,000	—	—	9	8
55,001 to 60,000	—	—	—	3
60,001 to 65,000	—	—	4	6
65,001 to 70,000	—	1	5	3
70,001 to 75,000	—	—	5	1
75,001 to 80,000	—	—	—	1
80,001 to 85,000	—	1	—	—
90,001 to 95,000	—	1	—	2
100,001 to 105,000	—	—	1	—
105,001 to 110,000	2	2	1	—
110,001 to 115,000	—	—	—	1
115,001 to 120,000	—	—	1	—
120,001 to 125,000	—	—	1	—
130,001 to 135,000	1	—	—	—
160,001 to 165,000	—	—	1	—
185,001 to 190,000	1	—	1	—

(c) Number of Employees

The average number of employees during the year was made up as follows:

Production	5,948	6,433
Selling, distribution and administration	9,593	10,298
	15,541	16,731

(d) Employment costs

Employee costs, including those of Executive Directors and senior employees:

	£m	£m
Wages and salaries	206.7	207.4
Social security costs	24.9	26.0
Other pension costs	2.7	4.0
	234.3	237.4

NOTES TO THE ACCOUNTS continued

Notes
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TANGIBLE ASSETS

	Land and buildings	Plant, machinery and vehicles	Office furniture and equipment	Tooling	Construction in progress	Total
	£m	£m	£m	£m	£m	£m
(a) Group						
Gross book value						
At 1 January 1988	94.9	130.9	28.0	33.9	10.9	298.6
Exchange adjustment	(0.6)	(1.0)	—	0.2	—	(1.4)
Capital expenditure	3.8	12.3	4.6	5.3	9.9	35.9
Transfers	(0.3)	—	—	—	0.3	—
Acquisitions of businesses	2.7	3.3	0.9	—	—	6.9
Revaluations	1.7	—	—	—	—	1.7
Disposals	(2.8)	(11.7)	(1.8)	(2.8)	(8.5)	(27.6)
Disposals of businesses	(16.4)	(26.0)	(6.9)	(1.8)	—	(51.1)
At 31 December 1988	83.4	107.8	24.8	34.8	12.6	263.0
Depreciation						
At 1 January 1988	12.3	65.9	13.3	20.5	—	112.0
Exchange adjustment	(0.1)	(0.4)	—	0.1	—	(0.4)
Provided during the year	2.8	12.5	4.2	3.5	—	23.0
Acquisitions of businesses	0.3	1.1	0.3	—	—	1.7
Disposals	(2.7)	(8.3)	(0.9)	(2.2)	—	(14.1)
Disposals of businesses	(4.0)	(15.1)	(4.1)	(1.3)	—	(24.5)
At 31 December 1988	8.6	55.7	12.8	20.6	—	97.7
Net book value at 31 December 1988						
Owned assets	74.4	45.7	11.5	14.2	12.6	158.4
Leased assets	—	6.4	0.5	—	—	6.9
Total	74.4	52.1	12.0	14.2	12.6	165.3
Net book value at 31 December 1987	82.6	65.0	14.7	13.4	10.9	186.6
Net book value includes net interest capitalised of £1.2m (1987: £0.8m).						
(b) Company						
Gross book value						
At 1 January 1988	46.7	55.6	10.8	4.2	3.3	120.6
Capital expenditure	0.9	4.1	1.3	0.9	2.8	10.0
Disposals	(2.1)	(7.7)	(0.2)	(1.0)	—	(11.0)
Disposals of businesses	(7.8)	(9.8)	(1.9)	(1.2)	—	(20.7)
At 31 December 1988	37.7	42.2	10.0	2.9	6.1	98.9
Depreciation						
At 1 January 1988	4.6	26.4	5.8	1.9	—	38.7
Provided during the year	1.4	5.3	1.6	0.9	—	9.2
Disposals	(2.4)	(5.6)	(0.2)	(0.5)	—	(8.7)
Disposals of businesses	(2.1)	(5.0)	(1.3)	(0.8)	—	(9.2)
At 31 December 1988	1.5	21.1	5.9	1.5	—	30.0
Net book value at 31 December 1988	36.2	21.1	4.1	1.4	6.1	68.9
Net book value at 31 December 1987	42.1	29.2	5.0	2.3	3.3	81.9

Notes

(c) Land and Buildings

The gross book value of land and buildings at the end of the year comprises:

	Group			Company		
	Freehold	Long leasehold	Short leasehold	Freehold	Long leasehold	Short leasehold
	£m	£m	£m	£m	£m	£m
Cost	52.5	0.8	1.1	28.7	6.5	0.5
Valuation 1973/79	21.8	4.5	0.1	3.9	4.1	—
Valuation 1988	2.2	—	—	—	—	—
	76.5	5.3	1.2	32.6	4.6	0.5

On an historical cost basis land and buildings would have been included as follows:

	Group	Company
	£m	£m
Cost	73.4	34.4
Accumulated depreciation	(7.3)	(0.6)
Net book value at 31 December 1988	66.1	33.8

(d) Analysis of Depreciation Charge

	1988	1987
	£m	£m
Depreciation on owned assets	21.0	19.6
Depreciation on leased assets	2.0	3.7
Depreciation provided during the year	23.0	23.3

11 INVESTMENTS—GROUP COMPANIES

	Cost	Provisions	Net
	£m	£m	£m
At 1 January 1988	141.5	(22.1)	119.4
Acquisitions	1.5	—	1.5
Disposals	(2.2)	0.3	(1.9)
At 31 December 1988	140.8	(21.8)	119.0

A list of principal subsidiary companies is given on page 42.

12 OTHER INVESTMENTS

	Group			Company		
	Related Companies	Other Investments	Total	Related Companies	Other Investments	Total
	£m	£m	£m	£m	£m	£m
At 1 January 1988	3.5	4.7	8.2	1.9	4.1	6.0
Acquisitions	—	1.5	1.5	—	1.5	1.5
Share of retained profits for the year	0.3	—	0.3	—	—	—
Disposals	—	(2.0)	(2.0)	—	(2.0)	(2.0)
At 31 December 1988	3.8	4.2	8.0	1.9	3.6	5.5

In the opinion of the Directors, the value of the investments is not less than their net book value.

NOTES TO THE ACCOUNTS continued

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STOCKS AND WORK IN PROGRESS

	Group		Company	
	1988 £m	1987 £m	1988 £m	1987 £m
Long term contract work in progress	70.8	68.4	58.7	46.5
Instalments on account	(39.1)	(59.1)	(28.9)	(38.7)
	31.7	9.3	29.8	7.8
Other work in progress	43.5	64.4	7.2	9.0
Instalments on account	(4.2)	(6.0)	(1.6)	(1.0)
	39.1	58.4	5.6	8.0
Net work in progress	70.8	67.7	35.4	15.8
Materials, bought out components and general stores	40.3	30.0	7.4	9.5
Finished goods	51.4	56.4	8.3	10.0
Total stocks and work in progress	162.5	154.1	51.1	35.3
Profit included in long term contract work in progress (constituting a departure from the statutory requirement for the valuation of stocks to enable the Accounts to give a true and fair view)	3.1	1.2	3.1	1.2
Instalments in advance of contract expenditure have been shown separately within current liabilities.				

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DEBTORS

	Group		Company	
	1988 £m	1987 £m	1988 £m	1987 £m
Amounts falling due within one year:				
Trade debtors	120.3	143.3	44.4	55.4
Amounts owed by Group companies	—	—	74.5	144.8
Other debtors	8.9	7.9	5.5	1.7
Prepayments and accrued income	4.3	5.4	0.9	1.9
	133.5	156.6	125.3	203.8
Amounts falling due after more than one year:				
Trade debtors	1.9	1.8	0.2	0.3
Other debtors	9.6	1.5	9.5	0.6
	145.0	159.9	135.0	204.7

During 1988 an amount of £20,000 was outstanding in respect of a relocation loan made to Mr. R. B. Head prior to his appointment as a Director. The loan bears interest at the rate of 2 1/4 % per annum and is repayable in full by 13 April 1993. At the year end £28,240 was outstanding in respect of two other relocation loans made to present and former employees who are or had been officers of the Company.

Notes
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CREDITORS

	Group		Company	
	1988	1987	1988	1987
	£m	£m	£m	£m
Amounts falling due within one year:				
Loans and overdrafts	22.0	30.0	14.0	11.3
Obligations under finance leases	1.9	4.5	1.5	1.7
Borrowings	23.9	34.5	15.5	13.0
Instalments in advance of contract expenditure	8.4	17.3	7.2	15.8
Trade creditors	73.8	71.9	37.0	32.5
Amounts owed to Group companies	—	—	34.2	111.6
Accruals and deferred income	32.6	38.7	8.9	11.4
Taxation on profits	17.0	13.8	8.4	7.6
Other taxation and social security	5.4	7.9	1.7	2.1
Proposed dividend	12.0	10.4	12.0	10.4
Other creditors	28.9	26.6	5.6	6.1
Other liabilities	178.1	186.6	115.0	197.5
Total amounts falling due within one year	202.0	221.1	130.5	210.5
Amounts falling due after more than one year:				
Borrowings under medium term committed facilities	57.4	51.8	47.9	43.0
Obligations under finance leases	1.5	3.2	0.9	2.8
Borrowings	58.9	55.0	48.8	45.8
Amounts owed to Group companies	—	—	0.2	0.4
Other creditors	1.6	4.0	1.5	3.8
Other liabilities	1.6	4.0	1.7	4.2
Total amounts falling due after more than one year	60.5	59.0	50.5	50.0
Borrowings repayable in:				
One to two years	1.7	14.0	0.6	14.0
Two to five years	50.6	35.1	48.2	31.7
Over five years 1994–2007	6.6	5.9	—	0.1
	58.9	55.0	48.8	45.8
Not wholly repayable within five years	8.2	7.3	—	0.4

Borrowings of Group companies are secured, by way of charges on fixed assets, to the extent of £3.4m (1987: £1.1m). The Company's borrowings are unsecured.

Interest rates on borrowings are based on margins over variable lending rates.

NOTES TO THE ACCOUNTS continued

Notes
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PROVISIONS FOR LIABILITIES AND CHARGES

Group	Warranty £m	Dilapida- tions £m	Reorgan- isation £m	Other liabilities £m	Deferred taxation £m	Total £m
At 1 January 1988	14.1	0.6	4.7	9.0	0.6	29.0
Exchange adjustment	0.1	—	—	(0.1)	(0.1)	(0.1)
Provided	10.7	0.1	2.5	2.4	0.2	15.9
Used	(7.6)	—	(1.8)	(2.2)	—	(11.6)
Released	(1.8)	—	(0.1)	(1.8)	—	(3.7)
Disposals of businesses	(1.2)	(0.3)	(1.8)	(0.9)	(0.5)	(4.7)
Release to revaluation reserve	—	—	—	—	(0.1)	(0.1)
At 31 December 1988	14.3	0.4	3.5	6.4	0.1	24.7
Company						
At 1 January 1988	1.7	0.3	2.6	3.1	—	7.7
Provided	0.9	—	1.2	—	—	2.1
Used	(0.4)	—	(0.4)	(2.2)	—	(3.0)
Released	(0.5)	—	—	(0.5)	—	(1.0)
Disposals of businesses	(0.1)	—	(1.4)	—	—	(1.5)
At 31 December 1988	1.6	0.3	2.0	0.4	—	4.3

	Group		Company	
	1988 £m	1987 £m	1988 £m	1987 £m
Deferred taxation				
Excess capital allowances over accumulated depreciation	1.2	2.2	—	—
Provided against property sales	0.6	0.7	—	—
Advance Corporation Tax	(1.3)	(1.8)	—	—
Other provisions—overseas	(0.4)	(0.5)	—	—
	0.1	0.6	—	—

The potential liability for taxation, which has not been provided in the amounts shown above because payment is unlikely to be required in the foreseeable future, is:

Excess capital allowances over accumulated depreciation	19.3	22.4	10.9	11.5
Other timing differences	(5.0)	(5.5)	(2.5)	(1.8)
Losses available for set-off	—	(1.8)	—	(1.3)
Capital gains on revaluation of properties and rolled over gains	4.5	9.2	4.3	7.3
	18.8	24.3	12.7	15.7
Advance Corporation Tax	(13.1)	(19.1)	(9.1)	(12.1)
	5.7	5.2	3.6	3.6

United Kingdom tax losses available for set off against future taxable profits have been eliminated on the disposals of businesses in the current year. At the end of 1987 the amount carried forward for future set off was £22.6m.

Advance Corporation Tax not yet utilised, amounting to £37.6m (1987: £43.0m), including that shown above, has been written off in the year in which it has arisen and is available for the reduction of liabilities to Corporation Tax in future years.

Notes
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SHARE CAPITAL

	Group and Company			
	Authorised		Issued	
	1988	1987	1988	1987
	£m	£m	£m	£m
Preferred 5% Stock (now 3.5% plus tax credit)	0.8	0.8	0.8	0.8
5% Preference Stock (now 3.5% plus tax credit)	0.7	0.7	0.7	0.7
Cumulative Preference Shares and Stock (now 5% plus tax credit)	7.0	7.0	6.9	6.9
Ordinary Shares of 50p each	8.5	8.5	8.4	8.4
	182.5	182.5	128.1	127.4
Authorised share capital	191.0	191.0		
Share capital, allotted, called up and fully paid			136.5	135.8

The three Preference classes are of £1 units.

During the year ended 31 December 1988:-

(a) 1,229,799 Shares were issued on the exercise of options under the Company's Share Option Schemes and
(b) the following options were granted:-

on 9 March to 23 participants over 591,625 Shares at a subscription price of 173p under the terms of the Approved Share Option Scheme;

on 25 October to 114 participants over 1,648,500 Shares at a subscription price of 173p under the terms of the Approved Share Option Scheme;

on 8 April to 862 participants over 1,184,163 Shares at a subscription price of 156p under the terms of the Savings-Related Share Option Scheme; and

on 3 November to 335 participants over 401,968 Shares at a subscription price of 155.7p under the terms of the Savings-Related Share Option Scheme.

At 31 December 1988 options had been granted and were still outstanding in respect of Ordinary Shares under the following Schemes:

	Number of Shares	Range of Subscription Prices	Exercisable
1973 Share Option Scheme	405,250	53.2p-53.6p	1985-1990
Approved Share Option Scheme	6,142,125	104.0p-193.6p	1988-1998
Savings-Related Share Option Scheme	6,652,313	91.2p-200.7p	1990-1993

NOTES TO THE ACCOUNTS continued

Notes

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RESERVES

	Share premium £m	Revaluation reserve £m	Profit and Loss Account £m	Related Companies' Reserves £m
Group				
At 1 January 1988	21.6	12.5	41.1	11.4
Exchange adjustment	—	(0.1)	(0.2)	—
Retained profit for the year	—	—	23.0	0.3
Premium on share issues	0.7	—	—	—
Goodwill written off	—	—	(7.3)	—
Minority interest adjustment	—	—	3.5	—
Reserves reclassified	—	(0.5)	0.6	(0.1)
Revaluation of land and buildings	—	1.7	(1.7)	—
Realisation of revaluation on disposals	—	(0.5)	—	—
At 31 December 1988	22.3	13.1	59.0	11.6

The amount of unrealised exchange gains (net of losses) on net borrowings at 31 December 1988 included in reserves amounted to £2.4m.

	Share premium £m	Revaluation reserve £m	Profit and Loss Account £m
Company			
At 1 January 1988	21.6	5.2	18.8
Retained profit for the year	—	—	31.3
Premium on share issues	0.7	—	—
At 31 December 1988	22.3	5.2	50.1

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PROFIT AND LOSS ACCOUNT OF VICKERS P.L.C.

As permitted by section 228(7) of the Companies Act 1985, the Profit and Loss Account of the Company is not presented as part of these Accounts. The profit before extraordinary items of the Company amounted to £57.3m (1987: £17.3m).

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CAPITAL COMMITMENTS

	Group		Company	
	1988 £m	1987 £m	1988 £m	1987 £m
Outstanding contracts for capital expenditure	21.5	8.9	0.9	1.7
Further capital expenditure authorised	4.4	16.4	0.6	1.9
	25.9	25.3	1.5	3.6

Notes

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OPERATING LEASE COMMITMENTS

	Property Leases £m	Other Operating Leases £m
Annual rentals payable on leases expiring:		
Within one year	0.7	1.4
Between two and five years	2.0	4.1
Beyond five years	1.6	—
	4.5	5.5

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SOURCE AND APPLICATION OF FUNDS—Supplementary Information

	1988		1987	
	Acquisitions £m	Disposals £m	Acquisitions £m	Disposals £m
Tangible fixed assets	5.2	26.6	—	0.4
Goodwill	7.3	—	4.6	—
Stocks	6.8	29.5	—	3.1
Debtors	5.6	39.1	—	2.2
Creditors	(5.4)	(29.7)	—	(2.7)
Cost of acquisitions	19.5		4.6	
Net assets disposed of		65.5		3.0

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CONTINGENT LIABILITIES

Guarantees and contingencies arising in the ordinary course of business are not expected to result in any material financial loss to the Group. The Company has guaranteed indebtedness of subsidiaries totalling £5.9m (1987: £6.6m).

There are lawsuits outstanding against Group companies for damages in respect of certain transactions. The Directors have been advised that there are good defences in all material actions and do not believe that the Group is likely to suffer any significant loss in excess of the amounts provided.

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PENSIONS

Actuarial valuations of the United Kingdom pension schemes were carried out as at April 1986 and, at that date, showed surpluses in the funds. These surpluses were sufficient to enable the Company and the Trustees to grant improvements in pension benefits to contributors, pensioners and deferred pensioners, and to reduce the contributions required by the Group until the next valuations in April 1989. The Group contributions are shown in Note 9.

SOURCE AND APPLICATION OF FUNDS

SOURCE OF FUNDS

	1988		1987	
	£m	£m	£m	£m
Profit after interest	69.8		62.6	
Extraordinary items — Group — before taxation	(6.8)		(3.9)	
Dividend from related company	0.4		—	
	63.4		58.7	
Items not involving the movement of funds				
Depreciation	23.0		23.3	
Income from related companies	(1.2)		(1.4)	
Currency variations	0.8		(2.8)	
Total generated from operations	86.0		77.8	
Funds from other sources				
Shares issued	1.4		0.3	
Disposal of fixed assets	11.3		5.0	
Disposal of investments	2.0		—	
Disposal of businesses	65.5		3.0	
		166.2		86.1

APPLICATION OF FUNDS

Dividends paid	(18.0)	(16.5)
Tax paid	(15.1)	(16.4)
Purchase of fixed assets	(35.9)	(49.3)
Provisions	0.9	(8.0)
Other investments	(1.5)	(1.8)
Acquisitions	(19.5)	(4.6)
	(89.1)	(96.6)
Movement in working capital		
Stocks and work in progress	(31.1)	14.9
Debtors	(18.6)	4.3
Creditors	2.4	(2.6)
	(136.4)	(80.0)
	29.8	6.1

MOVEMENT IN NET BORROWINGS

Net borrowings at 1 January 1988		62.5	68.6
Increase in long term loans	5.6	2.5	
Decrease in finance lease obligations	(4.3)	(2.8)	
Decrease in short term borrowings			
net of cash at bank	(31.1)	(5.8)	
		(29.8)	(6.1)
Net borrowings at 31 December 1988		32.7	62.5

REPORT OF THE AUDITORS

TO THE MEMBERS OF VICKERS P.L.C.

We have audited the Accounts on pages 22 to 24 and 26 to 40 in accordance with Auditing Standards.

In our opinion the Accounts give a true and fair view of the state of affairs of the Company and of the Group at 31 December 1988 and of the profit and source and application of funds of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Peat Marwick McLintock
Chartered Accountants

Peat Marwick McLintock

London
20 February 1989

PRINCIPAL DIVISIONS, SUBSIDIARY AND RELATED COMPANIES

ROLLS-ROYCE MOTOR CARS

Rolls-Royce Motor Cars Limited, Crewe.
Mulliner Park Ward Division, London
Rolls-Royce Motor Cars Incorporated, Lyndhurst, New Jersey, U.S.A.
Rolls-Royce Motor Cars International S.A., St.-Prex, Switzerland.

HOWSON-ALGRAPHY PRINTING PLATES

Howson-Algraphy Limited, Leeds.
Howson-Algraphy Europe B.V., Soest, Holland.
Howson-Algraphy Incorporated, Wayne, New Jersey, U.S.A.
Howson-Algraphy S.A., (80%), Barcelona, Spain.
Imperial Metal & Chemical Company, Philadelphia, U.S.A.

DEFENCE AND AEROSPACE

Vickers Defence Systems, Leeds and Newcastle upon Tyne.
Vickers Precision Components, Crewe and Shrewsbury.

MEDICAL

Air-Shields, Inc., Hatboro, Pennsylvania, U.S.A.
Air-Shields Vickers, Inc., Hatboro, Pennsylvania, U.S.A.
Air-Shields Vickers, U.K., Basingstoke.
Medelec Limited, Woking.
S & W Medico Teknik A/S, Albertslund, Denmark.
Vickers Medical International, Basingstoke.
TECA Corporation, Pleasantville, New York, U.S.A.
S & W Vickers Limited, Sidcup.
Études et Constructions Electro-Mécaniques et Médicales, S.A., Lognes, France.
Medelec Belgium, N.V., Antwerp, Belgium.
Medelec Italia S.p.A., Milan, Italy.

MARINE ENGINEERING

Vickers Marine.
Brown Brothers & Company Limited, Edinburgh.
Michell Bearings, Newcastle upon Tyne.
Stone Vickers Limited, Greenwich.
Jered Brown Brothers Inc., Troy, Michigan, U.S.A.
KaMeWa A.B., Kristinehamn, Sweden.

OTHER ACTIVITIES

Crabtree Vickers, Leeds.
Vickers America, Inc., Lyndhurst, New Jersey, U.S.A.
Vickers Pressings, Newcastle upon Tyne.
Vickers Properties Limited, London.

RELATED COMPANY

Brown & Root Vickers Limited (30%), London.

Note: Except where otherwise stated the companies above are wholly-owned, being incorporated and operating in the countries indicated. There are excluded from the above list certain operating units which, in the opinion of the Directors, do not materially affect the results of Vickers P.L.C.

ANALYSES OF ORDINARY SHAREHOLDERS

31 December 1988

CATEGORY	Number	%	Holding	%
Individuals	28,047	91.5	33,468,704	13.1
Banks and nominee companies	1,851	6.0	137,831,004	53.8
Investment companies	54	0.2	3,965,406	1.6
Insurance companies	149	0.5	24,679,772	9.6
Other companies	414	1.4	37,638,851	14.7
Pension funds	35	0.1	11,332,302	4.4
Universities, schools and other corporate bodies	95	0.3	7,277,553	2.8
	30,645	100	256,193,592	100

SIZE OF SHAREHOLDING

1-500	14,198	46.3	3,508,676	1.4
501-1,000	5,790	18.9	4,388,830	1.7
1,001-1,500	3,067	10.0	3,830,446	1.5
1,501-2,500	3,573	11.7	7,138,775	2.8
2,501-12,500	3,307	10.8	15,734,316	6.1
12,501-60,000	333	1.1	9,244,110	3.6
60,001-125,000	121	0.4	11,103,549	4.3
125,001-250,000	98	0.3	18,006,119	7.0
Over 250,000	158	0.5	183,238,771	71.6
	30,645	100	256,193,592	100

SHAREHOLDERS' DIARY

1988 30 SEPTEMBER

Interim dividend for 1988 paid on:
Preferred 5% Stock
5% Preference Stock
Cumulative Preference Stock

4 NOVEMBER

Interim dividend for 1988 of 2.9p paid
per 50p Ordinary Share

1989 20 FEBRUARY

Final dividend recommendation for
1988 announced on Ordinary Shares,
together with results for year ended
31 December 1988

27 APRIL

122nd Annual General Meeting to be
held at the Conference Hall, Millbank
Tower, at 12 noon

20 MARCH

Report and Accounts posted to
Shareholders

5 MAY

Final dividend on Ordinary Shares, if
approved, to be paid to Shareholders
on the Register at 13 April 1989

31 MARCH

Final dividend for 1988 paid on:
Preferred 5% Stock
5% Preference Stock
Cumulative Preference Stock

SEPTEMBER

Results for the six months ending
30 June 1989 to be announced

FORM OF PROXY

I/We, being a member of Vickers P.L.C., hereby appoint Sir David Plastow, who is failing Sir Ian Fraser (being respectively Chairman and Deputy Chairman of the Company), whom failing the Chairman of the Meeting

*
as my/our proxy to vote for me/us on my/our behalf in the manner indicated † at the Annual General Meeting of the Company to be held on Thursday, 27 April 1989, and at any adjournment thereof.

Signature.....Date.....
Please insert name and address in block capitals

	For	Against
To approve the Accounts	<input type="checkbox"/>	<input type="checkbox"/>
To declare a final dividend on the Ordinary Shares	<input type="checkbox"/>	<input type="checkbox"/>
To re-elect Mr. C. W. Foreman as a Director	<input type="checkbox"/>	<input type="checkbox"/>
To re-elect Mr. M. G. Taylor as a Director	<input type="checkbox"/>	<input type="checkbox"/>
To re-appoint Peat Marwick McLintock as Auditors and to authorise the Directors to agree their remuneration.	<input type="checkbox"/>	<input type="checkbox"/>

SPECIAL BUSINESS

To authorise the Directors to allot relevant securities under Section 80 of the Companies Act 1985 and to disapply Section 89(1) of that Act ☐ ☐

To be effective, this form of proxy should be deposited, duly completed and signed, at the Company's Transfer Office, The Royal Bank of Scotland plc, P.O. Box 435, Owen House, 8 Bankhead Crossway North, Edinburgh, EH11 4BR, not later than 12 noon on Tuesday, 25 April 1989.

If the appointor be a corporation, the proxy must be either under its Common Seal or under the hand of an officer or attorney so authorised.

In the case of joint holders the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose seniority shall be determined by the order in which the names stand in the Register of Members in respect of the joint holding.

*If you wish to appoint a proxy other than the above named, please delete the above names and insert the name of your proxy. A proxy need not be a member of the Company.

†Please insert a "✓" in the appropriate box alongside each resolution, otherwise your proxy will vote or abstain as he thinks fit. Details of the resolutions are set out in the Notice of the Meeting.

Third fold and tuck in

Affix
Postage
Stamp
Here

THE ROYAL BANK OF SCOTLAND plc,
P.O. BOX 435,
OWEN HOUSE,
8 BANKHEAD CROSSWAY NORTH,
EDINBURGH,
EH11 4BR

Second fold

First fold