

IMI Marston Limited

Directors' report and financial statements

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IMI Marston Limited

Directors RB Pointon
NDK Prosser (managing director)
TJ Davies
SL Hiscox
BK Watton
M Hodson

Secretary TJ Davies

Registered office Wobaston Road
Fordhouses
Wolverhampton
WV10 6QJ

Auditors KPMG
2 Cornwall Street
Birmingham
B3 2DL

IMI Marston Limited

Directors' report

The directors present their annual report to the shareholders, together with the financial statements for the year ended 31 December 1995.

Results for the year

	1995 £000	1994 £000
Turnover	27,120	23,886
Profit on ordinary activities before taxation	1,992	176
Taxation (charge)/credit	(647)	16
Profit on ordinary activities after taxation and for the financial year	1,345	192
Dividends proposed	(4,100)	(190)
Transfer (from)/to reserves for the financial year	(2,755)	2

Dividends and transfers to reserves

The directors propose that a first and final dividend of £4,100,000 (1994: £190,000) be declared for the year ended 31 December 1995, leaving £2,755,000 to be transferred from (1994: £2,000 transferred to) reserves.

Principal activity

The principal activity of the company is the provision of components, assemblies and systems to the aerospace, defence, chemical and process industries.

Review of the business

The company achieved growth in all its markets, with a significant growth in orders from the process industries.

The directors regard the company's financial position as satisfactory.

Changes in fixed assets

Capital expenditure was maintained at a level compatible with the company's size. Details of the movements in fixed assets are set out in notes 6 and 7 to the financial statements.

Research and development

Throughout 1995 the company has continued its policy of investment in research and development.

IMI Marston Limited

Directors' report *(continued)*

Employees' development

The company has maintained its policy of making full use of training facilities provided both by IMI and by external training bodies, in particular to retrain employees in a variety of different, more relevant skills.

The company continues 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 shares has remained part of the scheme.

Each employee has available to him a summary of the IMI annual report through IMI's in-house news sheet and a copy of the full IMI annual report is available on request to any employee.

Employment of disabled people

During the year the company continued to give full and fair consideration to applications for employment from disabled persons and wherever practicable to retain, by arranging appropriate re-training, any employees who became disabled. Disabled employees share equally in training, career development and promotion programmes.

Directors

A list of the directors in office at the date of this report and who have held office during the year is given on page 1.

Directors' interests

Mr RB Pointon is a director of IMI plc and his interests in the shares and debentures of IMI plc are shown in the directors' report and financial statements of IMI plc. The interests of other persons (including their families), who were directors at the end of the year, in the shares and debentures of the 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 subsidiaries of IMI plc.

	Beneficial interests			
	At 31 December 1995		At 1 January 1995	
	Ordinary shares of 25p Number	Loan stock £	Ordinary shares of 25p Number	Loan stock £
NDK Prosser	2,223	-	1,922	-
TJ Davies	1,218	-	1,702	-
BK Watton	1,833	-	1,564	-
M Hodson	748	-	590	-
	<hr/>	<hr/>	<hr/>	<hr/>

IMI Marston Limited

Directors' report *(continued)*

	Share options	
	Ordinary shares of 25p each	
	Number	
	Granted in the year	Exercised in the year
BK Watton	5,800	-

Disclosable contracts

There were no disclosable contracts or arrangements subsisting at any time during the year between the company and any of its directors.

Directors' and officers' insurance

During the year, insurance was maintained for directors and officers of the company against certain liabilities which they might incur personally.

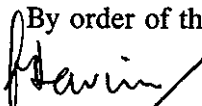
Statement of directors' responsibilities

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.

Auditors

In accordance with Section 384 of the Companies Act 1985, a resolution for the re-appointment of KPMG as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

By order of the board


TJ Davies
Secretary

12 February 1996



2 Cornwall Street
Birmingham
B3 2DL

Auditors' report to the members of IMI Marston Limited

We have audited the financial statements on pages 6 to 19.

Respective responsibilities of directors and auditors

As described on page 4, the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of opinion

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

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material mis-statement, 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 1995 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG

Chartered Accountants
Registered Auditors

12 February 1996

IMI Marston Limited

Profit and loss account

for the year ended 31 December 1995

	Note	1995 £000	1994 £000
Turnover	2	27,120	23,886
Cost of sales		(22,191)	(20,797)
Gross profit		4,929	3,089
Distribution costs		(2,870)	(2,735)
Administrative expenses		(506)	(509)
		1,553	(155)
Other operating income		158	139
Operating profit/(loss)		1,711	(16)
Net interest receivable	3	281	192
Profit on ordinary activities before taxation	4	1,992	176
Taxation on profit on ordinary activities	5	(647)	16
Profit on ordinary activities after taxation for the financial year		1,345	192
Dividends proposed		(4,100)	(190)
Transfer (from)/to reserves for the financial year	14	(2,755)	2

A statement of movements on reserves is set out in note 14 on page 17.

There are no other recognised gains or losses in either the current or preceding year other than the retained (loss)/profit for the year.

In both the current and preceding years, there was no difference between the profit before taxation and the retained (loss)/profit for the year as shown in the company profit and loss account and their historical cost equivalents.

The above results derive entirely from the continuing operations of the company.

IMI Marston Limited

Balance sheet

at 31 December 1995

	Note	1995 £000	1994 £000
Fixed assets			
Tangible assets	6	3,951	4,273
Investments	7	-	-
		<u>3,951</u>	<u>4,273</u>
Current assets			
Stocks	8	5,698	5,851
Debtors	9	11,469	10,732
Cash at bank and in hand		37	1
		<u>17,204</u>	<u>16,584</u>
Creditors: Amounts falling due within one year	10	<u>(8,951)</u>	<u>(5,400)</u>
Net current assets		<u>8,253</u>	<u>11,184</u>
Total assets less current liabilities		<u>12,204</u>	<u>15,457</u>
Creditors: Amounts falling due after more than one year	11	-	496
Provisions for liabilities and charges	12	<u>202</u>	<u>204</u>
		202	700
Capital and reserves			
Called up share capital	13	67	67
Share premium account		3,120	3,120
Other reserves		8,000	8,000
Profit and loss account	14	<u>815</u>	<u>3,570</u>
Equity shareholders' funds		<u>12,002</u>	<u>14,757</u>
		<u>12,204</u>	<u>15,457</u>

These financial statements were approved by the board of directors on 12 February 1996 and were signed on its behalf by:

NDK Prosser
TJ Davies
Directors



IMI Marston Limited

Reconciliation of movement in shareholders' funds at 31 December 1995

	1995 £000	1994 £000
Profit on ordinary activities after taxation	1,345	192
Dividends	<u>(4,100)</u>	<u>(190)</u>
Net (decrease)/increase in shareholders' funds for the year	(2,755)	2
Shareholders' funds at 1 January 1995	<u>14,757</u>	<u>14,755</u>
Shareholders' funds at 31 December 1995	<u>12,002</u>	<u>14,757</u>

IMI Marston Limited

Notes

(forming part of the financial statements)

1 Principal accounting policies

The following accounting policies have been applied 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 accordance with applicable Accounting Standards and under the historical cost convention, modified to include the revaluation of certain plant and machinery.

Consolidation

Consolidated financial statements have not been prepared as the company is a wholly owned subsidiary of a company incorporated in Great Britain.

Depreciation

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

Plant	-	5-15 years
Tools	-	3-10 years
Fixtures and fittings	-	3-10 years
Computer equipment	-	3-5 years

Stocks and work in progress

Stocks are valued on the following bases:

Raw materials	-	at cost
Work in progress and finished goods	-	at cost of production, including related production overheads less any progress payments that have been received or are receivable

For this purpose, cost of production excludes selling, distribution and administrative costs. If the cost of any item exceeds its net realisable value it is written down to the lower value.

Research and development

Expenditure on research and development is charged against profits in the year in which it is incurred, except for expenditure on tangible assets which is depreciated in the normal manner.

IMI Marston Limited

Notes (continued)

1 Principal accounting policies (continued)

Foreign currencies

Transactions denominated in foreign currencies are translated into sterling and recorded at the rate of exchange ruling at the date of the transaction. Balances denominated in foreign currencies are translated into sterling and recorded at the rate of exchange ruling at the balance sheet date. Exchange differences arising in respect of transactions and balances denominated in foreign currencies are reflected in the results for the year.

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 1993. Particulars of the actuarial valuation of the group scheme are contained in the financial statements of IMI plc.

Taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Provision is made for deferred tax only to the extent that it is probable that an actual liability will crystallise.

Leasing

Operating lease rentals are charged to the profit and loss account on a straight line basis.

Cash flow statement

A group cash flow statement in accordance with Financial Reporting Standard 1 is included in the IMI plc annual report and, accordingly, no cash flow statement is shown in these financial statements.

Contingent liabilities

Some of the company's products are sold with the benefit of guarantees or warranties. In addition, certain contracts undertaken by the company contain penalty clauses for late delivery. The company's accounting policy in respect of these matters is specifically to provide for any liabilities under guarantees, warranties or penalty clauses as and when the possibility of any liability becomes apparent.

IMI Marston Limited

Notes (continued)

2 Turnover

Turnover represents amounts invoiced, excluding value added tax, less allowances and returns.

The analysis of turnover of the company by geographical area is as follows:

	1995 £000	1994 £000
United Kingdom	14,500	14,070
Rest of Europe	3,576	4,615
Australasia	13	225
North America	6,529	3,323
Africa	1,623	564
Asia	821	1,085
Central and South America	58	4
	<u>27,120</u>	<u>23,886</u>

The directors consider that there is only one class of business, as described in the directors' report.

3 Net interest receivable

	1995 £000	1994 £000
Interest received from group undertakings	292	201
Interest payable on bank loans and overdrafts	(11)	(9)
	<u>281</u>	<u>192</u>

IMI Marston Limited

Notes (continued)

4 Profit on ordinary activities before taxation

	1995 £000	1994 £000
<i>Profit on ordinary activities before taxation is stated</i>		
<i>after charging</i>		
Depreciation on tangible fixed assets	1,242	1,144
Hire of plant and machinery	113	210
Auditors' remuneration		
- audit	35	36
- other services	-	-
Research and development	212	239
	<hr/>	<hr/>

5 Taxation on profit on ordinary activities

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

	1995 £000	1994 £000
Corporation tax at 33% (1994: 33%)	(665)	(100)
Deferred taxation	11	61
Adjustment relating to prior years:		
Corporation tax	16	68
Deferred taxation	(9)	(13)
	<hr/>	<hr/>
	(647)	16
	<hr/>	<hr/>

IMI Marston Limited

Notes (continued)

6 Tangible fixed assets

	Plant, tools fixtures, fittings and equipment	Payments on account and assets in course of construction	Total
	£000	£000	£000
Gross book value			
At beginning of year	14,029	208	14,237
Additions	836	143	979
Disposals	(1,853)	-	(1,853)
Transfers	208	(208)	-
	<hr/>	<hr/>	<hr/>
At end of year	13,220	143	13,363
	<hr/>	<hr/>	<hr/>
Depreciation			
At beginning of year	9,964	-	9,964
Charged in year	1,242	-	1,242
Disposals	(1,794)	-	(1,794)
	<hr/>	<hr/>	<hr/>
At end of year	9,412	-	9,412
	<hr/>	<hr/>	<hr/>
Net book value			
At 31 December 1995	3,808	143	3,951
	<hr/>	<hr/>	<hr/>
At 31 December 1994	4,065	208	4,273
	<hr/>	<hr/>	<hr/>

The gross book value of plant and machinery is made up as follows:

	1995 £000	1994 £000
Revaluation 1958	97	140
Cost	13,266	14,097
	<hr/>	<hr/>
	13,363	14,237
	<hr/>	<hr/>

At 31 December 1995 the net book value of revalued plant and machinery determined according to both the historical cost accounting rules and the alternative accounting rules was £Nil (1994: £Nil).

IMI Marston Limited

Notes (continued)

7 Fixed asset investments

	1995 £000	1994 £000
Investment in subsidiary company	1	1
Less provision	(1)	(1)
	<u> </u>	<u> </u>
	-	-
	<u> </u>	<u> </u>

The company owns all of the issued share capital, comprising 1,000 shares of \$1 each, of IMI Marston Inc; a company incorporated in the United States of America whose main activity was that of sales agent in that country until 1 July 1995 when it ceased operations.

8 Stocks and work in progress

	1995 £000	1994 £000
Raw materials and consumables	2,465	1,792
Work in progress	3,192	3,515
Finished goods and goods for resale	852	864
Payments on account	(811)	(320)
	<u> </u>	<u> </u>
	5,698	5,851
	<u> </u>	<u> </u>

IMI Marston Limited

Notes (continued)

9 Debtors

	1995 £000	1994 £000
Trade debtors	7,200	6,776
Amounts owed by group undertakings	4,116	3,793
Other debtors	70	77
Prepayments and accrued income	83	86
	<u>11,469</u>	<u>10,732</u>

Included within other debtors is an amount of £1,000 due in more than one year (1994: £1,000).

10 Creditors: Amounts falling due within one year

	1995 £000	1994 £000
Bank overdraft	-	537
Payments received on account	168	81
Trade creditors	3,093	3,083
Amounts owed to group undertakings	30	660
Other creditors including taxation and social security	1,019	448
Accruals and deferred income	541	401
Proposed dividend	4,100	190
	<u>8,951</u>	<u>5,400</u>
Other creditors including taxation and social security comprise:		
Corporation tax	661	90
Other taxes	132	149
Social security	111	95
	<u>904</u>	<u>334</u>
Other creditors	115	114
	<u>1,019</u>	<u>448</u>

IMI Marston Limited

Notes (continued)

11 Creditors: Amounts falling due after more than one year

	1995 £000	1994 £000
Amounts owed to group undertakings	-	496

Amounts owed to group undertakings were interest free and carried no fixed terms for repayment.

12 Provisions for liabilities and charges

	Deferred taxation £000
At beginning of year	204
Transfer to profit and loss account	(2)
At end of year	202

Deferred tax calculated at 33% is set out below:

	1995		1994	
	Provided £000	Not provided £000	Provided £000	Not provided £000
Accelerated capital allowances	191	127	238	158
Other timing differences	11	-	(34)	-
Chargeable gains	-	120	-	120
	<u>202</u>	<u>247</u>	<u>204</u>	<u>278</u>

No deferred taxation has been provided on the capital gain which arose in 1987 on the sale of the coated anodes activity. This gain will be reduced by subsequent associated capital losses assuming the purchaser continues to pay by deferred instalments. The net gain will crystallise in 1997 as it has been held over under Section 117 Capital Gains Taxes Act 1979. It is intended that the net gain will be rolled over against qualifying expenditure in the 10 years to 1997 and that the potential liability will not, therefore, become payable.

IMI Marston Limited

Notes (continued)

13 Called up share capital

	1995 £000	1994 £000
<i>Authorised:</i>		
75,000 ordinary shares of £1 each	<u>75</u>	<u>75</u>
<i>Allotted, called up and fully paid:</i>		
66,667 ordinary shares of £1 each	<u>67</u>	<u>67</u>

14 Profit and loss account

	£000
Balance at 1 January 1995	3,570
Transfer from reserves for the year	<u>(2,755)</u>
Balance at 31 December 1995	<u>815</u>

15 Contingent liabilities

The company has overdraft facilities which form part of a composite accounting arrangement with those of IMI plc and certain of its subsidiaries. Accordingly, the company in concert with those other group companies has entered into arrangements whereby each has offered a limited guarantee in respect of the others' overdraft borrowings from time to time. The company's liability is limited to the extent of its cash balance on its current bank account from time to time, which at 31 December 1995 amounted to £675,000 (1994: £Nil).

16 Commitments

Capital commitments at 31 December, for which no provision has been made in these financial statements, were as follows:

	1995 £000	1994 £000
Contracted	265	414
Authorised but not contracted	<u>125</u>	<u>133</u>
	<u>390</u>	<u>547</u>

IMI Marston Limited

Notes (continued)

17 Emoluments of the directors

Directors of the company received the following emoluments:

	1995 £000	1994 £000
Remuneration	270	267
Pensions	14	9
	<hr/>	<hr/>
	284	276
	<hr/>	<hr/>

Excluding pension contributions, the emoluments of the chairman were £Nil (1994: £Nil); the emoluments of the highest paid director were £73,555 (1994: £72,579).

The table which follows shows the number of directors of the company whose emoluments, excluding pension contributions, during the year were within the bands stated:

		Number of directors	
		1995	1994
£0	- £ 5,000	1	2
£30,001	- £35,000	-	1
£35,001	- £40,000	1	-
£40,001	- £45,000	-	1
£45,001	- £50,000	1	-
£55,001	- £60,000	2	2
£70,001	- £75,000	1	1
		<hr/>	<hr/>
		6	7
		<hr/>	<hr/>

IMI Marston Limited

Notes (continued)

18 Staff numbers and costs

The average number of persons employed by the company (including directors) during the year, analysed by category, was as follows:

	Number of employees	
	1995	1994
Management	30	30
Administration	21	22
Production	335	358
Selling	60	59
	<hr/>	<hr/>
	446	469
	<hr/>	<hr/>

The aggregate payroll costs of these persons were as follows:

	£000	£000
Wages and salaries	8,501	7,986
Social security costs	672	639
Other pension costs	926	883
	<hr/>	<hr/>
	10,099	9,508
	<hr/>	<hr/>

19 Ultimate holding company

IMI plc, incorporated in Great Britain and registered in England and Wales, is the company's ultimate holding company.

A copy of the financial statements of that company can be obtained from:

The Company Secretary
IMI plc
PO Box 216
Witton
Birmingham
B6 7BA

The immediate holding company is IMI Kynoch Limited which is incorporated in Great Britain and registered in England and Wales.