

597546

IMI YORKSHIRE ALLOYS LIMITED

REPORT and ACCOUNTS

YEAR ENDED 31ST DECEMBER 1996



IMI YORKSHIRE ALLOYS LIMITED

**MANUFACTURERS OF
COPPER AND COPPER ALLOY TUBES AND FITTINGS**

Directors: R. B. Pointon (Chairman)
C. H. M. McAusland
K. Bradley
R. M. Sneddon
P. J. Tidy

Secretary: K. Bradley

Registered Office: Haigh Park Road
Stourton
Leeds

Bankers: Barclays Bank plc

Auditors: KPMG Audit Plc
Chartered Accountants
1 The Embankment
Neville Street
Leeds, LS1 4DW

Registered Number: 597546

IMI YORKSHIRE ALLOYS LIMITED

REPORT OF THE DIRECTORS

The Directors submit their report together with the accounts of the Company for the year ended 31st December 1996.

Results:

	£000
The Loss on Ordinary Activities after Taxation amounted to	2,116

The Directors do not recommend the payment of any Dividend.

Principal Activities and Review of the Business:

Due to adverse trading conditions it was with regret that the Board announced on 18 February 1997 that the company would cease production and ultimately close down its trading activities. The forecast cost of this closure has been estimated at £25m before taxation. This cost has been provided in the 1996 accounts as an exceptional item.

Changes in Fixed Assets:

Information relating to changes in fixed assets is given in note 7 on page 12 of the accounts.

Research and Development:

Company policy is to invest in research and development to promote process and product improvement.

Health, Safety and the Environment:

It is Group policy to maintain healthy and safe working conditions and Managing Directors of each unit have a personal responsibility for that policy in relation to plant, equipment, processes and employees under their control.

Employee Involvement:

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

During 1996 joint consultation has continued, through exchange of information and constructive discussion, to play a vital role in ensuring consideration of employees' 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 employee profit sharing 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. In 1984, an Inland Revenue approved savings-related share option scheme was introduced for UK employees.

Each employee receives a summary of the IMI Annual Report and a copy of the full IMI Annual Report is available to all.

Employment of Disabled Persons:

Applications for employment from disabled persons are fully and fairly considered, bearing in mind the aptitudes and abilities of the person concerned. In the event of employees becoming disabled every reasonable effort is made to ensure that their employment with the Company continues and the appropriate training is arranged. It is the policy of the Company that disabled persons should, as far as possible, have identical training, career development and promotion to those who do not suffer from disabilities.

Directors:

The following were Directors during the year:

R. B. Pointon	(Chairman)
C. H. M. McAusland	
K. Bradley	
R. M. Sneddon	
P. J. Tidy	

Directors' Interests in Shares and Debentures:

Mr. R.B. 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 Accounts of IMI plc. 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.

	IMI plc Ordinary Shares	
	as at 1.1.96 (or date of appointment if later)	as at 31.12.96
K. Bradley	6,516	11,756

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
C.H.M. McAusland	17,706	-
K. Bradley	1,809	19,500
R.M. Sneddon	10,726	-
P.J. Tidy	600	-

Options shown above are in respect of IMI plc Ordinary Shares and include options under the IMI SAYE Scheme and the IMI Executive Share Option (1985) Scheme.

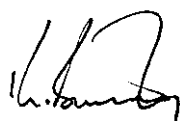
Charitable Contributions:

Charitable contributions made during the year amounted to £250. There were no political contributions.

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 judgments and estimates, have been used in the preparation of the financial statements. Applicable accounting standards have been followed and the accounts have been prepared on a going concern basis subject to the closure provision. The directors are responsible for maintaining adequate accounting records, for safeguarding the assets of the company, and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

By Order of the Board



K. Bradley,
Secretary.

Stourton,
Leeds.

10th March 1997.

**REPORT OF THE AUDITOR, KPMG AUDIT Plc,
TO THE MEMBERS OF IMI YORKSHIRE ALLOYS LIMITED**

We have audited the financial statements on pages 7 to 16.

Respective Responsibilities of Directors and Auditors:

As described on page 5, 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 judgments 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 31st December 1996 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
Registered Auditor

1 The Embankment,
Neville Street,
Leeds, LS1 4DW.

10th March 1997.

IMI YORKSHIRE ALLOYS LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31st DECEMBER 1996

		Discontinued Activities	
	Notes	1996 £000	1995 £000
Turnover	2a	42,494	47,919
Cost of Sales		(40,254)	(46,465)
Gross Profit:		2,240	1,454
Distribution Costs		(4,036)	(4,353)
Administrative Expenses		(1,145)	(1,330)
		(2,941)	(4,229)
Other Operating Income		3	1
Trading Loss:		(2,938)	(4,228)
Income from Shares in Group Undertakings	3	100	50
Other Interest Receivable	4	5	24
Interest Payable	5	(376)	(345)
(Loss) on Ordinary Activities before Taxation:	2a	(3,209)	(4,499)
Exceptional Item	2b	(25,000)	-
(Loss) on Ordinary Activities and Exceptional Items before Taxation:		(28,209)	(4,499)
Tax on Loss	6	1,814	1,501
(Loss) for the Financial Year after tax applicable to Shareholders:		(26,395)	(2,998)
Retained (Loss):		(26,395)	(2,998)

The company made no other gains or losses other than those recognised in the loss for the year.

The movement in reserves is detailed at note 14 to the financial statements.

A reconciliation of movements in shareholders' funds is shown at note 15 to the financial statements.

This Profit and Loss Account is to be read in conjunction with the notes on pages 9 to 16.

IMI YORKSHIRE ALLOYS LIMITED

**BALANCE SHEET
AT 31st DECEMBER 1996**

	Notes	1996 £000	1995 £000
Fixed Assets:			
Tangible Assets	7	5,711	5,874
Investments	8	-	-
		<u>5,711</u>	<u>5,874</u>
Current Assets:			
Stocks	9	8,472	8,348
Debtors	10	6,829	8,734
Cash at Bank and in Hand		364	309
		<u>15,665</u>	<u>17,391</u>
Creditors: Amounts falling due within one year	11	8,126	8,540
		<u>7,539</u>	<u>8,851</u>
Net Current Assets:			
due within one year		6,998	8,200
Debtors due after one year		541	651
		<u>7,539</u>	<u>8,851</u>
Total Net Current Assets		<u>7,539</u>	<u>8,851</u>
Total Assets less Current Liabilities		<u>13,250</u>	<u>14,725</u>
Financed by:			
Creditors: Amounts falling due after more than one year	12	3,266	2,561
Provisions for liabilities and charges	13	25,048	833
Share Capital and Reserves:			
Called-up Share Capital			
Authorised, Allotted and Fully Paid			
12080000 Ordinary Shares of £1 each		12,080	12,080
Profit and Loss Account	14	(27,144)	(749)
Equity Shareholders' Funds		<u>(15,064)</u>	<u>11,331</u>
		<u>13,250</u>	<u>14,725</u>

These accounts were approved by the Board of Directors on 10th March 1997.


K. Bradley

Director

This Balance Sheet is to be read in conjunction with the notes on pages 9 to 16.

NOTES RELATING TO THE ACCOUNTS

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 accounts:

a) Basis of Accounting:

The accounts have been prepared under historical cost accounting rules and in accordance with applicable accounting standards.

b) Depreciation:

Assets in the course of construction are not depreciated. Depreciation is calculated so as to write off the cost of other tangible fixed assets by equal instalments over their estimated useful lives as follows:

Plant, tools, fixtures, fittings and equipment	between 4 and 20 years
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c) Stock:

Stocks are valued at the lower of cost and net realisable value. In respect of work in progress and finished goods, cost includes all production overheads and the appropriate proportion of related works overheads.

d) 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.

e) Deferred Taxation:

Provision is made in respect of timing differences to the extent that such liabilities are expected to become payable in the foreseeable future.

f) 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 31st March 1996. Particulars of the actuarial valuation of the group scheme are contained in the financial statements of IMI plc.

g) Fixed Assets:

In general, tools purchased initially with major items of plant are included in the capital cost of that plant. Subsequent replacements are charged to profit and loss account. Fixtures and fittings are included in plant.

h) Leased Assets:

Rentals incurred under operating leases are charged to the Profit and Loss Account as they arise.

i) Cash Flow Statement:

A Group cash flow statement for the year ended 31st December 1996 is included in the IMI plc Annual Report and accordingly no cash flow statement is shown in these accounts.

j) Foreign Currency Transactions:

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date.

k) Policy on the Payment of Creditors:

The company policy is to make its suppliers aware of the terms of payment, to agree such terms with its suppliers for each business transaction and to make payments to suppliers in accordance with these terms, provided the supplier is also complying with all relevant terms.

2a Turnover and (Loss) on Ordinary Activities before Taxation:

Turnover represents the amount invoiced by the Company in respect of goods and services provided during the year, excluding value added tax. All the Company's products are sold to the UK market; the Company's products which are sold overseas are sold by a subsidiary undertaking, IMI Yorkshire Imperial (Exports) Ltd.

The analysis of turnover and (Loss) on Ordinary Activities by class of business is:

	1996		1995	
	Turnover £000	(Loss) £000	Turnover £000	(Loss) £000
General Engineering	42,494	(3,209)	47,919	(4,499)

(Loss) on Ordinary Activities before taxation is after charging:

	1996 £000	1995 £000
Depreciation	835	906
Operating Lease Rentals:		
Hire of Plant and Machinery	67	50
Audit Fee and Expenses	34	34
Directors' Emoluments (see note 19)	322	281
Research and Development	39	32

2b Exceptional Item:

As explained in the report of the Directors, a provision totalling £25m has been made for the estimated closure costs and asset write-offs of the business. The tax effect of this provision is shown in note 6.

	1996 £000	1995 £000
3 Income from Shares in Group Undertakings:		
Dividend from Subsidiary Undertaking	<u>100</u>	<u>50</u>
4 Interest Receivable:		
Other Interest Receivable	<u>5</u>	<u>24</u>
5 Interest Payable:		
Loans wholly repayable within one year:		
Bank Overdraft	27	45
Loans not repayable in one year:		
Fellow Subsidiary Undertakings	<u>349</u>	<u>300</u>
	<u>376</u>	<u>345</u>
6 Tax on (Loss)		
on Ordinary Activities:		
Based on (loss) for the year:		
Group Relief	(947)	(1,440)
Deferred Taxation	(64)	(47)
Adjustment for previous years	<u>(82)</u>	<u>(14)</u>
	<u>(1,093)</u>	<u>(1,501)</u>
on Exceptional Item:		
Deferred Taxation	<u>(721)</u>	<u>-</u>
	<u>(1,814)</u>	<u>(1,501)</u>

7 Tangible Fixed Assets:

	Bldngs £000	Plant and M/cry £000	Payments on Account and Assets in Course of Construction £000	Total £000
Cost:				
At 31st December 1995		21,988	1,098	23,086
Capital Expenditure	34	171	657	862
Sales, Demolitions and Adjustments	(180)	(688)		(868)
Transferred during the Year	146	605	(751)	
At 31st December 1996	-	22,076	1,004	23,080
Accumulated Depreciation:				
At 31st December 1995		17,212	-	17,212
Charge for the Year		835	-	835
Sales, Demolitions and Adjustments		(678)	-	(678)
At 31st December 1996	-	17,369	-	17,369
Net Book Value at 31 Dec.1996		4,707	1,004	5,711
Net Book Value at 31 Dec.1995	-	4,776	1,098	5,874

Note:

The gross book value of depreciable assets is £22,076,000 (1995 £21,988,000).

8 Fixed Assets - Investments:

Details of holdings in Subsidiaries are shown in note 21.

No Group accounts are submitted as the Company is a wholly-owned subsidiary undertaking of another body corporate and is exempt from the requirements to prepare group accounts by virtue of Section 228 of the Companies Act, 1985, and is therefore not required to deliver group accounts to the Registrar. The results are included in the Group accounts of IMI plc (see note 20).

The financial statements present information about the undertaking as an individual undertaking and not about its group.

	1996 £000	1995 £000
9 Stocks:		
The main categories of stock are as follows:		
Raw materials and Consumables	765	1,418
Work in Progress	2,648	2,992
Finished Goods	5,059	3,938
	<u>8,472</u>	<u>8,348</u>

	1996 £000	1995 £000	
10 Debtors:			
Amounts falling due within one year:			
Trade Debtors	1,931	2,025	
Amounts Owed by Subsidiary Undertakings	3,122	4,282	
Amounts Owed by Parent Undertaking and fellow Subsidiary Undertakings	992	1,460	
Prepayments and Accrued Income	193	302	
Taxation	37	-	
Other Debtors	13	14	
	<u>6,288</u>	<u>8,083</u>	
Amounts falling due after more than one year:			
Amounts Owed by Subsidiary Undertakings	430	540	
Amounts Owed by Parent Undertaking and fellow Subsidiary Undertakings	111	111	
	<u>541</u>	<u>651</u>	
	<u>6,829</u>	<u>8,734</u>	
11 Creditors:			
Amounts falling due within one year:			
Trade Creditors	5,347	4,864	
Amounts Owed to Subsidiary Undertakings	108	178	
Amounts Owed to Parent Undertaking and fellow Subsidiary Undertakings	895	1,223	
Taxation	197	964	
Social Security	176	175	
Accruals	1,224	959	
Other Creditors	179	177	
	<u>8,126</u>	<u>8,540</u>	
12 Creditors:			
Amounts falling due after more than one year:			
Amount Owed to Parent Company	<u>3,266</u>	<u>2,561</u>	
13 Provision for Liabilities and Charges:			
	Deferred Taxation £000	Other £000	Total £000
At 31st December 1995	785	48	833
Profit and Loss for the Year:			
Exceptional Item	(721)	25,000	24,279
Ordinary	(64)	-	(64)
At 31st December 1996	<u>-</u>	<u>25,048</u>	<u>25,048</u>
Notes: see next page			

Notes:

- i) The amount provided and the amount not provided for deferred tax, calculated at 33% are as follows:

	Provided £000	Not Provided £000
Accelerated Capital Allowances	930	-
Other Timing Differences	(930)	-
At 31st December 1996	-	-
At 31st December 1995	785	-

- ii) The other provision includes the £25m forecast closure costs (see note 2b).

14 Profit and Loss Account:

	£000
At 31st December 1995	(749)
Retained Loss for the Year	(26,395)
At 31st December 1996	(27,144)

15 Reconciliation of Movement in Shareholders' Funds:

	1996 £000	1995 £000
Retained Loss for the Financial Year	(26,395)	(2,998)
Opening Shareholders' Funds	11,331	14,329
Closing Shareholders' Funds	(15,064)	11,331

16 Future Capital Expenditure:

Capital commitments at the date of the Balance Sheet, for which no provision has been made in the accounts, were as follows:

	1996 £000	1995 £000
Contracted	86	233
Authorised but not contracted	341	248

17 Contingent Liabilities:

At 31st December 1996 there were contingent liabilities in connection with guarantees in the ordinary course of business amounting to £762,000 (1995 £286,000).

18 Leasing Commitments:

Operating Leases:

The Company has commitments under operating leases in respect of plant and machinery to make payments totalling £48,000 in the year to 31st December 1997, as follows:

	£000
Expiring Within One Year	24
Between Two and Five Years	20
More than Five Years	-
	<hr/>
	44

19 Directors' Emoluments:

During the year the emoluments of the Chairman were nil (1995 nil), and those of the highest paid Director, excluding pension contributions, were £105,492 (1995 £76,972). The emoluments of the Directors excluding pension contributions for the year were within the following ranges:

	1996	1995
£0 - £5,000	1	1
£20,001 - £25,000	-	1
£35,001 - £40,000	-	1
£55,001 - £60,000	1	-
£65,001 - £70,000	1	2
£70,001 - £75,000	1	-
£75,001 - £80,000	-	1
£100,001 - £105,000	1	-

20 Parent Company:

The ultimate parent company is IMI plc which is incorporated in Great Britain and registered in England and Wales. A copy of the Group accounts of that company can be obtained from: The Company Secretary, PO Box 216, Witton, Birmingham, B6 7BA.

21 Subsidiary Undertakings:

The subsidiaries are all wholly-owned, incorporated in Great Britain and registered in England and Wales; the Share Capital consists of Ordinary Shares.

Subsidiary Undertakings

Principal Activities

IMI Dreh Limited

Prefabricated Pipework

IMI Yorkshire Imperial
(Exports) Limited

Sales of Tubes and Fittings
Overseas

In their opinion the Directors state that the aggregate value of the assets of the company, consisting of shares in the company's subsidiary undertakings, is not less than the aggregate of the amounts at which those assets are stated in the company's balance sheet.

22 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 borrowing from time to time. The company's maximum liability is limited to the extent of its current account cash balances from time to time which at 31st December 1996 amounted to £310,503.

23 Staff Numbers and Costs:

	1996	1995
The number of people employed by the Company on average each week was:		
General Engineering	687	763
	<hr/>	<hr/>
	£000	£000
The aggregate payroll cost of these employees was as follows:		
Wages and Salaries	12,495	13,163
Social Security Costs	977	1,016
Other Pension Costs	805	691
	<hr/>	<hr/>
	14,277	14,870
	<hr/>	<hr/>