

IMI HOLDINGS LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED

31 DECEMBER 1997

(Registered Number 1105231)



IMI HOLDINGS LIMITED

Directors : J O'Shea
IMI Kynoch Limited

Secretary : P A Boulton

Registered Office : Kynoch Works
Witton
Birmingham B6 7BA

Auditors : KPMG Audit plc

REPORT OF DIRECTORS 1997

The Directors of IMI Holdings Limited submit their Report together with the Accounts for the year ended 31 December 1997.

1. Activity

The Company is an intermediate holding company. During the year the Company received dividends of £4,562,000 from its subsidiary undertakings. No dividend is proposed to be made.

2. Board of Directors

There were no changes during the year.

3. Directors' Interests in Shares and Debentures

The interests of the 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.

IMI plc Ordinary Shares
As at 01.01.97 As at 31.12.97
(or date of appointment if later)

J O'Shea	Nil	Nil
IMI Kynoch Limited	Nil	Nil

4. Directors' Share Options

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

	Options granted during the year	Options exercised during the year
J O'Shea	21,242	Nil
IMI Kynoch Limited	Nil	Nil

5. Auditors and AGMs

By elective resolutions passed pursuant to the Companies Act 1985 the Company has dispensed with the requirements for the annual appointment of auditors, the holding of AGMs and the laying of accounts before general meetings.

By Order of the Board



P A Boulton
 Secretary
 2 February 1998

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 as the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future, 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.

AUDITOR'S REPORT TO THE MEMBERS OF IMI HOLDINGS LIMITED

We have audited the financial statements on pages 4 to 8

Respective Responsibilities of Directors and Auditor

As described above 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 result 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
Birmingham
2 February 1998

IMI HOLDINGS LIMITED

Profit and Loss Account
For the Year Ended 31 December 1997

	<u>Notes</u>	<u>1997</u> <u>£000's</u>	<u>1996</u> <u>£000's</u>
Dividend receivable		4,562	-
		<hr/>	<hr/>
PROFIT FOR THE FINANCIAL YEAR	6	4,562	-
		<hr/>	<hr/>

A statement of movements on reserves is given in note 6.

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.

IMI HOLDINGS LIMITED

Balance Sheet at 31 December 1997

		<u>1997</u>	<u>1996</u>
	<u>Notes</u>	<u>£000</u>	<u>£000</u>
<u>Fixed Assets</u>			
<u>Investments</u>			
Shares in group undertakings	2	114,086	114,086
 <u>Current Assets</u>			
Debtors: Amounts recoverable after more than one year	3	38,321	38,321
<u>Net Assets</u>		<u>152,407</u>	<u>152,407</u>
 Financed by:			
Creditors: Amounts falling due after more than one year	4	123,398	127,960
 Capital and Reserves			
Called up Share Capital	5	416	416
Share Premium Account	6	148	148
Profit and Loss Account	6	28,445	23,883
Equity Shareholders' Funds		<u>29,009</u>	<u>24,447</u>
		<u>152,407</u>	<u>152,407</u>

During the financial year the company received a dividend from one of its subsidiaries.

These accounts were approved by the Board of Directors on 2 February 1998 and signed on its behalf by:



J O'SHEA Director

IMI HOLDINGS LIMITED

Notes to the accounts

31 December 1997

1. Accounting policies

The following accounting policies have been applied 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 the historical cost convention and in accordance with applicable accounting standards.

The company is exempt by virtue of S228 of the Companies Act 1985 from the requirement to prepare group accounts.

(b) Cash flow statement

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 accounts.

2. Investments in Subsidiary Undertakings

	<u>£'000</u>
Shares at Cost	
Balance at 31 December 1997 and 1996	<u>114,085</u>

The company owns all of the ordinary share capital of the following non trading companies which are all registered in England and Wales.

Austin Beech Limited
Eley Ammunition Limited
Foundrometers Limited
IMI Building Products Limited
IMI Drinks Dispense Limited
IMI Engineering Limited
IMI Fabrications Limited
IMI Finance Limited
IMI Fluid Power International Limited
IMI (GB) Limited
IMI Heat Exchange Limited
IMI Information Technology Limited
IMI Insurance Services Limited
IMI Services Limited
IMI Systems Limited
IMI Waterheating Limited
Imperial Metal Industries Limited
Imperial Metal Services Limited

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Notes to the accounts (continued)

31 December 1997

Marston Heat Exchangers Limited
 Martonair Limited
 Mecavalve Limited
 Norgren Enots Limited
 Norgren International Limited
 Norgren Martonair Pacific Pty Limited
 Pneumatic Products Limited
 Waterheating Systems Limited
 Yorkshire Imperial Pension Trust Limited
 Non-Drip Measure Company Limited
 MK Refrigeration (Properties) Limited
 Lockinlyne Limited
 Logic Engineering Limited
 Bradgate Building Company Limited
 Vending Centre Holdings Limited
 IMI Marstair Limited
 IMI Cornelius Europe Limited

In the opinion of the directors the value of the investment in subsidiary companies is not less than the amount at which they are included in the accounts.

	<u>1997</u>	<u>1996</u>
	<u>£'000</u>	<u>£'000</u>
3. <u>Debtors</u>		
Amounts owed by group undertakings	<u>38,321</u>	<u>38,321</u>
4. <u>Creditors</u>		
	<u>1997</u>	<u>1996</u>
	<u>£'000</u>	<u>£'000</u>
Amounts falling due after more than one year:		
Amounts owed to group undertakings	<u>123,398</u>	<u>127,960</u>

There are no fixed terms for repayments of the loan.

	<u>1997</u>
	<u>£'000</u>
5. <u>Share Capital</u>	
Authorised Ordinary Shares of 1p each	<u>500</u>
Allotted, called up and fully paid	
Ordinary shares of 1p each	<u>416</u>

IMI HOLDINGS LIMITED

Notes to the accounts (continued)

31 December 1997

6. <u>Reserves</u>	<u>Share premium</u> <u>Account</u> <u>£000</u>	<u>Profit & Loss</u> <u>Account</u> <u>£000</u>
Balance at 31 December 1996	148	23,883
Retained profit for the year		4,562
Balance at 31 December 1997	<u>148</u>	<u>28,445</u>

7. Ultimate Parent Company

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