

VICTAULIC PLC

Directors' Report and Accounts

28 December 1996

Co No. 1698059



REPORT OF THE DIRECTORS

The directors present their report for the year ended 28 December 1996 together with the audited accounts of the company.

1. Accounts

The profit and loss account is set out on page 5. The directors recommend that no dividend is payable in respect of the year ended 28 December 1996.

2. Principal activities

The principal activity of the company was 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.

3. Review of business and post balance sheet events

From 2 January 1996 Victaulic PLC ceased trading and has been sub-divided into its constituent businesses which now operate as business units within the various divisions and subsidiaries of Glynwed International plc as follows:-

Glynwed Pipe Systems Limited	Glynwed Foundry Products Limited	Glynwed Engineering Limited
Stewarts & Lloyds Plastics Action Hose Couplings Victaulic Industrial Polymers CE Heinke & Company Valvestock	Viking Johnson Viking Johnson Fabricators Victaulic Systems Wask - RMF	Insoll Components PTFE Fabricators Stainless Fittings Lindapter International Dairy Pipelines

Victaulic PLC's 51% stake in Blakeborough Valves Pte Ltd was disposed of in early January 1996.

All businesses were disposed of at net book value.

4. Directors

The directors of the company during the period were:-

J C Blakeley

B Doyle (deceased 22 October 1996)

D L Milne (resigned 10 September 1996)

E J Pratt (resigned 30 September 1996)

A J Wilson (appointed 10 September 1996)

5 Directors' interests

The interests of J C Blakeley and A J Wilson are shown in the accounts of the ultimate holding company, Glynwed International plc.

REPORT OF THE DIRECTORS (continued)

6 Disabled persons

The company no longer has employees. Within trading subsidiaries all applications for employment from disabled persons are given proper consideration and those recruited receive training, career development and promotion as their case warrants. Special attention is given to the particular needs of individuals who become disabled whilst employed by the company, including redeployment to other work if that is necessary and practicable.

7 Employee participation

The company no longer has employees. Within trading subsidiaries employee involvement and participation continues to be encouraged. At a local level communication may take the form of briefings of joint consultative meetings. These seek to achieve a common awareness on the part of all employees of the financial and economic factors affecting the group's performance.

8 Creditor payment policy

The company no longer trades. Each trading subsidiary is responsible for establishing appropriate policies with regard to the payment of its suppliers. The subsidiaries agree terms and conditions under which business transactions with suppliers are conducted. It is company policy that, provided a supplier is complying with the relevant terms and conditions, including the prompt and complete submission of all specified documentation, payment will be made in accordance with agreed terms. It is company policy to ensure that suppliers know the terms on which payment will take place when business is agreed.


9 Donations

During the period the company gave £nil (1995: £26,812) for charitable purposes in the UK.

10 Auditors

A resolution to reappoint the auditors, Coopers & Lybrand, will be proposed at the annual general meeting.

By order of the Board



D J Solomon
for New Sheldon Limited
Secretary

30 JUL 1997

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The following statement, which should be read in conjunction with the statement of auditors' responsibilities set out on page 4, is made with a view to distinguishing the respective responsibilities of the directors and of the auditors in relation to the accounts.

The directors are required by the Companies Act 1985 to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company as at the end of the financial year and of the profit or loss for the financial year.

The directors consider that in preparing the financial statements on pages 5 to 16 the company has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates, and that all accounting standards which they consider to be applicable have been followed. The financial statements have, where applicable, been prepared on the going concern basis.

The directors have responsibility for ensuring that the company keeps accounting records which disclose with reasonable accuracy the financial position of the company and which enable them to ensure that the financial statements comply with the Companies Act 1985.

The directors have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

**REPORT OF THE AUDITORS TO THE MEMBERS OF
VICTAULIC PLC**

We have audited the financial statements on pages 5 to 16.

Respective responsibilities of directors and auditors

As described on page 3 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

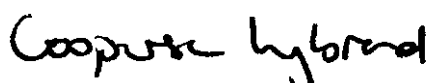
Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs at 28 December 1996 and of its loss for the 52 weeks then ended and have been properly prepared in accordance with the Companies Act 1985.



COOPERS & LYBRAND

Chartered Accountants and Registered Auditors

Birmingham

31 July 1997

**PROFIT AND LOSS ACCOUNT
FOR THE 52 WEEKS ENDED 28 DECEMBER 1996**

	Notes	1996 £	1995 £
Turnover	2	-	88,150,732
Net operating costs	3	115,895	(81,853,448)
Operating profit		115,895	6,297,284
Loss on disposal of subsidiary undertakings	10	-	(4,316,920)
Profit on ordinary activities before interest		115,895	1,980,364
Dividends receivable		-	1,890,512
Provision for losses of subsidiaries		(292,266)	-
Interest payable	6	-	(239,973)
Interest receivable	7	140,203	589,322
(Loss)/profit on ordinary activities before taxation		(36,168)	4,220,225
Tax on profit on ordinary activities	8	(49,000)	(2,128,469)
(Loss)/profit on ordinary activities after taxation		(85,168)	2,091,756
Interim dividend paid		-	(543,857)
(Loss)/ profit for the period		(85,168)	1,547,899

The above results relate to discontinued activities.

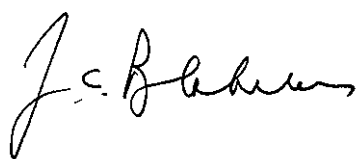
There is no material difference between the profit on ordinary activities before taxation and the retained profit for the period stated above, and their historical cost equivalents.

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

	1996 £	1995 £
(Loss)/profit on ordinary activities after taxation	(85,168)	2,091,756
Revaluation surplus/(deficit)	-	(5,146,237)
Total losses recognised	(85,168)	(3,054,481)

BALANCE SHEET - 28 DECEMBER 1996

	Notes	1996 £	1995 £
Fixed assets			
Tangible assets	9	-	21,532,129
Fixed asset investments	10	24,185,123	23,179,788
Total fixed assets		24,185,123	44,711,917
Current assets			
Stocks	12	-	10,889,397
Debtors	13	31,052,401	26,088,095
Cash at bank and in hand		-	275,430
Total current assets		31,052,401	37,252,922
Creditors			
Amounts falling due within one year	14	-	(23,833,172)
Bank loans & overdrafts		(455,850)	(2,962,453)
Net current assets		30,596,551	10,457,297
Total assets less current liabilities		54,781,674	55,169,214
Creditors: amounts falling due after more than one year	16	-	(128,662)
Total net assets		54,781,674	55,040,552
Capital and reserves			
Called up share capital	18	11,189,461	11,189,461
Share premium account	19	1,690,163	1,690,163
Revaluation reserve	19	4,117,306	4,117,306
Profit and loss account	19	30,882,744	31,141,622
Merger reserve	19	6,902,000	6,902,000
Equity share capital and reserves		54,781,674	55,040,552



J C Blakeley
Director

30 JUL 1997

NOTES TO THE ACCOUNTS**1. Accounting policies**

The following statements outline the main accounting policies of the company:

Basis of accounting

The historical cost convention is used for the preparation of the accounts except where adjusted for revaluations of certain fixed assets.

The accounts have been prepared in accordance with applicable accounting standards in the United Kingdom.

The company is exempt under section 228 of the Companies Act 1985 from the requirement to prepare consolidated financial statements, as it and its subsidiary undertakings are included by full consolidation in the consolidated financial statements of its parent Glynwed International plc, a company registered in England & Wales.

The company's holding company has included a consolidated group cash flow statement in compliance with the Financial Reporting Standard No.1. The company has therefore taken advantage of the exemption under the standard not to produce a cash flow statement.

Depreciation

Depreciation is calculated using the straight line method on the cost or valuation of fixed assets. The estimated useful lives are as follows:

Freehold and long leasehold buildings	50 years
Plant and machinery	4 to 25 years
Fixtures, fittings, tools and equipment	4 to 10 years

No depreciation is charged on freehold land or assets in the course of construction.

Leases

Assets held under finance leases and hire purchase contracts are integrated with owned tangible fixed assets and the obligations relating thereto, excluding finance charges, are included in creditors. Costs in respect of operating leases are charged in arriving at the operating profit.

Stocks

Stocks are valued at the lower of cost and net realisable value. Cost includes all appropriate production overheads and full provision has been made for obsolete and slow moving items.

Deferred taxation

Provision is made for deferred taxation, using the liability method, on all material timing differences to the extent that it is probable that a liability or asset will crystallise.

Foreign currencies

Assets and liabilities in foreign currencies are translated into sterling at the rate of exchange ruling at the balance sheet date unless matched by forward contracts. Foreign exchange differences are taken to the profit and loss account in the year in which they arise.

NOTES TO THE ACCOUNTS (continued)

1. Accounting policies (continued)**Pension costs**

The cost of providing retirement pensions and related benefits is charged to the profit and loss account over the periods benefiting from the employees' services.

Research and development

Research and development expenditure is written off in the year in which it is incurred.

2. Analysis of turnover

The geographical analysis of turnover by destination is as follows:

	1996	1995
	£	£
United Kingdom	-	69,422,471
Europe (excluding United Kingdom)	-	11,661,084
Middle East	-	2,544,955
Asia and Australia	-	2,835,695
America	-	1,210,809
Southern Africa	-	475,718
Total turnover	-	88,150,732

All turnover originated in the United Kingdom.

3. Net operating costs

	1996	1995
	£	£
Change in stocks of finished goods and work in progress	-	1,657,345
Own work capitalised	-	(8,320)
Other operating income	-	(582,715)
Raw materials and consumables	-	38,049,451
Other external charges	-	3,171,801
Staff costs (note 4)	-	23,251,952
Depreciation and other amounts written off tangible fixed assets	-	3,024,170
Other operating charges	(115,895)	13,289,764
Total net operating costs	(115,895)	81,853,448

Net operating costs include the following:

	1996	1995
	£	£
Operating lease rentals:		
Hire of plant, equipment and vehicles	-	138,426
Land and buildings	-	316,411
Auditors' remuneration:		
Audit work	-	87,250
Other services	-	96,566

Research and development costs written off in the period amount to £nil (1995: £415,336).

NOTES TO THE ACCOUNTS (continued)

4. Employees

Staff costs

	1996	1995
	£	£
Wages and salaries	-	20,428,884
Social security costs	-	1,586,700
Pension costs	-	1,236,368
Total staff costs	-	23,251,952

The average number of persons employed by the company including executive directors during the period is analysed below:

	1996	1995
	Number	Number
Production	-	780
Selling and distribution	-	139
Administration	-	229
	-	1,148

5. Directors' emoluments

There were no directors' emoluments paid by the company in the period. Emoluments of the directors are borne by fellow subsidiaries.

Directors' emoluments	1996	1995
As executives	-	428,570
Non-executive directors' fees	-	52,422
Pension contributions	-	65,578
Compensation for loss of office	-	397,610
	-	944,180

Directors' emoluments disclosed in accordance with part 1 of Schedule 6 of the Companies Act 1985, and excluding pension contributions, are as follows:

	1996	1995
Chairman's emoluments	£	£
- D C B Winch (to 22 April 1995)	-	11,000
- H M Lang (22 April 1995 to 1 September 1995)	-	26,910
- D L Milne (1 September 1995 to 10 September 1996)	-	-
- A J Wilson (from 10 September 1996)	-	-
	-	37,910
Emoluments of highest paid director	-	125,248

NOTES TO THE ACCOUNTS (continued)

5. Directors' emoluments (continued)

Emoluments of directors fell within the following ranges:

		1996	1995
		Number	Number
£Nil	- £5,000	5	4
£5,001	- £10,000	-	1
£10,001	- £15,000	-	1
£30,001	- £35,000	-	1
£90,001	- £100,000	-	1
£105,001	- £110,000	-	2
£125,001	- £130,000	-	1
Total number of directors		5	11

6. Interest payable and similar charges

	1996	1995
	£	£
On bank loans, overdrafts and other loans repayable within 5 years not by instalments	-	224,550
On finance leases	-	15,423
Total interest payable and similar charges	-	239,973

7. Interest receivable and other similar income

	1996	1995
	£	£
On monies on deposit	-	61,265
On loans to Group companies	140,203	528,057
Total interest receivable and other similar income	140,203	589,322

8. Tax on profit on ordinary activities

	1996	1995
	£	£
United Kingdom corporation tax on the result for the period at 33% (1995:33%)	49,000	3,000,000
Previous period adjustment	-	808
	49,000	3,000,808
Deferred tax released	-	(872,339)
Total taxation charge	49,000	2,128,469

NOTES TO THE ACCOUNTS (continued)

9. Tangible fixed assets

	Land & buildings		Plant & machinery £	Furnishing, fittings, tools & equipment £	Payments on account & assets in the course of construction £	Total £
	Freehold £	Short leasehold £				
Cost or valuation						
At beginning of period	9,295,000	4,000	25,393,048	6,202,420	297,837	41,192,305
Intra-group transfers	(9,295,000)	(4,000)	(25,393,048)	(6,202,420)	(297,837)	(41,192,305)
At end of period	-	-	-	-	-	-
Accumulated depreciation						
At beginning of period	-	4,000	16,397,563	3,258,613	-	19,660,176
Intra-group transfers	-	(4,000)	(16,397,563)	(3,258,613)	-	(19,660,176)
At end of period	-	-	-	-	-	-
Net book value at end of period	-	-	-	-	-	-
Net book value at beginning of period	9,295,000	-	8,995,485	2,943,807	297,837	21,532,129

Freehold land and buildings were valued at 30th December 1995 by King Sturge, a firm of independent Chartered Surveyors, on the basis of their vacant possession open market value for existing use.

Included in the total net book value of tangible fixed assets is £nil (1995: £208,527) in respect of assets acquired under finance leases. Depreciation for the period on these assets was £nil (1995: £34,106).

NOTES TO THE ACCOUNTS (continued)

10. Fixed asset investments

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

	1996 £
Investments at cost:	
At 1 January 1996	23,179,788
Additions	1,297,601
At 28 December 1996	24,477,389
Provision against cost of investments	(292,266)
Net cost at 28 December 1996	24,185,123

The company disposed of its investment in Blakeborough Valves Pte Ltd in January 1996 at its net book carrying value.

- b) Details of the company's subsidiaries at 28 December 1996 are as follows:

	Status	% owned	Country of incorporation or registration	Operating principally in
C E Heinke & Company Ltd	Non trading	100	England and Wales	UK
Dairy Pipe-Lines Ltd	Non trading	100	England and Wales	UK
Helden Armaturen GmbH	Trading	100	Germany	Germany
Helden Couplings BV	Trading	100	Holland	Holland
Kunststoffwerk Höhn GmbH	Trading	100	Germany	Germany
Lindapter GmbH	Trading	100	Germany	Germany
Lindapter SA	Trading	100	France	France
Material de Aireacion SA	Trading	97	Spain	Spain
Valvestock Ltd	Non trading	100	England and Wales	UK
Victaulic Srl	In liquidation	100	Italy	Italy
Wask-GmbH	Trading	100	Germany	Germany
Wask-RMF Ltd	Non trading	100	England and Wales	UK

The principal business activity of the trading subsidiaries 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.

NOTES TO THE ACCOUNTS (continued)

11. Commitments

a) Capital commitments:

	1996	1995
	£	£
Contracted for but not provided in the accounts	-	139,652

b) Operating lease commitments - land and buildings:

	1996	1995
	£	£
Leases expiring:		
Between two and five years	-	60,000
After five years	-	254,003
Total operating lease commitments - land and buildings	-	314,003

c) Other operating lease commitments:

	1996	1995
	£	£
Leases expiring:		
Within one year	-	6,628
Between two and five years	-	14,617
Total other operating lease commitments	-	21,245

12. Stocks

	1996	1995
	£	£
Raw materials and consumables	-	2,213,147
Work in progress	-	1,957,469
Finished goods and goods for resale	-	6,718,781
Total stocks	-	10,889,397

13. Debtors

	1996	1995
	£	£
Amounts falling due within one year:		
Trade debtors	-	10,677,076
Amounts owed by the company's holding company and fellow subsidiaries	24,564,439	7,192,895
Taxation	602,496	-
Other debtors	-	1,668,124
	25,166,935	19,538,095
Amounts falling due after one year:		
Amounts owed by subsidiaries	5,885,466	6,550,000
Total debtors	31,052,401	26,088,095

NOTES TO THE ACCOUNTS (continued)

14. Creditors: amounts falling due within one year

	1996	1995
	£	£
Trade creditors	-	8,001,202
Amounts owed to the company's holding company and fellow subsidiaries	-	7,087,618
Corporation tax	-	2,428,379
Social security	-	411,054
Other creditors, accruals and deferred income	-	5,871,855
Obligations under finance leases	-	33,064
Total creditors falling due within one year	-	23,833,172

15. Obligations under finance leases

	1996	1995
	£	£
Payable after five years	-	15,381
Payable between two and five years	-	80,217
Payable between one and two years	-	33,064
Total payable after more than one year	-	128,662
Payable within one year	-	33,064
Total obligations under finance leases	-	161,726

16. Creditors: amounts falling due after more than one year

	1996	1995
	£	£
Obligations under finance leases	-	128,662

17. Provisions for liabilities and charges

The provision made in the accounts for deferred taxation and the additional unprovided liability are set out below:

Deferred taxation

	1996		1995	
	Provided	Unprovided	Provided	Unprovided
	£	£	£	£
Accelerated capital allowances	-	-	-	1,679,943
Short term timing differences	-	-	-	(273,358)
	-	-	-	1,406,585

No deferred tax has been provided on the revaluation of freehold properties as no liability is expected to crystallise in the foreseeable future.

NOTES TO THE ACCOUNTS (continued)

18. Called up share capital

	Ordinary shares of 25p each:	
	1996	1995
Value	£	£
Authorised	15,550,000	15,550,000
Allotted, called-up and fully paid	11,189,461	11,189,461
Number		
Authorised	62,200,000	62,200,000
Allotted, called-up and fully paid	44,757,845	44,757,845

19. Reserves

	Share Premium	Revaluation reserve	Profit & loss account	Merger reserve	Total
	£	£	£	£	£
At beginning of period	1,690,163	4,117,306	31,141,622	6,902,000	43,851,091
Exchange difference	-	-	(173,710)	-	(173,710)
Loss retained	-	-	(85,168)	-	(85,168)
At end of period	1,690,163	4,117,306	30,882,744	6,902,000	43,592,213

20. Reconciliation of movements in shareholders' funds

	1996	1995
	£	£
(Loss)/profit on ordinary activities after taxation	(85,168)	2,091,756
Dividends	-	(543,857)
	(85,168)	1,547,899
Exchange difference	(173,710)	-
Revaluation deficit	-	(5,146,237)
New share capital subscribed	-	1,045,058
Net movement in shareholders' funds	(258,878)	(2,553,280)
Opening shareholders' funds	55,040,552	57,593,832
Closing shareholders' funds	54,781,674	55,040,552

NOTES TO THE ACCOUNTS (continued)

21. Contingencies**Bank balance**

The company, together with certain other group companies, has given its bankers authority at any time to transfer any sum standing to the credit of the company against or towards satisfaction of the liability to the banks of those other group companies. At 28 December 1996 the company was contingently liable under this arrangement for £Nil (1995: £Nil).

VAT

The company is jointly and severally liable under a group registration scheme to the sum of £697,056.

22. Pensions

The pension scheme operated by the company was closed during the financial year. It was a defined benefit scheme which was fully funded. The total cost to the company in 1996 was £nil (1995: £1,236,368). An amount of £nil (1995: £0.3 million) is included in operating creditors, which represents the excess of the accumulated pension cost over the payment of contributions to pension funds.

23. Ultimate holding company

The company's ultimate holding company is Glynwed International plc, a company incorporated in Great Britain and registered in England and Wales.

Copies of the ultimate holding company's accounts can be obtained from Headland House, New Coventry Road, Sheldon, Birmingham B26 3AZ.

No other group financial statements include the results of the company.