IMI Refiners Limited

Directors' report and financial statements

Registered number 148305

For the year ended 31 December 1999

Contents

Directors' report

Directors	CHM McAusland	Managing director
	PCL Guy	
	IG Mellor	
	RB Pointon	Chairman
	WRJ Stacey	
Secretary	IG Mellor	
Registered office	Darlaston Road Walsall West Midlands WS2 9SJ	
Auditor	KPMG Audit Plc 2 Cornwall Street Birmingham B3 2DL	

Report of the directors

The directors of IMI Refiners Limited submit their report, together with the audited financial statements of the company for the year ended 31 December 1999.

Principal activity

The principal activity of the company was copper refining. This activity ceased on 31 December 1999 and the company's principal activity is now the manufacture of copper shapes.

Business review

The results for the year are set out in the profit and loss account on page 5 and reflect the costs of closing the company's copper refining operations.

It is anticipated that the volume of the company's continuing activity in year 2000 will remain substantially the same as the volume in 1999.

Dividend

No interim dividend *(1998: £Nil)* was paid during the year. The directors do not propose the payment of a final dividend *(1998: £Nil)* for the year ended 31 December 1999, leaving a deficit of £12,628,000 to be transferred to reserves *(1998: deficit of £799,000).*

Research and development

The main thrust of research and development work was aimed at improvement in product quality, energy efficiency and environmental matters.

Directors' report *(continued)*

Employee involvement

The directors believe that considerable benefit can be derived from the provision of systematic channels for employee participation. Formal joint consultative machinery has been in operation for many years and exchanges of information between management and employees is strongly encouraged.

During 1999 joint consultation has continued, through exchange of information and constructive discussion, to play a vital role in ensuring consideration of employee views on matters likely to affect their interests, and in developing understanding of factors affecting the performance of the company.

The company has continued to participate in the IMI EPS scheme which provides an annual profit-related bonus to employees. An option to take the bonus in the form of IMI plc shares has remained part of the scheme.

Each member of the company's consultative committee received a summary of the IMI plc annual report to pass on to employees and a copy of the full IMI plc annual report is available to all.

Employment of disabled persons

During the period the company continued to give full and fair consideration to applications for employment from disabled persons and wherever practicable, employees who became disabled whilst working for the company. Disabled employees shared equally in training, career development and promotion programmes.

Charitable donations

Charitable donations made by the company in the UK during 1998 amounted to £1,000 *(1998: £1,200).* There were no political donations.

Policy on the payment of creditors

The company policy is to make its suppliers aware of the terms of payment, to agree such items with its suppliers for each business transaction and to make payments to suppliers in accordance with these terms, provided that the supplier is also complying with all relevant terms. Creditor days for the company as at 31 December 1999 were 16 days (1998: 34 days).

Year 2000

The directors are aware of the importance of the Year 2000 issue and the impact it could have on many areas of the business, both internally and with regard to its relationship with the outside world. The company has completed its project to review millennium related issues and has updated all its key systems. The estimated total cost of specific year 2000 work undertaken is not material.

No problems were experienced at the date change. However given the complexity of the problem, no absolute assurance can be obtained that unforeseen problems will still not occur. The directors are continuing to monitor the situation and are confident that reasonable contingency plans are in place to deal with any issues arising.

Directors' interests in shares and debentures

The interests of Mr RB Pointon at the end of the year in shares and debenture of the company's ultimate holding company, IMI plc are set out in the directors' report of that company.

The interests of the other persons (including the interests of their families) who were directors at the end of the year in shares and debentures of the company's ultimate holding company, IMI plc, are shown below. None of the directors (or their families) had any interest in the share capital of the company or any other subsidiary of IMI plc.

Directors' report *(continued)*

	IMI plc ordinary shares	
	At 31 December 1999	At 31 December 1998
C McAusland	**720**	-
PCL Guy	**5,491**	10,316
IG Mellor	**2,057**	2,803
WRJ Stacey	**1,281**	1,150

Directors' share options

Options (as recorded in the register of directors' interests) granted to and exercised by directors are shown below:

	Options granted during the year	Options exercised during the year
CHM McAusland	**6,551**	-
PCL Guy	**2,000**	-
IG Mellor	**2,288**	**985**
WRJ Stacey	**5,500**	**492**

Options shown above are in respect of IMI plc ordinary shares and include options under the IMI SAYE Scheme, the IMI Executive Share Option (1985) Scheme and the IMI Executive Share Option (1997) Scheme.

Directors' responsibilities

The directors are required to prepare financial statements for each financial period which comply with the provisions of the Companies Act 1985 and give a true and fair view of the state of affairs of the company as at the end of the accounting period and of the profit or loss for that period. Suitable accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates, have been used in the preparation of the financial statements. Applicable accounting standards have been followed and the financial statements have been prepared on a going concern basis. The directors are responsible for maintaining adequate accounting records, for safeguarding the assets of the group, and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

This report was approved by the board of directors on 27 June 2000.

I. G. Mellor

IG Mellor
Secretary

Darlaston Road
Walsall
West Midlands
WS2 9SJ

KPMG

KPMG Audit Plc

2 Cornwall Street
Birmingham
B3 2DL

Auditor's report to the members of IMI Refiners Limited

We have audited the financial statements on pages 5 to 15.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the directors' report and, as described on page 3, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

Basis of opinion

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

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

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 December 1999 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc

KPMG Audit Plc
Chartered Accountants
Registered Auditor

27 June 2000

Profit and loss account
for the year ended 31 December 1999

	Note	1999 Continuing £000	1999 Discontinued £000	1999 Total £000	1998 Continuing £000	1998 Discontinued £000	1998 Total £000
Turnover	2	5,107	74,018	79,125	5,146	91,388	96,534
Cost of sales		(2,227)	(76,156)	(78,383)	(2,311)	(94,596)	(96,907)
Gross profit/(loss)		2,880	(2,138)	742	2,835	(3,208)	(373)
Distribution costs		(100)	(104)	(204)	(88)	(88)	(176)
Administrative expenses		(149)	(1,293)	(1,442)	(77)	(1,796)	(1,873)
Operating profit/(loss)		2,631	(3,535)	(904)	2,670	(5,092)	(2,422)
Costs of refinery closure	3	-	(15,138)	(15,138)	-	-	-
Profit/(loss) on ordinary activities before interest		2,631	(18,673)	(16,042)	2,670	(5,092)	(2,422)
Income from shares in group undertakings				515			471
Interest receivable and similar income	4			386			650
Interest payable and similar charges	5			(32)			(39)
Loss on ordinary activities before tax	6			(15,173)			(1,340)
Tax on loss on ordinary activities	7			2,545			541
Loss for the financial year				(12,628)			(799)
Reserves brought forward				92			891
Deficit carried forward				(12,536)			92

The company has no recognised gains or losses in either the current or preceding year other than those disclosed in the profit and loss account above.

There is no material difference between the profit on ordinary activities before taxation shown above and the historical cost profit on ordinary activities before taxation.

Balance sheet
at 31 December 1999

	Note	1999		1998	
		£000	**£000**	£000	£000
Fixed assets					
Tangible assets	*8*		**587**		9,208
Investments	*9*		**44**		44
			631		9,252
Current assets					
Asset realisation	*10*	**250**		-	
Stocks	*11*	**250**		11,223	
Debtors	*12*	**15,510**		10,014	
Cash at bank and in hand		**634**		3	
		16,644		21,240	
Creditors: amounts falling due within one year	*13*	**(6,168)**		(12,144)	
Net current assets			**10,476**		9,096
Total assets less current liabilities			**11,107**		18,348
Financed by:					
Creditors: amounts falling due after more than one year	*14*		**17,094**		17,094
Provisions for liabilities and charges	*15*		**6,519**		1,110
Deferred income	*16*		**-**		22
Capital and reserves					
Called up share capital	*17*	**30**		30	
Profit and loss account		**(12,536)**		92	
Equity shareholders' funds	*18*		**(12,506)**		122
			11,107		18,348

These financial statements were approved by the board of directors on 27 June 2000 and were signed on its behalf by:

CHM McAusland
Director

IG Mellor
Director

Notes
(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been used consistently in dealing with items which are considered material in relation to the company's financial statements:

Basis of accounting

The financial statements have been prepared in compliance with the Companies Act 1985 under the historical cost convention and in accordance with applicable Accounting Standards.

A group cash flow statement for the year ended 31 December 1999 is included in the IMI plc Annual Report and accordingly no cash flow statement is shown in these financial statements.

Depreciation

Depreciation is calculated so as to write off the cost, less estimated residual value, of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

Leasehold improvements	-	between 10 and 25 years
Furnaces, plant, furniture and vehicles	-	between 4 and 20 years

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

Stocks

Copper and copper bearing materials are valued at the lower of cost and net realisable value which is determined by reference to the value of outstanding sales contracts with appropriate deductions for profit and process and other costs not yet incurred.

Due to the time lag in processing, sales of precious metals are reconciled three months in arrears with the purchases of materials from which such metals were extracted and profits and losses are taken accordingly. On this basis purchased precious metals in process are valued at cost including direct process costs incurred, less provisions for process losses and less the full value of sales in the three months to 31 December 1999.

Sundry consumable stocks are valued at the lower of cost and net realisable value.

Deferred taxation

Provision is made in respect of timing differences arising from accelerated capital allowances only to the extent that such liabilities are expected to become payable in the foreseeable future. Deferred tax assets relating to short term timing differences and other items are only recognised to the extent that they are expected to become receivable in the foreseeable future.

Research and development

Expenditure on research and development is written off against profits in the year in which it is incurred except for expenditure on fixed assets which is depreciated in the normal manner.

Foreign exchange

Currency differences arising from normal trading transactions in the year are included in the profit and loss account.

Leased assets

Leasing charges are written off in the year in which they are incurred.

Notes *(continued)*

1 *Accounting policies (continued)*

Government grants

Capital based government grants are credited to trading profit over the estimated useful economic lives of the assets to which they relate. The grants shown in the balance sheet consist of the total grants received and receivable to date less amounts so far credited to profits.

Pensions

The company is a member of a group operated defined benefit pension scheme, the assets being held in independently administered funds.

Contributions to the pension scheme, which is fully funded, are based on pension costs across the group as a whole. Contributions are charged to the profit and loss account so as to spread the cost of pensions over the average remaining service of the employees.

Pension costs are charged in accordance with the advice of independent qualified actuaries.

The latest formal actuarial valuation was at 31 March 1998. Particulars of the actuarial valuation of the group scheme are contained in the financial statements of IMI plc.

2 Turnover and loss on ordinary activities before taxation

Turnover represents amounts invoiced by the company in respect of goods and services provided during the year, excluding value added tax. The analysis of turnover and loss on ordinary activities before taxation by class of business is as follows:

	1999		1998	
	Turnover £000	**Loss £000**	Turnover £000	Loss £000
Refined metals	**79,125**	**(15,173)**	96,534	(1,340)

The analysis of turnover by market is:

	1999 £000	1998 £000
UK - third party sales	**21,802**	40,054
UK - intergroup sales	**46,867**	48,002
Rest of Europe	**10,456**	8,478
	79,125	96,534

Notes *(continued)*

3 Exceptional item

The exceptional item comprises the cost of closing the company's copper refining operations.

4 Interest receivable and similar income

	1999 £000	1998 £000
Interest received from fellow subsidiary undertakings	**386**	650

5 Interest payable and similar charges

	1999 £000	1998 £000
Bank overdraft	**32**	39

6 Loss on ordinary activities before taxation

The following have been charged/(credited) in arriving at the loss on ordinary activities before taxation:

	1999 £000	1998 £000
Depreciation on tangible fixed assets	**8,687**	1,714
Audit fees and expenses	**20**	27
Hire of plant and machinery	**220**	233
Research and development expenditure	**17**	52
Rental of land and buildings	**350**	420
Amortisation of government grant	**(22)**	(11)

Notes *(continued)*

7 Tax on loss on ordinary activities

	1999 £000	1998 £000
Based on the loss for the year:		
Corporation tax at 30.25% *(1998: 31%)*	**1,420**	450
Adjustments relating to earlier years	**15**	47
Deferred tax:		
Current year	**1,110**	61
Adjustments relating to earlier years	**-**	(17)
	2,545	541

The taxation credit for the year is less than the standard rate of corporation tax because the deferred tax asset shown in note 15 has not been recognised.

8 Tangible fixed assets

	Furnaces, plant, furniture and vehicles £000	Leasehold improvements £000	Payments on account and assets in the course of construction £000	Total £000
Cost				
At beginning of the year	27,034	1,942	458	29,434
Transfers	449	-	(458)	(9)
Additions	333	2	-	335
Disposals	(40)	-	-	(40)
Transfer to current assets	(24,976)	(1,752)	-	(26,728)
At end of the year	2,800	192	-	2,992
Depreciation				
At beginning of the year	19,345	881	-	20,226
Transfers	(1)	-	-	(1)
Charge for the year				
- normal	1,552	166	-	1,718
- arising on closure of refining	6,162	807	-	6,969
Disposals	(29)	-	-	(29)
Transfer to current assets	(24,726)	(1,752)	-	(26,478)
At end of the year	2,303	102	-	2,405
Net book value				
At 31 December 1999	**497**	**90**	**-**	**587**
At 31 December 1998	7,689	1,061	458	9,208

Notes *(continued)*

9 Fixed asset investments

	Subsidiary undertaking unlisted £000
Cost:	
At 31 December 1999 and 1998	**44**

IMI Refiners Limited holds 67.5% of the ordinary shares of Wolverhampton Abrasives Limited, a company involved in the supply of abrasive grit. Group financial statements are not submitted as IMI Refiners Limited is ultimately owned by IMI plc.

In the opinion of the directors, the value of the company's investment is not less than its current book value.

10 Asset realisation

Following the closure of the refinery operations, assets no longer used in the business will be sold. In the opinion of the directors these have a realisable value of £250,000.

11 Stocks

	1999 £000	1998 £000
Raw materials and consumables	**210**	4,349
Work in progress	**-**	2,843
Finished goods and goods for resale	**40**	4,031
	250	11,223

12 Debtors

	1999 £000	1998 £000
Trade debtors	**1,921**	517
Amounts owed by group undertakings	***12,216***	*8,158*
Other debtors	**-**	706
Prepayments and accrued income	**151**	183
Group relief receivable	**1,222**	450
	15,510	10,014

Notes *(continued)*

13 Creditors: amounts falling due within one year

	1999 £000	1998 £000
Bank overdraft	-	632
Trade creditors	3,531	7,128
Amounts owed to group undertakings	198	3,176
Other taxation and social security	1,690	209
Other creditors	289	533
Accruals and deferred income	460	466
	6,168	12,144

14 Creditors: amounts falling due after more than one year

	1999 £000	1998 £000
Amounts owed to parent undertaking	17,094	17,094

Amounts owed to parent undertaking are interest free and carry no fixed terms of repayment.

15 Provisions for liabilities and charges

	Closure of refinery £000	Deferred taxation £000
At beginning of the year	-	1,110
Transfer from/(to) profit and loss account	15,138	(1,110)
Utilised during year	(8,619)	-
At end of the year	6,519	-

The provision for refinery closure costs will be utilised during the year ending 31 December 2000. The majority of the costs comprise redundancies and site clearance which will mainly be spent by 30 June 2000.

The potential liability for deferred tax calculated at 30% (1998: 31%) is analysed as follows:

	1999		1998	
	Amounts not provided £000	Amounts provided £000	Amounts not provided £000	Amounts provided £000
Accelerated capital allowances	(1,035)	-	-	1,238
Other timing differences	(1,112)	-	-	(128)
At 31 December 1999	(2,147)	-	-	1,110

Notes *(continued)*

16 Deferred income

	£000
At beginning of the year	22
Released to profit and loss account	(22)
At end of the year	-

17 Share capital

Authorised

At 31 December 1999 the authorised share capital amounted to £30,000 *(1998: £30,000)* consisting of 30,000 ordinary shares of £1 each.

Called up

At 31 December 1999 the called up share capital consisted of 30,000 ordinary shares of £1 each fully paid amounting to £30,000 *(1998: £30,000).*

18 Reconciliation of movements in shareholders' funds

	1999	1998
	£000	£000
At beginning of year	**122**	921
Loss for the year	**(12,628)**	(799)
At end of year	**(12,506)**	122

Notes *(continued)*

19 Commitments

Contracts in respect of future capital expenditure which had been placed at the date of the balance sheet amounted to £Nil (1998: £150,000).

20 Directors' remuneration

	1999	1998
	£000	£000
Aggregate directors' remuneration		
Emoluments	**256**	255

	Number	
Number of directors who are:		
Members of defined benefit pension schemes	**4**	4

	1999	1998
	£000	£000
Highest paid director		
Total remuneration excluding pension contributions	**83**	81
Amount of accrued pension at year end	**34**	32

Notes *(continued)*

21 Staff numbers and costs

The average number of people, including directors, employed by the company was:

	1999 Number	1998 Number
Management	**12**	14
Administration	**75**	86
Production	**178**	182
	265	282

The aggregate payroll costs of these employees was as follows:

	£000	£000
Wages and salaries	**6,029**	6,122
Social security costs	**458**	470
Other pension costs	**722**	750
Redundancy costs	**3,000**	-
	10,209	7,342

22 Ultimate holding company

By virtue of the company being a wholly owned subsidiary included in the consolidated financial statements of a larger EU group, the company is exempt under FRS8 from disclosing transactions or balances with entities that are part of the group qualifying as related party.

The ultimate holding company is IMI plc, which is registered in England and Wales. A copy of the group financial statements can be obtained from:

The Company Secretary
PO Box 216
Witton
Birmingham
B6 7BA