

## **Directors' report and financial statements**

### **Contents**

Directors' report	1
Auditor's report to the members of IMI Wolverhampton Metal Limited	4
Profit and loss account	5
Balance sheet	6
Notes	7



## Directors' report

Directors	Mr MD Beardall		(resigned 31 July 1997)
	Mr I Graham		
	Mr CHM McAusland	Chairman	(appointed 1 August 1997)
	Mr IG Mellor		
	Mr JE Pugh	Managing Director	

Secretary Mr IG Mellor

Registered office Well Lane  
 Wednesfield  
 Wolverhampton  
 West Midlands  
 WV11 1XY

Auditor KPMG Audit Plc  
 2 Cornwall Street  
 Birmingham B3 2DL

### Report of the directors

The directors of IMI Wolverhampton Metal Limited submit their report together with the audited financial statements of the company for the year ended 31 December 1997.

### Summary of results

	1997 £'000	1996 £'000
Profit/(loss) on ordinary activities after taxation	(524)	20
Balance brought forward from previous year	(385)	(405)
	<u>(909)</u>	<u>(385)</u>

### Dividend

The directors recommend that no dividend be paid for the year ended 31 December 1997 (1996: £Nil).

### Principal activity

The principal activities of the company are the manufacture and sale of copper base ingot and master alloys, aluminium alloy ingots and phosphor copper.

## **Directors' report** *(continued)*

### **Review of the business**

The results for the year are set out in the profit and loss account on page 5. The performance of the company is deemed to be satisfactory and it is anticipated that this will continue into 1998.

### **Directors' interests in shares and debentures**

The interests of 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 set out 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 share	
	At 31 December 1997	At 31 December 1996 or date of appointment
	Number	Number
IG Mellor	852	699
JE Pugh	3,500	3,739
	<hr/>	<hr/>

### **Directors' share options**

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

	Options granted during the year Number	Options exercised during the year Number
IG Mellor	10,372	5,056
JE Pugh	-	5,200
I Graham	4,000	-
	<hr/>	<hr/>

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 (1996) Scheme.

## **Directors' report** *(continued)*

### **Charitable donations**

Charitable donations made by the company in the UK during 1997 amounted to £205 (1996: £405).

### **Policy of 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 that the supplier is also complying with all relevant terms.

### **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 company 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 11 February 1998.

By order of the board



**IG Mellor**  
*Secretary*

Well Lane  
Wednesfield  
Wolverhampton  
WV11 1XY



KPMG Audit Plc

2 Cornwall Street  
Birmingham  
B3 2DL

## **Auditor's report to the members of IMI Wolverhampton Metal Limited**

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

### ***Respective responsibilities of directors and auditors***

As described on page 3, 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 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 1997 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

11 February 1998

**Profit and loss account**  
*for the year ended 31 December 1997*

	<i>Note</i>	<b>1997</b> <b>£'000</b>	<b>1996</b> <b>£'000</b>
<b>Turnover - continuing operations</b>	<b>2</b>	<b>15,572</b>	<b>19,848</b>
Cost of sales		<b>(15,203)</b>	<b>(18,406)</b>
<b>Gross profit</b>		<b>369</b>	<b>1,442</b>
Distribution costs		<b>(758)</b>	<b>(919)</b>
Administrative expenses		<b>(260)</b>	<b>(350)</b>
<b>Operating profit/(loss) - continuing operations</b>		<b>(649)</b>	<b>173</b>
Interest payable and similar charges	<b>3</b>	<b>(126)</b>	<b>(140)</b>
<b>Profit/(loss) on ordinary activities before taxation</b>	<b>2</b>	<b>(775)</b>	<b>33</b>
Tax on profit/(loss) on ordinary activities	<b>4</b>	<b>251</b>	<b>(13)</b>
<b>Profit/(loss) for the financial year</b>	<b>14</b>	<b>(524)</b>	<b>20</b>

A statement of movements on reserves is given in note 14.

No operations were discontinued during the year and 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 1997*

	Note	1997	1996
		£'000	£'000
<b>Fixed assets</b>			
Tangible assets	5	1,150	1,137
Investments	6	2	2
		<u>1,152</u>	<u>1,139</u>
<b>Current assets</b>			
Stocks	7	1,039	1,432
Debtors	8	3,759	3,933
Cash at bank and in hand		12	232
		<u>4,810</u>	<u>5,597</u>
<b>Creditors: amounts falling due within one year</b>	9	<u>(4,167)</u>	<u>(4,398)</u>
<b>Net current assets</b>		<u>643</u>	<u>1,199</u>
<b>Total assets less current liabilities</b>		<u>1,795</u>	<u>2,338</u>
<b>Financed by:</b>			
<b>Creditors: amounts falling due after more than one year</b>	10	1,452	1,452
Provisions for liabilities and charges	11	60	52
Deferred income	12	55	82
<b>Capital and reserves</b>			
Called up share capital	13	600	600
Share premium account		537	537
Profit and loss account	14	(909)	(385)
<b>Equity shareholders' funds</b>		<u>228</u>	<u>752</u>
		<u>1,795</u>	<u>2,338</u>

These financial statements were approved by the board of directors on 11 February 1998 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 under the historical cost convention, and in accordance with applicable Accounting Standards.

The financial statements present information about the undertaking as an individual undertaking and not about its group. By virtue of Section 228 of the Companies Act 1985, the company is exempt from the obligation to prepare group financial statements and deliver them to the Registrar of Companies, since it is a parent company included in the financial statements of a larger EU group, IMI Plc.

A group cash flow statement for the year ended 31 December 1997 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	-	10 years
Furnaces, plant, furniture and vehicles	-	between 4 and 20 years

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

#### *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.

#### *Stocks*

Stocks of copper base and aluminium materials are valued at the lower of cost and net realisable value, which is determined by reference to the value of outstanding sales contracts, or year end market price, with appropriate deductions for profit, process and other costs not yet incurred.

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, reduced by anticipated future tax recoveries relating to short term timing differences.



## Notes (continued)

### 1 Accounting policies (continued)

#### *Foreign exchange*

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

#### *Operating leases*

Operating lease rentals are taken to the profit and loss account on a straight line basis over the period of the lease.

#### *Pension costs*

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 1997. Particulars of the actuarial valuation of the group scheme are contained in the financial statements of IMI plc.

#### **Turnover and profit 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 profit on ordinary activities before taxation by class of business is as follows:

	1997		1996	
	Turnover £'000	Loss £'000	Turnover £'000	Profit £'000
Refined metals	15,572	(775)	19,848	33
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

The analysis of turnover by market is:

	1997 £'000	1996 £'000
UK	15,572	19,848
	<u>          </u>	<u>          </u>

**Notes (continued)**

**2 Turnover and profit on ordinary activities before taxation (continued)**

	1997 £'000	1996 £'000
<i>The profit/(loss) on ordinary activities before taxation is stated</i>		
<i>after charging</i>		
Depreciation on tangible fixed assets	192	194
Audit fees and expenses	18	18
Hire of plant and machinery	51	25
Rental of land and buildings	200	200
	<hr/>	<hr/>
<i>after crediting</i>		
Government grants	27	27
	<hr/>	<hr/>

**3 Interest payable and similar charges**

	1997 £'000	1996 £'000
Bank borrowings	4	4
Interest payable on advances from group undertakings	122	139
Interest received	-	(3)
	<hr/>	<hr/>
	126	140
	<hr/>	<hr/>

**4 Tax on profit on ordinary activities**

	1997 £'000	1996 £'000
Based on the loss/profit for the year:		
U.K. corporation tax, based on a rate of 31.5% (1996: 33%)	(250)	10
Deferred taxation	8	12
Adjustment for previous years	(9)	(9)
	<hr/>	<hr/>
	(251)	13
	<hr/>	<hr/>

**Notes (continued)**

**5 Tangible fixed assets**

	Leasehold improvements	Furnaces, plant, furniture and motor vehicles	Assets under construction and payments on account	Total
	£'000	£'000	£'000	£'000
<b>Cost</b>				
At beginning of year	170	3,304	243	3,717
Additions	-	-	205	205
Disposals	-	-	-	-
Transfers	29	338	(367)	-
	<hr/>	<hr/>	<hr/>	<hr/>
At end of year	199	3,642	81	3,922
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Depreciation</b>				
At beginning of year	46	2,534	-	2,580
Charge for the year	18	174	-	192
Disposals	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
At end of year	64	2,708	-	2,772
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Net book value</b>				
At 31 December 1997	135	934	81	1,150
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 1996	124	770	243	1,137
	<hr/>	<hr/>	<hr/>	<hr/>

**6 Fixed assets - investment in subsidiary undertaking**

	Shares at cost £'000
At 31 December 1997 and 1996	2
	<hr/>

**Notes (continued)**

**6 Fixed assets - investment in subsidiary undertaking (continued)**

	Country of incorporation	Principal activity	Class and percentage of shares held
IMI Wolverhampton Metal Limited	(Overseas) England and Wales	Sale of copper base and aluminium alloys	Ordinary shares of £1 each 100% held

Group accounts are not submitted as the company is a wholly owned subsidiary of IMI plc, a company incorporated in Great Britain and registered in England and Wales.

**7 Stocks**

	1997 £'000	1996 £'000
Raw materials and consumables	694	973
Finished goods and goods for resale	345	459
	<hr/>	<hr/>
	1,039	1,432
	<hr/>	<hr/>

The directors consider that there is no material difference between the value of stocks as stated in the balance sheet and their replacement cost.

**8 Debtors**

	1997 £'000	1996 £'000
Trade debtors	834	905
Amounts owed by group undertakings	2,582	2,910
Prepayments and accrued income	93	118
Corporation tax	250	-
	<hr/>	<hr/>
	3,759	3,933
	<hr/>	<hr/>

**Notes (continued)**

**9 Creditors: amounts falling due within one year**

	1997 £'000	1996 £'000
Trade creditors	2,777	2,451
Amounts owed to group undertakings	1,006	1,447
Other taxation and social security	265	264
Corporation tax	-	10
Accruals and deferred income	119	226
	<hr/> 4,167 <hr/>	<hr/> 4,398 <hr/>

Accruals and deferred income includes £27,000 (1996: £27,000) relating to government grants available for release within one year.

**10 Creditors: amounts falling due after more than one year**

	1997 £'000	1996 £'000
Amounts owed to parent undertaking	1,452	1,452
	<hr/> 1,452 <hr/>	<hr/> 1,452 <hr/>

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

**11 Provisions for liabilities and charges**

***Deferred taxation***

	£'000
Balance at start of year	52
Profit and loss account	8
	<hr/>
Balance at end of year	60 <hr/>

## Notes (continued)

### 11 Provisions for liabilities and charges (continued)

The amounts provided and not provided for deferred taxation calculated at 31% (1996: 33%) are as follows:

	1997 Amount provided £'000	Amount not provided £'000	1996 Amount provided £'000	Amount not provided £'000
Accelerated capital allowances	86	54	88	57
Other timing differences	(26)	-	(36)	-
	<u>60</u>	<u>54</u>	<u>52</u>	<u>57</u>

### 12 Deferred income

	1997 £'000	1996 £'000
Government grants	<u>55</u>	<u>82</u>

### 13 Share capital

#### Authorised

At 31 December 1997, the authorised share capital amounted to £600,000 (1996: £600,000) consisting of 600,000 ordinary shares of £1 each.

#### Called up

At 31 December 1997, the called up share capital consisted of 600,000 ordinary shares of £1 each fully paid amounting to £60,000 (1996: £600,000).

### 14 Reserves

	Profit and loss account £'000
At start of year	(385)
Loss for the financial year	(524)
At end of year	<u>(909)</u>

**Notes (continued)**

**15 Reconciliation of movements in shareholders' funds**

	1997 £'000	1996 £'000
Profit/(loss) for the year	(524)	20
Opening shareholders' funds	752	732
	<hr/>	<hr/>
Closing shareholders' funds	228	752
	<hr/>	<hr/>

**16 Capital and financial commitments**

Contracts in respect of future capital expenditure which had been placed at the date of the balance sheet amounted to £48,000 (1996: £62,000).

The company had the following annual commitments under operating leases which expire:

	1997 £'000	1996 £'000
<b>Other</b>		
In the second to fifth year inclusive	27	27
	<hr/>	<hr/>

**17 Directors' remuneration**

	1997 £'000	1996 £'000
Aggregate directors' remuneration		
Emoluments	107	113
	<hr/>	<hr/>
	1997 Number	1996 Number
Number of directors who are;		
Members of defined benefit pension schemes	2	2
	<hr/>	<hr/>

## Notes (continued)

### 18 Staff numbers and costs

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

	1997 Number	1996 Number
Management	2	2
Administration	21	22
Production	48	51
	<hr/> 71	<hr/> 75
	<hr/> <hr/>	<hr/> <hr/>

The aggregate payroll costs of these employees  
was as follows:

	£'000	£'000
Wages and salaries	1,147	1,216
Social security costs	88	96
Other pension costs	28	73
	<hr/> 1,263	<hr/> 1,385
	<hr/> <hr/>	<hr/> <hr/>

### 18 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 FRS 8 from disclosing transactions or balances with entities that are part of the group qualifying as related party.

The ultimate parent undertaking 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