Designed & Produced by The Roundhouse Newcastle

WHESSOE PLC

166242
Whessoe Plc.

ANNUAL REPORT & ACCOUNTS 1995

CONTENTS

FINANCIAL HIGHLIGHTS

	1995 £000	1994 £000
TURNOVER	85,912	117,942
OPERATING PROFIT	4,700	2,185
PROFIT / (LOSS) BEFORE TAX	1,311	(179)p
FRS 3 LOSS PER SHARE	(1.64)p	(3.76)p
ADJUSTED EARNINGS PER SHARE	9.20p	1.31p
DIVIDENDS PER SHARE	4.50p	2.30p
NET ASSETS	26,891	24,322

GROUP STRUCTURE & ADVISERS

FIRE SECURITY AND MARINE INSTRUMENTATION

AUTRONICA O. Aam

ELCON INSTRUMENTS G. Watson

LIQUID MEASUREMENT AND CONTROL

WHESSOE VAREC M. Zaldivar

COGGINS SYSTEMS K. Coggins

G.J. COPELAND
Company Secretary

REGISTERED OFFICE
Heighington Lane
Newton Aycliffe
Co Durham DL5 6XZ
Company Registration
Number 166242.

AUDITORS
KPMG,
Quayside House, 110 Quayside.
Newcastle upon Tyne NE13DX

PRINCIPAL BANKERS
Barclays Bank PLC,
High Row, Darlington.
Co. Durham, DL3 7QS.

NationsBank of Georgia NA,
Peachtree Street, Atlanta,
Georgia, 30308 USA.

Christiania Bank
og Kreditkasse,
Middelthuns gt 17,
0107 Oslo, Norway.

FINANCIAL ADVISERS
J. Henry Schroder Wagg
& Co. Limited,
120 Cheapside, London, EC2V 6DS.

BROKERS
Hoare Govett Corporate Finance Limited.
4 Broadgate, London, EC2M 7LE.

SOLICITORS
Slaughter and May,
35 Basinghall Street, London.
EC2V 5DB.

REGISTRARS
Barclays Registrars Limited,
Bourne House,
34 Beckenham Road,
Beckenham, Kent, BR6 4TU.

Directors

G. DUNCAN, B.SC.(ECON)., M.B.A., F.C.A.

Appointed a non-executive director in May 1986, and Chairman in May 1987. Currently Chairman of Laporte PLC, ASW Holdings PLC and Higgs & Hill PLC. He is also a non-executive director of several other public and private companies. Age 62.

C.J. FLEETWOOD, B.A.(HONS)., F.C.A.

Appointed Group Financial Director in April 1988 and Group Chief Executive in January 1989. Currently also a non-executive director of the Darlington Building Society. Age 44.

SIR MICHAEL FRANKLIN, K.C.B., C.M.G.

A non-executive director since January 1988. Formerly Permanent Secretary to the Department of Trade and to the Ministry of Agriculture, Fisheries and Food. A non-executive director of Whitbread PLC. Age 68.

E.E. GERACI, M.B.A., M.S.E., B.E.E.

Appointed in July 1994 as Managing Director of the Instrumentation & Control division. Age 52.

B.M. RICHMOND, B.SC.(HONS)., F.C.A.

Joined the Group in November 1992 and appointed Group Financial Director in February 1994. Age 35.

P.G. SIMONIS

A non-executive director since March 1988. Currently Chairman of Inspectorate PLC and British American Offshore Limited. Also a non-executive director of The Morgan Crucible Company PLC, Haden MacLellan Holdings PLC, Holt Lloyd Limited and Rowan Companies Inc. Age 69.

Chairman's Statement

Last year I stated that it was our intention to focus on instrumentation and control and to dispose of certain non-core activities. Good progress was made during the year in achieving this objective and as a result our balance sheet has been considerably strengthened. The principal disposals were the Piping Systems division, in November, 1994 and our 54% share in Powec AS, in July, 1995. Several smaller operations were also sold and Coggins Systems was reorganised.

The Group increased operating profits by 115%, to £4.7m for the year (1994:£2.2m). The disposals referred to above necessitated, however, the write-off of £4.2m of goodwill previously charged against reserves and this resulted in an overall loss after tax of £0.4m. Excluding exceptional items, the Group generated earnings per share of 9.20p (1994:1.31p). Your Board is, therefore, recommending a final dividend of 3.0p per share, a total of 4.5p for the year and a 96% increase over the previous year.

As I reported in May, order intake has grown over the last year in almost all our businesses. Fire Security and Marine Instrumentation has been especially buoyant, with Autronica achieving growth in a number of areas, particularly cargo monitoring.

Performance in the Liquid Measurement and Control division was mixed. While the introduction of FuelsManager resulted in an increase in orders at Coggins, Whessoe Varec continued to experience difficult conditions in some of its activities. We have, therefore, sought new markets and introduced a number of new products. These actions are expected to ensure an improvement in turnover in 1996. Following the successful introduction of FuelsManager, Coggins Systems will work more closely with Whessoe Varec to provide an integrated solution to our customers. At the same time it will withdraw from the systems integration business in which the rewards are small.

As a consequence of the disposals undertaken and continued tight control of working capital, our gearing has fallen to zero so putting the Group in a strong financial position and enabling it to focus on growth in profitable areas.

Product development continues to be of primary importance and an extensive programme of product launches has been developed for the next few years. These new products are fundamental to the expansion of the Group as a whole and considerable efforts are being made to ensure the right ones are brought to the market on time and to plan.

In addition to our product development programme, we have also increased our product range through the acquisition in November, 1995 of the business and certain assets and liabilities of En Engineering Srl of Milan for a consideration of £650,000. This business is involved in the design, manufacture and distribution of intrinsically safe (IS) and explosion proof equipment. It will be merged with our existing IS business, Elcon, which is also based in Milan. It will both add to the product range offered by Elcon and enable these additional products to be sold overseas through our existing international distribution network.

The past year was again one of considerable change and presented many challenges for all those working for the Group. The Board is very grateful for their continued commitment and hard work, without which the progress made could not have been achieved.

Recent legislation, the recommendations of the Cadbury Committee and the revisions to the London Stock Exchange Listing rules all require changes to a number of existing practices. Your Board therefore considers that it would also be an appropriate time to address some other issues. It is proposed, to introduce a new long term incentive scheme for senior management in place of the existing Share Option Scheme which expires in January of 1996, to extend the Company's SAYE Scheme to overseas employees, and to adopt a new set of Articles of Association. In addition, because the Company's issued share capital is close to its authorised share capital, your Board is also recommending that the authorised share capital should be increased from £8.5m to £12m. Further details relating to these matters are contained in an appendix to the Notice of Annual General Meeting.

We shall continue in 1996 the programme of investment in market expansion and product development, the key sources of growth for the future. We expect the benefits of our investment will begin to accrue during the current year and enable the Group to maintain the improvement in its performance.

George Duncan

GEORGE DUNCAN
CHAIRMAN WHESSOE PLC
8 DECEMBER 1995

OPERATIONAL REVIEW

The 1995 financial year was characterised by substantial change. The successful sale of the Piping Systems division in November, 1994 marked the end of the Group's long involvement in heavy engineering and the emergence of Whessoe as a significant participant in the instrumentation and control sector. This disposal completed the strategic process begun more than five years ago and in consequence the Group is now financially strong and well positioned in markets offering significantly more potential than our former activities.

Following the divestment of Piping Systems, our key focus throughout the year has involved consolidation and investment in growth. Accordingly we have disposed of a number of peripheral businesses in Norway and have invested heavily in marketing, distribution and new product development.

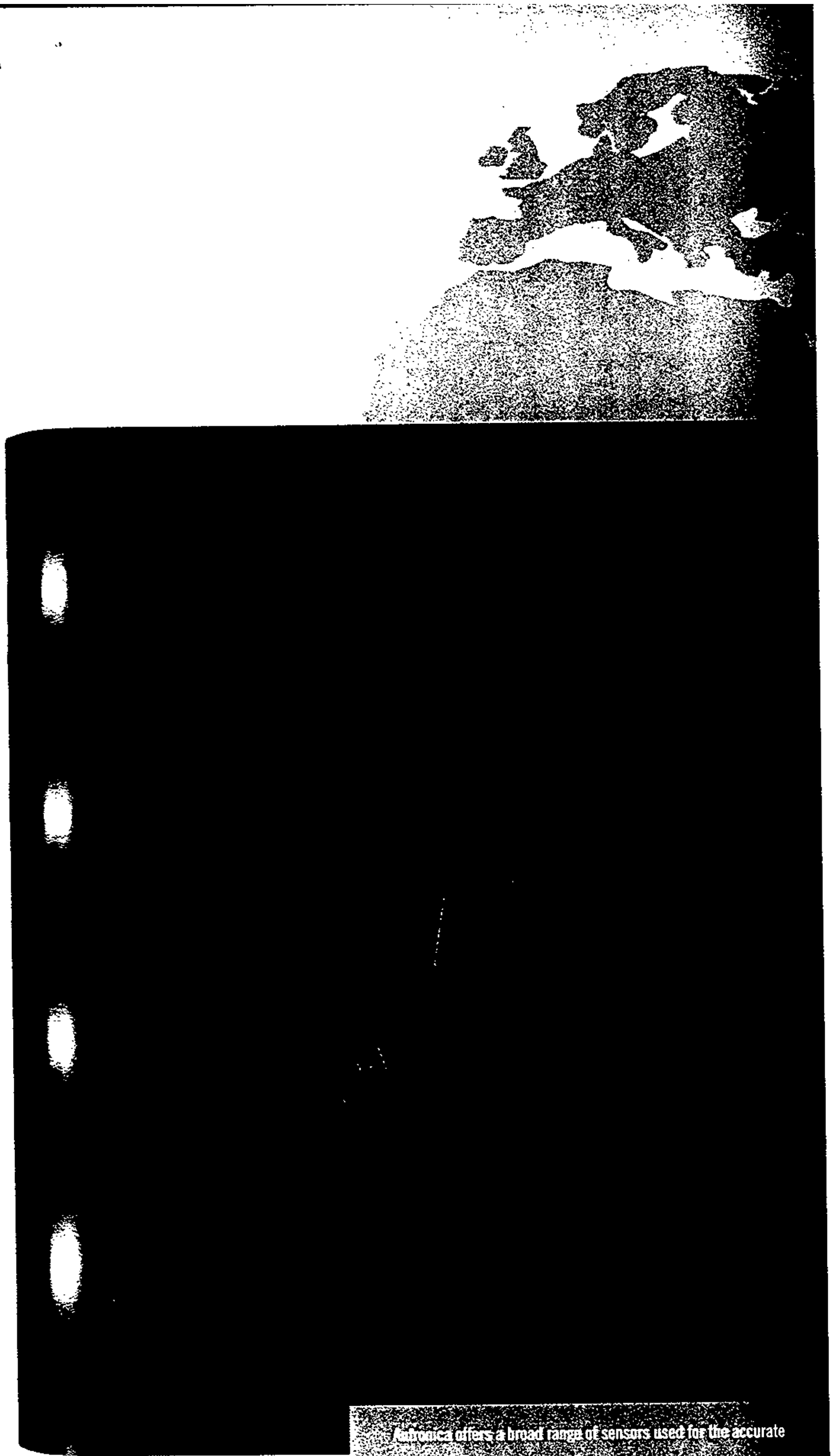
The Group's current strategic plan puts considerable emphasis on growth and performance improvement and, to ensure that we achieve the demanding targets that have been set, management capability throughout the Group has been strengthened.

In December, 1994, we decided to upgrade the Group's business systems in order to support our new structure and strategic objectives. The new system comprising both hardware and software has already been implemented in two of our companies and will be expanded over the coming year as the software becomes available to meet the specific fiscal requirements of all the countries in which we operate.

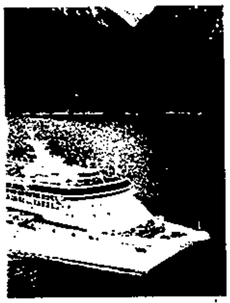
CHRIS FLEETWOOD
GROUP CHIEF
EXECUTIVE

Marine Instrumentation Autronica was successful in generating a strong order intake throughout the year which led to a healthy increase in sales across a broad range of products. Autronica increased its share of the cargo monitoring market, particularly for chemical tankers, primarily through the popularity of its sophisticated radar based, level gauging technology. A particular example was the award of a contract for cargo monitoring systems for five chemical tankers owned by Storli. The ships are equipped with temperature, pressure and radar based level gauging, connected by an intrinsically safe fieldbus. This approach, unique to Autronica, provides benefits and cost savings through simplified cabling and improved accuracy.

Sales of engine control systems and products were also strong. Autronica produces a wide range of sensors which, when linked to large diesel engines, provide temperature and pressure data on the exhaust, cooling and lubrication systems to optimise quality, reliability and maintenance and to meet the requirements of the maritime classification societies.

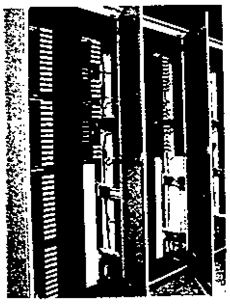


Autronica offers a broad range of sensors used for the accurate [illegible] of fire. Sophisticated software systems provide early [illegible] unwanted false [illegible]



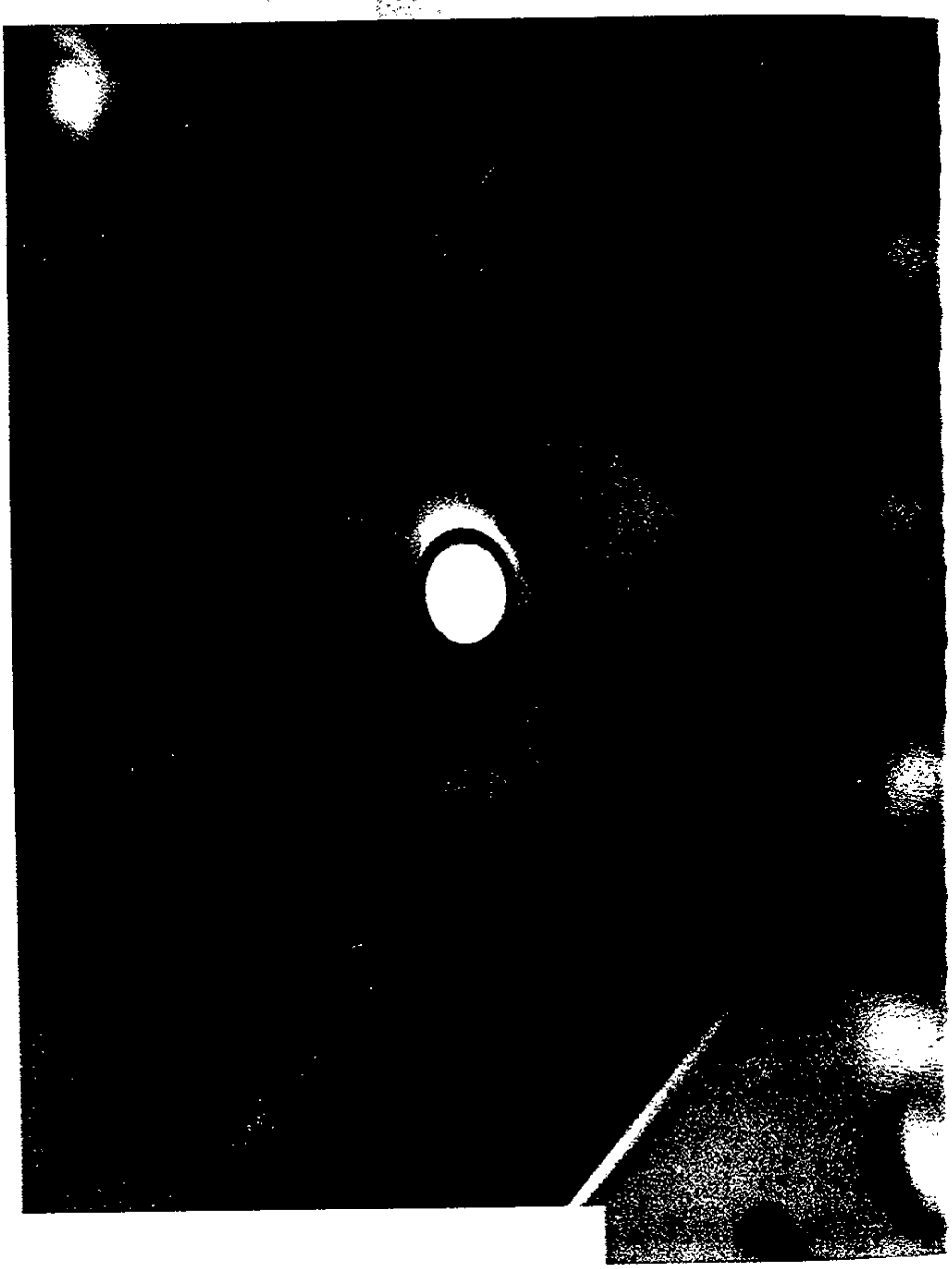
An Autronica fire detection system protects the Royal Caribbean cruise liner Legend of the Seas.

Hotel Danielli in Venice is equipped with Autronica's BS-100 DYFI fire detection system.



An Elcon galvanic isolation system at Upjohn's new plant near Rouen in France interfaces over 2500 field signals.

Elcon's products are used in many hazardous areas.



Operational review

Increased interest is also being shown in the company's engine diagnostic system, MIPS, which is capable of providing early indication of wear and other technical problems thus allowing running costs to be reduced and maintenance optimised.

Autronica continued to be the front-runner in marine fire detection systems. Significant orders during the year included two complete ship-sets of intelligent fire detection systems for luxury cruise liners being built by the Royal Caribbean Cruise Line and systems for the Carnival Cruise Line. Advanced fire detection systems were also supplied to ferry companies such as Color Line and Stena Sealink. The demand for improved fire alarm systems on passenger ships is a result of increased awareness and stricter International Marine Organisation regulations.

Fire Security Sales to the offshore market were ahead of the previous year as demand for sophisticated fire and gas detection systems increased, partly in response to a reduction in the use of halon as a means of fire control. During the year Autronica increased its presence in the UK and introduced its advanced system for early warning fire detection to the offshore engineering industry. The system, based on a new generation of intrinsically safe optical point detectors, eliminates the need for gaseous extinguishants in electrical equipment rooms, without incurring the running costs associated with aspirating systems.

Noteworthy sales successes included fire detection systems for two floating production storage and offloading vessels. Land based fire detection was also robust and, in the UK, Autronica completed the upgrading of a large system for Poole Hospital.

Elcon remained profitable, experiencing a flat year for its intrinsic safety electronic interfaces. Growth in Italy, the Americas and the UK was offset by a slowdown both in central Europe and in factored product sales in the UK. An important new product range, known as Micro D, was launched world-wide during the year. This will open up a large base market to supplement the relatively volatile major project sector which the company's products have concentrated on in recent years. Among major projects completed in the year was the high density installation of a new multi-purpose pharmaceutical plant near Rouen, France. This complex installation utilised Elcon's unique cross wiring method to simplify dramatically field-to-system connections, reduce the number of cabinets and eliminate thousands of wiring operations.

The acquisition of the business of En Engineering Srl, which took place in November, 1995, will enable Elcon to provide a broad range of hazardous area solutions to a developing international market.

OPERATIONAL REVIEW

Liquid Measurement and Control Market conditions in the automatic tank gauging sector remained difficult in Europe and the United States as major oil companies, in response to the continuing low oil price, cut back on capital expenditure and delayed planned projects as they sought to reposition themselves. Faced with reduced demand, Whessoe Varec's management first tackled the task of reducing fixed costs in order to lower the break-even point and then addressed the more fundamental issue of delivering growth and improved profitability in a harsher environment.

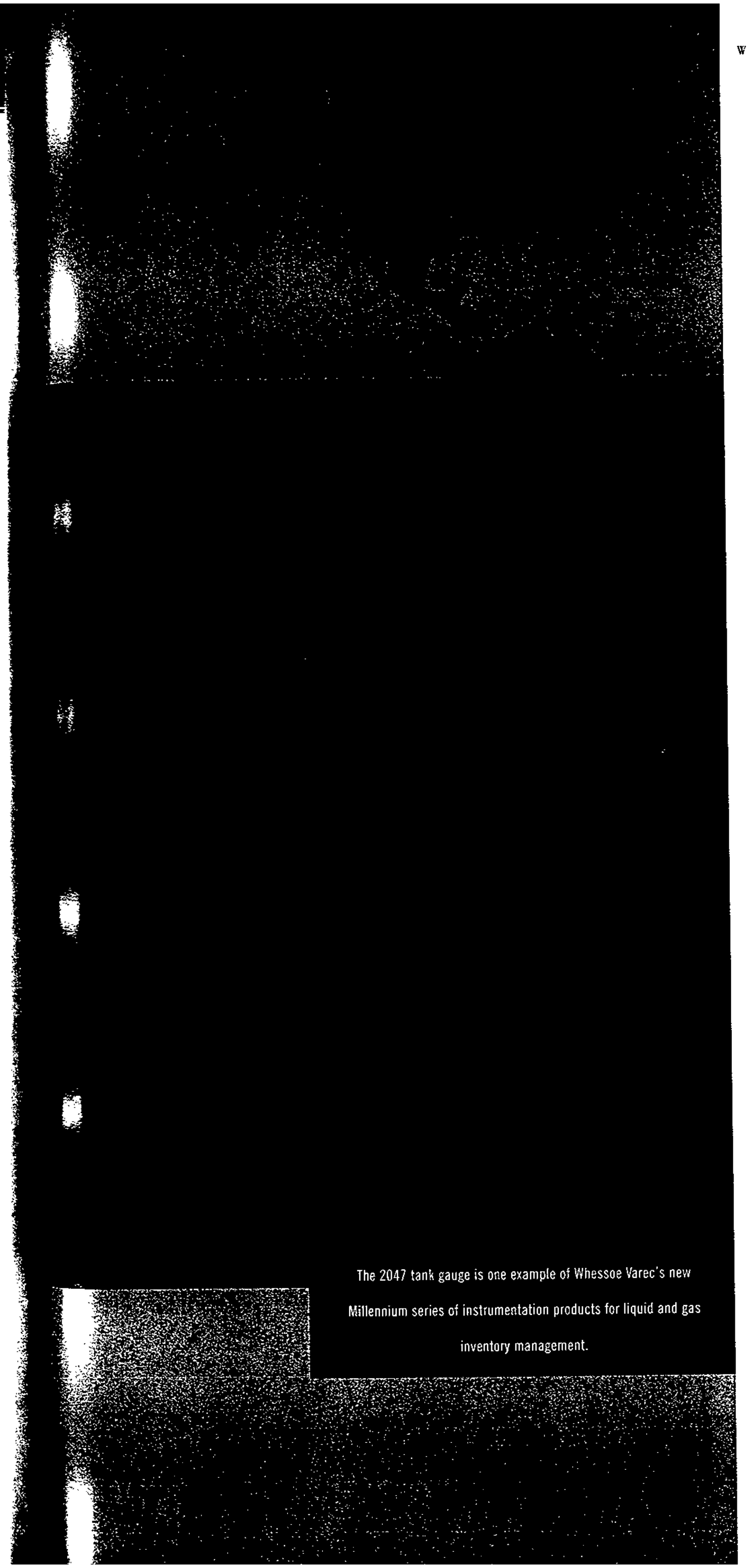
To meet this challenge we have invested heavily in marketing, new product development and customer service. In October, 1995, Whessoe Varec introduced the Millennium series of advanced tank inventory management products. The line includes eight new products designed to improve customer operations from innovative mechanical tank gauging to highly sophisticated electronic transmitter products. The sales and marketing organisation has been enhanced and our international capability strengthened through the appointment of a number of new distributors in Russia, the Middle East and South Africa. Our presence in the important Far East region was also increased by expanding the Group's presence there and setting up a subsidiary in Singapore to service the region locally.

The division further strengthened its position as a leader in liquid inventory control through the full market introduction of FuelsManager, a Windows NT software system with plant interfaces dedicated to real time tank inventory control for refineries, pipelines, distribution depots and chemical plants.

A number of significant orders were received during the year from the world's leading oil and independent storage companies such as Shell, Tosco, GATX and Marathon. Particularly noteworthy was a five-year agreement with Shell Refining to upgrade its tank farms across the United States. FuelsManager provided the opportunity to reposition our systems activities, and to maintain appropriate focus on our core areas. We have withdrawn from the increasingly competitive Supervisory Control and Data Acquisition market.

The Bio gas market in North America continued to strengthen throughout the year and Whessoe Varec's wide product range which includes flame arrestors, valves and burners, for use in handling methane gas produced through anaerobic digestion proved highly successful. Whessoe Varec was successful in obtaining contracts for the Hyperion waste water treatment plant and the Boston Harbour Clean-up Project Phase II. These facilities are two of the world's largest municipal waste water treatment plants utilising anaerobic digestion technology. The company was also selected to supply digester, gas safety and control equipment for the Kranji waste water treatment plant in Singapore.

In the UK, Whessoe Varec was commended for its submission to the National Metrology World Class Manufacturing Awards 1995, supported by the National Physics Laboratory. The commendation recognised the company's development of Advanced Inventory Management techniques for refineries which could give rise to significant savings in the petro-chemical industry.



The 2047 tank gauge is one example of Whessoe Varec's new Millennium series of instrumentation products for liquid and gas inventory management.

Whessoe Coggins FuelsManager software - a Windows NT based bulk and liquid management system for the petrochemical industry.

Whessoe Varec's intelligent transmitters provide level, temperature and density information, allowing tank contents to be accurately profiled.

FINANCIAL REVIEW

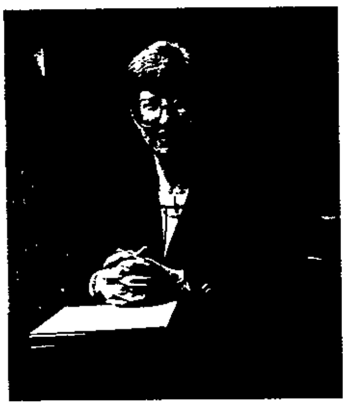
Operating Results The continuing operations of the Group, made up of the two segments, Fire Security and Marine Instrumentation and Liquid Measurement and Control, generated operating profits of £5.1m, a 10% increase on the prior year. Operating margins in the Fire Security and Marine Instrumentation businesses increased from 4.5% in 1994 to 7.8 % in 1995. Operating margins in Liquid Measurement and Control, however, fell due to the reduction in sales volume and change in product mix.

The discontinued operations comprise the Piping Systems division, sold in November, 1994 and several non-core Autronica businesses sold during 1995. Results included in the profit and loss account are those to the date of disposal.

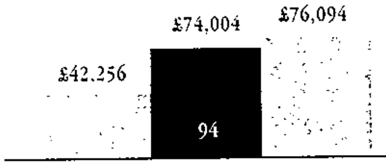
Exceptional Items The exceptional items relate to the disposal of the discontinued operations and the withdrawal of Coggins from the highly competitive systems integration business. The cash effect of these items is small as the largest, single element, £4.2m, is the write-off through the profit and loss account of goodwill previously charged against reserves.

Taxation The tax charge for the year appears on first sight to be high. The reason for this apparent anomaly is that the loss on disposal of Piping Systems amounting to £4.1m is not tax deductible as it almost entirely relates to goodwill; furthermore the Group does not obtain the tax benefits of the operating losses on the discontinued operations. If these two items are eliminated, the tax charge equates to 30%, which is a normal level for the Group.

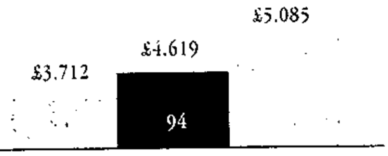
Gearing As a result of the disposals during the year and management of working capital, our net debt at 30 September 1995 is zero. In consequence, the interest paid by the Group on its borrowings fell by 50% to £0.7m, which was covered almost 7 times by the operating profit. The net cash flow from trading activities of £1.7m was almost £1m higher than last year.



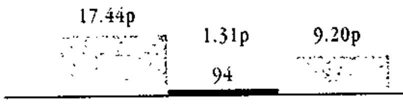
BARBARA RICHMOND
GROUP FINANCIAL
DIRECTOR



TURNOVER ON CONTINUING OPERATIONS



OPERATING PROFIT ON CONTINUING OPERATIONS



ADJUSTED EARNINGS PER SHARE

GEARING

Treasury The Group treasury function, operating under guidelines laid down by the Board, continues to aim to reduce our exposure to significant movements in exchange rates by borrowing in foreign currencies to hedge our overseas assets in a cost effective manner. This borrowing is longer term in nature and is in the principal currencies of the Group's assets, which are Norwegian kroner, US dollars and Italian lira.

Dividends In 1994, due to the difficult year experienced by the Group, your Board decided not to pay a final dividend. With its improved financial position in 1995, both in terms of profitability and cash, an interim dividend of 1.5p per share was paid and a final dividend of 3.0p is proposed, making a total of 4.5p. The dividend is covered more than twice on the basis of the adjusted earnings per share.

DIRECTORS' REPORT

Directors The names of the directors at the end of the financial year are given on page 3. George Duncan retires by rotation and offers himself for re-election. Mr Duncan has a service agreement with the Company with an unexpired term of three years. Mr D.C. Wood resigned as a director on 9 December, 1994 and Mr C. Dennis resigned as a director on 31 January, 1995.

Directors' interests The interests of the directors in the share capital of the Company are shown in note 25 to the accounts. No director has a beneficial interest in any shares of any subsidiary company. During the year no director had a material interest in any contract of significance in relation to the business of the Company or its subsidiaries.

Research and development The Group is devoting resources to research and development where it is believed this will contribute to the profitable growth of the Group. During the year the Group expended £3.3m (1994:£3.0m) on research and development.

Charitable contributions Contributions to charitable organisations amounted to £7,740.

Fixed assets Details of movements in fixed assets are given in note 12. In the opinion of the directors the carrying value of land and buildings is not materially different from its market value.

Substantial shareholders At 8 December, 1995 the Company had been notified of the following interests of 3% or more in its issued share capital:

	Issued Share Capital %
PDFM Limited	20.50
M&G Investment Management Ltd	13.47
Framlington Group PLC	6.93
Prudential Assurance Company Ltd	6.31
Aberforth Partners	5.71
BZW Investment Management Ltd	4.63
Royal London Asset Management Ltd	3.26
Merchant Navy Officers Pension Fund	3.21
Scottish Amicable Investment Managers Ltd	3.12

Directors' liability insurance During the year the Company insured certain directors and officers in respect of their legal liability for claims made against them.

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

Auditors On 6 February, 1995 our auditors changed the name under which they practice to KPMG and accordingly have signed their audit report in their new name. The auditors have expressed their willingness to continue in office and a resolution for their re-appointment is to be proposed at the Annual General Meeting to be held on 23 January, 1996.

GENE GERACI
MANAGING DIRECTOR
OF THE INSTRUMENTATION &
CONTROL DIVISION

Corporate Governance The Group has complied throughout the accounting period with all the recommendations of the Code of Best Practice issued by the Committee on the Financial Aspects of Corporate Governance.

The Board, which includes three non-executive directors, meets periodically throughout the year. There is a formal schedule of matters specifically reserved to the Board for decision and this includes the determination of overall strategy, the approval of acquisitions, disposals, major capital expenditure and other significant matters. It reviews the annual budgets of the Group's operations and monitors progress against them at each meeting.

A number of issues are dealt with through committees of the Board as described below. The minutes of the meetings of these committees are circulated to all Board members.

The remuneration and nomination committee comprises the non-executive directors of the Board and meets at least once a year. It reviews, and recommends to the Board, the remuneration, terms and conditions of the executive directors and proposes to the Board any new appointments whether of executive or non-executive directors. The committee is also responsible for the approval of those targets used as a basis for the annual bonus scheme applicable to senior executives within the Group and the award of shares under the Group's proposed Restricted Share Scheme.

The audit committee comprises the non-executive directors of the Board and normally meets three times a year with other meetings as may be required. Its terms of reference allow it to consider any matter relating to the financial affairs of the Group and include the monitoring of financial reporting and accounting policies, matters relating to the auditors and the adequacy of the Group's internal financial controls.

The directors are responsible for the Company's system of internal financial control. Although no such system can provide absolute protection against material misstatement or loss, it is designed to provide the directors with reasonable assurance that problems should be identified on a timely basis and dealt with appropriately. Key procedures that have been established can be described under the following headings:

Organisational structure - the Group has a management structure designed to ensure the shortest possible lines of communication consistent with the commercial demands of a decentralised organisation.

Directors' report

Financial reporting - the Group has a comprehensive system for reporting and monitoring the performance of each operating unit on a monthly basis against budget and prior year. Budgets are prepared at the individual operating unit and following central review are adopted by the Board. The system also includes regularly updated forecasts. These are routinely reported at each Board meeting.

Operating unit controls - the Group has internal financial controls and approval procedures with which individual units are obliged to comply. Key controls over major business risks include defined levels of authority and a detailed development expenditure review process.

Other key functions - a number of the Group's key functions including finance, treasury, taxation, insurance, secretarial and legal are dealt with centrally.

The Board has reviewed the effectiveness of the system of internal financial control for the financial year and the period to the date of approval of the financial statements.

After making due inquiries, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the accounts.

The auditors, KPMG, have confirmed that in their opinion: with respect to the directors' statements on internal financial control and going concern above, the directors have provided the disclosures required by paragraphs 4.5 and 4.6 of the Code (as supplemented by the related guidance for directors) and such statements are not inconsistent with the information of which they are aware from their audit work on the accounts; and that the directors' statement above appropriately reflects the Company's compliance with the other paragraphs of the Code specified by the Listing Rules for their review. They have carried out their review in accordance with the relevant Bulletin issued by the Auditing Practices Board, which does not require them to perform any additional work necessary to express a separate opinion on the effectiveness of either the Company's system of internal financial control or corporate governance procedures, or on the ability of the Group to continue in operational existence.

By order of the Board

G. Duncan, Chairman

G.J. Copeland, Company Secretary

WHESSOE PLC ANNUAL ACCOUNTS 1995

SHAREHOLDERS' INFORMATION

	1994/95	1993/94	1992/93
Stock market prices (Pence per share)			
Highest	**156**	264	353
Lowest	**99**	90	224
September 30	**149**	102	270

ANALYSIS OF SHAREHOLDINGS AT 30 SEPTEMBER 1995

	Number of holders
Ordinary Shares held:	
Under 500	**763**
500 - 999	**440**
1,000 - 2,499	**577**
2,500 - 4,999	**260**
5,000 - 9,999	**118**
10,000 - 19,999	**47**
20,000 - 49,999	**37**
50,000 upwards	**74**
	2,316
Investor by category:	
Private individuals	**1,896**
Nominee companies	**338**
Investment trusts and pension funds	**34**
Other corporate bodies	**31**
Insurance companies	**13**
Others	**4**
	2,316

CAPITAL GAINS TAX

For the purpose of UK capital gains tax, the values of the shares of the Company at the following dates, adjusted for subsequent rights issues, were:

6 April 1965	58.5p
31 March 1982	81.1p

FINANCIAL CALENDAR 1996

Annual General Meeting
23 January 1996

Interim Report
6 months to 31 March 1996
May 1996

Preliminary Announcement
Year to 30 September 1996
December 1996

DIVIDENDS

Interim 1995/96
To be announced May 1996
Payable July 1996

Proposed Final 1995/96
To be announced December 1996
Payable February 1997

STATEMENT OF ACCOUNTING POLICIES

ACCOUNTING CONVENTION The accounts are prepared under the historical cost convention, modified by the revaluation of certain freehold properties and are in accordance with applicable Accounting Standards.

CONSOLIDATION The Group accounts comprise the results of the parent company and its subsidiary undertakings. The accounting dates of all undertakings in the Group are coterminous. The results include, from the date of acquisition or to the date of disposal, the results of subsidiary undertakings acquired or disposed of during the year.

GOODWILL The difference between the cost of acquisition and the fair value of the net assets acquired is written off against reserves.

FOREIGN CURRENCIES The assets and liabilities of overseas subsidiary undertakings are translated into sterling at the rates of exchange ruling at the balance sheet date. The income and cash flow statements of overseas subsidiary undertakings are translated at the average rates of exchange for the relevant accounting periods. Exchange differences arising from both the retranslation of the opening overseas net assets and applying the average rate compared with the closing rate to the income statement, are accounted for as a movement on reserves. Other foreign exchange differences are taken to the profit and loss account.

TURNOVER Turnover comprises the invoiced value of goods supplied and services provided to third parties exclusive of VAT. In respect of long term contracts it comprises the value of work performed.

RESEARCH AND DEVELOPMENT Expenditure on research and development is written off as incurred.

DEPRECIATION Depreciation is provided on tangible fixed assets other than freehold land. It is calculated in accordance with the methods and rates referred to in note 12.

DEFERRED TAXATION Provision is made in respect of capital allowances and other timing differences to the extent that it is reasonably probable that such liabilities will become payable in the foreseeable future. Deferred taxation is held in the balance sheet as an asset only where its recovery can be foreseen with reasonable certainty.

STOCKS AND WORK-IN-PROGRESS Stocks and work-in-progress are valued at the lower of net realisable value and cost including attributable overheads where appropriate.

LONG TERM CONTRACT WORK-IN-PROGRESS Where turnover on long term contract work-in-progress differs from invoiced progress payments, the balance is included in debtors or creditors as appropriate.

RETIREMENT BENEFITS Retirement benefits are funded by contributions made by the Group and its employees which are held in trustee administered funds. For defined benefit schemes contribution rates are calculated periodically by actuaries and the cost charged against profits over the employees' estimated working lives. For defined contribution schemes, pension contributions are charged to the profit and loss account as they fall due.

LEASED ASSETS Assets funded by means of finance leases are included in the balance sheet at cost and depreciated at rates appropriate for the class of asset concerned. The finance element of rentals payable is charged to the profit and loss account. Rental payments of operating leases are expensed as incurred.

CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the year ended 30 September 1995

	Notes	1995 £000	1994 £000
TURNOVER	1		
Continuing operations		76,094	74,004
Discontinued operations		9,818	43,938
		85,912	117,942
Cost of sales	2	(54,869)	(83,849
Gross profit		31,043	34,093
Net operating expenses	2	(26,343)	(31,908
OPERATING PROFIT	3		
Continuing operations		5,085	4,619
Discontinued operations		(385)	(2,434
		4,700	2,185
Loss on sale of discontinued operations	4	(2,446)	-
Fundamental restructuring	4	(246)	(970
Profit on ordinary activities before interest		2,008	1,215
Net interest	5	(697)	(1,394
Profit/(loss) on ordinary activities before taxation		1,311	(179
Taxation	6	(1,759)	(680
Loss on ordinary activities after taxation		(448)	(859
Minority interest		(35)	(241
Loss for the year		(483)	(1,100
Dividends	7	(1,331)	(676
Retained loss for the financial year		(1,814)	(1,776
Loss per share	8	(1.64)p	(3.76
Adjusted earnings per share	8	9.20 p	1.3

BALANCE SHEETS

At 30 September 1995

		Group		Company	
		1995	1994	1995	1994
	Notes	£000	£000	£000	£000
FIXED ASSETS					
Tangible assets	12	**15,418**	21,730	**3,016**	2,134
Investments	13	**134**	126	**30,857**	33,037
		15,552	21,856	**33,873**	35,171
CURRENT ASSETS					
Stocks	14	**10,754**	11,370	**-**	-
Debtors	15	**22,840**	34,676	**19,446**	30,920
Cash at bank and in hand		**9,570**	5,698	**6,555**	500
		43,164	51,744	**26,001**	31,420
CREDITORS: due within one year	16	**(23,868)**	(31,342)	**(4,208)**	(5,868)
NET CURRENT ASSETS		**19,296**	20,402	**21,793**	25,552
Total assets less current liabilities		**34,848**	42,258	**55,666**	60,723
CREDITORS: due after more than one year	17	**(7,711)**	(16,663)	**-**	(8,783)
PROVISION FOR LIABILITIES AND CHARGES	19	**(246)**	(693)	**98**	333
MINORITY INTEREST		**-**	(580)	**-**	-
Net assets		**26,891**	24,322	**55,764**	52,273
CAPITAL AND RESERVES					
Called up share capital	20	**7,395**	7,355	**7,395**	7,355
Share premium account	21	**20,579**	20,445	**20,579**	20,445
Revaluation reserve	21	**1,105**	4,214	**782**	1,536
Other reserves	21	**(11,541)**	(13,324)	**(415)**	(388)
Profit and loss account	21	**9,353**	5,632	**27,423**	23,325
Shareholders' funds		**26,891**	24,322	**55,764**	52,273

The accounts on pages 19 to 39 were approved by the Board on 8 December 1995 and were signed on its behalf by:

G. Duncan, Chairman

C.J. Fleetwood, Group Chief Executive

Statement of Total Recognised Gains and Losses
Reconciliation of Movements in Shareholders' Funds

For the year ended 30 September 1995

	Group 1995 £000	Group 1994 £000
STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES		
Loss for the financial year	(483)	(1,100
Unrealised deficit on revaluation of land and buildings	(754)	(342
Currency translation differences	766	16
Total recognised gains and losses for the year	(471)	(1,426
RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS		
Total recognised gains and losses for the year	(471)	(1,426
Dividends	(1,331)	(676
New share capital subscribed	174	397
Goodwill credited	4,197	1,264
Net addition to/(diminution in) shareholders' funds	2,569	(441
Shareholders' funds at beginning of year	24,322	24,763
Shareholders' funds at end of year	26,891	24,322

Note on historical cost profits and losses

There is no material difference between the reported profits and the historical cost profits for 1995 and 1994.

Notes to the Accounts

1 SEGMENTAL INFORMATION

Business segment	Turnover 1995 £000	Turnover 1994 £000	Operating profit/(loss) 1995 £000	Operating profit/(loss) 1994 £000	Capital employed 1995 £000	Capital employed 1994 £000
Fire Security and Marine Instrumentation	50,904	47,108	3,982	2,117	19,104	16,353
Liquid Measurement and Control	25,190	26,896	1,103	2,502	9,759	10,479
Continuing operations	76,094	74,004	5,085	4,619	28,863	26,832
Discontinued operations						
Piping Systems	4,521	27,896	(497)	(3,315)	-	11,697
Project Engineering	-	9,387	-	-	-	-
Fire Security and Marine Instrumentation	5,297	6,655	112	881	-	2,609
Segmental results	85,912	117,942	4,700	2,185	28,863	41,138
Unallocated liabilities	-	-	-	-	(1,972)	(16,816)
Group total	85,912	117,942	4,700	2,185	26,891	24,322

GEOGRAPHICAL REGION OF OPERATION

	1995 £000	1994 £000	1995 £000	1994 £000	1995 £000	1994 £000
Continental Europe	56,145	54,590	3,922	2,851	19,615	20,093
United States of America	17,534	22,584	411	(2,779)	6,514	11,460
United Kingdom	12,233	40,768	367	2,113	2,734	9,585
Segmental results	85,912	117,942	4,700	2,185	28,863	41,138
Unallocated liabilities	-	-	-	-	(1,972)	(16,816)
Group total	85,912	117,942	4,700	2,185	26,891	24,322

TURNOVER BY DESTINATION

	1995 £000	1994 £000
Continental Europe	50,579	49,150
United States of America	14,929	19,400
United Kingdom	8,129	17,844
Asia and Far East	7,728	19,900
Rest of World	4,547	11,648
Group total	85,912	117,942

NOTES TO THE ACCOUNTS

2 ANALYSIS OF EXPENSES

	1995 £000	1994 £000
COST OF SALES		
Continuing operations	46,901	44,324
Discontinued operations	7,968	39,525
	54,869	83,849
NET OPERATING EXPENSES		
Continuing operations	24,108	25,061
Discontinued operations	2,235	7,381
Less: provision	-	(534
	26,343	31,908

3 OPERATING PROFIT

Operating profit is stated after charging/(crediting):

	1995 £000	1994 £000
Audit fees	85	130
Fees to auditors for non-audit services	148	21
Operating lease rentals - land and buildings	586	559
Operating lease rentals - plant and machinery	565	738
Hire of plant and machinery	58	68
Depreciation of owned assets	1,831	2,636
Depreciation of leased assets	6	6
Exceptional item (note 4)	-	1,174
Rental income	(332)	(60

4 EXCEPTIONAL ITEMS

Exceptional items comprise:

	1995 £000	1994 £000
Recognised in arriving at operating profit:		
Redundancy costs	-	1,174
Shown separately in the profit and loss account:		
Loss on sale of discontinued operations	2,446	
Fundamental restructuring	246	970
	2,692	970
Exceptional loss for the year	2,692	2,14

NOTES TO THE ACCOUNTS

The loss on sale of discontinued operations represents the loss on sale of the Piping Systems division on 18 November 1994 and the net profit on sale of the non core activities of Autronica as follows:

	Piping Systems	Powec AS	Other	Total
	£000	£000	£000	£000
Surplus/(deficit) of sales proceeds over net assets	199	2,001	(381)	**1,819**
Goodwill written off	(4,265)	-	-	**(4,265)**
(Loss)/profit on sale	(4,066)	2,001	(381)	**(2,446)**

The fundamental restructuring in 1995 represents the net cost of Coggins Systems withdrawal from the systems integration business in order to focus entirely on its FuelsManager product. The fundamental restructuring in 1994 related to Autronica.

The redundancy costs in 1994 were incurred in the Piping Systems division, primarily due to a reduction in UK power generation projects.

5 NET INTEREST

Net interest for the Group comprises:

	1995	1994
	£000	£000
Interest payable:		
On bank loans, overdrafts and other loans:		
Wholly repayable within five years:		
by instalments	**26**	104
not by instalments	**285**	267
Not wholly repayable within five years	**1,314**	1,588
	1,625	1,959
Interest receivable	**(928)**	(565)
Net interest payable	**697**	1,394

6 TAXATION

The charge for taxation on the profit/(loss) for the year comprises:

	1995	1994
	£000	£000
United Kingdom corporation tax at 33%	**215**	209
Overseas taxation	**1,417**	337
Current taxation	**1,632**	546
Deferred taxation	**500**	387
Prior year adjustments:		
Current taxation	**(452)**	(321)
Deferred taxation	**79**	68
Total taxation	**1,759**	680

NOTES TO THE ACCOUNTS

7 DIVIDENDS PAID AND PROPOSED

	1995 £000	1994 £000
Interim (paid): 1.5p (1994: 2.3p)	443	676
Final (proposed): 3.0p (1994: 0.0p)	888	-
	1,331	676

8 EARNINGS PER SHARE

Earnings per share has been calculated in accordance with Financial Reporting Standard number 3 (FRS 3). The adjusted earnings per share has been calculated by using those profits attributable to shareholders, adjusted to exclude the operating and non-operating exceptional items. The reconciliation between the two figures is as follows:

	1995 p	1994 p
Loss per share (FRS 3)	(1.64)	(3.76)
Total exceptional items	9.12	7.32
Tax effect of above	1.72	(2.25)
Adjusted earnings per share	9.20	1.31

The FRS 3 calculations are based on losses of £483,000 (1994: losses of £1,100,000) and on ordinary shares of 29,509,990 (1994: 29,277,610) being the weighted average number of shares in issue and qualifying for dividend. The fully diluted earnings per share is not materially different.

9 EMPLOYEES

The average number of persons employed by the Group during the year was as follows:

	1995	1994
Fire Security and Marine Instrumentation	629	662
Liquid Measurement and Control	304	332
Piping Systems	36	436
Project Engineering	-	47
	969	1,477

Aggregate payroll costs were:

	1995 £000	1994 £000
Wages and salaries	24,577	33,553
Social security costs	4,226	5,149
Other pension costs	1,130	696
	29,933	39,398

NOTES TO THE ACCOUNTS

10 PROFIT ATTRIBUTABLE TO MEMBERS OF THE PARENT COMPANY

No profit and loss account is presented for the Company as permitted by section 230 of the Companies Act 1985. The profit dealt with in the accounts of the Company was £4,098,000 (1994: £524,000).

11 DIRECTORS' REMUNERATION

The remuneration of the directors, including pension contributions, was as follows:

	1995 £000	1994 £000
Remuneration as executives	329	341
Performance related pay	6	11
Fees	78	73
Compensation for loss of office	80	-
	493	425

Performance related pay is based on the achievement of targets set for each financial year by the remuneration committee and is paid in the following year.

Excluding pension contributions, the emoluments of the Chairman were £50,000 (1994: £45,000) and those of the highest paid director £105,281 (1994: £100,721) which included performance related pay of £nil (1994: £nil). The emoluments of the Chairman do not include any performance related pay in either year.

The emoluments of the Chairman and the highest paid director including pension contributions were £50,000 (1994: £45,000) and £115,156 (1994: £100,721) respectively.

The compensation for loss of office was paid to Mr. C. Dennis.

The emoluments of the directors, excluding pension contributions, were within the following ranges:

	1995 No.	1994 No.
£0,000 to £5,000	1	-
£10,001 to £15,000	2	2
£20,001 to £25,000	1	1
£25,001 to £30,000	-	1
£40,001 to £45,000	-	1
£45,001 to £50,000	1	1
£70,001 to £75,000	-	1
£75,001 to £80,000	-	1
£80,001 to £85,000	1	-
£95,001 to £100,000	1	-
£100,001 to £105,000	-	1
£105,001 to £110,000	1	-
	8	9

NOTES TO THE ACCOUNTS

12 TANGIBLE FIXED ASSETS

	Group			Company		
	Land and Buildings	Plant and Machinery	**Total**	Land and Buildings	Plant and Machinery	**Total**
Cost or valuation	£000	£000	**£000**	£000	£000	**£000**
At 30 September 1994	17,394	16,135	**33,529**	2,029	363	**2,392**
Exchange rate adjustments	623	361	**984**	-	-	-
Additions	97	2,607	**2,704**	349	1,446	**1,795**
Disposals	(281)	(1,205)	**(1,486)**	-	(219)	**(219)**
Deficit on revaluation	(754)	-	**(754)**	(754)	-	**(754)**
Disposal of subsidiary undertakings	(5,090)	(8,137)	**(13,227)**	-	-	-
At 30 September 1995	11,989	9,761	**21,750**	1,624	1,590	**3,214**
Depreciation						
At 30 September 1994	2,281	9,518	**11,799**	22	236	**258**
Exchange rate adjustments	32	159	**191**	-	-	-
Charge for the year	400	1,437	**1,837**	42	77	**119**
Disposals	(3)	(878)	**(881)**	-	(179)	**(179**
Disposal of subsidiary undertakings	(1,003)	(5,611)	**(6,614)**	-	-	-
At 30 September 1995	1,707	4,625	**6,332**	64	134	**198**
Net book value						
At 30 September 1995	10,282	5,136	**15,418**	1,560	1,456	**3,016**
At 30 September 1994	15,113	6,617	**21,730**	2,007	127	**2,134**

The net book value of land and buildings comprises:

	Group		Company	
	1995	1994	**1995**	1994
	£000	£000	**£000**	£000
Freehold property	**10,020**	10,364	**1,560**	2,007
Long leasehold property	**262**	4,745	**-**	-
Short leasehold property	**-**	4	**-**	-
	10,282	15,113	**1,560**	2,007

The land and buildings of the Group, except the Head Office, were revalued in 1994 on the Open Market Value for Existing Use basis by external valuers. Th Head Office was revalued in 1995 on the Open Market Value for Existing Use basis by external valuers, G.L. Hearn & Partners. The basis of the valuation wa in accordance with the Statement of Asset Valuation Practice and Guidance Notes of the Royal Institution of Chartered Surveyors. The valuation repor disclosed a deficit of £754,000 below net book value which has been debited to the revaluation reserve.

NOTES TO THE ACCOUNTS

NOTE 12 CONTINUED

The net book value of plant and machinery includes an amount of £10,000 (1994: £16,000) in respect of assets held under finance leases.

The historical cost of land and buildings at 30 September 1995 was as follows:

	Group		Company	
	1995	1994	**1995**	1994
	£000	£000	**£000**	£000
Cost	**8,582**	12,714	**1,954**	1,424
Depreciation	**(3,182)**	(2,936)	**(812)**	(587)
Net book value	**5,400**	9,778	**1,142**	837

Depreciation is provided to write off the cost or valuation, less estimated residual value, of tangible fixed assets on the following bases:

Freehold and long leasehold buildings	2% per annum straight line
Short leasehold buildings	over period of lease
Plant and machinery	10% per annum straight line
Computer systems	20%-33% per annum straight line
Motor vehicles	25% per annum straight line

13 INVESTMENTS

	Group		Company	
	1995	1994	**1995**	1994
	£000	£000	**£000**	£000
Shares at cost less provisions	**134**	126	**30,857**	33,037

Group investments, all of which are held by Autronica, comprise minority shareholdings in a number of listed and unlisted companies in Norway and Sweden. None of the investments are material to the Group.

NOTES TO THE ACCOUNTS

NOTE 13 CONTINUED

INVESTMENT IN SUBSIDIARY UNDERTAKINGS

The Company's investments comprise shares in Group undertakings.

The principal subsidiaries in which the Company holds 100% of the equity are set out below. Those in which the equity is held by a subsidiary undertaking are marked with an asterisk.

Undertaking	Country of operation and incorporation	Principal activities
* Autronica AS	Norway	Fire Security and Marine Instrumentation
* Coggins Systems Inc.	USA	Liquid Measurement and Control
* Elcon Instruments Srl	Italy	Fire Security
Whessoe Varec Limited	England	Liquid Measurement and Control
* Whessoe Varec Inc.	USA	Liquid Measurement and Control
* Whessoe Varec SA	France	Liquid Measurement and Control

In addition, the whole of the equity of sixteen trading and three dormant subsidiary undertakings is held within the Group.

The directors consider that the aggregate value of the Company's investment in subsidiary undertakings is not less than the amount stated in the balance sheet.

On 18 November 1994 the Group completed the sale of the ongoing business and assets of the Piping Systems division and on 30 June 1995 the Group disposed of its 54.5% holding in Powec AS. These disposals are analysed as follows:

Net assets disposed of:	Piping Systems £000	Powec AS £000	Total £000
FIXED ASSETS	5,977	281	6,258
CURRENT ASSETS			
Stocks	177	1,263	1,440
Debtors	15,186	1,174	16,360
Cash at bank and in hand	-	125	125
TOTAL ASSETS	21,340	2,843	24,183
CURRENT LIABILITIES			
Bank loans and overdrafts	(27)	(130)	(157)
Other creditors and provisions	(10,593)	(1,240)	(11,833)
TOTAL LIABILITIES	(10,620)	(1,370)	(11,990)
MINORITY INTEREST	-	(615)	(615)
NET ASSETS	10,720	858	11,578

During the year the Group also disposed of two other small subsidiaries, Microcomponent AS and NOCA AS, both based in Norway. Neither of these disposals was material to the Group.

NOTES TO THE ACCOUNTS

14 STOCKS

Stocks are classified as follows:	Group 1995 £000	Group 1994 £000
Fire Security and Marine Instrumentation	6,194	6,831
Liquid Measurement and Control	4,560	4,351
Piping Systems	-	188
	10,754	11,370
Finished goods	2,659	2,187
Work in progress	2,035	1,882
Raw materials and consumables	6,060	7,301
	10,754	11,370

15 DEBTORS

	Group 1995 £000	Group 1994 £000	Company 1995 £000	Company 1994 £000
Trade debtors	17,341	24,784	-	-
Amounts recoverable on contracts	954	4,816	-	-
Amounts owed by subsidiary undertakings	-	-	18,014	28,146
Other debtors	2,155	1,902	637	1,888
Prepayments and accrued income	2,390	3,174	795	886
	22,840	34,676	19,446	30,920

Included within prepayments and accrued income for the Group is £1,472,000 (1994: £1,926,000) and for the Company £785,000 (1994: £881,000) in respect of pension contributions made in advance of their recognition in the profit and loss account.

Debtors receivable after more than one year include trade debtors of £nil (1994: £1,414,000) and other debtors, prepayments and accrued income for the Group of £905,000 (1994: £1,747,000) and for the Company of £689.000 (1994: £785,000).

16 CREDITORS DUE WITHIN ONE YEAR

	Group 1995 £000	Group 1994 £000	Company 1995 £000	Company 1994 £000
Bank loans and overdrafts (note 18)	1,801	2,105	1,568	3,408
Trade creditors	8,569	8,766	49	219
Progress claims in advance	40	5,988	-	-
Corporation tax	1,780	1,526	-	-
Other creditors including taxation and social security costs	1,025	3,176	87	25
Accruals and other creditors	9,619	9,645	1,616	2,216
Bills of exchange	146	136	-	-
Proposed dividend	888	-	888	-
	23,868	31,342	4,208	5,868

NOTES TO THE ACCOUNTS

17 CREDITORS DUE AFTER MORE THAN ONE YEAR

	Group		Company	
	1995	1994	**1995**	1994
	£000	£000	**£000**	£000
Borrowings (note 18)	**7,711**	16,663	**-**	8,783

18 BORROWINGS

	Group		Company	
	1995	1994	**1995**	1994
	£000	£000	**£000**	£000
By instalments not wholly repayable within five years	**7,661**	14,792	**-**	7,157
Wholly repayable within five years	**1,851**	3,976	**1,568**	5,034
	9,512	18,768	**1,568**	12,191
AMOUNTS DUE ARE REPAYABLE AS FOLLOWS:				
BANK LOANS AND OVERDRAFTS				
More than five years	**998**	4,590	**-**	3,579
Between two and five years	**318**	3,427	**-**	3,067
Between one and two years	**151**	2,412	**-**	2,137
Less than one year (note 16)	**1,801**	2,105	**1,568**	3,408
	3,268	12,534	**1,568**	12,191
OTHER LOAN				
More than five years	**6,244**	6,234	**-**	-
Instalments not due within five years	**7,242**	10,824	**-**	3,579
Borrowings due after more than one year (note 17)	**7,711**	16,663	**-**	8,783

TERMS OF REPAYMENT AND RATES OF INTEREST

Bank loans The majority of bank loans are repayable by instalments, with final instalments due between 1996 and 2022. Rates of interest on borrowings, which are primarily in foreign currencies, are generally variable at rates between 6.2% and 14.2%.

Other loan The other loan repayable in more than five years is an issue of 8.33% unsecured Senior Guaranteed Loan Notes on 4 February 1993, with a final maturity of 1 March 2005.

Security Borrowings of £1,620,353 are secured on certain fixed and other assets.

NOTES TO THE ACCOUNTS

19 PROVISION FOR LIABILITIES AND CHARGES

	Group		Company	
	1995	1994	**1995**	1994
	£000	£000	**£000**	£000
Provision for restructuring costs	**201**	1,128	**-**	-
Deferred taxation	**45**	(435)	**(98)**	(333)
	246	693	**(98)**	(333)
DEFERRED TAXATION				
At 30 September 1994	**(435)**	(1,088)	**(333)**	(454)
Disposal of subsidiary undertakings	**(121)**	198	**-**	-
Profit and loss account (note 6)	**579**	455	**235**	121
Exchange movement	**22**	-	**-**	-
At 30 September 1995	**45**	(435)	**(98)**	(333)
REPRESENTED BY:				
Timing differences in respect of capital allowances	**(31)**	74	**25**	(109)
Short-term timing differences	**(244)**	(612)	**(123)**	(224)
Overseas timing differences	**320**	103	**-**	-
	45	(435)	**(98)**	(333)

The estimated amount of deferred taxation in respect of accelerated capital allowances for which no provision has been made in these accounts is £24,000 (1994: £116,000).

20 SHARE CAPITAL

	Authorised		Allotted, called up and fully paid	
	1995	1994	**1995**	1994
	No.	No.	**£000**	£000
Ordinary shares of 25p each	**34,000,000**	34,000,000	**7,395**	7,355

Under the provisions of the Whessoe Executive Share Option Scheme, options have been granted to executive directors and certain other senior executives of the Group which require that 544,377 shares are reserved for future allocation. Under the terms of the Scheme, options are exercisable between 3 and 10 years from the date of grant.

The option prices are as follows:

Number	Pence per share
27,295	118
149,582	290
15,000	346
50,000	185
302,500	99

Under the terms of the employee Savings Related Share Option Scheme 293,154 shares are reserved at an option price of 109 pence and 50,439 shares are reserved at an option price of 294 pence. Options are exercisable 5 years from the date of grant.

NOTES TO THE ACCOUNTS

21 RESERVES

	Group 1995 £000	Group 1994 £000	Company 1995 £000	Company 1994 £000
SHARE PREMIUM ACCOUNT				
At 30 September 1994	20,445	20,136	20,445	20,136
Shares issued	134	309	134	309
At 30 September 1995	20,579	20,445	20,579	20,445
REVALUATION RESERVE				
At 30 September 1994	4,214	4,647	1,536	1,536
Deficit on revaluation of land and buildings	(754)	(342)	(754)	-
Transfer to profit and loss account	(2,355)	(91)	-	-
At 30 September 1995	1,105	4,214	782	1,536
OTHER RESERVES				
At 30 September 1994	(13,324)	(14,604)	(388)	(478)
Transfer to profit and loss account	1,017	-	-	-
Goodwill credited	-	1,264	-	-
Currency translation differences	766	16	(27)	90
At 30 September 1995	(11,541)	(13,324)	(415)	(388)
PROFIT AND LOSS ACCOUNT				
At 30 September 1994	5,632	7,317	23,325	22,801
Retained (loss)/profit for the year	(1,814)	(1,776)	4,098	524
Revaluation transfer	2,355	91	-	-
Transfer from other reserves	(1,017)	-	-	-
Goodwill credited	4,197	-	-	-
At 30 September 1995	9,353	5,632	27,423	23,325

Goodwill written off in respect of acquisitions made since 1 October 1985 amounted to £35,529,000 (1994: £35,461,000)

NOTES TO THE ACCOUNTS

22 CAPITAL COMMITMENTS

	Group	
	1995	1994
	£000	£000
CAPITAL EXPENDITURE		
Contracts placed but not provided for in the accounts	148	24
Authorised by the directors but for which no contract has been placed	9	-
OBLIGATIONS UNDER FINANCE LEASES ARE PAYABLE:		
Within 1 year	4	7
Between 2 and 5 years	-	4
	4	11
OBLIGATIONS UNDER OPERATING LEASES ARE AS FOLLOWS:		
Expiring:		
Within 1 year	113	213
Between 2 and 5 years	170	119
Beyond 5 years	888	959
	1,171	1,291

Payments to be made in respect of operating leases for land and buildings included above are £89,000 expiring with one year, £137,000 expiring between 2 and 5 years and £888,000 expiring after five years.

NOTES TO THE ACCOUNTS

23 PENSIONS

Pension costs for the year were:

	Group	
	1995	1994
	£000	£000
REGULAR COSTS		
UK schemes	**302**	29
Overseas schemes	**828**	667
	1,130	696

The cost of defined benefit schemes in the UK is assessed in accordance with the advice of an actuary using the attained age method. The latest actuarial assessment of these schemes took place as at 1 April 1995. The assumptions which have the most significant impact on the results of the valuations are those relating to the rate of return on investments and the rate of increase in salaries. It was assumed that the investment return would be 1.5% per annum greater than salary increases.

At the date of the latest actuarial valuation, the market value of the assets of the UK defined benefit schemes was £47,731,235. This represents a surplus over that value required to cover the benefits accrued to members based upon final pensionable salaries.

A recent change in Norwegian legislation has moved some of the burden of pension provision from the State to the Employer. The impact of this change, for ourselves and for many other Norwegian companies, is the emergence of a deficit in pension funding. The latest actuarial valuation of our defined benefit scheme, performed in September 1995 in accordance with the new legislation, shows a potential deficit in the fund, after tax, of £1,400,000. This will be amortised over the remaining service lives of the scheme's employees in line with Statement of Standard Accounting Practice number 24.

24 CONTINGENT LIABILITIES

At 30 September 1995 there were contingent liabilities of £5,422,000 under bank guarantees for the performance of contracts.

25 DIRECTORS' INTERESTS

Those directors of the Company who held office at the end of the financial year and their beneficial interests in its share capital are shown below.

ORDINARY SHARES OF 25P

	As at 30 September 1995	As at 1 October 1994
G. Duncan	7,812	7,812
C.J. Fleetwood	21,835	4,677
Sir Michael Franklin	3,125	3,125
E.E. Geraci	5,000	-
B.M. Richmond	2,500	-
P.G. Simonis	3,125	3,125

NOTES TO THE ACCOUNTS

NOTE 25 CONTINUED

The Company has a share option scheme by which directors and other executives are able to subscribe for shares in the Company.

SHARE OPTION MOVEMENTS DURING THE YEAR WERE AS FOLLOWS:

	Aggregate of options at 1 October 1994	Executive options granted	Executive options exercised	Exercise price	Exercise date	Market price at date of exercise	Aggregate of options at 30 September 1995
G. Duncan	-	-	-	-	-	-	-
C.J. Fleetwood	85,896	65,000	17,158	118 p	25/5/95	122 p	133,738
Sir Michael Franklin	-	-	-	-	-	-	-
E.E. Geraci	-	100,000	-	-	-	-	100,000
B.M. Richmond	65,000	35,000	-	-	-	-	100,000
P.G. Simonis	-	-	-	-	-	-	-

DETAILS OF THE INDIVIDUAL SHARE OPTIONS HELD BY DIRECTORS AT 30 SEPTEMBER 1995 WERE AS FOLLOWS:

Exercise Period	Option Price	C.J. Fleetwood	B.M. Richmond	E.E. Geraci
Executive share option scheme				
Before 18 December 2000	118p	20,000	-	-
From 18 January 1996 to 18 January 2003	290p	36,106	-	-
From 7 June 1996 to 7 June 2003	346p	-	15,000	-
From 19 May 1997 to 19 May 2004	185p	-	50,000	-
From 14 January 1998 to 14 January 2005	99p	65,000	35,000	100,000
Savings related share option scheme				
26 October 1996	109p	10,286	-	-
27 February 1999	294p	2,346	-	-
Totals		**133,738**	**100,000**	**100,000**

There were no changes in the directors' interests in the share capital of the Company between 30 September 1995 and 8 December 1995.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 30 September 1995

	1995 £000	1994 £000
NET CASH INFLOW FROM OPERATING ACTIVITIES	1,708	942
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		
Interest received	828	565
Interest paid	(1,740)	(1,787)
Dividends paid	(443)	(2,391)
Net cash outflow from returns on investments and servicing of finance	(1,355)	(3,613)
TAXATION		
Corporation tax paid	(832)	(2,460)
INVESTING ACTIVITIES		
Purchase of fixed assets	(2,704)	(2,033)
Purchase of subsidiary undertakings	(404)	(1,218)
Disposal of subsidiary undertakings in year	14,771	7,034
Disposal of subsidiary undertakings in prior years	-	81
Sale of tangible fixed assets	2,032	699
Cash inflow from investing activities	13,695	4,563
Net cash inflow/(outflow) before financing	13,216	(568)
FINANCING		
Issue of ordinary share capital	(174)	(397)
New long term loan	-	(7,000)
Repayment of loans	7,953	10,340
Repayment of finance lease rentals	7	7
Net cash outflow from financing	7,786	2,950
Increase/(decrease) in cash and cash equivalents	5,430	(3,518)
	13,216	(568)

(I) ANALYSIS OF CHANGES IN CASH AND CASH EQUIVALENTS DURING THE YEAR

	£000
Balance at 1 October 1994	3,893
Net cash inflow before adjustments for the effect of foreign exchange rate changes	5,430
Effect of foreign exchange rate changes	247
Balance at 30 September 1995	9,570

NOTES TO THE CASH FLOW STATEMENT

(II) RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	1995 £000	1994 £000
Operating profit	**4,700**	2,185
Depreciation	**1,837**	2,642
Profit on sale of fixed assets	**(240)**	(216)
(Increase)/decrease in stocks	**(4,182)**	690
(Increase)/decrease in debtors	**(5,819)**	7,006
Increase/(decrease) in creditors due within one year	**6,241**	(9,166)
Movement in provisions	**(829)**	(2,199)
Cash inflow from operating activities	**1,708**	942

(III) ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS AS SHOWN IN THE BALANCE SHEET

	1995 £000	1994 £000	Change in year £000
Cash at bank and in hand	**9,570**	5,698	3,872
Bank overdrafts	**-**	(1,805)	1,805
	9,570	3,893	5,677

(IV) ANALYSIS OF CHANGES IN FINANCING DURING THE YEAR

	Share capital (including premium) £000	Loans £000
Balance at 1 October 1994	**27,800**	**16,963**
Cash inflows/(outflows) from financing	**174**	**(7,960)**
Effect of foreign exchange rate changes	**-**	**509**
Balance at 30 September 1995	**27,974**	**9,512**

(V) DISPOSAL OF SUBSIDIARY UNDERTAKINGS

	£000
NET CASH INFLOWS:	
Cash consideration, net of fees and expenses	**14,701**
Bank overdraft of subsidiaries sold	**70**
	14,771

During the period to disposal the Piping Systems division utilised £2,269,000 of the Group's net operating cash flows, received £5,000 in respect of net returns on investments and servicing of finance and utilised £5,000 for investing activities.
During the period to disposal Powec AS generated £35,000 of net operating cash flows, paid £303,000 in taxation and utilised £61,000 for financing.
The cash flows of Microcomponent AS and NOCA AS were not material to the Group.

STATEMENT OF DIRECTORS' RESPONSIBILITIES
AUDITORS' REPORT

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are required by law to prepare accounts which give a true and fair view of the state of affairs of the Company and of the Group as at the end of the financial year and of the profit or loss for that year. The accounts are required to be prepared on a going concern basis unless it is inappropriate to do so. The directors are also responsible for ensuring that proper and adequate accounting records have been kept and that appropriate procedures have been followed for safeguarding the assets of the Group and the prevention and detection of fraud and other irregularities. It is the view of the directors that appropriate accounting policies which are in accordance with applicable Accounting Standards have been applied consistently in the preparation of the accounts and where necessary reasonable and prudent judgements and estimates have been made.

AUDITORS' REPORT TO THE MEMBERS OF WHESSOE PLC

We have audited the financial statements on pages 19 to 39.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

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

BASIS OF OPINION

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the 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 financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

OPINION

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and the Group as at 30 September 1995 and of the loss of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG KPMG

Chartered Accountants, Registered Auditors, Newcastle upon Tyne.
8 December 1995.

FIVE YEAR SUMMARY OF GROUP RESULTS

YEAR ENDED 30 SEPTEMBER	1995 £000	1994 £000	1993 £000	1992 £000	1991 £000
TURNOVER					
CONTINUING OPERATIONS	76,094	74,004	42,256	25,545	16,006
DISCONTINUED OPERATIONS	9,818	43,938	57,397	54,107	41,854
	85,912	117,942	99,653	79,652	57,860
OPERATING PROFIT					
CONTINUING OPERATIONS	5,085	4,619	3,712	2,860	2,072
DISCONTINUED OPERATIONS	(385)	(2,434)	3,320	4,559	3,088
	4,700	2,185	7,032	7,419	5,160
PROFIT/(LOSS) BEFORE TAXATION	1,311	(179)	7,137	7,980	7,357
TAXATION	(1,759)	(680)	(2,070)	(2,272)	(2,549)
(LOSS)/PROFIT AFTER TAXATION	(448)	(859)	5,067	5,708	4,808
MINORITY INTEREST	(35)	(241)	-	-	-
DIVIDENDS	(1,331)	(676)	(2,384)	(1,859)	(1,338)
RETAINED (LOSS)/PROFIT	(1,814)	(1,776)	2,683	3,849	3,470
FIXED ASSETS	15,552	21,856	24,245	14,920	14,878
NET CURRENT ASSETS	19,296	20,402	19,033	7,901	10,748
TOTAL ASSETS LESS CURRENT LIABILITIES	34,848	42,258	43,278	22,821	25,626
REPRESENTED BY:					
CAPITAL AND RESERVES	26,891	24,322	24,763	20,576	20,017
CREDITORS DUE AFTER MORE THAN ONE YEAR	7,711	17,243	17,317	1,878	4,221
PROVISION FOR LIABILITIES AND CHARGES	246	693	1,198	367	1,388
(LOSS)/EARNINGS PER SHARE	(1.64)p	(3.76)p	18.80p	25.04p	23.57p
DIVIDENDS PER SHARE	4.5 p	2.3P	8.2p	8.0p	7.2p
RETURN ON AVERAGE SHAREHOLDERS' FUNDS	(1.75)%	(3.50)%	22.35%	28.12%	20.47%