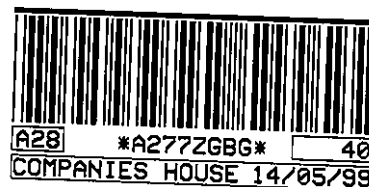


IMI Wolverhampton Metal Limited

Directors' report and financial statements

For the year ended 31 December 1998
Registered number 731467



Directors' report and financial statements

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Directors' report

Directors	Mr I Graham	
	Mr CHM McAusland	Chairman
	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 1998.

Summary of results

	1998 £000	1997 £000
Loss on ordinary activities after taxation	(2,369)	(524)
Balance brought forward from previous year	(909)	(385)
	<u>(3,278)</u>	<u>(909)</u>

Dividend

The directors recommend that no dividend be paid for the year ended 31 December 1998 (1997: £Nil).

Principal activity

The principal activities of the company were 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 company ceased trading on 31 December 1998. All the residual assets and liabilities of the company have been transferred to a fellow subsidiary company at net book value. All estimated costs and losses up to the date of cessation of trading have been included as an exceptional item.

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 shares	
	At 31 December 1998	At 31 December 1997 or date of appointment
	Number	Number
IG Mellor	2,803	852
JE Pugh	6,600	3,500
	<hr/>	<hr/>

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
	Number	Number
IG Mellor	10,675	3,744
JE Pugh	-	6,800
I Graham	-	5,000
CHM McAusland	9,468	-
	<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 1998 amounted to £310 (1997: £205).

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.

Year 2000

A review of the systems and operational implications of the Year 2000 issue has been carried out. Action plans have been developed for problems identified to date and the situation is being closely monitored. Revenue costs of changing systems in respect of this issue are not considered significant in any one year.

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 1999.

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 1998 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 1999

Profit and loss account
for the year ended 31 December 1998

	<i>Note</i>	1998 £000	1997 £000
Turnover - discontinued operations			
Cost of sales	2	14,444 (13,852)	15,572 (15,203)
Gross profit		<hr/> 592	<hr/> 369
Distribution costs		(756)	(758)
Administrative expenses		(267)	(260)
Operating loss - discontinued operations		<hr/> (431)	<hr/> (649)
Interest payable and similar charges	3	(188)	(126)
Exceptional item - loss on closure of business	11	(2,725)	-
Loss on ordinary activities before tax		<hr/> (3,344)	<hr/> (775)
Tax on loss on ordinary activities	4	975	251
Loss for the financial year	14	<hr/> (2,369) <hr/>	<hr/> (524) <hr/>

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

All 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 1998

	Note	1998 £000	1997 £000
Fixed assets			
Tangible assets	5	-	1,150
Investments	6	-	2
Current assets			
Stocks	7	-	1,039
Debtors	8	-	3,759
Cash at bank and in hand		-	12
Creditors: amounts falling due within one year	9	(689)	4,810 (4,167)
Net current assets		(689)	643
Total assets less current liabilities		(689)	1,795
Financed by:			
Creditors: amounts falling due after more than one year	10	1,452	1,452
Provisions for liabilities and charges	11	-	60
Deferred income	12	-	55
Capital and reserves			
Called up share capital	13	600	600
Share premium account		537	537
Profit and loss account	14	(3,278)	(909)
Equity shareholders' funds		(2,141)	228
		(689)	1,795

These financial statements were approved by the board of directors on 11 February 1999 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 1998 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.

Cash flow

Under Financial Reporting Standard 1 (revised 1996), the company is exempt from the requirement to prepare a cash flow statement on the grounds that the cash flow will be incorporated within the consolidated cash flow statement included in the group accounts of IMI plc.

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.

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 profit on ordinary activities before taxation by class of business is as follows:

	1998		1997	
	Turnover £000	Loss £000	Turnover £000	Loss £000
Refined metals	14,444	3,344	15,572	775
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

The analysis of turnover by market is:

	1998 £000	1997 £000
UK - external	4,004	4,625
- inter group	10,440	10,947
	<u> </u>	<u> </u>
	14,444	15,572
	<u> </u>	<u> </u>

Notes (continued)

2 Turnover and loss on ordinary activities before taxation (continued)

	1998 £000	1997 £000
<i>The loss on ordinary activities before taxation is stated</i>		
<i>after charging</i>		
Depreciation on tangible fixed assets	1,014	192
Audit fees and expenses	11	18
Hire of plant and machinery	38	51
Rental of land and buildings	195	200
	<u> </u>	<u> </u>
<i>after crediting</i>		
Government grants	55	27
	<u> </u>	<u> </u>

3 Interest payable and similar charges

	1998 £000	1997 £000
Bank borrowings	4	4
Interest payable on advances from group undertakings	184	122
	<u> </u>	<u> </u>
	188	126
	<u> </u>	<u> </u>

4 Tax on loss on ordinary activities

	1998 £000	1997 £000
Based on the loss for the year:		
U.K. corporation tax, based on a rate of 31% (1997: 31½%)	(910)	(250)
Deferred taxation	(60)	8
Adjustment for previous years	(5)	(9)
	<u> </u>	<u> </u>
	(975)	(251)
	<u> </u>	<u> </u>

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
<i>Cost</i>				
At beginning of year	199	3,642	81	3,922
Additions	-	-	53	53
Disposals	-	(96)	-	(96)
Inter group transfers	-	(3,546)	(106)	(3,652)
At end of year	199	-	28	227
<i>Depreciation</i>				
At beginning of year	64	2,708	-	2,772
Charge for the year	135	851	28	1,014
Disposals	-	(67)	-	(67)
Inter group transfers	-	(3,492)	-	(3,492)
At end of year	199	-	28	227
<i>Net book value</i>				
At 31 December 1998	-	-	-	-
At 31 December 1997	135	934	81	1,150

6 Fixed assets - investment in subsidiary undertaking

	Shares at cost £000
At 31 December and 1997	
Transferred to group company	2 (2)
At 31 December 1998	<u> </u> -

	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

	1998 £000	1997 £000
Raw materials and consumables	-	694
Finished goods and goods for resale	-	345
	<u> </u>	<u> </u>
	-	1,039
	<u> </u>	<u> </u>

8 Debtors

	1998 £000	1997 £000
Trade debtors	-	834
Amounts owed by group undertakings	-	2,582
Prepayments and accrued income	-	93
Corporation tax	-	250
	<u> </u>	<u> </u>
	-	3,759
	<u> </u>	<u> </u>

Notes (continued)

9 Creditors: amounts falling due within one year

	1998 £000	1997 £000
Trade creditors	-	2,777
Amounts owed to group undertakings	689	1,006
Other taxation and social security	-	265
Accruals and deferred income	-	119
	<u>689</u>	<u>4,167</u>

10 Creditors: amounts falling due after more than one year

	1998 £000	1997 £000
Amounts owed to parent undertaking	1,452	1,452
	<u>1,452</u>	<u>1,452</u>

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	60
Profit and loss account	(60)
	<u>-</u>
Balance at end of year	<u>-</u>

Notes (continued)

11 Provisions for liabilities and charges (continued)

The amounts provided and not provided for deferred taxation calculated at 31% (1997: 31%) are as follows:

	1998 Amount provided £000	Amount not provided £000	1997 Amount provided £000	Amount not provided £000
Accelerated capital allowances	-	-	86	54
Other timing differences	-	-	(26)	-
	<u>-</u>	<u>-</u>	<u>60</u>	<u>54</u>

Closure of business

	£000
At beginning of year	-
Charged during the year	2,725
Utilised in the year	(1,563)
Inter group transfer	(1,162)
At end of year	<u>-</u>

12 Deferred income

	1998 £000	1997 £000
Government grants	-	55

13 Share capital

Authorised

At 31 December 1998, the authorised share capital amounted to £600,000 (1997: £600,000) consisting of 600,000 ordinary shares of £1 each.

Called up

At 31 December 1998, the called up share capital consisted of 600,000 ordinary shares of £1 each fully paid amounting to £600,000 (1997: £600,000).

Notes (continued)

14 Reserves

	Profit and loss account £000
At start of year	(909)
Loss for the financial year	(2,369)
At end of year	<u>(3,278)</u>

15 Reconciliation of movements in shareholders' funds

	1998 £000	1997 £000
Loss for the year	(2,369)	(524)
Opening shareholders' funds	228	752
Closing shareholders' funds	<u>(2,141)</u>	<u>228</u>

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 £Nil (1997: £48,000).

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

	1998 £000	1997 £000
Other		
In the second to fifth year inclusive	-	27

17 Directors' remuneration

	1998 £000	1997 £000
Aggregate directors' remuneration		
Emoluments	118	107

	1998 Number	1997 Number
Number of directors who are members of defined benefit pension schemes	2	2

Notes (continued)

18 Staff numbers and costs

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

	1998 Number	1997 Number
Management	2	2
Administration	19	21
Production	45	48
	<hr/> 66	<hr/> 71
	<hr/> <hr/>	<hr/> <hr/>

The aggregate payroll costs of these employees was as follows:

	£000	£000
Wages and salaries	1,144	1,147
Social security costs	96	88
Other pension costs	144	28
	<hr/> 1,384	<hr/> 1,263
	<hr/> <hr/>	<hr/> <hr/>

19 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 parties.

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