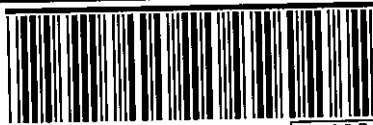
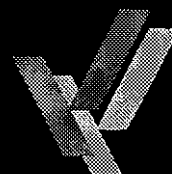


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Annual Report and Accounts
1994



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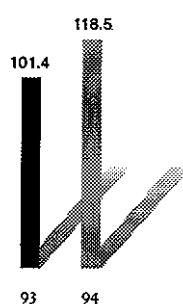
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	1994	1993
<i>Turnover (£m)</i>	118.5	101.4
<i>Operating profit (£m)</i>	12.8	11.6
<i>Profit before taxation (£m)</i>	13.0	11.8
<i>Earnings per ordinary share (pence)</i>	19.7	18.4
<i>Dividends per ordinary share (pence)</i>	8.6	8.0
<i>Net cash flow (£m)</i>	(4.0)	7.9
<i>Return on average capital employed (%)</i>	32.8	32.0

VICTAULIC PLC is an international group of businesses manufacturing and supplying products to the water, gas, construction and various other industries throughout the world.

The group has built a reputation for innovation, technical excellence and reliability. It is committed to improving the service and value offered to customers and to maintaining its technical and market leadership in the areas of activity in which it operates.

Turnover £ million



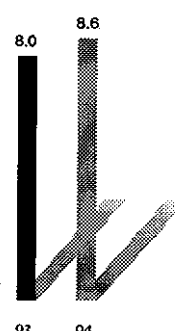
Profit Before Tax £ million



Earnings Per Share (p)

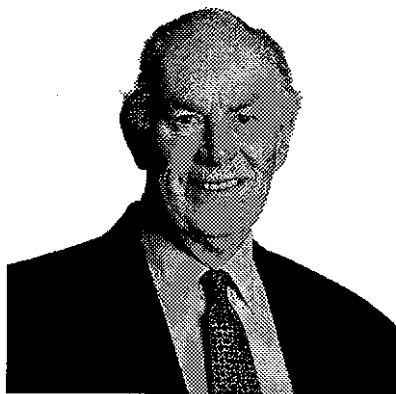


Dividends Per Share (p)





chairman's statement



In 1994, Victaulic made good progress on two fronts. We achieved an improved performance in our traditional areas of operation, in spite of difficult market conditions. We also made further significant advances in our strategic aim to take Victaulic into new geographical areas and to increase the range of products offered to our customers.

Turnover, at £118.5 million, increased by 17% compared with 1993. Profit before tax was £13.0 million compared with £11.8 million in the previous year. Earnings per share were 19.7p compared with 18.4p representing an increase of 7.1%. Your board is recommending a final dividend of 6.0p, making a total of 8.6p for the year compared with 8.0p, an increase of 7.5%.

TRADING

Conditions in our UK markets were mixed, with some growth in demand from the water industry but no improvement in the gas industry. Usage of polyethylene pipe in the water industry continued to increase and we were also successful in maintaining a high level of sales of couplings, fabrications and repair products to that market. However, there was a further decline in sales of polyethylene pipe to British Gas, although this was offset by some recovery in sales of fittings.

Uncertainty remains over the size of the investment programme of British Gas, but we have maintained our share of the UK gas market and our contract for the supply of polyethylene pipe to British Gas has recently been extended to the end of 1995.

While the UK gas and water markets remain very important to the group, our dependence on them has

“While the UK gas and water markets remain very important to the group, our dependence on them has reduced markedly over the last three years.”

reduced markedly over the last three years. Sales to the UK water, gas and mining industries, Victaulic's traditional market sectors, represented 52% of group turnover in 1994, compared with 72% in 1991 and this trend will continue as we successfully pursue our strategy of development and acquisition in other UK market sectors and overseas. We saw further growth in the sales of our

businesses serving the construction and industrial markets.

Total overseas sales, helped by the new businesses acquired, increased by 38% from £22.9 million to £31.6 million and now account for 27% of group turnover. Exports from the UK amounted to £16.4 million in 1994, an increase of £1.8 million on 1993.

We have continued to reduce operating costs. The 1994 results benefited from action taken in 1993 to rationalise production at Wask-RMF, and we were generally successful in offsetting the effects of higher raw material prices. Although the change in the mix of turnover, with increased sales in overseas markets, resulted in a slight reduction in the group operating margin in the full year to 10.8%, the margin was higher in the second half of the year than in the first.

We are very encouraged by the performance of the acquisitions which we made in 1994 and by the first full year's profit from Action Hose Couplings. MASA and



Heinke both made substantial contributions to 1994's pre-tax profit. Blakeborough, our joint venture in Singapore, made good progress in developing its business and represents an exciting prospect for the future. I am pleased to say that we have continued to be successful in 1995 in finding suitable acquisitions to fit in with our development strategy. In January we acquired Kunststoffwerk Höhn, a major German polyethylene pipe manufacturer, and at the end of February, we acquired Dairy Pipe-Lines, a UK manufacturer of stainless steel fluid handling equipment.

FINANCE

Our balance sheet remains strong. We achieved further improvements in working capital during the year and despite total consideration of over £10 million on acquisitions and £4 million expenditure on capital projects our net cash balances at the year end were over £8 million.

CORPORATE GOVERNANCE

We have continued to implement the recommendations of the Cadbury Committee, as is reported in more detail on page 22. This year's report includes a statement on Going Concern and we expect to comply fully with the recommendation relating to Internal Control in 1995.

EUROPE

Victaulic has substantial and increasing investments in companies based in Spain, Germany, The Netherlands and other European countries. We are totally committed to developing our business within the European Union and to the principles of the Single Market.

THE BOARD

I retire as Chairman at this year's Annual General Meeting, handing over this role to Hugh Lang who joined the board as a non-executive director in January.

He has had a great deal of relevant business experience and is currently Chairman of both Brammer plc and Manganese Bronze Holdings PLC. I am sure that he will make a major contribution to our affairs in the years ahead.

My non-executive director colleagues have always been available with wise advice and particular thanks go to Jeremy Seddon who left the board in January. He became a director at the time of the buy-out in 1983 and his contribution, particularly on strategic issues, has been far reaching.

*"We are very encouraged
by the performance of the
acquisitions which we
made in 1994."*

This year's Annual General Meeting will be my 11th as Chairman and the 7th since the company was floated on the Stock Exchange. The considerable success that has been achieved over these years has been due in large

measure to the efforts of the employees and the professionalism of the management of the group. I would like to thank all our employees and shareholders for their support and I send you my best wishes for the future success of Victaulic.

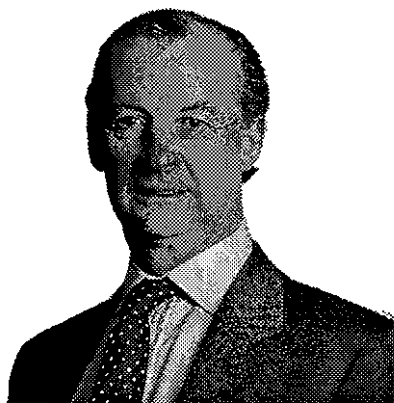
PROSPECTS

As we pursue our development strategy I expect 1995 to show a continuation of recent trends, with the UK gas and water industries accounting for a reducing share of our turnover, as we achieve further growth in other market sectors and overseas. Overall I believe that we will continue to make positive progress.

David Winch
CHAIRMAN



chief executive's review



OPERATIONS

During the year we made changes in the organisation of the group by forming two divisions. The Couplings division comprises the businesses which supply metal pipeline products such as couplings, fittings and valves, and the Polymers division covers polyethylene pipe and fittings and our rubber and PTFE businesses. This structure is illustrated on page 8 and segmental information on the two divisions is contained in the accounts.

Turnover in the year increased by 17% to £118.5 million. Sales from our continuing businesses increased by 7% to £108.0 million and £10.5 million of turnover was contributed by the businesses acquired during the year.

Operating profit increased from £11.6 million to £12.8 million. The acquisitions made during the year contributed £1.0 million towards this increase. We continued to achieve reductions in operating costs. The closure of the Skelmersdale factory at the end of 1993 and new investment at the Keighley factory resulted in a much improved performance by the Wask-RMF business. Detailed attention to product design, operating yields and material sourcing enabled us to reduce the impact on our costs of increasing metal and polymer prices.

MARKETS

Sales to the UK water industry increased by 7%. Sales of couplings, fabrications and repair products were higher than in 1993, and polyethylene pipe continued to take an increasing share of the market for water distribution mains. New products helped to increase our penetration of this market and Viking Johnson Fabricators obtained its first £1 million contract for pipework for a water treatment plant.

Sales to the UK gas industry were at a similar level to the previous year, with a recovery in sales of fittings offsetting a further decline in pipe sales. Although much of the uncertainty about the ownership and regulatory framework of the UK gas industry was removed during the year, there was no sign of an increase in investment spending on the pipeline network. We have maintained our share of the market, which remains a very important

one for the group, but in 1994 it accounted for 17% of sales, compared with 34% of sales in 1991. We continued to grow our sales in overseas gas markets, both through exports to customers associated with British Gas and through the acquisition of MASA which has a strong position in the Spanish market for gas pipe.

We saw further growth in the sales of our businesses serving the construction and industrial markets but there was a fall in sales to the coal mining industry, caused by the reduction in the number of working collieries.

Our overseas sales, comprising exports from the UK and the sales of our overseas companies increased from £22.9 million to £31.6 million, and represented 27% of turnover.

FINANCE

Interest received at £0.2 million was the same as last year. During the year we refinanced our newly acquired businesses in Spain and Singapore in order to reduce the relatively higher costs of borrowing in those countries. It is our policy to cover the exchange risk on our overseas investments and the costs of hedging are charged against interest receivable.


Profit before tax was £13.0 million compared with £11.8 million in 1993, an increase of 10%.

Taxation has been provided at 33% and earnings per share were 19.7p compared with 18.4p in 1993.

The proposed total dividend for the year of 8.6p represents a 7.5% increase on last year and is 2.3 times covered.

The balance sheet remains strong with net cash at the year end of £8.8 million compared with £14.3 million at

"We made further progress during the year in developing the group, both by internal growth and by acquisition."



December 1993. Net cash generated during the year, before the cost of acquisitions of £10.2 million, was £4.5 million. Further improvements in the control of working capital were achieved following the introduction of new procedures at the start of the year.

The group's freehold land and buildings were revalued at 31st December 1994, resulting in a £6.1 million increase in the revaluation reserve.

Capital expenditure was £4.1 million, £1.1 million more than last year but in line with the charge for depreciation.

DEVELOPMENT

We made further progress during the year in developing the group, both by internal growth and by acquisition. We made three acquisitions in the period covered by these accounts and we have made two further acquisitions in 1995. All of the acquisitions have been in product or market areas where we already have expertise and where we will be able to add value to the businesses in the future.

In March 1994 we acquired C E Heinke & Company Limited, a manufacturer of rubber moulded and extruded products which complements our existing rubber business Victaulic Industrial Polymers. We made good progress during the year in realising the synergistic benefits arising from our ownership of these two businesses.

In April 1994 we acquired 96.35% of the issued share capital of Material de Aireacion SA (MASA), a Spanish company which manufactures and supplies polyethylene pipe and fittings for the water and gas industries. MASA achieved excellent results during the year, particularly in developing sales to the gas industry, and we are investing to increase capacity and extend the product range.

Also in April 1994 we acquired a 51% controlling interest in Blakeborough Valves Pte Limited, based in Singapore and with a factory in Malaysia. Blakeborough manufactures a range of valves for the water industry, supplying the growing economies of the Pacific region. This joint venture takes the group into waterworks valves, a product line which complements our existing range of couplings and repair products and will help us to develop overseas markets for all our waterworks products. Blakeborough will be starting manufacture of part of its range of valves in a new factory in China during 1995.

In January 1995 we acquired Kunststoffwerk Höhn GmbH, a German polyethylene pipe manufacturer based at Höhn, 120 kms north west of Frankfurt. Höhn produces polyethylene pressure pipes and specialist fittings for the German water, gas and industrial markets. Sales of Höhn in 1994 were DM 34.6 million (£14.4 million) and it made an operating loss of DM 1.3 million (£0.5 million). The purchase consideration was DM 5.0 million (£2.1 million) and net assets at completion were DM 2.7 million (£1.1 million).

In February 1995, we acquired Dairy Pipe-Lines Limited, based in Saffron Walden, Essex. Dairy Pipe-Lines manufactures stainless steel fluid handling equipment for the dairy, brewing, food processing and pharmaceutical industries. Sales of Dairy Pipe-Lines in the year to 31st March 1994 were £2.7 million and it incurred a small operating loss. The business has traded profitably in the 11 months to February 1995. The total cost of the acquisition was £2.0 million.

A key part of our strategy is to expand our core businesses into other European markets. The acquisition of MASA and Höhn gives us significant bases in Spain and Germany, and the two companies together will increase the group's polyethylene pipe production by almost 100%.

The total cost of the five acquisitions we have made since January 1994 is £15 million, all of which has been funded from the group's cash resources. These acquisitions have taken us into some new markets with growth opportunities and have enabled us to offset the loss of sales in the UK gas and mining industries. We continue to seek further opportunities to develop the group both by acquisition and by internal growth.



David Stewart
CHIEF EXECUTIVE



board of directors

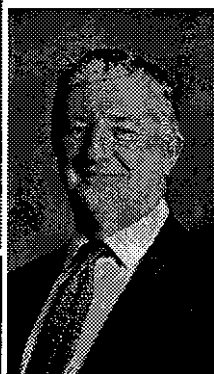
▶ **DAVID CHARLES STEWART**, aged 58, is chief executive. He joined Vitaulic in 1963 and became general manager of Vitaulic and Stewarts & Lloyds Plastics in 1967. He was appointed managing director of Vitaulic at the time of the buy-out in 1983.



▶ **EDWARD JOHN PRATT**, aged 54, is finance director. He joined Vitaulic in May 1993 having previously been finance director of Evode Group plc. He has had considerable international experience in multi-national manufacturing groups.



RICHARD LEGRAND, aged 54, is the managing director of Vitaulic's Couplings division. He joined Vitaulic in 1966 and after holding senior management positions on the technical and manufacturing side of Viking Johnson, was appointed a director in 1988.



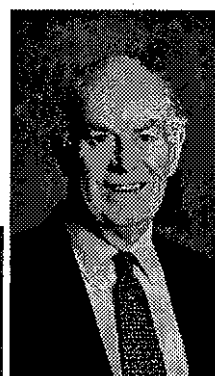
◀ **DAVID CLARKE BROOKE WINCH**, aged 71, has been non-executive chairman of Vitaulic since 1984. He was formerly a director of Tarmac plc and chief executive of its then Building Products Division with responsibility for a group of companies operating in the UK and overseas.



▲ **JOHN STANIFORTH SINGLETON**, aged 47, is the managing director of Vitaulic's Polymers division. He joined Vitaulic in 1989, having previously held a number of senior positions in the engineering industry.



▲ **PETER WHEELDON PARKIN**, aged 48, is a non-executive director and was appointed to the board in July 1993. He is the chief executive of Raine plc.



◀ **HUGH MONTGOMERIE LANG**, aged 62, is a non-executive director and was appointed to the board in January 1995. He is chairman of Brammer plc and Mangnese Bronze Holdings plc and is a non-executive director of Ericsson Limited. He has had many years relevant experience in commerce and industry.





directors and advisers

DIRECTORS

David Clarke Brooke Winch *+
Hugh Montgomerie Lang *+
Richard Legrand
Peter Wheeldon Parkin *+
Edward John Pratt
John Staniforth Singleton
David Charles Stewart +

** Non-executive directors and members of the remuneration and audit committees.*

+ Members of the nomination committee.

SECRETARY AND REGISTERED OFFICE

Edward John Pratt
VICTAULIC PLC
P O Box 13
46-48 Wilbury Way
Hitchin
Hertfordshire
SG4 0UD

HEAD OFFICE

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2 North Fourth Street
Central Milton Keynes
Buckinghamshire
MK9 1NW

FINANCIAL ADVISERS

Lazard Brothers & Co., Limited

BANKERS

Barclays Bank PLC

REGISTERED AUDITORS

Coopers & Lybrand

SOLICITORS

Ashurst Morris Crisp
Hewitson Becke & Shaw

BROKERS

Hoare Govett Corporate Finance Limited

REGISTRARS

Barclays Registrars
Bourne House
34 Beckenham Road
Beckenham
Kent
BR3 4TU

Registered company number:

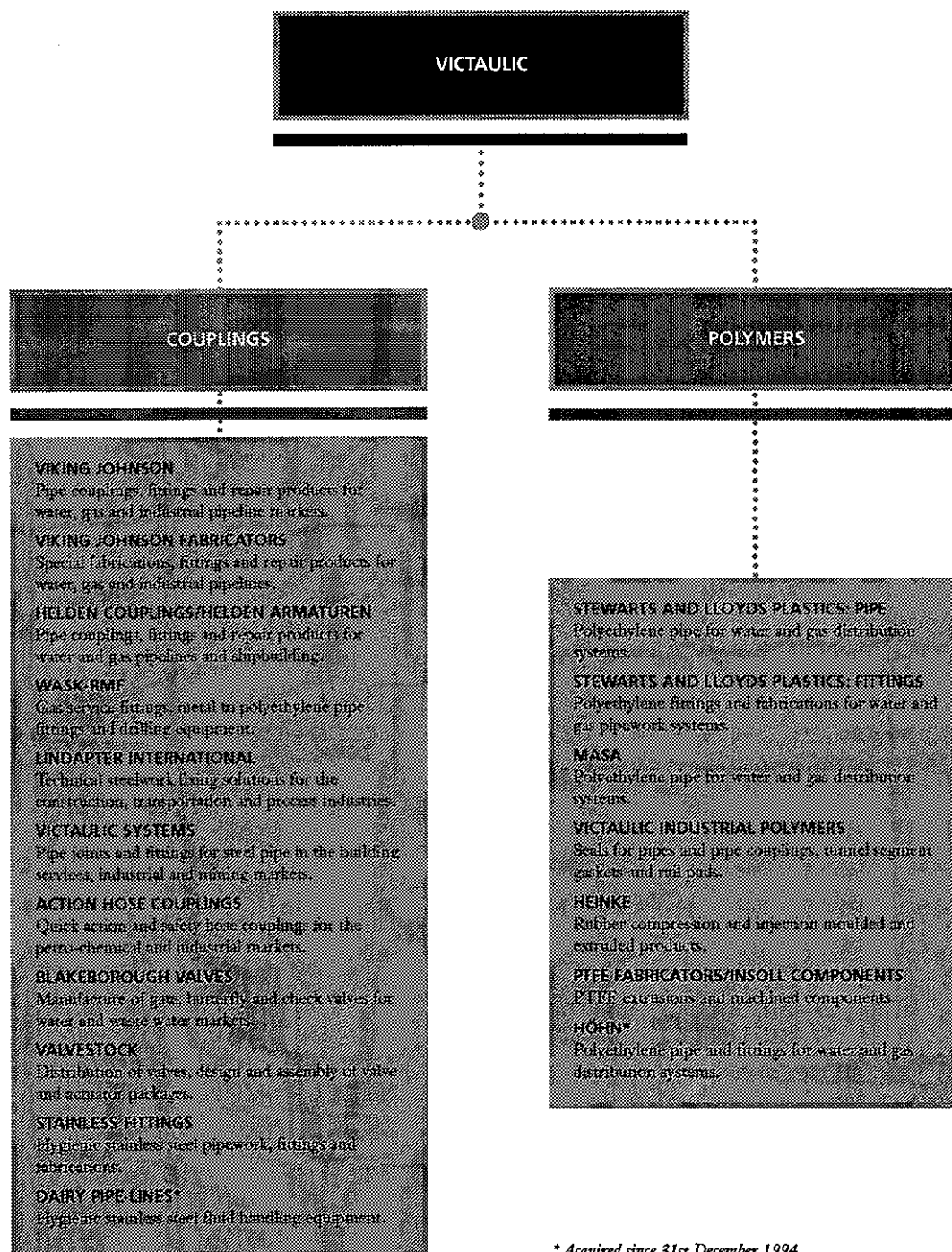
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financial calendar

Ex dividend date for 1994 final dividend	3rd April 1995
Annual General Meeting	22nd April 1995
Qualifying date for 1994 final dividend	24th April 1995
1994 final dividend payable	12th May 1995
Announcement of unaudited results for the six months to 30th June 1995	August 1995
Interim dividend for 1995 payable	October 1995



group structure

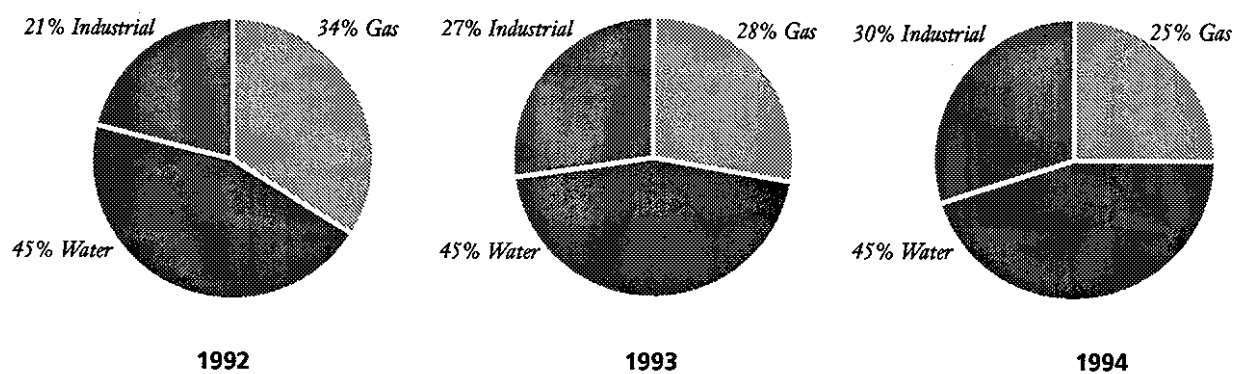


* Acquired since 31st December 1994.

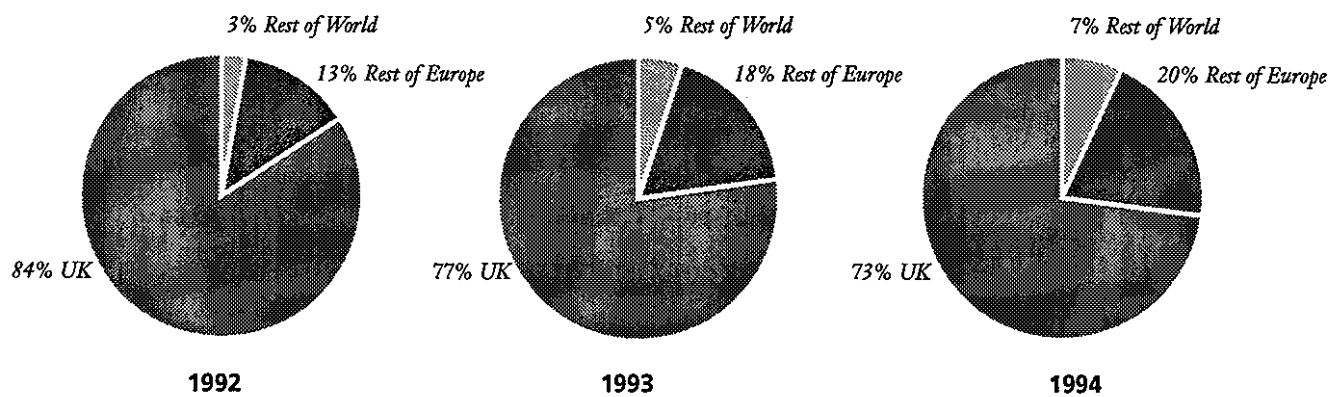


analysis of turnover

MARKET ANALYSIS



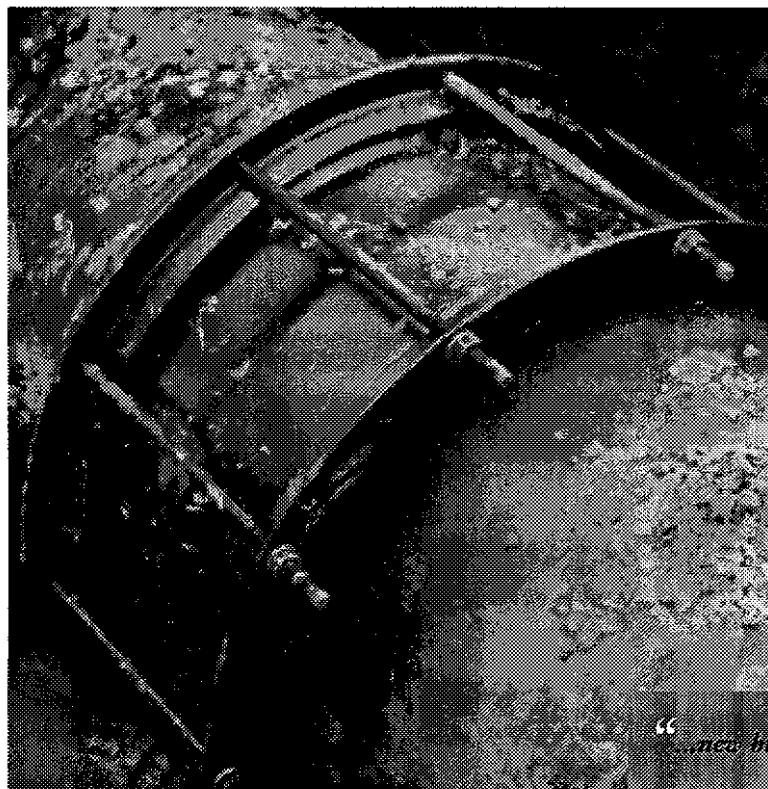
GEOGRAPHICAL ANALYSIS





business review *couplings*

A 450mm MaxiStep coupling - the latest aid
for repairs on old or outsized pipework.



Viking Johnson

*Pipe couplings, fittings and repair products
for water, gas and industrial pipeline
markets.*

A strong focus on overseas markets had a significant impact on sales performance in 1994, helping to offset a reduction in the UK water market. The expenditure shift of the UK water market away from maintenance and repair of distribution mains towards water and sewage treatment continued. The adverse effect of this was minimised by the introduction of three new products, Easitee (for under pressure tapping), Easicollar (for repair of spigot and socket joints) and a range of larger Maxifit products for pipes over 300 mm diameter.

Sales to traditional customers in South East Asia and the Middle East were healthy and in addition new business was obtained in some South American countries from privatised water projects. Whilst sales to North America and South Africa were much improved over the previous year, the penetration there is, as yet, quite low. The European market remained steady and market shares were maintained.

The business was successful in reducing its cost base yet further by design improvement, process changes and increased labour efficiencies. Two new flash welders were purchased and commissioned to improve product quality and decrease welding times. Further manufacturing systems improvements led to better production control, planning and customer service. The quality management systems were further upgraded and achieved the latest international standard certification of BS EN ISO 9001 - 1994.

*"...new business was
obtained in some South
American countries
from privatised water
projects."*

In a difficult trading year in Italy Victaulic Srl, our Italian distribution company, increased its turnover and has succeeded in obtaining many of the necessary customer and institutional approvals for a wide range of Victaulic group products, suitable for the water and gas distribution markets. Many new wholesalers and agents have been appointed and this network now covers most of industrialised Italy.



Viking Johnson Fabricators

Special fabrications, fittings and repair products for water, gas and industrial pipelines.

Sales of coated fabrications and specialist jointing systems enabled Viking Johnson Fabricators to increase its market share in the competitive market for fabricated pipework for the UK water industry.

Several high value projects were secured, the largest being the supply and installation of pipework at Hanningfield Water Treatment Works for Essex Water. An important feature of this project was the provision of installation services for the pipework and fittings supplied.

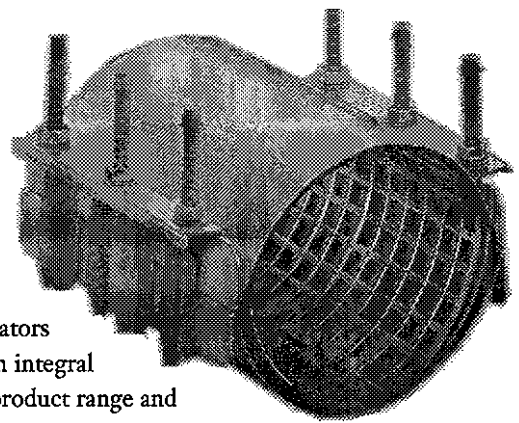
Capital investment was targeted at reducing unit costs and developing the product range. The purchase of a large diameter CNC plate rolling machine will reduce unit costs of tube manufacture and complement existing high technology profiling equipment. Quality management systems were put in place and the latest international standard certification of BS EN ISO 9001 – 1994 was obtained.

Towards the year end, RDV, the specialist ductile iron pipework fabricating business was transferred from



A 'Break In' section was installed as part of an emergency shutdown programme at the Hanningfield Water Treatment Works for Essex Water.

Helden's new all stainless steel repair clamp.



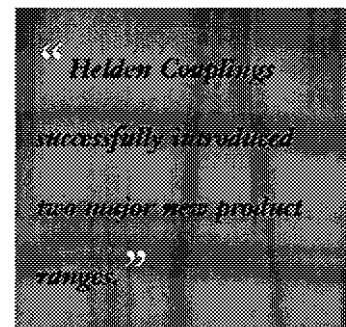
Wask-RMF on to the Viking Johnson Fabricators site and will become an integral part of the business's product range and service.

Helden Couplings/Helden Armaturen

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

The Dutch and German businesses continued to undergo a process of substantial change to make them more competitive and to extend the product range.

Helden Couplings successfully introduced two major new product ranges, the all stainless steel repair clamp and the universal tapping saddle. Both ranges were recognised by the customers as having significant benefits over the competition.



Tight control of the operating costs of the business and improvements designed to reduce existing product costs contributed to increased profitability despite a difficult European market. Changes in logistics have shortened delivery times to match the demanding customer requirements in mainland Europe.

Helden Armaturen expanded its customer base of utilities, distributors and OEMs in the German market. Systematic sales effort improved performance, although increased competition created downward pressure on prices.



business review *couplings*

Wask-RMF

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

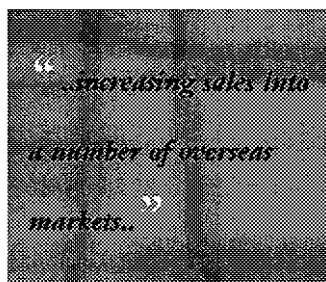
Wask-RMF maintained its share of the UK gas market whilst increasing sales into a number of overseas markets which offer excellent long term opportunities. These countries include Germany, Italy, Argentina and China.

In support of the export activities a new range of weld transition fittings, together with new designs of polyethylene to metal pipe adaptors, were introduced tailored to meet the requirements of the European gas market. Acceptance trials with a number of European gas companies have been successfully concluded.

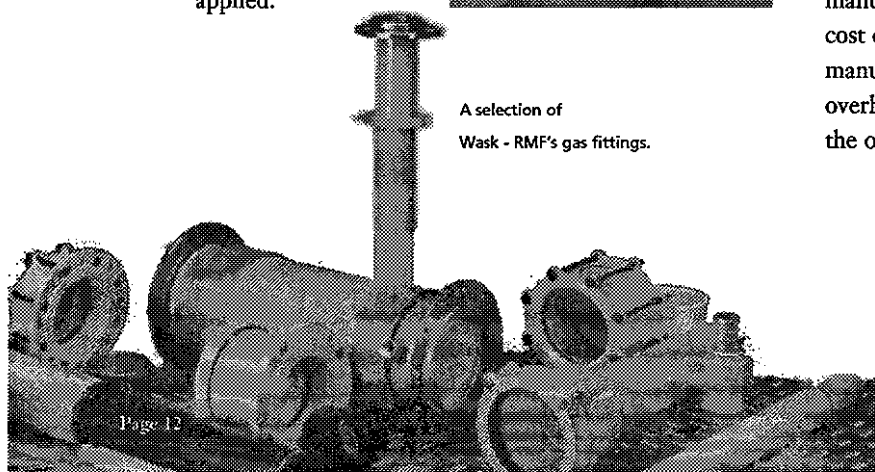
The integration of the RMF operation, previously located at Skelmersdale, on to the Keighley site resulted in a significant reduction in the cost base of the combined unit.

Major upgrading of the Keighley facilities commenced in July 1994 which included investment in foundry plant and CNC machining centres. At the same time, new computer facilities were commissioned together with the introduction of a new generation of material management systems.

The introduction of these new facilities will enable unit costs to be reduced further and allow a higher degree of scheduling flexibility to be applied.



A selection of
Wask - RMF's gas fittings.



Type A Lindapters used at the
Bur Jumah Centre, Dubai.



Lindapter International

Technical steelwork fixing solutions for the construction, transportation and process industries.

Sales levels increased both in the UK and export territories throughout 1994 in all of the market sectors serviced by Lindapter International.

Benefits were gained from the strengthened sales and marketing functions by developing customer relationships and increasing the level of support provided to our distributor network both at home and overseas.

During the year new products were successfully introduced into the railway industry and construction fixing market whilst existing products enjoyed increased promotional attention.

The capital investment programme focused on new manufacturing plant to increase capacity and reduce the cost of higher volume products. Elsewhere other manufacturing efficiencies were gained, whilst overheads and working capital were reduced to improve the overall business performance.



One of Action's Dry
Link couplings.

Victaulic Systems

Pipe joints and fittings for steel pipe in the building services, industrial and mining markets.

1994 saw a continued sales growth of grooved products as Victaulic Systems increased its market share within the UK building services, fire protection and industrial markets.

The creation of a design and estimating service to establish and promote the cost savings when using Victaulic joints compared to traditional jointing methods contributed significantly to this growth. In

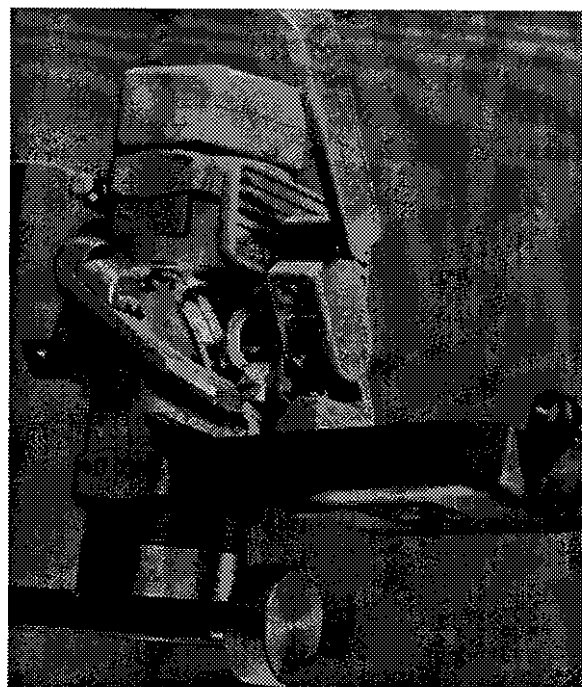


Victaulic Systems' galvanised range is being used on the concrete pumping pipework at the new Severn Bridge near Bristol.

addition, product line extensions and the introduction of a new check valve enabled a greater range of grooved products to be utilised on major projects.

The predicted downturn in demand from British Coal for pipe joints became apparent in the second half of the year as the pit closure programme was accelerated. The decline in demand was partially offset by sales to private mining companies and arrangements are now in place which will ensure that Victaulic Systems will continue to supply the coal industry following privatisation.

During the course of the year strong links were developed with key suppliers, resulting in a significant reduction in material costs to ensure that the grooved product lines remain fully competitive. The quality management systems were further improved and the latest international standard certification of BS EN ISO 9001 - 1994 was obtained.

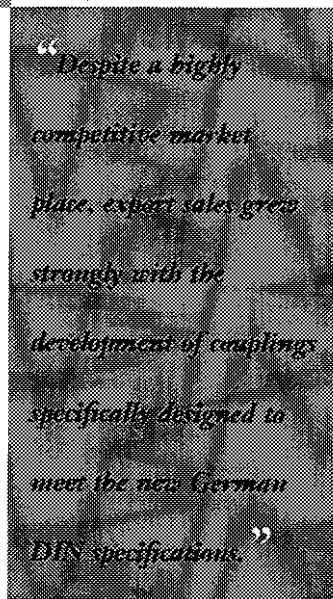


Action Hose Couplings

Quick action and safety hose couplings for the petro-chemical and industrial markets.

Action Hose Couplings, acquired in August 1993, completed its first full year's trading within the group with increased turnover and profits.

Despite a highly competitive market place, export sales grew strongly with the development of couplings specifically designed to meet the new German DIN specifications. The new Leverlock safety coupling also contributed to Action's market penetration in Europe and America.



Investment in new tooling allowed reductions in costs and the increased development resources available as part of the Victaulic group have resulted in significant new products being available for 1995. The business concentrated on the development of products designed to meet the more stringent legislation controlling pollution and the prevention of accidental spillage on disconnection of hoses.

Action's new Cleanbreak

and Dry Link couplings give major benefits in critical areas of fluid transfer, particularly in the chemical, paint and pharmaceutical industries and these products offer considerable opportunities for the future.

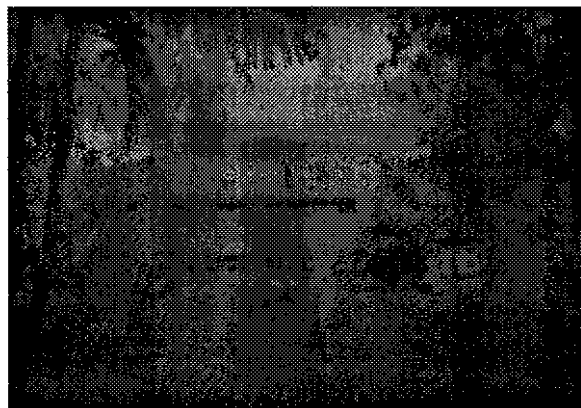


business review *couplings*

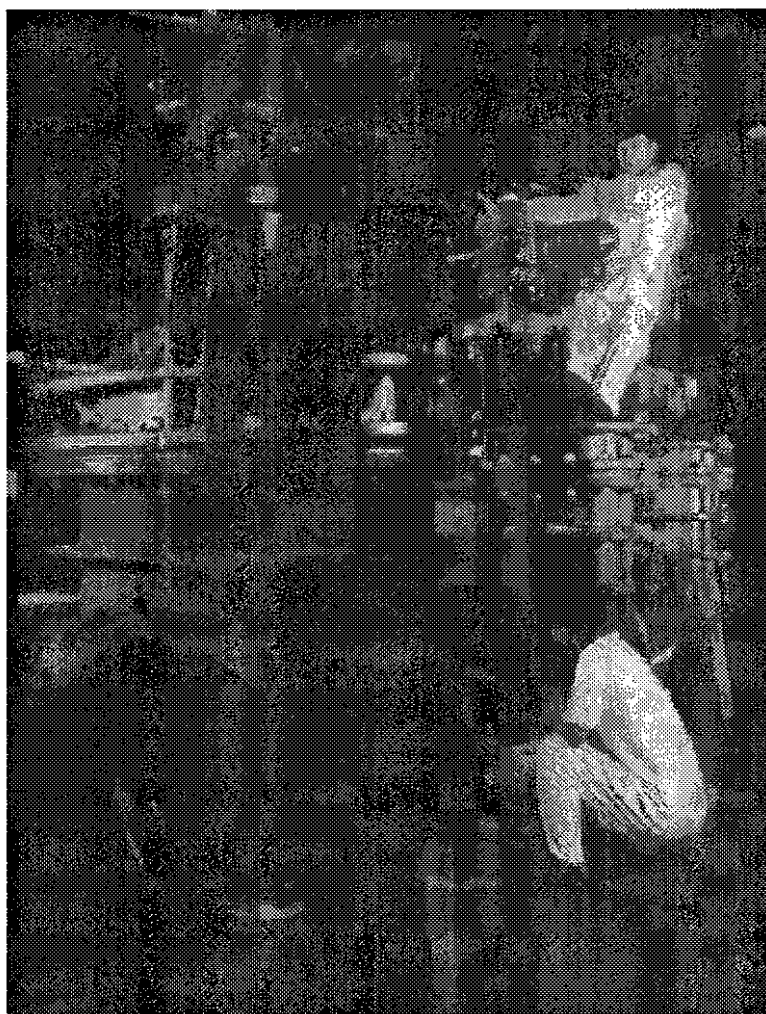
Blakeborough Valves

Manufacture of gate, butterfly and check valves for water and waste water markets world-wide.

A 51% share of Blakeborough Valves was acquired in April 1994. The company is based in Singapore with a factory in Malaysia, and produces waterworks valves based on the long established Blakeborough designs. The product range is extensive covering the needs of the water and waste water markets in sizes up to 1400 mm diameter for gate valves and 1200 mm diameter for butterfly valves.



Blakeborough's Malaysian plant in Johor Bahru.



"The order book was healthy all year and the main priority was to improve production systems and capacity."

The order book was healthy all year and the main priority was to improve production systems and capacity. Additional equipment was installed and extra staff were taken on in order to increase shift working.

Castings and components are largely sourced from China, and in order to reduce manufacturing costs and increase capacity, plans have now been agreed to set up a factory in China to manufacture complete valves.

Valvestock

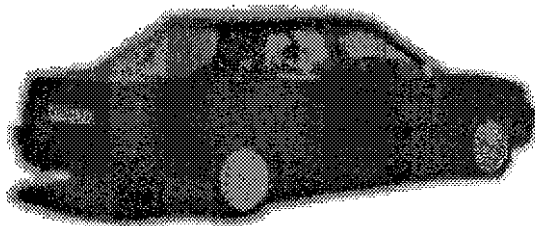
Distribution of valves, design and assembly of valve and actuator packages.

The results of the business during 1994 showed continued progress over 1993, with turnover, margins and working capital ratios improving. The programme of cost reductions was completed, achieving a significant reduction in overheads.

The final inspection of a 900mm Blakeborough gate valve, destined for a project in Hong Kong.



Further ranges of brass and bronze products were introduced into the portfolio in order to enter new markets and the external sales force was increased to broaden coverage of the UK.



Valvestock supplied over 3,000 valves for automated machines on the upgrading of Vauxhall's Luton Plant, which produces the Cavalier motor car.

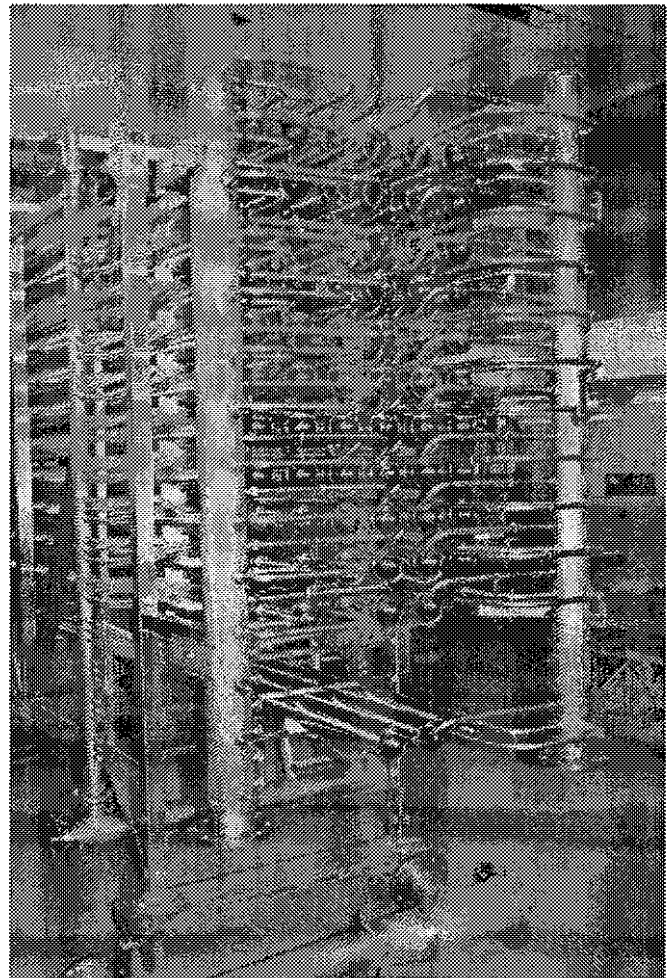
A number of customers embarked upon plant extensions and refurbishments, as typified by the supply of over 3,000 valves to the Vauxhall Motor Company plant at Luton.

Stainless Fittings

Hygienic stainless steel pipework, fittings and fabrications.

Despite a significantly lower level of investment by pharmaceutical companies in its main export markets, Stainless Fittings increased sales of prefabricated systems to the UK and obtained new export business from Europe and the Middle East.

The major factory reorganisation and investment project was substantially completed during the year. This has increased the business's capacity to deal with specialised tube fabrications, and these formed an important part of UK business during the year.



A reverse osmosis unit using Stainless Fittings' prefabricated pipework.

"Stainless Fittings increased sales of prefabricated systems to the UK and obtained new export business from Europe and the Middle East."



business review *polymers*

Stewarts and Lloyds Plastics: Pipe

Polyethylene pipe for water and gas distribution systems.

S&LP Pipe achieved a small increase in turnover and improved output levels due to higher sales of water and industrial pipe. Sales of gas pipe were again disappointing.

The water market recovered the lost ground of 1993 and although the business experienced a slightly reduced market share, the margins generated exceeded the previous year's results. The water sector continues to be dominated by water company contracts and these generated more activity in the second half of the year, following the Ofwat "K factor" announcements. Sales were helped by the award of Thames Water Utilities' polyethylene pipe supply contract. The prices for water pipe showed some recovery in the non-contract area during the year, despite strong competition.

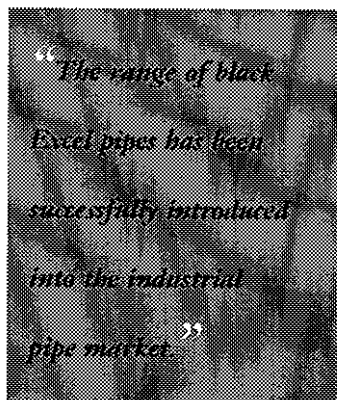
Sales of gas pipe fell further as a result of the continuing slow-down in the investment activities in the gas market, arising from the reorganisation of British Gas.

The growth of industrial pipe sales was strong, with the increasing acceptance of polyethylene as a suitable material for a wide

range of applications. The range of black Excel pipes has been successfully introduced into this market sector and is now the product leader.

Polymer prices increased in the last four months of the year in the UK which mirrored increases in the rest of Europe, but at a slightly lower level. These polymer increases are being recovered through increased pipe prices.

S&LP Pipe, during the year, produced 1-metre diameter pipe for the first time; this was the largest polyethylene pressure pipe ever produced in the UK. The pipe was supplied to Thames Water for installation at Peckham Rye.



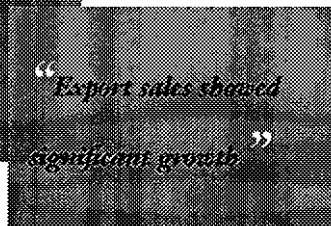
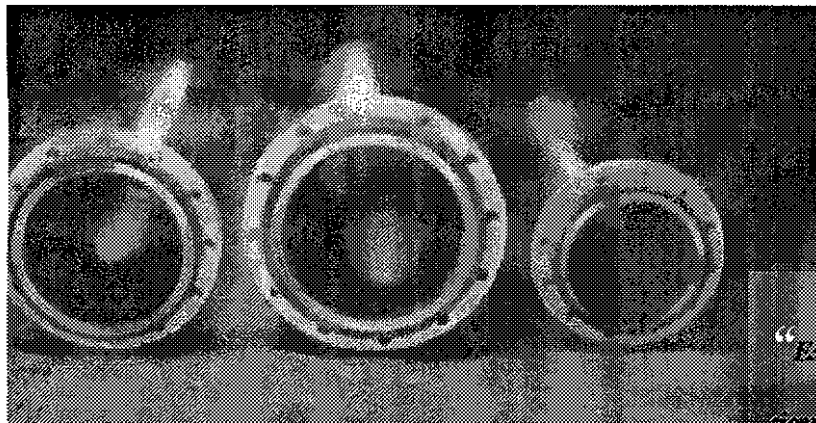
"The range of black Excel pipes has been successfully introduced into the industrial pipe market."

A tight control on costs, along with better polymer utilisation and increasing output levels, have resulted in improved plant efficiency.

1,000mm 10 bar blue Excel - the largest diameter polyethylene pressure pipe ever manufactured in the UK being craned off the end of the extrusion line at S&LP's Huntingdon plant.



Some of S&LP Fittings' range
of SLimFlanges.



Stewarts and Lloyds Plastics: Fittings

Polyethylene fittings and fabrications for water and gas pipework systems.

1994 was a year of further progress for the business with higher turnover and an increased product range. Despite the continued major reorganisation of British Gas, sales to this important market held up well and showed a small increase over 1993; in particular the demand for small size fittings was sufficiently high to counteract the reduction in sales of larger fittings required for projects. A faster rate of growth was achieved in the water market, particularly after the uncertainty over the new "K factors" was resolved. Sales were also helped by S&LP Fittings becoming the contract supplier to Thames Water Utilities.

Export sales showed significant growth. Part of this growth came from the existing markets in Europe, but the business was also successful in selling electrofusion products into the newer markets of South America and the Far East.

Significant investment was made during the year, particularly on injection moulding tools, to expand the range of electrofusion products, which will strengthen

the business's position in the UK gas and water markets. During the course of the year development effort was increased, not only on new

products, but also on redesigning existing products to make them more user friendly during installation. This increased level of development will continue, with the major spend moving to extending the product range for European markets. All these developments are resulting in an increase in product testing to ensure continued customer confidence.

Meter Box Systems increased market share during the year with corresponding gains in turnover and profitability from sales of water meter boundary boxes to the UK water market. However, it is now predicted that no significant increase in domestic water metering is likely to occur in the near future; therefore this business unit has been integrated into the fittings business from the end of 1994.



business review polymers

MASA

Polyethylene pipe for water and gas distribution systems.

In April 1994 the group acquired MASA, a Spanish polyethylene pipe business located in northern Spain, from a group of private investors. Since then the business has been successfully integrated within the group and both MASA and S&LP Pipe have benefited from the ability to exchange skills and information between two factories making broadly similar product lines.

With Gas Natural, the largest operator in the Spanish gas market, increasing its pipe installation activities, MASA achieved significant increases in its sales in this strong gas market. However, the water market was much weaker and with strong competition MASA yielded a little market share in this area. Management effort was concentrated on increasing the plant output to meet the high levels of demand which occur in the summer months. Production equipment was transferred from the Stewarts & Lloyds Plastics factory at Huntingdon, which increased plant capacity and output at MASA, and enabled the business to handle record sales in this period, whilst maintaining its quality of service.

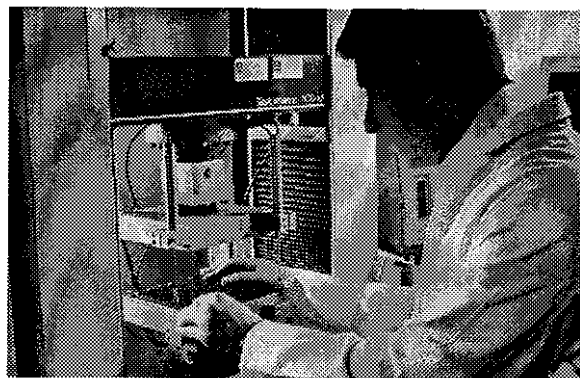
Raw material prices began to rise in July and a number of increases have occurred. These increases have been recovered where possible, but a fixed gas pipe price to the end of the year and a weak water market have so far prevented full recovery.

The sale of fittings continued to grow during the year in line with the growth of pipe sales, and ways of increasing this sector are being investigated.

Overall the performance of MASA in the first eight months since acquisition has been very satisfactory and the business has exceeded expectations in both turnover and profit.

MASA pipe display at the SMAGUA exhibition in Zaragoza, Spain.

VIP's studded rubber rail pad undergoing testing for load deflection characteristics.



Victaulic Industrial Polymers

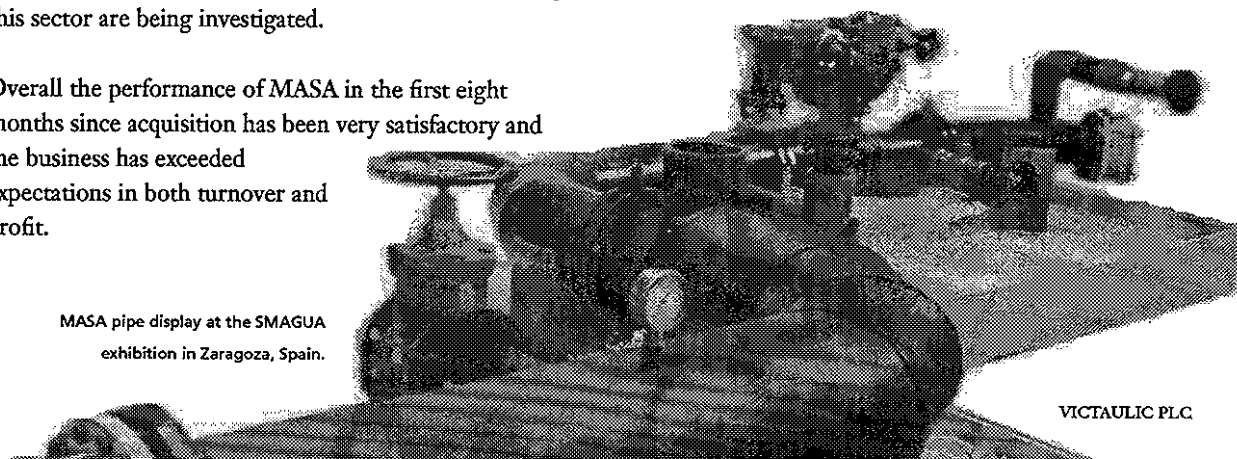
Seals for pipes and pipe couplings, tunnel segment gaskets and rail pads.

Victaulic Industrial Polymers enjoyed strong demand for most of the year and sales and profits both increased.

There was some improvement in the UK market for pipe seals but most of the growth in sales came from overseas. Rail pad sales were again higher, the first tunnel segment gasket contract was obtained in France and gaskets were supplied to overseas pipemakers for major water supply contracts around

the world, including China, Sarawak, Venezuela and the Middle East.

During the year capacity in injection moulding was increased with the purchase of two new 250-tonne presses and important investments were made elsewhere in the business both to improve efficiency and meet increased demand.





The business benefited from investment during the previous year in new rubber mixing plant and further gains in productivity were obtained throughout the business. Despite buoyant demand, levels of customer service were further improved and the focus on product quality was maintained.

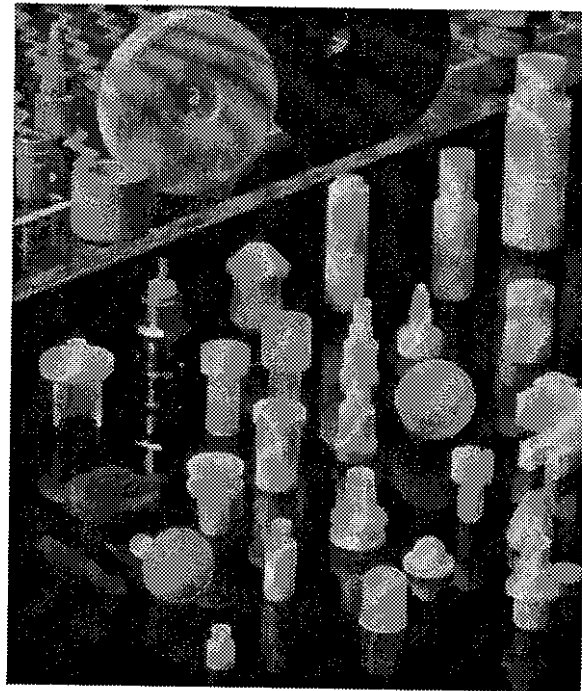
Heinke

Rubber compression and injection moulded and extruded products.

In the nine months following its acquisition, Heinke exceeded expectations in terms of both turnover and profit.

Sales of tunnel segment gaskets developed strongly with important contracts obtained in the UK for the Jubilee Line extension and Fylde Coast interceptor sewer and overseas in Spain, Portugal, Germany and Egypt.

Demand for plate heat exchanger gaskets and rail pads improved during the period and Heinke benefited from a contract to supply packers for the Forth Rail Bridge. Sales of injection moulded products also increased, mainly for the automotive after market.



Various machined parts manufactured by Insoll Component

The integration of the business within Victaulic was successfully undertaken and Heinke has already started to benefit from the association with Victaulic Industrial Polymers. In particular the transfer of quality, technical and engineering expertise from VIP has helped Heinke and the business is now better placed than it was a year ago to develop the opportunities available to it.

PTFE Fabricators/Insoll Components

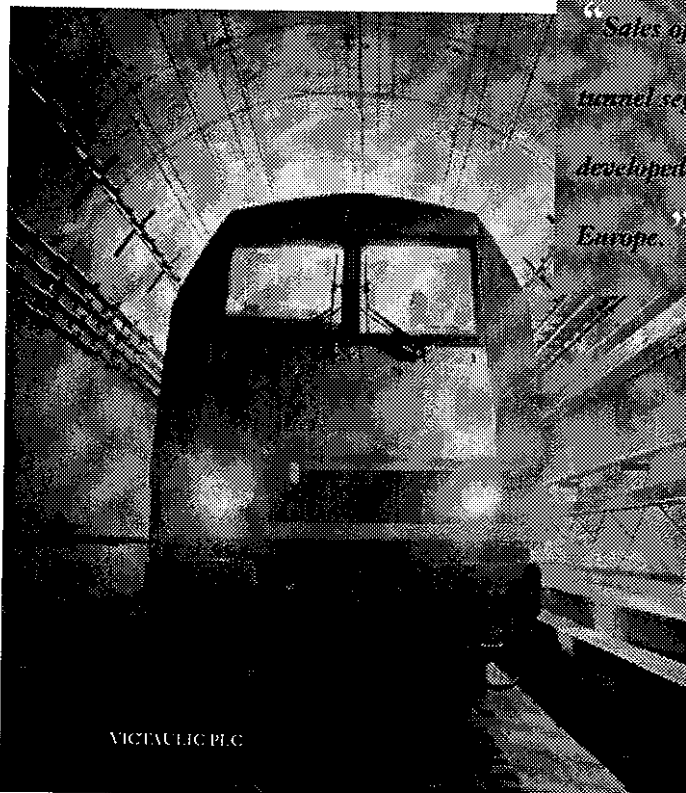
Ptfe extrusions and machined components.

PTFE Fabricators again increased sales of small diameter ptfe tubing and Insoll Components' sales recovered well from the level of the previous year. During the year both businesses obtained ISO 9002 approval for their quality systems.

PTFE Fabricators benefited from increased demand in the UK market and won additional export business for ptfe automotive push-pull cable liners. Manufacturing capacity was fully stretched and during the course of the year work started on a new purpose designed building at Hitchin. The business will relocate to the new premises in the first quarter of 1995.

Insoll Components increased sales of ptfe insulators in both UK and European markets, reflecting an upturn in demand for telecommunications equipment and for mobile telephone systems in particular. Sales of machined parts for pneumatic controls and other engineering applications again increased.

"Sales of Heinke's tunnel segment gaskets developed strongly in Europe."



Gaskets for waterproofing sections of the Channel Tunnel were supplied by Heinke.



directors' report

The directors present their report and the audited accounts for the year ended 31st December 1994.

Share capital

The present authorised and issued share capital of the company is shown in note 23 to the accounts.

Resolution number 6 in the Notice of Annual General Meeting seeks shareholders' approval for the renewal of the directors' authority to allot shares for cash up to a maximum of 14,574,240 ordinary shares by disapplying the statutory pre-emption rights. The renewal of this authority would overcome certain practical difficulties arising on a rights issue and will also permit issues for cash otherwise than by way of rights of up to £550,000 in nominal amount (being approximately 5 per cent of the issued ordinary share capital as at 24th February 1995).

This authority will terminate no later than 15 months after the passing of Resolution number 6.

Principal activities

The principal activities of the group are 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, the chief executive's review and the business review.

Results and dividends

The profit for the year attributable to the ordinary shareholders, after taxation, amounted to £8,716,000. An interim dividend of 2.6p per share on the ordinary share capital was paid on 7th October 1994. The directors now recommend a final dividend for the year on the ordinary share capital of 6.0p per share to be paid on 12th May 1995 to shareholders registered at 24th April 1995. The profit for the year, after dividends, of £4,903,000 has been taken to distributable reserves.

Fixed assets

Capital expenditure amounted to £4.1 million. Investment was concentrated on schemes aimed at reducing costs and developing new products.

Freehold land and buildings were revalued at 31st December 1994, resulting in a transfer of £6.1 million to the credit of the revaluation reserve.

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 significant resources to the



development of new products and processes.

Directors

The names and brief particulars of the directors, who have (save as stated below) all been directors for the whole year, are shown on page 6.

Mr E J Seddon resigned as a director on 4th January 1995. Resolutions will be submitted to the Annual General Meeting, in accordance with the Articles of Association, for the reappointment of two directors.

Mr H M Lang CBE, who was appointed a director on 4th January 1995, retires under the provisions contained in Article 112. Being eligible, he offers himself for re-election. Mr Lang does not have a service contract with the company.

Mr J S Singleton retires by rotation under the provisions of Article 106 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 D C B Winch also retires by rotation under the provisions of Article 106 but does not seek re-election. He will relinquish his non-executive responsibilities and chairmanship at the end of the forthcoming Annual General Meeting. It is the intention of the board to appoint Mr Lang as chairman in his place.

Directors and other interests

The number of shares held by directors and their families and other

substantial interests notified to the company are shown in notes 6 and 32 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 £18,340. 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 1994. The response to all seven 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.

Insurance of directors

The group maintains insurance for Victaulic PLC's directors in respect of their duties as directors.

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.

By order of the board

E J Pratt

Secretary

8th March 1995



corporate governance

In December 1992 the Committee on the Financial Aspects of Corporate Governance (The Cadbury Committee) published a Code of Best Practice. The board supports the recommendations of the Committee and the company currently complies with all aspects of the code on which it is required to report. The board is confident that the company will be able to comply fully with the remaining recommendation relating to internal control during 1995.

The board meets regularly, normally monthly, and exercises effective control over the company. The roles of chairman and chief executive are split as recommended by Cadbury. The non-executive directors represent a strong and independent element on the board.

A remuneration committee has been established which currently consists of the three non-executive directors. The object of the committee is to determine the remuneration, terms and conditions and service contracts of the executive directors. It is also responsible for making recommendations to the board concerning share option schemes. Additional detail relating to the share options granted to directors can be found in note 6 to the accounts.

An audit committee, which comprises the three non-executive directors, has been formed. Its terms of reference are substantially in line with those recommended by The Cadbury Committee.

The board has constituted a nomination committee for the proposal of new directors. The committee currently comprises the three non-executive directors and the chief executive.

report of the auditors to victaulic plc on corporate governance matters

In addition to our audit of the accounts, we have reviewed the directors' statement on page 22 on the company's compliance with the paragraphs of the Code of Best Practice specified for our review by the London Stock Exchange. The objective of our review is to draw attention to non-compliance with those paragraphs of the Code which is not disclosed.

Basis of opinion

We carried out our review in accordance with Bulletin 1994/1 "Disclosures relating to corporate governance" issued by the Auditing Practices Board. That Bulletin does not require us to perform the additional work necessary to, and we do not, express any opinion on the effectiveness of the group's corporate governance procedures, nor on the ability of the group to continue in operational existence.

Opinion

With respect to the directors' statement on going concern on page 23, in our opinion the directors have provided the disclosures required by paragraph 4.6 of the Code (as supplemented by the related guidance for directors) and their statement is not inconsistent with the information of which we are aware from our audit work on the accounts.

Based on enquiry of certain directors and officers of the company, and examination of relevant documents, in our opinion the directors' statement on page 22 appropriately reflects the company's compliance with the other paragraphs of the Code specified for our review.

Coopers & Lybrand
Chartered Accountants
MILTON KEYNES
8th March 1995



statement of directors' responsibilities in relation to accounts

The directors are required by the Companies Act 1985 to prepare accounts for each financial year which give a true and fair view of the state of affairs of the company and the group 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 accounts (on pages 24 to 46), the group 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. Having reviewed the budgets and plans of the group the directors expect that the group will continue in operational existence for the foreseeable future and have therefore used the going concern basis in preparing the accounts.

The directors have responsibility for ensuring that the group keeps accounting records which disclose with reasonable accuracy the financial position of the group and which enable them to ensure that the accounts 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 group and to prevent and detect fraud and other irregularities.

By order of the board

E J Pratt

Secretary

8th March 1995

report of the auditors to the members of victaulic plc

We have audited the accounts on pages 24 to 46.

Respective responsibilities of directors and auditors

As described above the company's directors are responsible for the preparation of accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts 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 accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the group'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 accounts 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 accounts.

Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the company and of the group at 31st December 1994 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

8th March 1995



consolidated profit and loss account

for the year ended 31st December 1994

	Notes	1994 £m	1993 £m
Turnover:			
Continuing operations		108.0	101.4
Acquisitions		<u>10.5</u>	<u>-</u>
	2,3	118.5	101.4
Operating expenses	4	<u>105.7</u>	<u>89.8</u>
Operating profit:			
Continuing operations		11.8	11.6
Acquisitions		<u>1.0</u>	<u>-</u>
Profit on ordinary activities before interest		12.8	11.6
Net interest receivable	7	<u>0.2</u>	<u>0.2</u>
Profit on ordinary activities before taxation	3,9	13.0	11.8
Taxation on profit on ordinary activities	10	<u>4.3</u>	<u>3.8</u>
Profit on ordinary activities after taxation	11	8.7	8.0
Dividends	12	<u>3.8</u>	<u>3.5</u>
Retained profit for the year	26	<u>4.9</u>	<u>4.5</u>
Earnings per ordinary share	13	<u>19.7p</u>	<u>18.4p</u>
Dividends per ordinary share	12	<u>8.6p</u>	<u>8.0p</u>

statement of total recognised gains and losses

		1994 £m	1993 £m
Profit on ordinary activities after taxation	11	8.7	8.0
Currency translation differences on foreign currency net investments		(0.1)	-
Surplus on revaluation of freehold properties	14	<u>6.1</u>	<u>-</u>
Total gains and losses recognised since last annual report		<u>14.7</u>	<u>8.0</u>



consolidated balance sheet

at 31st December 1994

	Notes	1994 £m	1993 £m
FIXED ASSETS			
Tangible assets	14	<u>37.1</u>	<u>24.7</u>
CURRENT ASSETS			
Property held for resale		0.5	0.6
Stocks	16	17.8	14.9
Debtors	17	20.3	15.3
Cash at bank and in hand		<u>10.4</u>	<u>17.0</u>
		49.0	47.8
CREDITORS:			
Amounts falling due within one year	18	<u>32.3</u>	<u>26.5</u>
NET CURRENT ASSETS		<u>16.7</u>	<u>21.3</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		53.8	46.0
CREDITORS:			
Amounts falling due after more than one year	19	0.6	—
PROVISIONS FOR LIABILITIES AND CHARGES	22	<u>1.0</u>	<u>0.6</u>
NET ASSETS	3	<u>52.2</u>	<u>45.4</u>
CAPITAL AND RESERVES			
Called up share capital	23	11.1	11.1
Share premium account	24	0.8	0.6
Merger reserve		1.1	1.1
Revaluation reserve	25	10.2	4.1
Profit and loss account	26	<u>29.0</u>	<u>28.5</u>
EQUITY SHAREHOLDERS' FUNDS	27	<u>52.2</u>	<u>45.4</u>

The accounts on pages 24 to 46 were approved by the board on 8th March 1995 and were signed on its behalf by:

D C B Winch }
E J Pratt } Directors



company balance sheet

at 31st December 1994

	Notes	1994 £m	1993 £m
FIXED ASSETS			
Tangible assets	14	27.7	21.2
Investments: shares in group companies	15	20.2	15.0
		<u>47.9</u>	<u>36.2</u>
CURRENT ASSETS			
Stocks	16	11.9	11.1
Debtors	17	20.3	15.2
Cash at bank and in hand		8.0	13.8
		<u>40.2</u>	<u>40.1</u>
CREDITORS:			
Amounts falling due within one year	18	29.5	25.3
NET CURRENT ASSETS		<u>10.7</u>	<u>14.8</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		58.6	51.0
CREDITORS:			
Amounts falling due after more than one year	19	0.1	-
PROVISIONS FOR LIABILITIES AND CHARGES	22	<u>0.9</u>	<u>0.6</u>
NET ASSETS		<u>57.6</u>	<u>50.4</u>
CAPITAL AND RESERVES			
Called up share capital	23	11.1	11.1
Share premium account	24	0.8	0.6
Merger reserve		6.9	6.9
Revaluation reserve	25	9.2	4.1
Profit and loss account	26	29.6	27.7
EQUITY SHAREHOLDERS' FUNDS	27	<u>57.6</u>	<u>50.4</u>

The accounts on pages 24 to 46 were approved by the board on 8th March 1995 and were signed on its behalf by:

D C B Winch }
E J Pratt } Directors



consolidated cash flow statement

for the year ended 31st December 1994

	Notes	1994 £m	1993 £m
NET CASH INFLOW FROM OPERATING ACTIVITIES	28	<u>14.9</u>	<u>19.4</u>
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Interest received		0.4	0.4
Interest paid		(0.1)	(0.3)
Dividends paid		<u>(3.6)</u>	<u>(3.4)</u>
		<u>(3.3)</u>	<u>(3.3)</u>
TAXATION			
UK corporation tax paid		<u>(3.9)</u>	<u>(4.7)</u>
INVESTING ACTIVITIES			
Purchase of tangible fixed assets		(4.0)	(3.0)
Disposal of tangible fixed assets		0.2	0.1
Acquisitions (net of cash acquired)	15	<u>(5.3)</u>	<u>(1.1)</u>
		<u>(9.1)</u>	<u>(4.0)</u>
NET CASH (OUTFLOW)/INFLOW BEFORE FINANCING		<u>(1.4)</u>	<u>7.4</u>
FINANCING			
Issue of ordinary shares	29	0.2	0.5
Repayment of capital element under finance leases	29	(0.1)	—
Repayment of loans	29	<u>(2.7)</u>	<u>—</u>
		<u>(2.6)</u>	<u>0.5</u>
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	30	<u>(4.0)</u>	<u>7.9</u>



notes to the accounts

for the year ended 31st December 1994

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 fair value 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 revaluation 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	25 years
Plant and machinery	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) Finance leases

Leasing agreements which transfer to the group substantially all the benefits and risks of ownership of an asset are treated as if the asset had been purchased outright. The assets are included in fixed assets and the capital element of the leasing commitments is shown as obligations under finance leases. The lease rentals are treated as consisting of capital and interest elements. The capital element is applied to reduce the outstanding obligations and the interest element is charged against profit using the sum of the digits method.

(i) Loose plant and tools

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

(j) Stocks

Stocks are valued at the lower of cost and net realisable value. Cost of raw materials and consumables are determined at purchase price, including delivery charges. Work in progress and finished goods 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.

1. PRINCIPAL ACCOUNTING POLICIES (continued)

(k) Pensions

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

In The Netherlands and Germany, in addition to the state and industry schemes, the group also provides defined benefit schemes, the funds being held in separate insured policies.

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

(l) 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.

(m) 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.

(n) 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.

(o) Research and development expenditure

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

2. TURNOVER

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

	1994 £m	1993 £m
United Kingdom	86.9	78.5
Germany	5.8	5.5
France	3.8	3.5
Rest of Europe	13.8	9.1
Rest of World	8.2	4.8
	<u>118.5</u>	<u>101.4</u>

3. SEGMENTAL INFORMATION

The analysis by class of business of the group's turnover, profit before taxation and net assets is set out below:

Class of business:	Total Sales £m	Inter- Segment Sales £m	1994		Net Assets £m
			External Sales £m	Profit Before Taxation £m	
Couplings	63.7	(0.1)	63.6	7.1	27.8
Polymers	57.2	(2.3)	54.9	5.7	24.0
	<u>120.9</u>	<u>(2.4)</u>	<u>118.5</u>		<u>51.8</u>
Profit before interest				12.8	
Net interest receivable				<u>0.2</u>	
Profit before tax				<u>13.0</u>	
Current and deferred tax					(5.3)
Dividends payable					(2.7)
Finance leases					(0.4)
Cash, overdrafts and other loans					<u>8.8</u>
					<u>52.2</u>

Class of business:	Total Sales £m	Inter- Segment Sales £m	1993		Net Assets £m
			External Sales £m	Profit Before Taxation £m	
Couplings	57.8	-	57.8	6.3	19.8
Polymers	45.6	(2.0)	43.6	5.3	18.1
	<u>103.4</u>	<u>(2.0)</u>	<u>101.4</u>		<u>37.9</u>
Profit before interest				11.6	
Net interest receivable				<u>0.2</u>	
Profit before tax				<u>11.8</u>	
Current and deferred tax					(4.4)
Dividends payable					(2.4)
Finance leases					-
Cash, overdrafts and other loans					<u>14.3</u>
					<u>45.4</u>

The net assets for 1994 are increased by a surplus on revaluation of freehold land and buildings of £6.1 million.

3. SEGMENTAL INFORMATION (continued)

The analysis by geographical origin of the group's turnover, profit before taxation and net assets is set out below:

Geographical origin:	Total Sales	Inter-Segment Sales	1994 External Sales	Profit Before Taxation	Net Assets
	£m	£m	£m	£m	£m
UK	104.3	(1.3)	103.0	11.9	40.9
Rest of World	17.1	(1.6)	15.5	0.9	10.9
	<u>121.4</u>	<u>(2.9)</u>	<u>118.5</u>		<u>51.8</u>
Profit before interest				12.8	
Net interest receivable				0.2	
Profit before tax				<u>13.0</u>	
Current and deferred tax					(5.3)
Dividends payable					(2.7)
Finance leases					(0.4)
Cash, overdrafts and other loans					8.8
					<u>52.2</u>

Geographical origin:	Total Sales	Inter-Segment Sales	1993 External Sales	Profit Before Taxation	Net Assets
	£m	£m	£m	£m	£m
UK	93.9	(0.8)	93.1	11.3	34.8
Rest of World	8.4	(0.1)	8.3	0.3	3.1
	<u>102.3</u>	<u>(0.9)</u>	<u>101.4</u>		<u>37.9</u>
Profit before interest				11.6	
Net interest receivable				0.2	
Profit before tax				<u>11.8</u>	
Current and deferred tax					(4.4)
Dividends payable					(2.4)
Finance leases					-
Cash, overdrafts and other loans					14.3
					<u>45.4</u>

The net assets for 1994 are increased by a surplus on revaluation of freehold land and buildings of £6.1 million.

4. OPERATING EXPENSES

	1994 £m	1993 £m
Change in stocks of finished goods and work in progress	0.1	1.3
Raw materials and consumables	57.6	48.5
Other external charges	5.3	4.4
Employment costs (note 5)	29.2	24.9
Depreciation	3.9	3.4
Other operating charges	9.6	7.3
	<u>105.7</u>	<u>89.8</u>

The figures for 1994 include the following amounts relating to acquisitions:

	1994 £m
Change in stocks of finished goods and work in progress	(0.1)
Raw materials and consumables	5.2
Other external charges	0.7
Employment costs	2.4
Depreciation	0.3
Other operating charges	1.0
	<u>9.5</u>

5. EMPLOYEE INFORMATION

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

	1994	1993
Production	1,010	859
Commercial	256	243
Administrative	280	246
	<u>1,546</u>	<u>1,348</u>

Group employment costs for the above were:

	1994 £m	1993 £m
Wages and salaries	25.2	21.5
Social security costs	2.5	2.0
Other pension costs (note 37)	1.5	1.4
	<u>29.2</u>	<u>24.9</u>

The number of employees of the group at 31st December 1994 was 1,637 (1993-1,329).



6. 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 annually, normally 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:

	1994 £'000	1993 £'000
Fees	46	35
Fees paid to third parties	15	15
Basic salary	399	359
Performance bonus	69	34
Pension contributions	66	57
Other benefits	34	34
	<u>629</u>	<u>534</u>

Fees and other emoluments include amounts paid to:

	1994 £	1993 £
Chairman		
Fees	<u>31,000</u>	<u>25,000</u>
Highest paid director		
Salary	122,500	102,500
Performance related bonus	21,000	11,500
Other benefits	<u>7,038</u>	<u>8,042</u>
Emoluments before pension contributions	150,538	122,042
Pension contributions	<u>20,323</u>	<u>16,934</u>
	<u>170,861</u>	<u>138,976</u>

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:

	1994	1993
£ 0 – £ 5,000	–	1
£ 5,001 – £ 10,000	–	1
£ 10,001 – £ 15,000	2	1
£ 20,001 – £ 25,000	–	1
£ 30,001 – £ 35,000	1	–
£ 35,001 – £ 40,000	–	1
£ 70,001 – £ 75,000	–	1
£ 85,001 – £ 90,000	–	1
£ 100,001 – £ 105,000	–	1
£ 110,001 – £ 115,000	1	–
£ 115,001 – £ 120,000	2	–
£ 120,001 – £ 125,000	–	1
£ 150,001 – £ 155,000	<u>1</u>	<u>–</u>



6. 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 1994	At 31st December 1993	At 31st December 1994	At 31st December 1993
D C B Winch	88,000	88,000	-	-
D C Stewart	732,800	736,300	-	-
R Legrand	266,480	266,480	30,000	-
P W Parkin	20,000	20,000	-	-
E J Pratt	4,000	4,000	82,857	50,000
E J Seddon	-	-	-	-
J S Singleton	27,157	27,129	155,761	135,761

The only options held by directors have been granted under the company's 1988 Executive Share Option Scheme or Savings Related Share Option Scheme, both of which are Inland Revenue approved.

Any full time employee, including any director, is an eligible participant of the Executive Scheme and the board (on the recommendation of the remuneration committee) has absolute discretion to grant options to eligible participants. Options are granted at a subscription price equal to the Stock Exchange middle market price on the day before the offer. There are no commitments to grant further options to any director, and no performance criteria to be satisfied before an option is granted. There are, however, earnings per share related performance criteria to be satisfied before options granted may be exercised. Options granted and outstanding to an individual are limited to four times his relevant emoluments. Rights taken up are satisfied by the issue of new shares in the company.

Share options granted and outstanding to directors are as follows:

	Number of shares	Price payable	Exercisable between
R Legrand:			
Executive Scheme	*30,000	294p	20.04.1997 - 20.04.2004
E J Pratt:			
Executive Scheme	50,000	292p	28.09.1996 - 28.09.2003
Executive Scheme	*30,000	294p	20.04.1997 - 20.04.2004
Savings Related Scheme	* 2,857	210p	01.12.1999 - 01.06.2000
J S Singleton:			
Executive Scheme	34,000	192.5p	20.09.1993 - 20.09.2000
Executive Scheme	40,000	262.5p	11.09.1994 - 11.09.2001
Executive Scheme	25,000	280p	25.09.1995 - 25.09.2002
Executive Scheme	30,000	288p	30.09.1996 - 30.09.2003
Executive Scheme	*20,000	294p	20.04.1997 - 20.04.2004
Savings Related Scheme	2,376	154p	01.12.1995 - 01.06.1996
Savings Related Scheme	1,600	240p	01.12.1996 - 01.06.1997
Savings Related Scheme	2,785	224p	01.12.1997 - 01.06.1998

* Option granted during the year. There have been no options exercised by the directors under the Executive Scheme during the year.

There have been no changes in the interests set out above between 31st December 1994 and 8th March 1995. The above figures have been adjusted where necessary to reflect the 1 for 1 scrip issue made in April 1992.



7. NET INTEREST RECEIVABLE

	1994 £m	1993 £m
Interest receivable	0.4	0.5
Interest payable on loans and overdrafts	(0.2)	(0.3)
	<u>0.2</u>	<u>0.2</u>

8. HISTORICAL COST ACCOUNTS

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

9. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

Profit on ordinary activities before taxation is stated after charging:

	1994 £m	1993 £m
Hire of plant and machinery	0.5	0.5
Property rentals	0.6	0.5
Research and development	0.4	0.5
Audit fees [company - £0.1m (1993 - £0.1m)]	0.1	0.1
Non audit fees paid to auditors	0.2	0.1
Depreciation on owned assets	3.8	3.4
Depreciation on assets held under finance leases	0.1	-

10. TAXATION ON PROFIT ON ORDINARY ACTIVITIES

	1994 £m	1993 £m
UK corporation tax based on the profit for the year at 33% (1993 - 33%)	4.2	4.3
Transfer to deferred tax	0.3	0.2
Over provision in prior years	(0.2)	(0.8)
Overseas taxes	-	0.1
	<u>4.3</u>	<u>3.8</u>

11. 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 dealt with in the accounts of Victaulic PLC is £5.7 million (1993-£7.4 million).

12. DIVIDENDS

	1994 £m	1993 £m
Ordinary shares of 25p each:		
- Interim - 2.6p per share (1993 - 2.5p) paid 7th October 1994	1.1	1.1
- Proposed final - 6.0p per share (1993 - 5.5p) payable 12th May 1995	2.7	2.4
	<u>3.8</u>	<u>3.5</u>



13. EARNINGS PER ORDINARY SHARE

Earnings per ordinary share is calculated on the profit on ordinary activities after taxation of £8,716,000 (1993 – £8,072,000) and on the weighted average number of ordinary shares in issue during the year of 44,237,417 (1993 – 43,977,286).

14. TANGIBLE FIXED ASSETS

(a) THE GROUP:

	Land and buildings £m	Plant and machinery £m	Assets in course of construction £m	Total £m
COST OR VALUATION				
At 1st January 1994				
At cost	5.5	30.4	0.8	36.7
At valuation	5.2	–	–	5.2
	10.7	30.4	0.8	41.9
Exchange differences	0.1	0.1	–	0.2
Additions	0.5	3.4	0.2	4.1
Acquisitions	3.6	2.6	–	6.2
Disposals	–	(0.8)	–	(0.8)
Reclassifications	0.4	0.4	(0.8)	–
Revaluation	4.6	–	–	4.6
At 31st December 1994	19.9	36.1	0.2	56.2
DEPRECIATION				
At 1st January 1994	1.2	16.0	–	17.2
Exchange differences	–	0.1	–	0.1
Charge for the year	0.3	3.6	–	3.9
Disposals	–	(0.6)	–	(0.6)
Revaluation	(1.5)	–	–	(1.5)
At 31st December 1994	–	19.1	–	19.1
Net book value at 31st December 1994	19.9	17.0	0.2	37.1
Net book value at 31st December 1993	9.5	14.4	0.8	24.7

The net book value of land and buildings comprises:

	1994 £m	1993 £m
Freehold	19.7	9.5
Short leasehold	0.2	–
	19.9	9.5



14. TANGIBLE FIXED ASSETS (continued)

The net book value of tangible fixed assets includes an amount of £0.5 million (1993 – £Nil) in respect of assets held under finance leases.

All freehold land and buildings, with the exception of properties acquired during the year, were valued at open market value for existing use at 31st December 1994. These valuations were made by Thompson & Bryan, a firm of independent Chartered Surveyors.

If freehold land and buildings had not been revalued at 31st December 1994 then land and buildings would have been stated at the following amounts:

	1994 £m	1993 £m
Cost	15.3	10.7
Aggregate depreciation based on cost	(1.5)	(1.2)
Net book value based on cost	<u>13.8</u>	<u>9.5</u>

(b) THE COMPANY:

	Land and buildings £m	Plant and machinery £m	Assets in course of construction £m	Total £m
COST OR VALUATION				
At 1st January 1994				
At cost	3.7	26.8	0.7	31.2
At valuation	<u>5.2</u>	<u>–</u>	<u>–</u>	<u>5.2</u>
	8.9	26.8	0.7	36.4
Additions	0.5	2.4	0.1	3.0
Disposals	(0.1)	(0.5)	–	(0.6)
Transfers within group	1.2	1.1	–	2.3
Reclassifications	0.2	0.4	(0.6)	–
Revaluation	<u>3.9</u>	<u>–</u>	<u>–</u>	<u>3.9</u>
At 31st December 1994	<u>14.6</u>	<u>30.2</u>	<u>0.2</u>	<u>45.0</u>
DEPRECIATION				
At 1st January 1994	1.0	14.2	–	15.2
Charge for the year	0.2	2.8	–	3.0
Disposals	–	(0.4)	–	(0.4)
Transfers within group	–	0.7	–	0.7
Revaluation	<u>(1.2)</u>	<u>–</u>	<u>–</u>	<u>(1.2)</u>
At 31st December 1994	<u>–</u>	<u>17.3</u>	<u>–</u>	<u>17.3</u>
Net book value at 31st December 1994	<u>14.6</u>	<u>12.9</u>	<u>0.2</u>	<u>27.7</u>
Net book value at 31st December 1993	<u>7.9</u>	<u>12.6</u>	<u>0.7</u>	<u>21.2</u>

The net book value of land and buildings comprises:

	1994 £m	1993 £m
Freehold	<u>14.6</u>	<u>7.9</u>



14. TANGIBLE FIXED ASSETS (continued)

If freehold land and buildings had not been revalued at 31st December 1994, then land and buildings would have been stated at the following amounts:

	1994 £m	1993 £m
Cost	10.7	8.9
Aggregate depreciation based on cost	(1.2)	(1.0)
Net book value based on cost	<u>9.5</u>	<u>7.9</u>

15. INVESTMENTS - SHARES IN GROUP COMPANIES

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

	1994 £m
Investments at cost:	
At 1st January 1994	15.0
Acquisitions (note 15(a))	6.7
Transfer of property from subsidiary	(0.7)
Write down of investment (note 15(b))	(1.4)
Issue of new shares in subsidiaries	0.6
At 31st December 1994	<u>20.2</u>

(a) Acquisitions

Businesses were acquired as follows:

On 22nd March 1994 100% of the share capital of C E Heinke & Company Limited was acquired for a total consideration, including costs, of £3.5 million.

On 22nd April 1994 51% of the share capital of Blakeborough Valves Pte Limited was acquired for a total consideration, including costs, of £1.7 million.

On 22nd April 1994 96.35% of the share capital of Material de Aireacion SA (MASA) was acquired for a total consideration, including costs, of £1.5 million.

The aggregate effect of the acquisitions, which were accounted for using the acquisition method, is set out below:

	Per accounts £m	Fair value adjustments £m	Fair value to group £m
Tangible fixed assets	5.4	0.8	6.2
Stocks	1.7	(0.2)	1.5
Debtors	2.0	(0.1)	1.9
Creditors	(3.7)	(0.7)	(4.4)
Cash acquired	1.4	—	1.4
Borrowings assumed	(4.2)	—	(4.2)
Net assets acquired	<u>2.6</u>	<u>(0.2)</u>	<u>2.4</u>
Total cash consideration			<u>6.7</u>
Goodwill			<u>4.3</u>



(b) C E Heinke & Company Limited

On 31st December 1994 the company purchased the assets and business of its C E Heinke & Company Limited subsidiary at the net book value of its net tangible assets. There were no effects on the accounts of the group. The accounts of the company include net assets purchased from CE Heinke & Company Limited of £1.4 million which were funded by inter-company debt.

(c) Goodwill

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

	1994 £m
At 1st January 1994	13.0
Acquisitions	4.3
At 31st December 1994	<u>17.3</u>

16. STOCKS

The amounts attributable to the different categories are as follows:

	The group 1994 £m	The company 1994 £m	The group 1993 £m	The company 1993 £m
Raw materials and consumables	3.4	1.9	2.0	1.6
Work in progress	2.3	1.7	1.6	1.3
Finished goods	<u>12.1</u>	<u>8.3</u>	<u>11.3</u>	<u>8.2</u>
	<u>17.8</u>	<u>11.9</u>	<u>14.9</u>	<u>11.1</u>

17. DEBTORS

	The group 1994 £m	The company 1994 £m	The group 1993 £m	The company 1993 £m
Amounts falling due within one year:				
Trade debtors	18.4	10.6	13.5	9.6
Amounts owed by subsidiaries	–	0.4	–	0.5
Prepayments and accrued income	<u>1.2</u>	<u>0.9</u>	<u>1.2</u>	<u>0.9</u>
	19.6	11.9	14.7	11.0
Amounts falling due after one year:				
Amounts owed by subsidiaries	–	7.7	–	3.6
ACT recoverable	<u>0.7</u>	<u>0.7</u>	<u>0.6</u>	<u>0.6</u>
	<u>20.3</u>	<u>20.3</u>	<u>15.3</u>	<u>15.2</u>



18. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	The group 1994 £m	The company 1994 £m	The group 1993 £m	The company 1993 £m
Bank overdrafts (note 20)	0.1	-	2.7	2.7
Other loan (note 20)	1.2	-	-	-
Obligations under finance leases	0.1	0.1	-	-
Trade creditors	17.0	11.1	13.0	9.6
Amounts owed to subsidiaries	-	7.2	-	4.0
Corporation tax	4.0	3.5	3.5	3.3
ACT payable	1.0	1.0	0.9	0.9
Other taxation and social security	1.5	1.2	1.1	0.7
Accruals	4.7	2.7	2.9	1.7
Dividends payable	2.7	2.7	2.4	2.4
	<u>32.3</u>	<u>29.5</u>	<u>26.5</u>	<u>25.3</u>

19. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	The group 1994 £m	The company 1994 £m	The group 1993 £m	The company 1993 £m
Bank loans (note 20)	0.3	-	-	-
Obligations under finance leases	0.3	0.1	-	-
	<u>0.6</u>	<u>0.1</u>	<u>-</u>	<u>-</u>

20. LOANS AND OVERDRAFTS

The loans and overdrafts are repayable as follows:

	1994 £m	1993 £m
In one year or less	1.3	-
Between two and five years	0.3	-
	<u>1.6</u>	<u>-</u>

(a) The bank overdraft is unsecured.

(b) The other loan is unsecured and is repayable on demand, not by instalments.

(c) The bank loan is secured by a charge on one of the group's freehold properties and is repayable by instalments. The rate of interest is 1% above Malaysian bank base rate.

21. FINANCE LEASES

The net finance lease obligations to which the group is committed are:

	1994 £m	1993 £m
In one year or less	0.1	-
Between one and two years	0.1	-
Between two and five years	0.2	-
	<u>0.4</u>	<u>-</u>



22. PROVISIONS FOR LIABILITIES AND CHARGES

The movement on the deferred tax account is as follows:

	The group 1994 £m	The company 1994 £m
At 1st January 1994	0.6	0.6
Profit and loss account	0.3	0.2
Amount acquired on acquisition of subsidiary	0.1	0.1
At 31st December 1994	<u>1.0</u>	<u>0.9</u>

The actual provision and total potential liability are as follows:

	Provision made 1994 £m	Total potential liability 1994 £m	Provision made 1993 £m	Total potential liability 1993 £m
THE GROUP:				
Accelerated capital allowances	1.1	2.0	0.7	2.0
Short term timing differences	<u>(0.1)</u>	<u>(0.1)</u>	<u>(0.1)</u>	<u>(0.1)</u>
	<u>1.0</u>	<u>1.9</u>	<u>0.6</u>	<u>1.9</u>
THE COMPANY:				
Accelerated capital allowances	1.0	1.9	0.7	2.0
Short term timing differences	<u>(0.1)</u>	<u>(0.1)</u>	<u>(0.1)</u>	<u>(0.1)</u>
	<u>0.9</u>	<u>1.8</u>	<u>0.6</u>	<u>1.9</u>

The directors have no present intention of disposing of any of the revalued freehold properties. If any of these properties were realised at the amounts included in the balance sheet, 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.

23. CALLED UP SHARE CAPITAL

	Ordinary shares of 25p each	
	1994 m	1993 m
Authorised:		
Value (£)	15.6	15.6
Number	<u>62.2</u>	<u>62.2</u>
Allotted, called up and fully paid:		
Value (£)	11.1	11.1
Number	<u>44.3</u>	<u>44.2</u>

24. SHARE PREMIUM ACCOUNT

The movement on the share premium account is as follows:

	1994 £m
At 1st January 1994	0.6
Premium on shares issued during the year	<u>0.2</u>
At 31st December 1994	<u>0.8</u>

25. REVALUATION RESERVE

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

	The group 1994 £m	The company 1994 £m
At 1st January 1994	4.1	4.1
Revaluation surplus (note 14)	<u>6.1</u>	<u>5.1</u>
At 31st December 1994	<u>10.2</u>	<u>9.2</u>

26. STATEMENT OF RETAINED PROFITS

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

	The group 1994 £m	The company 1994 £m
At 1st January 1994	28.5	27.7
Goodwill written off (note 15)	(4.3)	—
Currency translation differences on foreign currency net investments	(0.1)	—
Retained profit for the year	<u>4.9</u>	<u>1.9</u>
At 31st December 1994	<u>29.0</u>	<u>29.6</u>

27. RECONCILIATION OF MOVEMENTS IN EQUITY SHAREHOLDERS' FUNDS

The movements in equity shareholders' funds are as follows:

	The group 1994 £m	The company 1994 £m	The group 1993 £m	The company 1993 £m
Profit for the financial year	8.7	5.7	8.0	7.4
Dividends	<u>(3.8)</u>	<u>(3.8)</u>	<u>(3.5)</u>	<u>(3.5)</u>
	4.9	1.9	4.5	3.9
Currency translation differences on foreign currency net investments	(0.1)	—	—	—
Revaluation surplus (note 14)	6.1	5.1	—	—
Goodwill written off (note 15)	(4.3)	—	(0.2)	(0.2)
New share capital subscribed (note 23 and 24)	<u>0.2</u>	<u>0.2</u>	<u>0.5</u>	<u>0.5</u>
Net additions to equity shareholders' funds	6.8	7.2	4.8	4.2
Opening equity shareholders' funds	<u>45.4</u>	<u>50.4</u>	<u>40.6</u>	<u>46.2</u>
Closing equity shareholders' funds	<u>52.2</u>	<u>57.6</u>	<u>45.4</u>	<u>50.4</u>



28. NET CASH INFLOW FROM OPERATING ACTIVITIES

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

	1994 £m	1993 £m
Operating profit	12.8	11.6
Depreciation	3.9	3.4
(Increase)/decrease in stocks	(1.4)	1.5
(Increase) in trade debtors	(2.9)	(0.5)
Decrease/(increase) in prepayments and accrued income	0.2	(0.1)
Increase in trade creditors	1.8	3.3
Increase in other taxation and social security	0.3	-
Increase in accruals	0.2	0.2
Net cash inflow from operating activities	<u>14.9</u>	<u>19.4</u>

29. CHANGES IN FINANCING

Analysis of changes in financing during the year:

	Share capital (including premium) 1994 £m	Loans and finance lease obligations 1994 £m	Share capital (including premium) 1993 £m	Loans and finance lease obligations 1993 £m
At 1st January 1994	11.7	-	11.2	-
Cash inflows/(outflows) from financing	0.2	(2.8)	0.5	-
Loans and finance lease obligations taken on	-	4.7	-	-
At 31st December 1994	<u>11.9</u>	<u>1.9</u>	<u>11.7</u>	<u>-</u>

30. CASH AND CASH EQUIVALENTS

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

	1994 £m	1993 £m
At 1st January 1994	14.3	6.2
Net cash (outflow)/inflow before exchange rate adjustments	(4.0)	7.9
Effect of foreign exchange rates	-	0.2
At 31st December 1994	<u>10.3</u>	<u>14.3</u>

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

	1994 £m	1993 £m	Change in year 1994 £m	Change in year 1993 £m
Cash at bank and in hand	10.4	17.0	(6.6)	5.2
Bank overdraft	(0.1)	(2.7)	2.6	2.9
	<u>10.3</u>	<u>14.3</u>	<u>(4.0)</u>	<u>8.1</u>

31. SHARE OPTIONS

Options were granted for 25p ordinary shares under the Executive Share Option Scheme as follows:

On 20th April 1994 in respect of 212,000 shares at 294p each exercisable between 20th April 1997 and 20th April 2004.

Options were granted for 25p ordinary shares under the Savings Related Share Option Scheme as follows:

On 11th October 1994 in respect of 200,043 shares at 210p each exercisable between 1st December 1999 and 1st June 2000.

Options outstanding at 31st December 1994 were:

	Number of shares	Price payable	Exercisable between
Under the Executive Share Option Scheme	74,400	117.5p	05.05.1991 – 05.05.1998
	8,000	195p	09.04.1993 – 09.04.2000
	54,000	192.5p	20.09.1993 – 20.09.2000
	85,000	236.25p	18.04.1994 – 18.04.2001
	40,000	262.5p	11.09.1994 – 11.09.2001
	110,000	371.5p	14.04.1995 – 14.04.2002
	25,000	280p	25.09.1995 – 25.09.2002
	50,000	292p	28.09.1996 – 28.09.2003
	30,000	288p	30.09.1996 – 30.09.2003
	200,000	294p	20.04.1997 – 20.04.2004
Under the Savings Related Share Option Scheme	22,360	168.5p	01.12.1994 – 01.06.1995
	53,054	120.5p	24.10.1995 – 24.04.1996
	105,804	154p	01.12.1995 – 01.06.1996
	134,378	240p	01.12.1996 – 01.06.1997
	167,155	224p	01.12.1997 – 01.06.1998
	180,779	238p	01.12.1998 – 01.06.1999
	200,043	210p	01.12.1999 – 01.06.2000

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

32. SUBSTANTIAL INTERESTS

According to the register required to be kept by section 211 of the Companies Act 1985 as amended by the Disclosure of Interest in Shares (Amendment) Regulations 1993 shareholders with material interests in excess of 3% and other interests greater than 10% of the issued ordinary share capital at 24th February 1995 were as follows:

	Ordinary shares of 25p each
Schroder Investment Management Ltd	6,186,825
Prudential Corporation Group Companies	3,500,688
Clerical Medical and General Life Assurance Society	2,032,712
Scottish Amicable Investment Management Ltd	1,741,000
B S Pension Fund Trustee Ltd	1,720,000
3i Group plc	1,507,484
Norwich Union	1,406,700

The directors are not aware that any other person or corporation holds a declarable interest in the issued share capital.



33. CAPITAL EXPENDITURE APPROVED

	1994 £m	1993 £m
Expenditure contracted for but not provided for in the accounts	0.8	0.4
Amounts approved but not yet contracted for	0.8	1.0

34. FINANCIAL COMMITMENTS

At 31st December 1994 the group had annual commitments in respect of non-cancellable operating leases on property as follows:

	1994 £m	1993 £m
Expiring between two and five years inclusive	0.2	0.1
Expiring in over five years	0.3	0.4
	0.5	0.5

35. SUBSIDIARIES

Details of the company's trading subsidiaries at 31st December 1994 and whose figures have been consolidated in these accounts, are as follows:

	% owned	Country of incorporation or registration	Operating principally in
Blakeborough Valves Pte Limited	51	Singapore	Malaysia
C E Heinke & Company Limited	100	England and Wales	UK
Helden Armaturen GmbH	100	Germany	Germany
Helden Couplings BV	100	Holland	Holland
Lindapter SA	100	France	France
Lindapter GmbH	100	Germany	Germany
Material de Aireacion SA	97	Spain	Spain
Valvestock Limited	100	England and Wales	UK
Victaulic Srl	100	Italy	Italy
Wask-RMF Limited	100	England and Wales	UK
Wask-RMF GmbH	100	Germany	Germany

36. GUARANTEES

The company has guaranteed the borrowings of certain subsidiaries which at 31st December 1994 amounted to £Nil (1993 - £Nil). Other bank guarantees given in the ordinary course of business at 31st December 1994 amounted to £0.2 million (1993 - £0.3 million).



37. PENSIONS

The group operates pension schemes in the UK, Holland and Germany. The total cost to the group in 1994 was £1.5 million (1993 - £1.4 million). An amount of £0.3 million (1993: £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.

The first actuarial valuation of the main 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 3.0%, the rate of pension increase by 5.0%, and the rate of growth of dividends from existing equity holdings by 5.0%. 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 number of 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.

A limited number of senior executives are members of a supplementary pension fund.

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 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 William M Mercer GmbH with Alte Leipziger Life Insurance Company. The employee contribution rate is 5.0% of base salary over the social security ceiling.

38. POST BALANCE SHEET EVENTS

Details of post balance sheet events are given in the Chief Executive's Review.



five year summary

	1994 £m	1993 £m	1992 £m	1991 £m	1990 £m
RESULTS					
Turnover	<u>118.5</u>	<u>101.4</u>	<u>101.2</u>	<u>114.8</u>	<u>99.6</u>
Profit on ordinary activities before interest	<u>12.8</u>	<u>11.6</u>	<u>12.9</u>	<u>14.0</u>	<u>11.8</u>
Net interest receivable/(payable)	<u>0.2</u>	<u>0.2</u>	<u>0.6</u>	<u>0.3</u>	<u>(0.3)</u>
Profit on ordinary activities before taxation	<u>13.0</u>	<u>11.8</u>	<u>13.5</u>	<u>14.3</u>	<u>11.5</u>
Tax on profit on ordinary activities	<u>(4.3)</u>	<u>(3.8)</u>	<u>(4.6)</u>	<u>(5.1)</u>	<u>(4.1)</u>
Profit attributable to ordinary shareholders	<u>8.7</u>	<u>8.0</u>	<u>8.9</u>	<u>9.2</u>	<u>7.4</u>
Earnings per ordinary share - pence*	<u>19.7</u>	<u>18.4</u>	<u>20.3</u>	<u>21.3</u>	<u>17.5</u>
Dividends per ordinary share - pence*	<u>8.6</u>	<u>8.0</u>	<u>7.8</u>	<u>7.4</u>	<u>6.0</u>
ASSETS EMPLOYED:					
Fixed assets	<u>37.1</u>	<u>24.7</u>	<u>26.1</u>	<u>24.1</u>	<u>23.7</u>
Net current assets excluding cash	<u>7.6</u>	<u>7.0</u>	<u>8.7</u>	<u>4.5</u>	<u>8.7</u>
Net cash	<u>8.8</u>	<u>14.3</u>	<u>6.2</u>	<u>9.7</u>	<u>(0.5)</u>
Other liabilities	<u>(1.3)</u>	<u>(0.6)</u>	<u>(0.4)</u>	<u>(0.3)</u>	<u>(0.2)</u>
	<u>52.2</u>	<u>45.4</u>	<u>40.6</u>	<u>38.0</u>	<u>31.7</u>
EQUITY SHAREHOLDERS' FUNDS	<u>52.2</u>	<u>45.4</u>	<u>40.6</u>	<u>38.0</u>	<u>31.7</u>

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



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