Vesuvius PLC is a group of specialist business manufacturing and supplying products mainly to the water, gas and construction industries in the UK and overseas.

The group has built a reputation for reliability, technical excellence and innovation. It continues to be committed to the strategic development and enhancement of its core businesses.

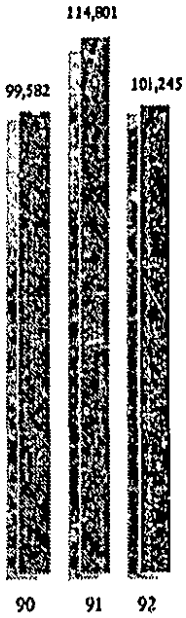
The operation is based on a model of responsible capitalism and includes a strong sense of community.

FINANCIAL HIGHLIGHTS

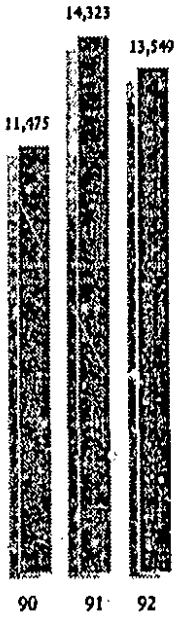
COMPANIES HOUSE
12 MAY 1993
2

	1992	1991
Turnover (£'000)	101,245	114,801
Operating profit (£'000)	12,898	13,962
Operating profit as a percentage of turnover (%)	12.7	12.2
Profit before taxation (£'000)	13,549	14,323
Earnings per Ordinary share (Pence)	20.3	21.25
Dividends per Ordinary share (Pence)	7.8	7.35
Expenditure on fixed assets (£'000)	4,274	3,660
Return (Operating profit) on average assets employed (%)	37.5	44.2
Number of employees at end of year	1,361	1,406

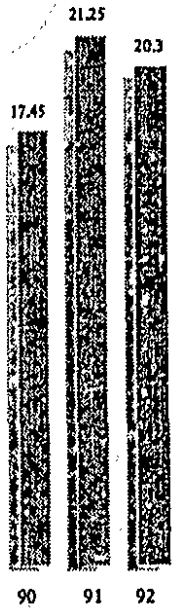
TURNOVER £'000



PROFIT BEFORE TAXATION £'000

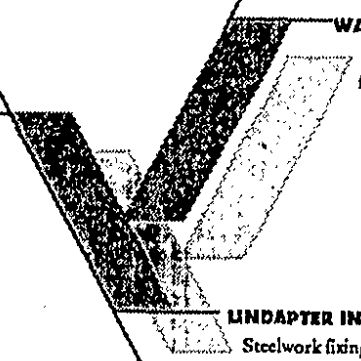


EARNINGS PER SHARE Pence



DIVIDEND PER SHARE Pence

GROUP BUSINESSES



VIKING JOHNSON
Pipe couplings, fittings and repair products for water and gas pipelines.

VIKING JOHNSON FABRICATORS
Special fabrications for water and gas pipelines.

VICTAULIC SYSTEMS
Pipe joints and fittings for steel pipe in the mechanical services, fire protection and mining markets.

HELDON COUPLINGS
Pipe couplings, fittings and repair products for water and gas pipelines.

STEWARTS & LLOYDS PLASTICS: PIPE
Polyethylene pipe for water and gas distribution systems.

STEWARTS & LLOYDS PLASTICS: FITTINGS
Polyethylene fittings and fabrications for water and gas pipework systems.

VICTAULIC INDUSTRIAL POLYMERS
Seals for pipes and pipe couplings, tunnel segment gaskets and rail pads.

WASK-RMF
Gas service fittings, metal to polyethylene pipe fittings and drilling equipment.

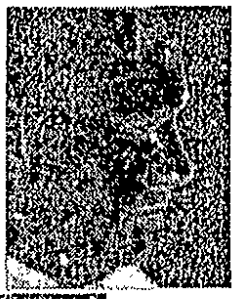
LINDAPTER INTERNATIONAL
Steelwork fixing systems and pipe support systems.

VALVESTOCK
Distribution of valves, design and assembly of valve and actuator packages.

INSOLL/PTFE FABRICATORS
PTFE extrusions and machined components.

STAINLESS FITTINGS
Hygienic stainless steel pipework, fittings and fabrications.

BOARD OF THE DIRECTORS

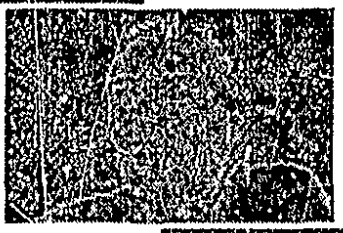


† EDWARD JEREMY SEDDON,
aged 51, is a non-executive director and was appointed to the Board in 1983. He is a director of Barclays de Zoete Wedd Limited and was previously a director of Barclays Development Capital Limited, in which role he was closely involved in advising on the buy-out from British Steel.

† DAVID CLARKE BROOKE WINCH,
aged 69, has been non-executive chairman of Victaulic since 1984. He was formerly a director of Tarmac PLC and chief executive of its then Building Products Division with responsibility for a group of companies operating in the UK and overseas.

RICHARD LEGRAND,
aged 52, is the director responsible for Victaulic's pipe coupling businesses. He joined Victaulic in 1966 and after holding senior management positions on the technical and manufacturing side of Viking Johnson, was appointed a director in 1988.

IAN ROBERT McCOLL,
aged 58, is the finance director and joined Victaulic at the time of the buy-out in 1983. He is a Chartered Accountant with wide industrial experience. He previously held a number of senior accounting and financial appointments with quoted companies.



DAVID CHARLES STEWART,
aged 56, is managing director. He joined Victaulic in 1963 and became general manager of Victaulic and Stewarts & Lloyds Plastics in 1967. He was appointed managing director of Victaulic at the time of the buy-out in 1983.

JOHN STANIFORTH SINGLETON,
aged 45, is the director responsible for Victaulic's polymer businesses. He joined Victaulic in 1989 as Director, Plastics, having previously held a number of senior positions in the engineering industry.

† HARRY FORD,
aged 59, is a non-executive director of Victaulic and joined the Board in 1985. He joined the steel industry in 1950 and last year retired from the position of managing director of Diversified Activities for British Steel PLC. He remains Chairman of British Steel Industry Limited.

† Members of the Remuneration and Audit Committees.

CHAIRMAN'S STATEMENT

"... a strong performance in the face of reduced demand ..."

The results reflect a strong performance in the face of reduced demand from our main markets.

Turnover at £101.2 million was 12% lower than in 1991 and profit before tax was £13.5 million compared with £14.3 million last year. Earnings per share were 20.3p compared with 21.25p. Your board is recommending a total dividend of 7.8p compared with 7.35p last year.

The principal reason for the decline in turnover and profits was reduced demand from British Gas which particularly affected our Stewarts & Lloyds Plastics and Wask-RMF businesses. This reduction in demand resulted from cutbacks in investment by British Gas as a result of uncertainty over the future structure and ownership of the pipeline network. We do not expect to see any improvement in sales to British Gas until these matters are resolved, hopefully later this year.

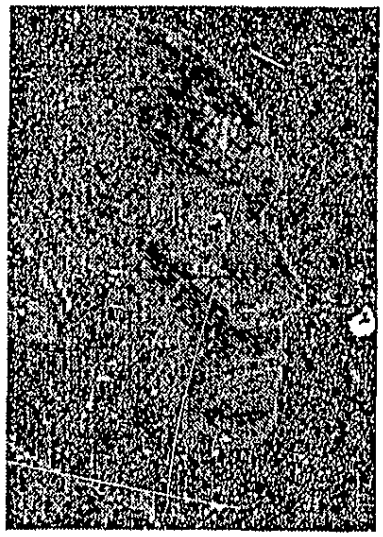
In our other major market, the water industry, there was some reduction in the level of activity in refurbishing distribution mains, but we benefited from increased penetration of the market by polyethylene pipe, particularly our Excel product. Our businesses serving the construction, mining and general industrial markets, continued to be affected by the recession.

Faced with these difficult market conditions, we have taken steps throughout the group to improve our efficiency, reduce costs and match our production to the lower level of demand. By these means we have succeeded in protecting our operating margins, whilst continuing to retain our strong market positions.

Our balance sheet remains strong which enables us to continue to invest in the development of our existing businesses and to take advantage of acquisition opportunities. During the year we spent £4.8 million in acquiring Lindapter International, a business which fits well with our existing interests in the construction market.

We support the recommendations of the Cadbury Committee on corporate governance and the steps we are taking to conform with the Code of Best Practice are described in the Directors' Report.

Harry Ford, who has been a non-executive director since 1985, will be retiring at the Annual General Meeting, and I would like to thank him for his considerable contribution to the development of the group. 1992 has

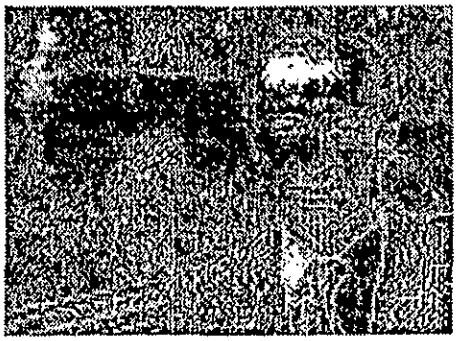


been a difficult and challenging year for all our employees and I would like to thank them for their efforts in achieving a creditable performance.

There has been little change in market conditions in the first quarter of 1993 and we do not expect an improvement in the gas market until the future of the pipeline network has been decided. However we are continuing to broaden our markets in Europe. The actions taken to reduce costs in 1992 have placed us in a good position to benefit from future improvements in demand. All in all I take a positive view of our prospects.

David Winch

MANAGING DIRECTOR'S REVIEW



- *Turnover fell by 12% compared with 1991, principally as a result of reduced demand from British Gas.*
- *Effective action to improve efficiency and reduce costs resulted in higher operating margins.*
- *Market shares in our main product areas were maintained or improved.*
- *The balance sheet is strong with net cash at the year end of £6.2 million.*
- *Lindapter International was acquired in November 1992 for £4.8 million.*

FINANCE

Turnover in 1992 was £101.2 million compared with £114.8 million last year.

Operating profit reduced from £14.0 million in 1991 to £12.9 million. However, operating margins increased from 12.2% to 12.7% reflecting improved efficiency and reduced costs.

Net interest received amounted to £0.7 million, and pre-tax profit was £13.5 million compared with £14.3 million last year. Taxation at £4.6 million absorbed 34.2% of the pre-tax profit.

Earnings per Ordinary share were 20.3p compared with 21.25p per share last year, after adjusting for the 1 for 1 scrip issue.

Net cash balances at the year end were £6.2 million, down from £9.7 million at the end of December 1991. Capital expenditure of £4.3 million exceeded depreciation by £1.2 million. Trading working capital rose by £3.3 million to £16.1 million and the purchase of Lindapter International cost £4.8 million.

MARKETS

Sales to the gas industry declined sharply during the year, particularly affecting Stewarts & Lloyds Plastics and Wask-RMF. It became apparent in the second quarter that British Gas was reducing expenditure on the gas pipeline network, as a result of the uncertainty over the future structure of the UK gas industry and in particular the ownership of British Gas' distribution business. In May 1992 several matters were referred to the Monopolies and Mergers Commission. It is unlikely that there will be any change in the level of ordering by British Gas until after the Commission has reported, probably around the middle of 1993. In particular the cutback in demand has affected project work and the sale of large diameter and higher pressure pipe and fittings.

In the water market, which is our largest market, we were successful in winning new contracts and maintaining our strong market position. Polyethylene pipe again increased its market share at the expense of other materials, and there was further growth in the use of our Excel higher performance pipe. Overall spending on the distribution pipeline system was not as buoyant as in 1991, and sales of repair and maintenance products by Viking Johnson decreased.

Our smaller markets, including construction, mining and industrial were again affected by the recession and our businesses serving those markets did well to maintain their sales volumes and their profitability.

OPERATIONS

Faced with reduced levels of activity in several of our businesses, we took action early in the year to reduce operating and overhead costs, and to match our production to the lower level of sales. We have been successful in achieving

improved material yields, and better operating performance from our plants. Changes in working patterns, and reductions in employee numbers have resulted in improved productivity and lower wage and salary costs. After allowing for the effect of the Lindapter acquisition, the number of employees at the year end was 119 below the level at the end of 1991.

As a result of this continuing work on cost reduction and with the benefit of some gains from the mix of sales, we were able to achieve an operating margin which was slightly higher than last year.

INVESTMENT

Capital expenditure during the year amounted to £4.3 million. With less need for investment in increased capacity and in buildings, the main emphasis was on new plant and manufacturing systems to reduce cost and increase manufacturing flexibility and quality. Further investment was made in the automation of the pipe extrusion factory at Huntingdon and we started to see the benefits of this development programme in terms of reduced costs and improved scheduling flexibility.

We made a substantial investment in injection moulding capacity at Victaulic Industrial Polymers, and two new robot systems were introduced at Viking Johnson for welding and flash removal. A programme was started to improve the efficiency of the foundry at Wask-RMF.

LINDAPTER INTERNATIONAL

In November 1992 we acquired the business and assets of Lindapter International, based at Bradford, for £4.8 million. Lindapter International specialises in fixing devices for attachment to steelwork, and has built up a strong market position in the UK, France and Germany for its products. The business fits well with Victaulic Systems, which also serves the construction market, and these two businesses will be linked within our management structure.

In the year to 31st August 1992 the unaudited accounts of Lindapter International showed turnover of £5.5 million and pre-tax profits of £0.8 million. Net assets acquired amounted to £1.7 million.

DEVELOPMENT

We continue to seek out new business opportunities, both by expanding our existing businesses and by acquisition. Among our newer businesses, Viking Johnson Fabricators increased its turnover and product range and moved into its new factory at Warley which will give it increased capacity and lower costs. Meterbox Systems has won its first significant contracts in the water market.

Our business in Europe is growing. The turnover and product range of the Helden operations increased, and Wask-RMF is now established in the German market. We have a new sales operation in Italy, and the Lindapter International companies in France and Germany will add to Victaulic's presence on the ground in continental Europe.

David Stewart

David Stewart

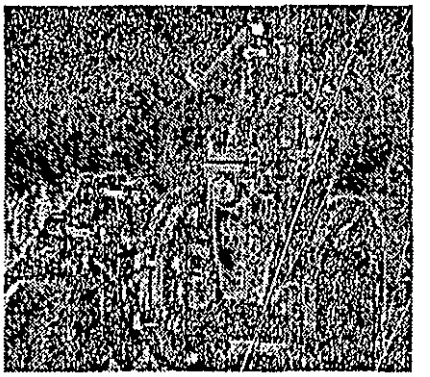
BUSINESS REVIEW *Viking Johnson*

PIPE COUPLINGS, FITTINGS, REPAIR PRODUCTS AND SPECIAL FABRICATIONS FOR WATER AND GAS PIPELINES.

"... successful in maintaining its share of long term supply contracts with the UK water companies."

In a very competitive market Viking Johnson was successful in maintaining its share of long term supply contracts with the UK water companies. Demand for products used in construction projects for water and sewage treatment plants remained high, but activity in the repair and maintenance market declined. Sales of products used on polyethylene pipes increased.

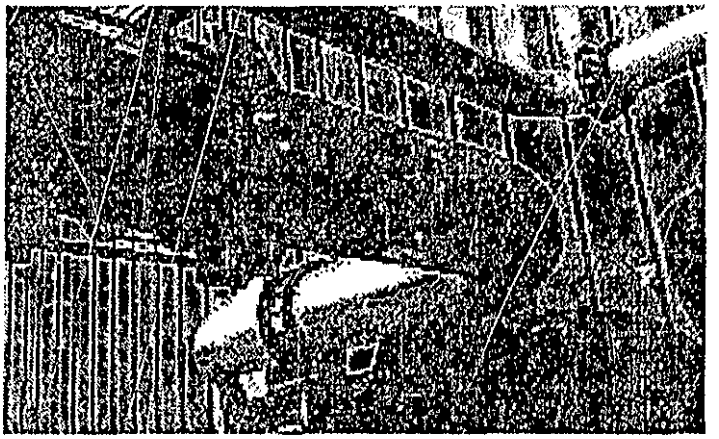
Sales into markets in continental Europe increased and new emphasis was given to developing a wider European product range and to improving the selling organisation in selected territories. In other export markets economic conditions continued to restrict sales, although the level of project enquiries remained high.



The new Viking Johnson Easi-Tee designed to enable under pressure tapping of live water or gas mains.

Substantial cost savings were achieved through product design, material sourcing and investment in computer controlled and robotic equipment. Employment costs were reduced as a result of increased manufacturing efficiencies.

Viking Johnson Fabricators moved to their new site at Warley, West Midlands. Improved facilities include an increased work area, new specialist equipment and a fusion bonded epoxy coating plant. These benefits, together with computer based estimating and planning systems, enabled the business to achieve increased penetration of the water market.



Viking Johnson Flexlock and hermand couplings used on aeration lines at Thames Water Sidmester Sewage treatment works, Berkshire.

BUSINESS REVIEW *Victaulic Systems*

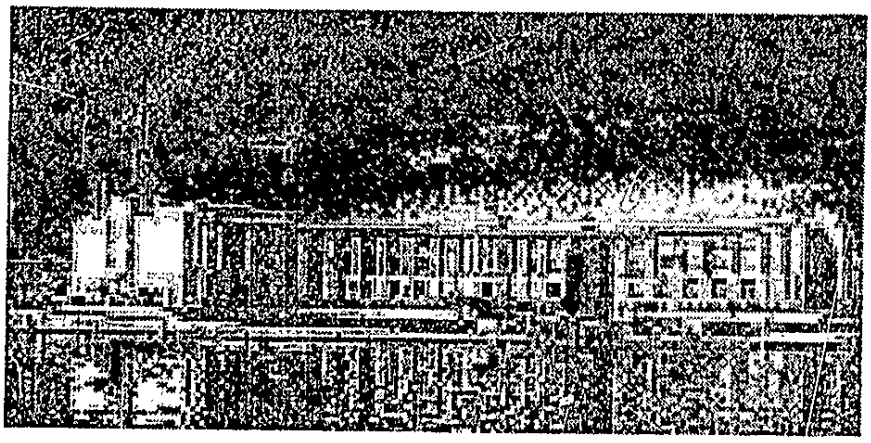
PIPE JOINTS AND FITTINGS FOR STEEL PIPE IN THE MECHANICAL SERVICES, FIRE PROTECTION AND MINING MARKETS.

Victaulic Systems experienced a downturn in sales volume during 1992 as a consequence of the recession in its UK construction markets. However, increased market share of the mechanical services market, and penetration of the industrial pipework sector, a relatively new market for Victaulic Systems, offset the full effect of the recession.

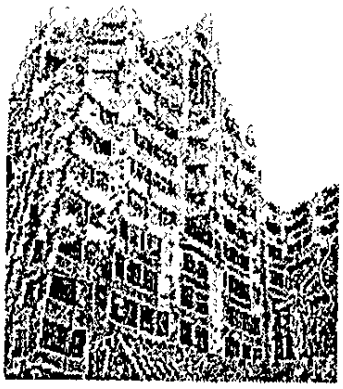
During 1992 Victaulic Systems increased its share of British Coal's pipe joint requirements. This diluted the impact of pit closures and there was only a slight reduction in the overall level of business. Sales to the tunnelling and mining sector, other than British Coal, increased during 1992 as did the level of export sales.

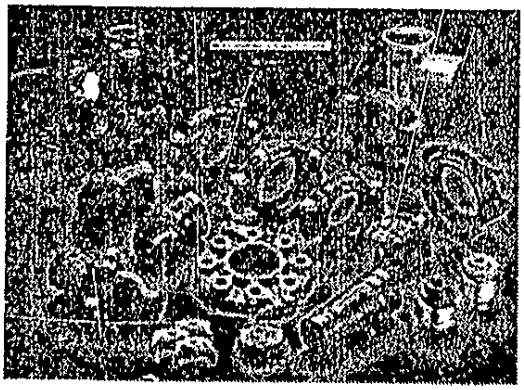
The benefits of cost reductions through changes in design, improvements in production processes and lower employment costs were clearly felt throughout the year. The effect of the efficiency improvements and cost reductions combined to maintain profit levels despite the loss of volume.

Further extensions to the existing product range were introduced during the year and a new range of grooved ended butterfly valves and strainers was launched at the end of 1992.



The comprehensive range of Victaulic Systems' grooved joints and fittings, illustrated below, was used extensively on the Lloyds of Bristol building (top) and the Minster Court project, London (bottom).



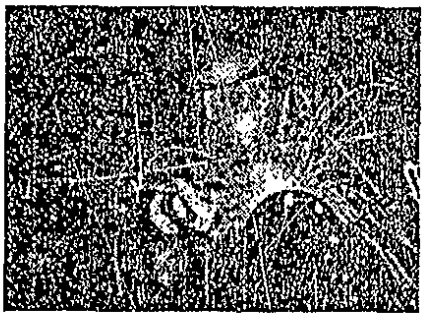


"The benefits of cost reductions through changes in design, improvements in production processes and lower employment costs were clearly felt throughout the year."

GAS SERVICE FITTINGS, METAL TO POLYETHYLENE PIPE FITTINGS AND DRILLING EQUIPMENT.

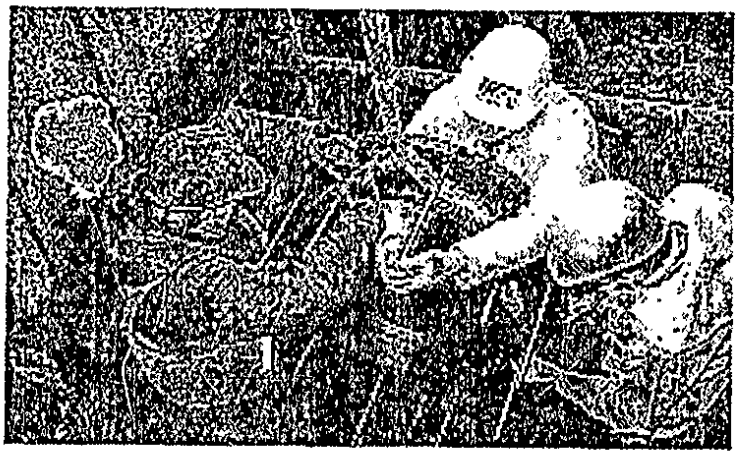
Wask-RMF contributed well in the year despite a downturn in demand from British Gas due not only to the continuing recession in the housing and industrial sectors, but also changes in the regional organisation taking place within British Gas. These factors resulted in the curtailment of mains pipeline projects planned for the second half of the year and seriously affected demand for larger sized fittings.

The benefits of rationalisation of product ranges and production methods between the Keighley and Skelmersdale sites and strong cost control measures produced a satisfactory result.



Fabricated pipework at RDV Engineering.

Installation of 630mm Transgrip pipe end coupler in Bolton for North West Water.



"Wask-RMF GmbH was established during the year with a stock depot and sales operation ..... for the German gas market."

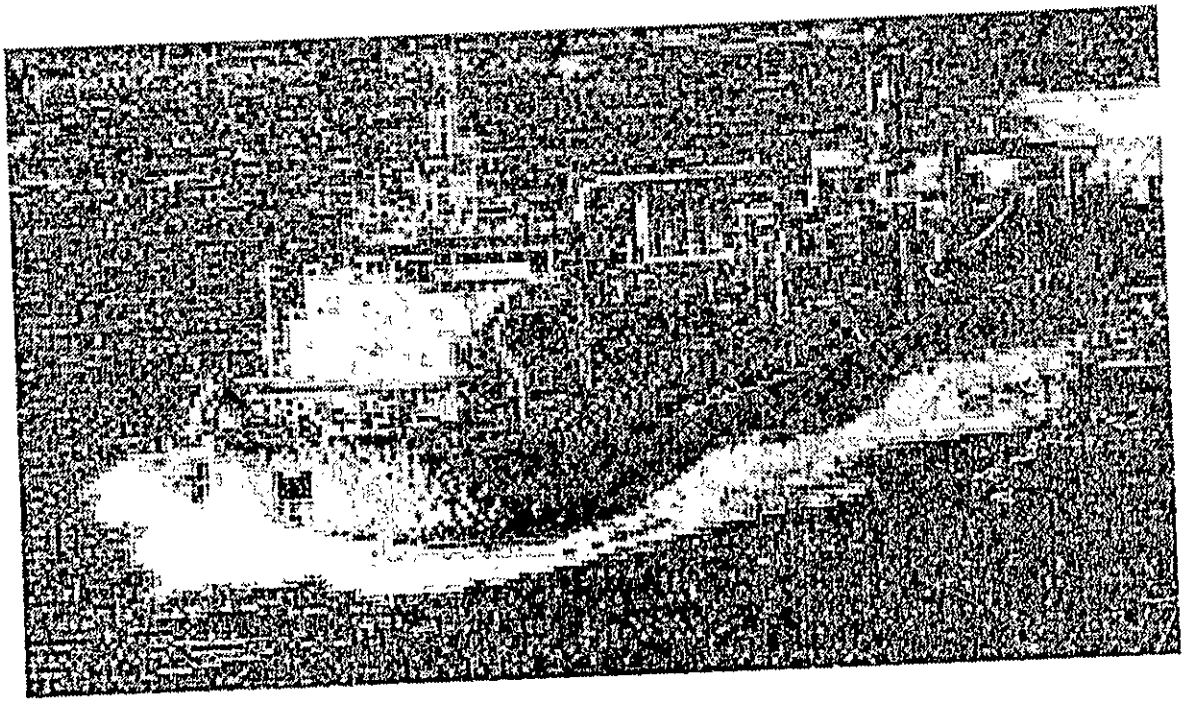
Capital investment was geared to computer aided manufacturing plant and new control systems so as to accelerate production cycles and reduce product costs.

Following the strategy to develop European sales, Wask-RMF GmbH was established during the year with a stock depot and sales operation for the supply of service and mains fittings up to 1000mm and under-pressure equipment for the German gas market. Sales benefited from investment and technology transfer by British Gas into gas utility companies in Germany and elsewhere in Europe.

The RDV business at Keighley performed well, having re-established itself with an increased market share for its specialist ductile iron pipework systems for the water market.

BUSINESS REVIEW *Helden Couplings*

PIPE COUPLINGS, FITTINGS AND REPAIR PRODUCTS FOR WATER AND GAS PIPELINES.



Helden couplings were used in the construction of the world's largest dredger by the Merwede Shipyard in the Netherlands.

"Progress was made in developing opportunities in the German water market."

Helden Couplings increased turnover significantly in the year through development of sales to the German gas market.

The Dutch business saw a decline in its export project sales caused by the world recession, but made good progress in the water market in mainland Europe and in the shipbuilding sector. Costs were reduced to match a lower level of activity, and benefits were obtained from investment in new plant, particularly the new powder coating facility.

Product costs in the Helden Armaturen business in Germany were reduced and further broadening of the gas fittings range for Germany continued. Progress was made in developing opportunities in the German water market.

Sales of water and gas products to the Eastern part of Germany increased, although the total market demand slowed towards the end of 1992 in line with the German economy.

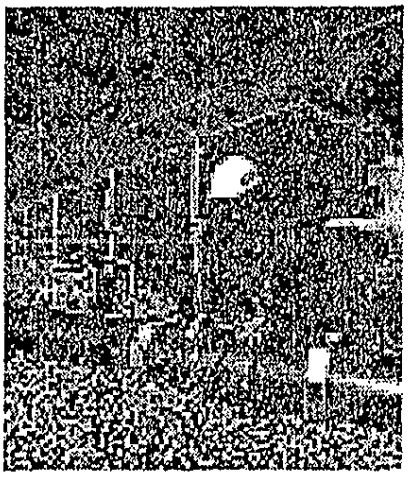
POLYETHYLENE PIPE FOR WATER AND GAS DISTRIBUTION SYSTEMS.

1992 was a difficult year for S & LP Pipe; the principal problem arose from reduced demand from British Gas resulting from the uncertainty over the future structure of the gas pipeline network. This uncertainty, both before and after the referral to the Monopolies and Mergers Commission, led to a reduction in the pipe laying activity within the gas market.

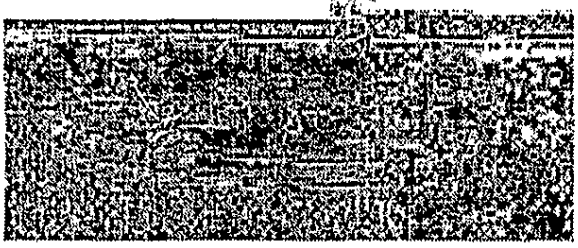
The demand for polyethylene water pipe was maintained at a reasonable level, helped by the gradual trend towards the use of this material. Sales into this sector managed a small increase, helped by success in obtaining a long term contract for the supply of all the polyethylene pipe requirements of Anglian Water. In addition the share of sales taken by the high strength Excel products has again grown; this range of products has now become standard for some applications.

Major capital investment in the modernisation and automation of the extrusion plant has continued and projects completed during the year resulted in an improved manufacturing performance. Tight controls on expenditure and reduced labour costs, together with more efficient plant performance, resulted in no increase in product costs despite lower overall volumes.

Despite currency fluctuations, raw materials prices have remained reasonably stable during 1992, and this situation appears likely to continue well into 1993.



Engineer carrying out an electrofusion joint on 250mm Excel water pipe.



Coil of 180mm Excel 7 bar gas pipe being delivered to a remote site at Elgin, Scotland by helicopter.

BUSINESS REVIEW *Stewarts and Lloyds Plastics : Fittings*

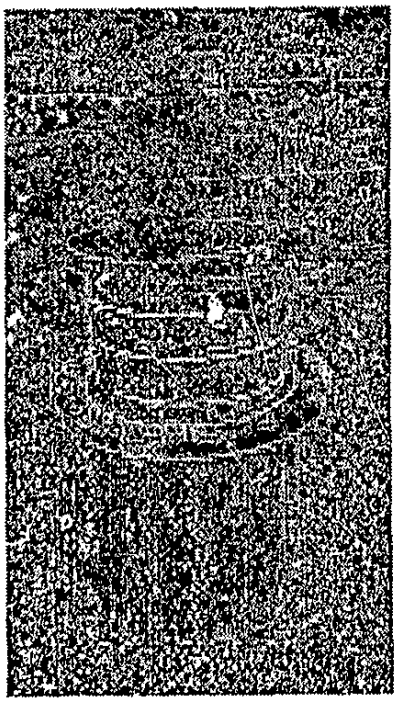
POLYETHYLENE FITTINGS AND FABRICATIONS FOR WATER AND GAS PIPEWORK SYSTEMS.

Turnover reduced substantially during the year as demand for butt fusion fittings fell in line with the reduction in British Gas' spending on large diameter distribution pipelines. Sales of electrofusion products to British Gas are concentrated in the smaller diameters and demand in this area has been relatively static.

Sales to the water market continued to grow with increased use of Excel, the high performance polyethylene. This material allows polyethylene pipe systems to be competitive over a wider size range and thus expands the available market. Contracts for our wide range of Excel fittings have been secured with a number of water utilities, including Anglian Water.

Profitability of the business was not satisfactory, principally due to the reduced volumes and pressure on margins; however another factor affecting the financial performance was the cost of the product development programme. As electrofusion becomes a favoured jointing method in both gas and water markets, the product range in this area is being increased. Development and tooling expenditure has already secured a good share of the large electrofusion coupler business with British Gas.

"Sales to the water market continued to grow with increased use of Excel, the high performance polyethylene."



450mm x 400mm NP16 Excel flange adapters installed on a 4km potable water pipeline by Severn Trent Water.

New manufacturing methods, which reduce unit costs, are being introduced along with improved production machinery for new products. Financial performance will also be improved as a result of demanning and re-organisation which took account of the reduced volumes and changing product range.

BUSINESS REVIEW *Victaulic Industrial Polymers*

SEALS FOR PIPES AND PIPE COUPLINGS, TUNNEL SEGMENT GASKETS AND RAIL PADS.

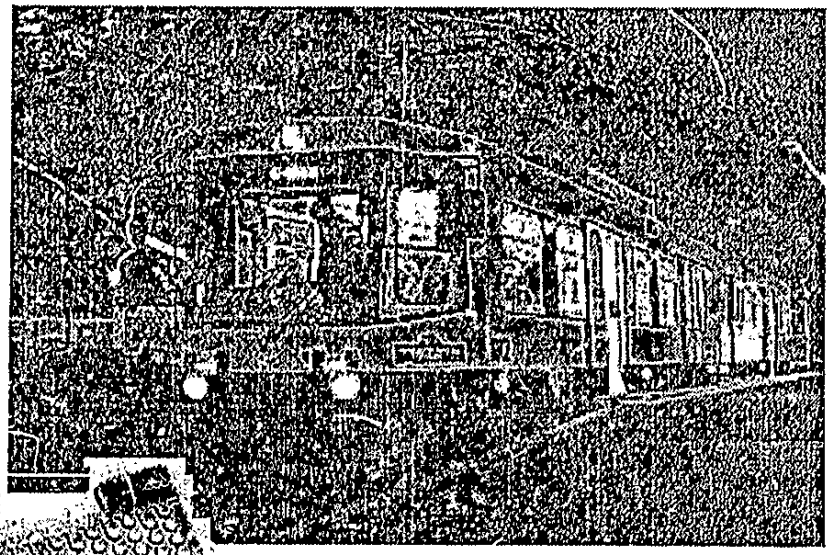
Ductile iron pipes being laid to duplicate an existing water main connecting Peterborough with Rutherford reservoir using VIP gaskets.

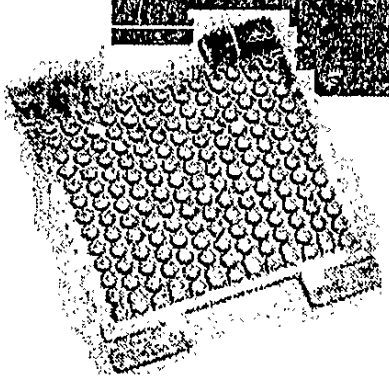
Despite difficult market conditions Victaulic Industrial Polymers' external sales in 1992 were maintained at the same level as in the previous year. Demand for gaskets from UK pipe makers declined overall but this was offset by higher sales of rail pads and increased exports.

Further reductions in UK demand were experienced from pipe makers serving construction and building industry markets; however demand from customers whose main market is the UK water industry was also reduced, particularly in the last quarter of the year.

During the course of the year investment in a number of new injection moulding presses was completed which has transformed the injection moulding capacity. This investment will leave the business well placed to develop new customers and to respond effectively to any upturn in UK demand.

Production efficiency again increased with improvements in productivity and reduced scrap levels. Training was maintained to improve quality and to allow greater mobility between different production areas. As a result customer service and delivery performance were further enhanced.





VIP studded rubber resilient rail pads were used in the track for Metrolink, the new light rail system for Manchester.

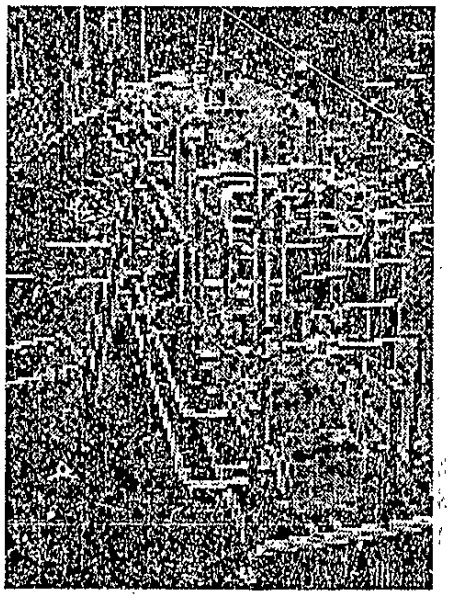
BUSINESS REVIEW *Stainless Fittings*

HYGIENIC STAINLESS STEEL PIPEWORK, FITTINGS AND FABRICATIONS.

With investment by the UK food and drink industry at a relatively low level, the business concentrated on developing markets for its fabrications, and for its Biobore range of high purity tube systems for the pharmaceutical industries of the UK and Europe.

Whilst sales during the first half of the year were weak in all sectors, the second half saw a major improvement. Good sales of specialised fabrication and pharmaceutical equipment were made to UK users, whilst exports to Europe and Ireland reached record levels.

For the year as a whole, sales and profit budgets were met, and the year ended with a strong order book and a more positive outlook for the new year than has been seen for some considerable time.



Cleaning plant for food industry tube system.

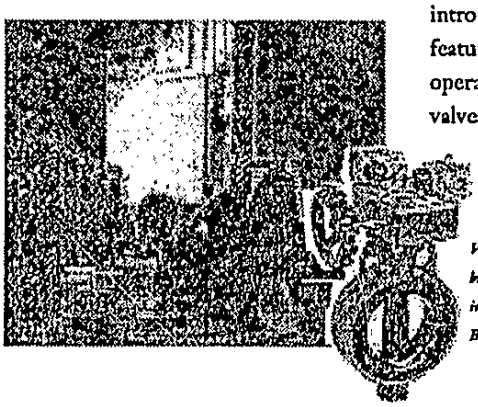
"Whilst sales during the first half of the year were weak in all sectors, the second half saw a major improvement."

BUSINESS REVIEW *Valvestock*

DISTRIBUTION OF VALVES, DESIGN AND ASSEMBLY OF VALVE AND ACTUATOR PACKAGES.

"... a new range of butterfly valves was introduced with a number of innovative features."

The business' main markets were depressed, particularly construction, fire protection and general maintenance. However, some growth was achieved in water treatment and power generation with the specialised valve actuation division improving its performance. Overall turnover and profits were lower than in 1991.



Valvestock provided a range of valves, including the butterfly valve illustrated, for the fire protection system installed in the prestigious Hyatt Regency Hotel, Birmingham.

In response to lower levels of activity action was taken to reduce staffing and other costs and working capital ratios improved. Investment is being made in a new computer system to provide improved inventory and cost controls.

In order to enhance market penetration a new range of butterfly valves was introduced with a number of innovative features. A new concept in gear box operation was launched and a new check valve and brass ball valve will increase the package of approved products for the water industry.

BUSINESS REVIEW *Insoll Components/PTFE Fabricators*

PTFE EXTRUSIONS AND MACHINED COMPONENTS.

Selection of PTFE electrical sleeving and PTFE tubes.

Insoll Components and PTFE Fabricators both increased sales and profits significantly during 1992.

Insoll Components achieved growth in sales by increasing its share of the UK market for PTFE insulators for electronics connectors and by higher export sales. The UK connector market, along with Insoll's general engineering market, was affected by the recession but new business was obtained in security electronics and mobile communications equipment.

PTFE Fabricators achieved a further substantial increase in export sales of small diameter PTFE tubing, primarily to the German market. This growth took advantage of the increased capacity produced by the new extruder installed in 1991 and this investment also increased productivity.

With growth in UK markets for PTFE tubing restricted, PTFE Fabricators is seeking further penetration of European markets where its overall market share is small. Recent exchange rate movements will help this programme. In the UK, progress was made in the development of new fabricated products for process industry applications.

DIRECTORS AND ADVISERS

DIRECTORS
David Clarke Brooke Winch*
David Charles Stewart
Harry Ford*
Richard Legrand
Ian Robert McColl
Edward Jeremy Seddon*
John Staniforth Singleton

**Non-executive directors and members of the Remuneration and Audit Committees.*

SECRETARY AND REGISTERED OFFICE
Graham Charles Rose
Victaulic PLC
PO Box 13
46-48 Wilbury Way
Hitchin
Hertfordshire
SG4 0UD

HEAD OFFICE
Matrix House
2 North Fourth Street
Central Milton Keynes
MK9 1NW

BANKERS
Barclays Bank PLC
Lazard Brothers & Co., Limited

SOLICITORS
Ashurst Morris Crisp
Hewitson Becke & Shaw

BROKERS
Hoare Govett Corporate Finance Limited

REGISTERED AUDITORS
Coopers & Lybrand

REGISTRARS
Barclays Bank PLC
PO Box 34
Octagon House
Gadbrook Park
Northwich
Cheshire
CW9 7RD

REGISTERED COMPANY NUMBER
1698059

FINANCIAL CALENDAR

Ex Dividend date for 1992 final dividend	29th March 1993
Qualifying date for 1992 final dividend	16th April 1993
Annual General Meeting	24th April 1993
1992 final dividend payable	14th May 1993
Announcement of unaudited results for the six months to 30th June 1993	August 1993
Interim dividend for 1993 payable	October 1993

DIRECTORS' REPORT

The directors present their report and the audited accounts for the year ended 31st December 1992.

SHARE CAPITAL

The present authorised and issued share capital of the company is shown in note 20 to the accounts.

PRINCIPAL ACTIVITY

The principal activity of the group is the manufacture and supply of polyethylene pipes and fittings, mechanical pipe jointing systems, valves, rubber gaskets and engineering plastics for use by water, gas and other industrial undertakings. A detailed review of the year is contained in the chairman's statement and the managing director's review.

RESULTS AND DIVIDENDS

The profit for the year attributable to the Ordinary shareholders, after taxation, amounted to £8,910,000. An interim dividend of 2.5p per share on the Ordinary share capital was paid on 8th October 1992, and the directors now recommend a final dividend for the year on the Ordinary share capital of 5.3p per share to be paid on 14th May 1993 to shareholders registered at 16th April 1993. The profit for the year, after dividends, of £5,490,000 has been taken to distributable reserves.

CORPORATE GOVERNANCE

The directors support the recommendations of the Cadbury Committee on the financial aspects of corporate governance and plan to comply with the code of best practice by December 1993. To this end appropriate Remuneration and Audit Committees have already been formally established, and additional information on directors' remuneration is disclosed in note 5 to the accounts.

FIXED ASSETS

Investment was concentrated on equipment that will increase the efficiency of manufacture at Stewarts & Lloyds Plastics, Viking Johnson and Victaulic Industrial Polymers. Significant expenditure was incurred enhancing the production facilities of Viking Johnson Fabricators.

DISABLED PERSONS

The group gives full and fair consideration to applications for employment by disabled persons having regard to their particular aptitudes and abilities and encourages the career development of those it is able to employ by means of special training if this is necessary. In the event of employees becoming disabled while in the service of the group, every effort is made to continue their employment by transfer to alternative duties, and where appropriate, by the provision of retraining facilities.

RESEARCH AND DEVELOPMENT

The group has maintained its policy of devoting substantial resources to the

development of new products and processes.

DIRECTORS

The names of the directors, who have all been directors for the whole year, are shown on page 17.

Mr J S Singleton retires by rotation under the provisions of Article 106 of the company's Articles of Association and, being eligible, offers himself for re-election. Mr Singleton has a service contract with the company which is terminable at any time by 24 months notice by the company or 12 months notice by Mr Singleton.

Mr H Ford also retires by rotation under the provisions of Article 106 but does not seek re-election. He will relinquish his non-executive responsibilities at the end of the forthcoming Annual General Meeting. It is the intention of the board to appoint a non-executive director in place of Mr Ford shortly thereafter.

DIRECTORS' AND OTHER INTERESTS

The number of shares held by directors and their families at 31st December 1992 and other substantial interests notified to the company are shown in notes 5 and 29 to the accounts.

DIRECTORS' INTERESTS IN CONTRACTS

None of the directors had a material interest in any contract to which any group company was a party.

DONATIONS

During the year the group made charitable donations of £26,000. No payments were made to political organisations.

EMPLOYEE INVOLVEMENT

Victaulic continues to encourage employee involvement and participation. The bi-monthly employee newspaper Victaulic News gives reports on commercial and technical developments and achievements. At a local level communication may take the form of briefings or joint consultative meetings.

Since the buyout in 1983 the group has continued to encourage share ownership amongst its employees. A Savings Related Share Option Scheme was introduced in 1988 and a further grant of options under this scheme was made in October 1992. The response to all five invitations under the Scheme has been favourable. Employees, former employees and their families continue to have a substantial shareholding in the company.

Employees also have a significant involvement in the pension fund with four elected representatives making up half of the Trustee Board.

CLOSE COMPANY

The company was not a close company within the provisions of the Income and Corporation Taxes Act 1988 and this position has not changed since the end of the financial year.

AUDITORS

A resolution to reappoint the auditors, Coopers & Lybrand will be proposed at the Annual General Meeting. Until 1st June 1992, the firm practised under the name Coopers & Lybrand Deloitte.

By order of the board
G C Rose
Secretary

12th March 1993

CONSOLIDATED PROFIT AND LOSS ACCOUNT

for the year ended 31st December 1992

	Notes	1992 £'000	1992 £'000	1991 £'000
Turnover	2			
Continuing operations		100,938		113,582
Acquisitions		307		-
		101,245		113,582
Discontinued operations		–		1,219
			101,245	114,801
Operating expenses	3		88,347	100,839
Operating profit				
Continuing operations		12,894		13,960
Acquisitions		4		-
		12,898		13,960
Discontinued operations		–		2
Profit on ordinary activities before interest			12,898	13,962
Net interest receivable	6		651	361
Profit on ordinary activities before taxation	8		13,549	14,323
Taxation on profit on ordinary activities	9		4,639	5,073
Profit on ordinary activities after taxation	10		8,910	9,250
Dividends	11		3,420	3,213
Retained profit for the year	23		5,490	6,037
Earnings per Ordinary Share	12		20.3p	21.25p

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

	1992 £'000	1991 £'000
Profit on ordinary activities after taxation	8,910	9,250
Currency translation differences on foreign currency net investments	(71)	(23)
Total gains and losses recognised since last annual report	8,839	9,227

CONSOLIDATED BALANCE SHEET

at 31st December 1992

	Notes	1992 £'000	1991 £'000
FIXED ASSETS			
Tangible assets	13	25,686	24,154
Investments	15	424	-
		26,110	24,154
CURRENT ASSETS			
Stocks	16	15,783	14,078
Debtors	17	13,833	15,809
Cash at bank and in hand		11,755	16,395
		41,371	46,282
CREDITORS			
Amounts falling due within one year:			
Operating creditors	18	20,925	25,414
Bank overdraft		5,524	6,662
NET CURRENT ASSETS		14,922	14,206
TOTAL ASSETS LESS CURRENT LIABILITIES		41,032	38,360
PROVISIONS FOR LIABILITIES AND CHARGES			
Deferred taxation	19	427	313
		40,605	38,047
CAPITAL AND RESERVES			
Called up share capital	20	10,960	5,465
Share premium account	21	171	5,374
Merger reserve		1,139	1,139
Revaluation reserve	22	4,135	4,226
Profit and loss account	23	24,200	21,843
	24	40,605	38,047

The accounts on pages 20 to 39 were approved by the board on 12th March 1993 and were signed on its behalf by :

D C B Winch
I R McColl } Directors

COMPANY BALANCE SHEET

at 31st December 1992

	Notes	1992 £'000	1991 £'000
FIXED ASSETS			
Tangible assets	13	21,466	20,169
Investments:			
Shares in group companies	14	12,985	12,985
Other	15	424	-
		34,875	33,154
CURRENT ASSETS			
Stocks	16	11,747	10,216
Debtors	17	11,761	11,572
Cash at bank and in hand		9,370	14,848
		32,878	36,636
CREDITORS			
Amounts falling due within one year:			
Operating creditors	18	19,607	23,679
Bank overdraft		1,480	1,929
NET CURRENT ASSETS		11,791	11,028
TOTAL ASSETS LESS CURRENT LIABILITIES		46,666	44,182
PROVISION FOR LIABILITIES AND CHARGES			
Deferred taxation	19	420	313
		46,246	43,869
CAPITAL AND RESERVES			
Called up share capital	20	10,960	5,465
Share premium account	21	171	5,374
Merger reserve		6,902	6,902
Revaluation reserve	22	4,135	4,226
Profit and loss account	23	24,078	21,902
	24	46,246	43,869

The accounts on pages 20 to 39 were approved by the board on 12th March 1993 and were signed on its behalf by :

D C B Winch
I R McColl } Directors

CONSOLIDATED CASH FLOW STATEMENT

for the year ended 31st December 1992

	Notes	1992 £'000	1991 £'000
NET CASH INFLOW FROM OPERATING ACTIVITIES	25	13,166	19,466
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Interest received		1,329	786
Interest paid		(614)	(500)
Dividends paid		(3,282)	(2,763)
		(2,567)	(2,477)
TAXATION			
UK corporation tax paid		(4,553)	(3,787)
Overseas tax repaid		59	53
		(4,494)	(3,734)
INVESTING ACTIVITIES			
Purchase of tangible fixed assets		(4,404)	(3,569)
Disposal of tangible fixed assets		171	214
Acquisition	15	(4,809)	-
		(9,042)	(3,355)
NET CASH OUTFLOW BEFORE FINANCING		(2,937)	9,900
FINANCING			
Issue of Ordinary shares	26	201	377
NET (DECREASE) IN CASH AND CASH EQUIVALENTS	27	(2,736)	10,277

NOTES TO THE ACCOUNTS

for the year ended 31st December 1992

1. PRINCIPAL ACCOUNTING POLICIES

The accounts have been prepared in accordance with applicable Accounting Standards in the United Kingdom.

(a) Accounting convention

The accounts are prepared under the historical cost convention as modified by the revaluation of certain fixed assets.

(b) Basis of consolidation

The consolidated accounts include the company and all its subsidiaries. The results of subsidiaries acquired or disposed of during the year are included in the consolidated profit and loss account from the date of their acquisition or up to the date of their disposal. Intra-group sales and profits are eliminated fully on consolidation.

(c) Goodwill

Purchased goodwill and goodwill arising on consolidation, being the excess of the purchase price over the fair value of the net assets at the date of acquisition, are written off immediately on acquisition, against reserves.

(d) Tangible fixed assets

Tangible fixed assets are recorded at cost or revaluation less accumulated depreciation.

Cost comprises the direct expenditure incurred, and in the case of assets constructed by the group, includes related works and other overheads.

Expenditure on new capital projects which have not been commissioned by the accounting date is classified as assets in course of construction and is transferred to the appropriate fixed asset account on completion of commissioning.

(e) Depreciation

Depreciation is provided so as to write off the cost or valuation of tangible fixed assets on a straight line basis, from the dates they are brought into use, over their estimated useful lives. No further depreciation is provided in respect of assets which are fully written down but still in use. The estimated useful lives for the main categories of tangible fixed assets are:

Freehold and long leasehold buildings which house plant and other works buildings	25 years
Other freehold and long leasehold buildings	50 years
Plant and machinery used in manufacturing	10 – 25 years
Computers	5 years
Motor vehicles	4 years

Profits or losses on disposal are included in the trading results for the year. Land is not depreciated.

(f) Investments

Investments are carried at cost less any write down for permanent diminution in value.

(g) Operating leases

Costs in respect of operating leases are charged to the profit and loss account on a straight line basis over the lease term.

(h) Loose plant and tools

Expenditure on loose plant and tools is charged to the profit and loss account as incurred.

(i) Stocks

Stocks of raw materials are valued at the lower of cost and net realisable value. Stocks of partly processed materials, finished products, stores and spares are valued at the lower of cost and net realisable value of the separate items of stock. Cost of raw materials, stores and spares is determined at purchase price, including delivery charges. Partly processed and finished products are stated at cost of production including works overheads. Net realisable value is the price at which the stocks can be realised in the normal course of business after allowing for the cost of conversion from their existing state to a finished condition, and the costs of disposal. Provision is made, where necessary, to cover slow moving and obsolete items.

(j) Pensions

The group operates a defined benefit pension scheme for UK employees, the assets of which are held in a separate trustee administered fund.

In the Netherlands and Germany, in addition to the State and Industry schemes, the group also provides defined benefit schemes to a limited number of employees, the funds being held in separate insured policies.

1. PRINCIPAL ACCOUNTING POLICIES (continued)

(j) Pensions (continued)

The expected cost of pensions in respect of the group's UK defined benefit pension scheme is charged to the profit and loss account so as to spread the cost of pensions over the service lives of employees in the scheme. Variations from the regular cost are spread over the average expected remaining service lives of current employees in the scheme. The pension cost is assessed in accordance with the advice of qualified actuaries.

(k) Deferred taxation

Provision is made for deferred taxation, under the liability method, to the extent that the directors consider there is a reasonable probability that it will become payable in the foreseeable future. No provision is made for taxation which could arise in the event of overseas subsidiaries declaring dividends out of their retained profits, as such amounts are expected to be permanently reinvested in the respective companies.

(l) Foreign currencies

Assets and liabilities of subsidiaries in foreign currencies are translated into sterling at rates of exchange ruling at the end of the financial year and the results of foreign subsidiaries are translated at the average rate of exchange for the year. Differences on exchange arising from the retranslation of the opening net investment in subsidiary companies, and from the translation of the results of those companies at average rate, are taken to reserves. All other foreign exchange differences are taken to the profit and loss account in the year in which they arise.

(m) Turnover

Turnover to export customers is recorded at the FOB price of the products sold and services rendered. All other sales are recorded at net invoiced price inclusive of delivery charges but excluding Value Added Tax.

(n) Research and development expenditure

Expenditure on research and development is charged to the profit and loss account as incurred.

(o) Financial Reporting Standard 3

Following the introduction of Financial Reporting Standard 3, 'Reporting Financial Performance', the following changes in the presentation of the financial statements have been made to conform with the new requirements:

(i) turnover and operating profit have been analysed between continuing and discontinued operations, with results from acquisitions during the year shown separately under continuing operations.

(ii) a statement of total recognised gains and losses has been presented together with a reconciliation of movements in shareholders' funds.

2. SEGMENTAL INFORMATION

The geographical analysis of turnover by destination for the year is as follows:

	1992 £'000	1991 £'000
United Kingdom	84,894	99,624
France	2,383	2,421
Germany	4,330	3,249
Rest of Europe	6,199	5,467
North America	103	125
South America	558	470
Africa	365	883
Asia	1,962	2,044
Australasia	451	518
	101,245	114,801

All of the turnover and operating profit arises from the group's principal activity. The directors believe this to be the only class of business carried out by the group.

NOTES TO THE ACCOUNTS
continued

3. OPERATING EXPENSES

	1992		1991		
	Continuing £'000	Total £'000	Continuing £'000	Discontinued £'000	Total £'000
Change in stocks of finished goods and work in progress	(2,221)	(2,221)	(909)	–	(909)
Raw materials and consumables	52,960	52,960	61,183	841	62,024
Other external charges	4,293	4,293	4,341	69	4,410
Employment costs (note 4)	24,488	24,488	24,084	127	24,211
Depreciation	3,102	3,102	2,936	23	2,959
Other operating charges	5,725	5,725	7,987	157	8,[illegible]
	88,347	88,347	99,622	1,217	100,839

The employment cost figure for 1992 above includes £619,000 in respect of redundancy and reorganisation costs.

The figures for continuing operations in 1992 include the following amounts relating to the acquisition of Lindapter International:

	£'000
Change in stocks of finished goods and work in progress	(40)
Raw materials and consumables	144
Other external charges	14
Employment costs	82
Depreciation	4
Other operating charges	99
	303

4. EMPLOYEE INFORMATION

The average number of employees of the group, including executive directors, during the year was as follows :

	1992	1991
Production	922	956
Commercial	162	168
Administrative	284	287
	1,368	1,411

Group employment costs for the above were:

	1992 £'000	1991 £'000
Wages and salaries	21,229	20,972
Social security costs	1,868	1,843
Other pension costs (note 34)	1,391	1,396
	24,488	24,211

5. DIRECTORS' EMOLUMENTS AND INTERESTS IN SHARES OF THE COMPANY

The remuneration of executive directors consists of a basic salary, a performance related bonus, and pension, health care and motor car benefits. The basic salary is reviewed on 1st April each year, having regard to factors such as market rates, inflation and individual performance. Benefits are reviewed periodically having regard to the practice in companies of a similar size and type. Executive directors are entitled to a performance related annual bonus ranging from zero to a maximum of 30% of basic salary, based on the actual earnings per share compared with targets set at the beginning of each year. Non-executive directors receive no benefits other than directors' fees. Total directors' emoluments were:

	1992 £'000	1991 £'000
Fees	36	30
Fees paid to third parties	14	13
Basic salary	295	266
Performance bonus	–	82
Pension contributions	48	44
Other benefits	30	28
	423	463

Fees and other emoluments include amounts paid to:

	1992 £	1991 £
Chairman		
Fees	25,000	23,250
Highest paid director		
Salary	87,500	77,500
Performance related bonus	–	24,000
Other benefits	7,417	6,809
Emoluments before pension contributions	94,917	108,309
Pension contributions	14,402	12,728
	109,319	121,037

The number of directors (including the chairman and the highest paid director) who received fees and other emoluments (excluding pension contributions) in the following ranges was:

	1992	1991
£ 5,001 – £ 10,000	–	2
£ 10,001 – £ 15,000	2	
£ 20,001 – £ 25,000	1	1
£ 65,001 – £ 70,000	1	-
£ 75,001 – £ 80,000	1	1
£ 80,001 – £ 85,000	1	-
£ 85,001 – £ 90,000	–	1
£ 90,001 – £ 95,000	1	-
£ 95,001 – £100,000	–	1
£105,001 – £110,000	–	1

NOTES TO THE ACCOUNTS
continued

5. DIRECTORS' EMOLUMENTS AND INTERESTS IN SHARES OF THE COMPANY (continued)

The interests of the directors in the shares of the company, all of which were beneficial, were:

	Shares		Share options	
	At 31st December 1992	At 31st December 1991	At 31st December 1992	At 31st December 1991
D C B Winch	88,000	88,000	–	-
D C Stewart	771,400	803,400	–	-
R Legrand	266,480	355,480	–	-
I R McColl	167,060	167,000	7,033	4,408
J S Singleton	2,096	2,000	171,761	143,976
H Ford	2,000	2,000	–	-
E J Seddon	–	–	–	-

Share options have been granted to directors as follows:

	Number of shares	Price payable	Exercisable between
J S Singleton:			
Executive Scheme	66,000	191p	14. 9.1992 – 14. 9.1999
Executive Scheme	34,000	192.5p	20. 9.1993 – 20. 9.2000
Executive Scheme	40,000	262.5p	11. 9.1994 – 11. 9.2001
Executive Scheme	25,000	280p	25. 9.1995 – 25. 9.2002
Save As You Earn Scheme	2,376	154p	1.12.1995 – 1. 6.1996
Save As You Earn Scheme	1,600	240p	1.12.1996 – 1. 6.1997
Save As You Earn Scheme	2,785	224p	1.12.1997 – 1. 6.1998
I R McColl:			
Save As You Earn Scheme	1,532	168.5p	1.12.1994 – 1. 6.1995
Save As You Earn Scheme	1,752	154p	1.12.1995 – 1. 6.1996
Save As You Earn Scheme	1,124	240p	1.12.1996 – 1. 6.1997
Save As You Earn Scheme	2,625	224p	1.12.1997 – 1. 6.1998

No share options have been exercised by directors during the year.

There have been no changes in the interests set out above between 31st December 1992 and 12th March 1993. The above figures have been adjusted where necessary to reflect the 1 for 1 scrip issue made in April 1992.

6. NET INTEREST RECEIVABLE

	1992 £'000	1991 £'000
Interest receivable	1,266	861
Interest payable on loans and overdrafts repayable within five years not by instalments	(615)	(500)
	651	361

7. HISTORICAL COST ACCOUNTS

There is no material difference between the results as disclosed in the consolidated profit and loss account and the result on an unmodified historical cost basis.

8. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

Profit on ordinary activities before taxation is stated after charging:

	1992 £'000	1991 £'000
Hire of plant and machinery	393	371
Property rentals	306	485
Research and development	584	511
Foreign exchange differences	18	11
Audit fees (company – £52,000 (1991 – £45,000))	95	84
Non audit fees paid to auditors	59	85
Depreciation	3,102	2,959
(Profit)/loss on disposal of fixed assets	(48)	7

9. TAXATION ON PROFIT ON ORDINARY ACTIVITIES

	1992 £'000	1991 £'000
UK corporation tax based on the profit for the year at 33% (1991 – 33.25%)	4,727	5,264
Transfer to deferred tax	114	67
Over provision in prior years	(202)	(204)
Overseas taxes	–	(54)
	4,639	5,073

10. PROFIT FOR THE FINANCIAL YEAR

As permitted by section 230 of the Companies Act 1985, the holding company's profit and loss account has not been included in these accounts. The profit for the financial year is made up as follows :

	1992 £'000	1991 £'000
Holding company's profit for the financial year	8,658	8,436
Retained by subsidiary companies	252	814
	8,910	9,250

11. DIVIDENDS

	1992 £'000	1991 £'000
Ordinary shares of 25p each:		
Interim – 2.5p per share (1991 – 2.35p) paid 8th October 1992	1,096	1,027
Proposed final – 5.3p per share (1991 – 5.0p) payable -14th May 1993	2,324	2,186
	3,420	3,213

The comparative figures have been restated for the 1 for 1 scrip issue made in April 1992.

NOTES TO THE ACCOUNTS
continued

12. EARNINGS PER ORDINARY SHARE

Earnings per Ordinary share is calculated on the profit on ordinary activities after taxation of £8,910,000 (1991 - £9,250,000) and on the weighted average number of Ordinary shares in issue during the year of 43,797,872 (1991 - 43,571,092).

13. TANGIBLE FIXED ASSETS

(a) THE GROUP:

	Land and buildings £'000	Plant and machinery £'000	Assets in course of construction £'000	Total £'000
COST OR VALUATION				
At 1st January 1992				
At cost	5,835	23,980	870	30,685
At valuation	5,194	–	–	5,194
	11,029	23,980	870	35,879
Exchange differences	155	202	–	357
Additions	3	1,913	2,358	4,274
Acquisition	–	227	–	227
Disposals	–	(493)	–	(493)
Reclassifications	211	2,554	(2,765)	-
At 31st December 1992	11,398	28,383	463	40,244
DEPRECIATION				
At 1st January 1992	791	10,934	–	11,725
Exchange differences	20	81	–	101
Charge for the year	245	2,857	–	3,102
Disposals	–	(370)	–	(370)
At 31st December 1992	1,056	13,502	–	14,558
Net book value at 31st December 1992	10,342	14,881	463	25,686
Net book value at 31st December 1991	10,238	13,046	870	24,154

The net book value of land and buildings comprises:

	1992 £'000	1991 £'000
Freehold	10,300	10,190
Long leasehold	6	8
Short leasehold	36	40
	10,342	10,238

The historical cost of revalued freehold land and buildings is £1,911,000. Freehold land and buildings were revalued at 31st December 1986.

13. TANGIBLE FIXED ASSETS (continued)

(b) THE COMPANY:

	Land and buildings £'000	Plant and machinery £'000	Assets in course of construction £'000	Total £'000
COST OR VALUATION				
At 1st January 1992				
At cost	3,516	21,238	870	25,624
At valuation	5,194	–	–	5,194
	8,710	21,238	870	30,818
Additions	3	1,369	2,338	3,710
Acquisition	–	227	–	227
Disposals	–	(411)	–	(411)
Reclassifications	211	2,554	(2,765)	-
At 31st December 1992	8,924	24,977	443	34,344
DEPRECIATION				
At 1st January 1992	651	9,998	–	10,649
Charge for the year	183	2,371	–	2,554
Disposals	–	(325)	–	(325)
At 31st December 1992	834	12,044	–	12,878
Net book value at 31st December 1992	8,090	12,933	443	21,466
Net book value at 31st December 1991	8,059	11,240	870	20,169

The net book value of land and buildings comprises:

	1992 £'000	1991 £'000
Freehold	8,089	8,058
Long leasehold	–	-
Short leasehold	1	1
	8,090	8,059

The historical cost of revalued freehold land and buildings is £1,911,000. Freehold land and buildings were revalued at 31st December 1986.

NOTES TO THE ACCOUNTS
continued

14. INVESTMENTS: SHARES IN GROUP COMPANIES

The company's investments in subsidiaries are made up as follows:

	1992 £'000
Investments at cost:	
At 1st January 1992 and 31st December 1992	12,985

The cumulative amount of goodwill resulting from acquisitions which has been written off, after deducting goodwill attributable to subsidiaries disposed of, is as follows:

	1992 £'000
At 1st January 1992	9,771
Acquisitions (note 15)	3,062
At 31st December 1992	12,833

15. INVESTMENTS: OTHER

On 20th November 1992 the business and certain of the assets of Lindapter International were purchased from the Receiver of Henry Barrett Group PLC. The group has used the acquisition method to account for this purchase and the following table sets out its effect:

	Consideration per purchase agreement £'000	Fair value provision £'000	Fair value to company £'000
Goodwill	2,570	(2,570)	-
Fixed Assets	180	47	227
Trade investment*	500	(76)	424
Stocks	700	(74)	626
Trade debtors	850	(25)	825
Other creditors	-	(355)	(355)
Net assets	4,800	(3,053)	1,747
Consideration: cash			4,809
Goodwill arising on acquisition			3,062

In the year to 31st August 1992 the unaudited accounts of Lindapter International showed turnover of £5.5 million and pre-tax profits of £0.8 million.

* Under the purchase agreement Victaulic PLC was granted an option to acquire 100% of the equity of Henry Barrett's German and French Lindapter subsidiaries for a nominal consideration. This option was not exercised until 5th March 1993 and hence the assets and liabilities of these companies have not been consolidated in these accounts.

16. STOCKS

The amounts attributable to the different categories are as follows:

	1992 £'000 The group	1992 £'000 The company	1991 £'000 The group	1991 £'000 The company
Raw materials and consumables	1,729	1,304	2,245	1,849
Work in progress	1,389	1,053	1,392	1,065
Finished goods	12,665	9,390	10,441	7,302
	15,783	11,747	14,078	10,216

17. DEBTORS

	1992 £'000 The group	1992 £'000 The company	1991 £'000 The group	1991 £'000 The company
Amounts falling due within one year:				
Trade debtors	12,092	8,521	14,665	10,495
Amounts owed by subsidiaries	–	1,740	–	72
Prepayments and accrued income	966	725	415	276
	13,058	10,986	15,080	10,843
Amounts falling due after one year:				
ACT recoverable	775	775	729	729
	13,833	11,761	15,809	11,572

18. OPERATING CREDITORS

	1992 £'000 The group	1992 £'000 The company	1991 £'000 The group	1991 £'000 The company
Trade creditors	9,300	6,576	12,243	9,196
Amounts owed to subsidiaries	–	3,707	–	3,830
Corporation tax	4,706	3,440	4,757	3,771
ACT on dividends	1,140	1,140	1,071	1,071
Overseas tax	–	–	(59)	-
Other taxation and social security	1,115	856	1,832	1,430
Accruals	2,340	1,564	3,384	2,195
Dividends payable	2,324	2,324	2,186	2,186
	20,925	19,607	25,414	23,679

NOTES TO THE ACCOUNTS
continued

19. DEFERRED TAXATION

The movement on the deferred tax account is as follows:

	1992 £'000 The group	1992 £'000 The company
At 1st January 1992	313	313
Profit and loss account	114	107
At 31st December 1992	427	420

The actual provision and total potential liability:

	1992 £'000 Provision made	1992 £'000 Total potential liability	1991 £'000 Provision made	1991 £'000 Total potential liability
THE GROUP:				
Accelerated capital allowances	541	2,090	371	1,850
Short term timing differences	(114)	(114)	(58)	(58)
	427	1,976	313	1,792
THE COMPANY:				
Accelerated capital allowances	470	2,019	371	1,850
Short term timing differences	(50)	(50)	(58)	(58)
	420	1,969	313	1,792

The directors have no present intention of disposing of any of the freehold properties. If any of the properties were realised at the amounts included in the balance sheet, in view of the group's policy of expansion and continued ownership of its assets, it would be necessary to replace them by purchasing similar property; rollover relief would therefore be available. Accordingly, the revalued amounts do not constitute timing differences as defined by Statement of Standard Accounting Practice 15, and the potential amount of deferred tax if they were to be disposed of has not therefore been quantified.

20. CALLED UP SHARE CAPITAL

	Ordinary shares of 25p each 1992 '000	1991 '000
Authorised:		
Value	£15,550	£6,250
Number	62,200	25,000
Allotted, called up and fully paid:		
Value	£10,960	£5,465
Number	43,841	21,861

Of the total number of shares issued during the year 21,861,368 were issued in the April 1992 scrip issue and the remainder were allotted under the company's share option schemes.

21. SHARE PREMIUM ACCOUNT

The movement on the share premium account is as follows:

	1992 £'000
At 1st January 1992	5,374
Premium on shares issued during the year	171
Scrip issue	(5,374)
At 31st December 1992	171

22. REVALUATION RESERVE

The revaluation reserve arises as a consequence of carrying interests in land and buildings in the balance sheet at a valuation. The movement on the reserve is as follows:

	1992 £'000
At 1st January 1992	4,226
Scrip issue	(91)
At 31st December 1992	4,135

23. STATEMENT OF RETAINED PROFITS

The movement in retained profits for the year is as follows:

	1992 £'000 The group	1992 £'000 The company
At 1st January 1992	21,843	21,902
Goodwill written off	(3,062)	(3,062)
Currency translation differences on foreign currency net investments	(71)	-
Retained profit for the year	5,490	5,238
At 31st December 1992	24,200	24,078

NOTES TO THE ACCOUNTS
continued

24. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

The movements in shareholders' funds is as follows:

	1992 £'000 The group	1992 £'000 The company	1991 £'000 The group	1991 £'000 The company
Profit for the financial year	8,910	8,658	9,250	8,436
Dividends	(3,420)	(3,420)	(3,213)	(3,213)
	5,490	5,238	6,037	5,223
Other recognised gains and losses relating to the year (net)	(71)	–	(23)	-
New share capital subscribed*	201	201	377	377
Goodwill written off	(3,062)	(3,062)	–	-
Net additions to shareholders' funds	2,558	2,377	6,391	5,600
Opening shareholders' funds	38,047	43,869	31,656	38,269
Closing shareholders' funds	40,605	46,246	38,047	43,869

25. NET CASH INFLOW FROM OPERATING ACTIVITIES

The operating profit may be reconciled to net cash inflow from operating activities as follows:

	1992 £'000	1991 £'000
Operating profit	12,898	13,962
Depreciation	3,102	2,959
(Profit)/loss on disposal of tangible fixed assets	(48)	7
Increase in stocks	(841)	(29)
Decrease in trade debtors	3,545	209
(Increase)/decrease in prepayments and accrued income	(552)	387
(Decrease)/increase in trade creditors	(3,010)	145
(Decrease)/increase in other taxation and social security	(717)	779
(Decrease)/increase in accruals	(1,211)	1,047
Net cash inflow from operating activities	13,166	19,466

26. CHANGES IN FINANCING

Analysis of changes in financing during the year:

	Share capital £'000	Share premium £'000	Revaluation reserve £'000	1992 Total £'000	1991 Total £'000
Balance at 1st January 1992	5,465	5,374	4,226	15,065	14,688
Cash inflows from financing	30	171	-	201	377
Scrip issue	5,465	(5,374)	(91)	-	-
Balance at 31st December 1992	10,960	171	4,135	15,266	15,065

27. CASH AND CASH EQUIVALENTS

Analysis of changes in cash and cash equivalents during the year:

	1992 £'000	1991 £'000
Balance at 1st January 1992	9,733	(479)
Net cash (outflow)/inflow before exchange rate adjustments	(2,736)	10,277
Effect of foreign exchange rates	(766)	(65)
Balance at 31st December 1992	6,231	9,733

Analysis of the balances of cash and cash equivalents as shown in the balance sheet:

	1992 £'000	1991 £'000	1992 Change in year £'000	1991 Change in year £'000
Cash at bank and in hand	11,755	16,395	(4,640)	11,946
Bank overdraft	(5,524)	(6,662)	1,138	(1,734)
	6,231	9,733	(3,502)	10,212

28. OPTIONS OVER ORDINARY SHARES OF 25P EACH

Options were granted under the Executive Share Option Scheme as follows:

On 14th April 1992 in respect of 138,000 shares at 371.5p each, exercisable between 14th April 1995 and 14th April 2002.

On 25th September 1992 in respect of 25,000 shares at 280p each, exercisable between 25th September 1995 and 25th September 2002.

Options were granted on 13th October 1992 under the Savings Related Share Option Scheme at 224p each in respect of 199,789 shares exercisable between 1st December 1997 and 1st June 1998.

Options outstanding at 31st December 1992 were:

	Number of shares	Price payable	Exercisable between
Under the Executive Share Option Scheme	164,400	117.5p	5. 5.1991 – 5. 5.1998
	66,000	191p	14. 9.1992 – 14. 9.1999
	16,000	195p	9. 4.1993 – 9. 4.2000
	54,000	192.5p	20. 9.1993 – 20. 9.2000
	125,000	236.25p	18. 4.1994 – 18. 4.2001
	40,000	262.5p	11. 9.1994 – 11. 9.2001
	132,000	371.5p	14. 4.1995 – 14. 4.2002
	25,000	280p	25. 9.1995 – 25. 9.2002
Under the Savings Related Share Option Scheme	302,614	120.5p	24.10.1993 – 24. 4.1994
	136,946	168.5p	1.12.1994 – 1. 6.1995
	131,286	154p	1.12.1995 – 1. 6.1996
	174,456	240p	1.12.1996 – 1. 6.1997
	198,852	224p	1.12.1997 – 1. 6.1998

The above figures have been adjusted where necessary to reflect the 1 for 1 scrip issue made in April 1992.

NOTES TO THE ACCOUNTS
continued

29. SUBSTANTIAL INTERESTS

According to the register required to be kept by section 211 of the Companies Act 1985, shareholders with holdings in excess of 3% of the issued Ordinary share capital at 18 February 1993 were as follows:

	Ordinary shares of 25p each
The Prudential Assurance Company Limited	4,426,688
Clerical Medical and General Life Assurance Society	2,722,712
TSB Group plc	1,799,000
B.S. Pension Fund Trustee Limited	1,720,000
Schroder Investment Management Limited	1,696,000
3i Group plc	1,507,484
Electricity Supply Pension Scheme	1,371,000
Scottish Widows Group	1,260,000

The directors are not aware that any other person or corporation holds 3% or more of the issued share capital.

30. CAPITAL EXPENDITURE APPROVED

	1992 £'000	1991 £'000
Expenditure contracted for but not provided for in the accounts	506	1,219
Amounts approved but not yet contracted for	466	1,205

31. FINANCIAL COMMITMENTS

The group has financial commitments in respect of operating leases on property under which £312,000 (1991 – £263,000) is payable in 1993. This may be analysed as follows:

	1992 £'000	1991 £'000
Lease expiry in:		
Less than 1 year	15	7
1 – 2 years	54	38
2 – 5 years	8	79
Over 5 years	235	139
	312	263

32. SUBSIDIARIES

Details of the company's trading subsidiaries at 31st December 1992, all of which are wholly owned, and whose figures have been consolidated in these accounts, are as follows:

	Country of incorporation or registration	Operating principally in
Wask-RMF Limited	England and Wales	UK
Wask-RMF GmbH	Germany	Germany
Valvestock Limited	England and Wales	UK
Helden Couplings BV	Holland	Holland
Helden Armaturen GmbH	Germany	Germany

33. GUARANTEES

The company has guaranteed the borrowings of certain subsidiaries which at 31st December 1992 amounted to £4,045,000 (1991 – £4,788,000). Other bank guarantees given in the ordinary course of business at 31st December 1992 amounted to £488,000 (1991 – £391,000).

34. PENSIONS

The group operates pension schemes in the UK, Holland and Germany. The total cost to the group in 1992 was £1,391,000 (1991 – £1,396,000). An amount of £247,000 (1991- £255,000) is included in operating creditors, which represents the excess of the accumulated pension cost over the payment of contributions to pension funds.

The first actuarial valuation of the UK scheme introduced in 1990 was made at 31st March 1992. The actuarial method used to set contributions was the projected unit method. The principal actuarial assumptions adopted are that, over the long term, the annual rate of return on investments will exceed the long term rate of pensionable salary increase by 2.5%, the rate of pension increase by 4.5%, and the rate of growth of dividends from existing equity holdings by 4.5%. At the date of the valuation, the total market value of the assets was £17,258,000, and the actuarial value of the assets was estimated to be sufficient overall to cover 102% of the benefits accrued to members at that date, after allowing for assumed future increases in earnings. The surplus will be eliminated over the expected average remaining service life of the scheme members as a result of a reduction in the ongoing contribution rate recommended by the scheme's actuary. Half the trustees of the pension fund are elected by the scheme's employee members. The scheme's investments are managed by Baillie Gifford & Co., independent investment managers.

In Holland all employees are contributing members of the state basic pension and the Metallurgical Industries Fund ("MIF"). Additionally those employees earning in excess of the MIF upper limit level of earnings are members of an insured non- contributory company scheme managed by insurers Delta Lloyd BV. Membership of the industry and company scheme are subject to the completion of one year's continuous service, and additionally the company scheme has a minimum age (25) eligibility requirement.

In Germany, in addition to the state arrangements, employees are contributing members of an insured company scheme, through brokers Insurope, with Alte Leipziger Life Insurance Company. The employee contribution rate is 1.0% of base salary up to the social security ceiling and 4.0% of base salary over that ceiling.

AUDITORS' REPORT

TO THE MEMBERS OF VICTAULIC PLC

We have audited the accounts on pages 20 to 39 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 the group at 31st December 1992 and of the profit, total recognised gains and cash flows of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

COOPERS & LYBRAND
Chartered Accountants and Registered Auditors
Milton Keynes
12th March 1993

FIVE YEAR SUMMARY

	1992 £'000	1991 £'000	1990 £'000	1989 £'000	1988 £'000
RESULTS					
Turnover	101,245	114,801	99,582	78,325	62,888
Profit on ordinary activities before interest	12,898	13,962	11,751	9,284	7,725
Net interest receivable/(payable)	651	361	(276)	(597)	(165)
Profit on ordinary activities before taxation	13,549	14,323	11,475	8,687	7,560
Tax on profit on ordinary activities	(4,639)	(5,073)	(4,090)	(3,089)	(2,696)
Profit on ordinary activities after taxation	8,910	9,250	7,385	5,598	4,864
Preference dividends	–	–	–	–	(130)
Profit attributable to Ordinary shareholders	8,910	9,250	7,385	5,598	4,734
Earnings per Ordinary share – pence *	20.3	21.25	17.45	14.2	12.6
Dividends per Ordinary share – pence *	7.8	7.35	6.0	4.88	4.25
ASSETS EMPLOYED					
Fixed assets	26,110	24,154	23,649	19,735	15,981
Net current assets	14,922	14,206	8,253	5,694	5,895
Provisions	(427)	(313)	(246)	(246)	(174)
	40,605	38,047	31,656	25,183	21,702
Financed by:					
Ordinary shareholders' interest	40,605	38,047	31,656	25,183	21,702
Preference shares	–	–	–	–	–
	40,605	38,047	31,656	25,183	21,702

* Dividends and Earnings per Ordinary share have been adjusted to reflect the 1 for 1 scrip issue which took place in April 1992.

Companies House
for the record

NOTICE OF ILLEGIBLE DOCUMENT

ON THE MICROFICHE RECORD

Companies House regrets that the microfiche record for this company, contain some documents, which are illegible.

The poor quality has been noted, but unfortunately steps taken to improve them were unsuccessful.

Companies House would like to apologise for any inconvenience this may cause