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IMI

IMI plc Annual Report 1986

IMI

Contents: | **Pages**

	£ million 1986	£ million 1985
Sales to external customers	780.3	766.2
Profit before taxation	73.3	57.8
Profit after taxation	52.7	40.6
Earnings per share excluding extraordinary items	17.1p	14.9p
Dividend per share	6.0p	5.25p
Net tangible assets per share	90.2p	89.4p

The audited accounts are on pages 22-39

IMI

IMI is a diversified engineering group which manufactures and sells internationally and has major plants in the UK, North and South America, Continental Europe and Australia. Its headquarters are in Birmingham, England.

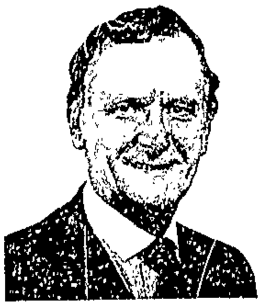
IMI's companies operate in seven main areas: building products, heat exchange, drinks dispense, fluid power, special-purpose valves, general engineering and refined and wrought metals. Executive Directors' responsibilities to the Board for the principal subsidiary companies are shown on pages 6 to 19. The chief executives of these subsidiaries are guided by local Boards or their equivalent; they are responsible for manufacture, sales and financial control in accordance with an agreed budget, and, with some constraints, for purchasing, personnel policies and research and development. Overall performance of the Group is monitored through regular meetings of the Executive Directors when proposals on policy, strategy and resource allocation are also formulated for consideration by the Board as a whole.

There are two Committees of the Board consisting of the Non-Executive Directors: a Salaries and Appointments Committee determines the remuneration of Executive Directors and an Audit Committee, established in 1977, considers with the auditors matters relating to accounts.

Non-Executive Directors

Sir Robert Clark DSC
Chairman

Age 63; joined the Board in 1971; appointed Chairman in 1981. Other directorships include Hill Samuel Group (Chairman), Alfred McAlpine, Beecham Group, Eagle Star Holdings, Marley (Chairman), The Shell Transport and Trading Co. and The Rover Group.



D V Atterton CBE PhD

Age 60; joined the Board in 1976. Other directorships include the Bank of England, Barclays Bank, British Coal, Investors in Industry Group, Marks & Spencer and The Rank Organisation.

D W Livingstone CBE

Age 61; joined the Board in 1978. Deputy Chairman and Managing Director of Albright & Wilson until 31 December 1986.

Executive Directors

G J Allen
Managing Director

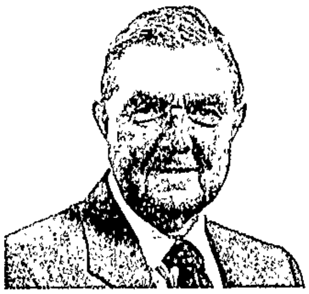
Age 42, joined IMI in 1965; appointed to the Board in 1978, and as Managing Director in 1986. Chairman of the Executive Directors' meetings and directly responsible for research and development, and the company secretarial, legal and public relations functions.

R Amos

Age 52; joined IMI in 1959; appointed to the Board in 1974. Responsible for drinks dispense; the precision engineering products group comprising Marston Palmer, IMI Air Conditioning, Eley and IMI Components; IMI Computing and Holford Estates.

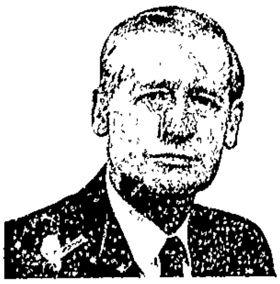
D V Ayres

Age 59; joined IMI in 1954; appointed to the Board in 1977. Responsible for the copper group comprising IMI Yorkshire Alloys, IMI Refiners, IMI Wolverhampton Metal and IMI Rolled Metals; Royal Ordnance Summerfield.



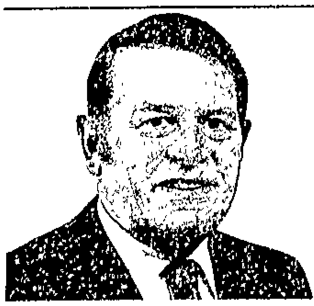
W Brittain
Finance Director

Age 61; joined IMI in 1951; appointed to the Board in 1968. Responsible for IMI Titanium and the radiator group comprising IMI Radiators and Silverton Engineering Holdings (Pty).



P Fisken

Age 54; joined IMI in 1956; appointed to the Board in 1986. Responsible for building products and the personnel function.



T A J Lamb PhD

Age 57; joined IMI in 1956; appointed to the Board in 1974. Responsible for fluid power and special-purpose valves.

Chairman's statement

1986 was for IMI a year of further substantial growth and progress. Sales, profits and earnings per share once again set new records and I am pleased that we are able to reflect this success in our recommendation of a dividend of 6.0p compared with 5.25p for 1985. My thanks once again go to our employees at all levels for the efforts they have made in putting the Company in its present strong position.

Profits

Profits showed a further substantial increase of 27 per cent to £73.3 million before tax. New subsidiaries contributed £5.7 million and lower interest charges provided £3.9 million. Earnings after tax but before extraordinary items increased from £40.1 million to £52.2 million, producing an increase in earnings per share of 2.2p to 17.1p. Profits before tax represented a return of 9.4 per cent on sales, compared with 7.5 per cent in 1985.

The increase in profits was achieved on sales value only about 2 per cent higher than in 1985, although volume was up by 4 per cent. The inclusion of new subsidiaries from their dates of acquisition added £48 million of sales but this was more than offset by the effects of disposals of subsidiaries (£17 million), lower average copper prices (£23 million), and lower exchange rates (£16 million). For the first time overseas sales represented more than half total sales, with UK exports at £122 million and sales by overseas companies at £270 million.

Balance sheet

We have consolidated Martonair on an acquisition basis and have therefore deducted the goodwill on acquisition from the premium on the additional shares issued. This, together with profits retained, produced an increase of £48 million in shareholders' funds. Working capital rose as a result of consolidating Martonair, and we spent £18 million in cash on acquisitions. Capital expenditure was £6 million higher at £32.6 million but cash flow remained positive by £3 million. We have a very strong balance sheet and at 31 December 1986 our capital and reserves were some £290 million and our net borrowings some £55 million. Our gearing ratio was 19 per cent compared with 24 per cent a year earlier.

Operating results

We report on 1986 performance on pages 6 to 19. In short, we had an excellent year in building products which, in addition to a strong market and acquisition of the Glynwed fittings business, benefited from an internal reorganisation under which all our companies serving the building/construction markets were grouped together as the responsibility of one director. In heat exchange we continued to achieve further progress in aluminium radiators and aircraft heat exchangers. Our drinks dispense activities continued to grow strongly in Europe and the UK but the "Cola wars" once again had the effect of depressing our largest market in the USA and results there were also affected by exchange rates. After some levelling of demand mid year in certain of our markets, business for our fluid power products picked up towards the year end; the German market remained strong throughout. Our valves interests again turned in good results overall, but we are finding it difficult to secure growth in those areas which are largely dependent on the oil industry. In general engineering, our ammunition and component activities did well and, in a declining market, we continued to obtain good returns from the copper alloy engineering tube business. The titanium activity continued to grow, benefiting both from the strong aerospace market and as the result of its continuing substantial spend on research and development. However, we continued to encounter strong competition from low priced US and Japanese imports and together with other European producers we made further representations to the EEC, with particular reference to unequal tariffs and possible dumping.

The future

We are confident of further progress. We see many opportunities, in particular following our 1986 acquisitions, for continuing the growth pattern we have established. The acquisitions of Martonair, Webber Electro Components (a major supplier of solenoids in the increasingly important area of electronic/pneumatic low cost automation), and the Australian company McKinnon Nicholls (an assembler and distributor of fluid power equipment), have significantly strengthened our position in the field of fluid power and put us amongst the world leaders. The reasons behind the acquisition of Martonair in particular were fully described to shareholders in my circular of 26 March 1986 and the offer document. Its successful integration with our activities has already opened many doors for further expansion. In the current year we shall obtain all the benefits of the acquisition which we outlined at the time, and in the longer term we expect further substantial progress.

We are looking for growth, both organic and by acquisition, from many of our other business activities. In drinks dispense, for example, the recent acquisition of Coldflow in the UK has strengthened an already strong worldwide base and puts us in an excellent position in the expanding UK soft drinks industry.

The Board

With the exception of the retirement of Eric Swainson at the last Annual General Meeting, about which I wrote in my last statement, and the appointment of Gary Allen as his successor, there were no changes during the year in the composition of your Board of Directors. However, Bill Brittain will be retiring in June of this year after 36 years with the Company and its predecessors. He joined the Metals Division of ICI in 1951 and was appointed Chief Accountant in 1961 and to the IMI Board in 1968. In addition to his position as Finance Director, he has been the executive director responsible for a number of IMI businesses which have achieved excellent performance. His sharp analytical mind, business acumen and stimulating wit will be greatly missed. My colleagues and I all wish him a very happy retirement. Bill Brittain will be succeeded by Gordon Taylor who is 54, joined the Company from ICI in 1968 and was appointed Chief Accountant in 1972.

Robert Clark.

Chairman
23 March 1987

Gary Allen, who was appointed Managing Director in May 1986, with Sir Robert Clark.

P Fisken *IMI Director*

IMI YORKSHIRE COPPER TUBE LIMITED
J Tamberlin *Managing Director*

IMI YORKSHIRE FITTINGS LIMITED
N C Paul *Managing Director*

YORKSHIRE FITTINGS PTY LIMITED *(Australia)*
R A Solness *Managing Director*

IMI YORKSHIRE IMPERIAL PLASTICS LIMITED
B Smalley *Managing Director*

IMI WATERHEATING LIMITED
P C Roberts *Managing Director*

IMI RANGE LIMITED
A V Parker *Managing Director*

IMI SANTON LIMITED
A C Hurley *Managing Director*

IMI PACIFIC SA *(France)*
P Eck *Directeur-Général*

IMI BRODERICK STRUCTURES
A D Toomey *Managing Director*

As at March 1987

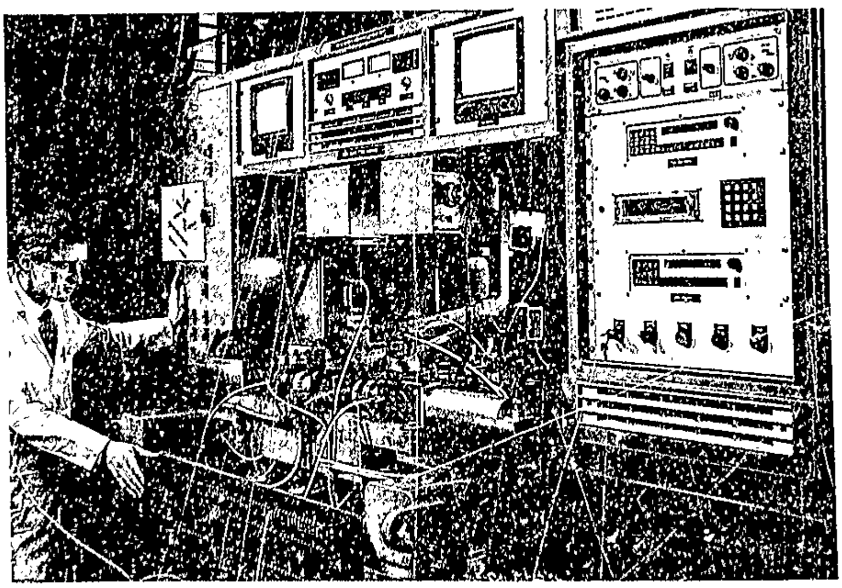
The copper tube market remained strong throughout the year and this resulted in our achieving a substantial uplift in Yorkshire Copper Tube's profits. We continued to obtain productivity and yield improvements in our plants and we are planning to spend £7m on further modernisation at Kirkby. We also recorded increased profits in Yorkshire Fittings. The acquisition of Glynwed's fittings business in April and its integration during the year has put us in a position to compete much more effectively in this market and in particular to expand our share in end feed capillary fittings. Our Australian fittings activity did well to produce an increase in profits despite a dull market.

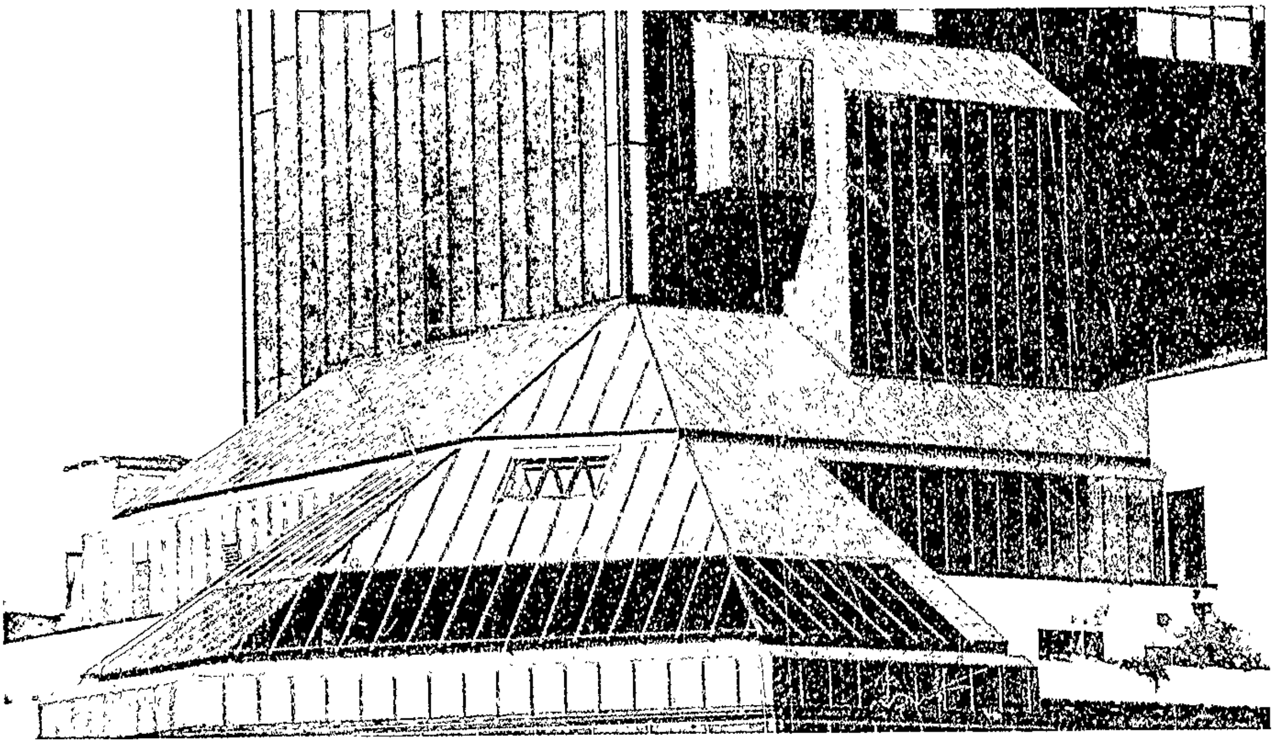
Major rationalisation of our plastic pipe business, including closure of the Wrexham factory, was completed but did not show any benefit in the year's result and Yorkshire Imperial Plastics again recorded a loss. However, the current year has started with a much lower cost base and we are confident of a return to profitability, particularly as we have been successful in securing a share of the 1987/1989 pipe contract for British Gas.

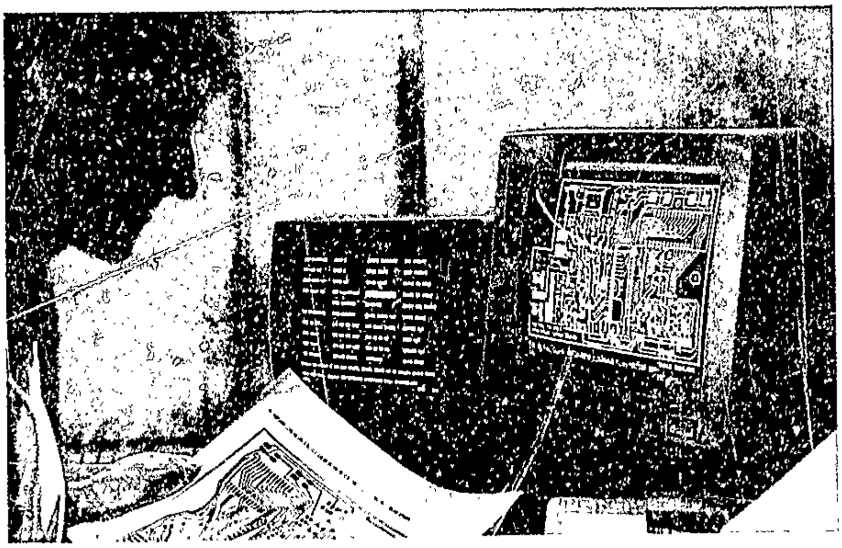
Copper tube produced at the Kirkby works of IMI Yorkshire Copper Tube.

Our waterheating activity achieved a substantial increase in profits despite a continuing poor market in France where the benefits of restructuring the activity were absorbed by falling volumes and prices. In particular the copper cylinder business of IMI Range did well, with spending on housing renovation in both the public and private sectors providing good demand for both traditional and new products. After a flat start, exports of IMI Rycroft calorifiers improved following significant orders from Hong Kong, China and Algeria. IMI Pactrol continued to grow and moved into new and larger premises in Skelmersdale. Demand for its gas boiler controls was good and new electrical heating controls had passed field tests by the year end and are now in production. The acquisition of Webber Electro Components will assist the development of more sophisticated Pactrol control packages. IMI Santon had a good first half, but exports declined

David Allen, graduate engineer, using advanced image analysis for internal inspection of Yorkshire fittings on a machine developed and built by IMI Research and Development Department.







More than 600 square metres of colour coated aluminium cladding were supplied and installed by IMI Broderick Structures for the extension of the Grand Theatre, Swansea.

Electronic design engineer Desmond Mellor using a CAD system for electronic circuit board design at IMI Pactrol.

later in the year and earlier expectations were not fulfilled. IMI Scott had another profitable year with good demand for all its products.

Results from the Broderick roofing activity were at about the previous year's level. However, the business entered 1987 with its strongest order book for many years, including its largest ever single contract.

Turnover	£m
[illegible]	[illegible]
[illegible]	[illegible]
[illegible]	[illegible]
[illegible]	[illegible]
1986	186

Profit before taxation	£m
1982	6.0
1983	7.8
[illegible]	[illegible]
[illegible]	[illegible]
1986	14.3

W Brittain *IMI Director*

IMI RADIATORS LIMITED
D F Allison *Managing Director*
SILVERTON ENGINEERING HOLDINGS (PTY) LIMITED *(South Africa)*
A T Carnie *Managing Director*

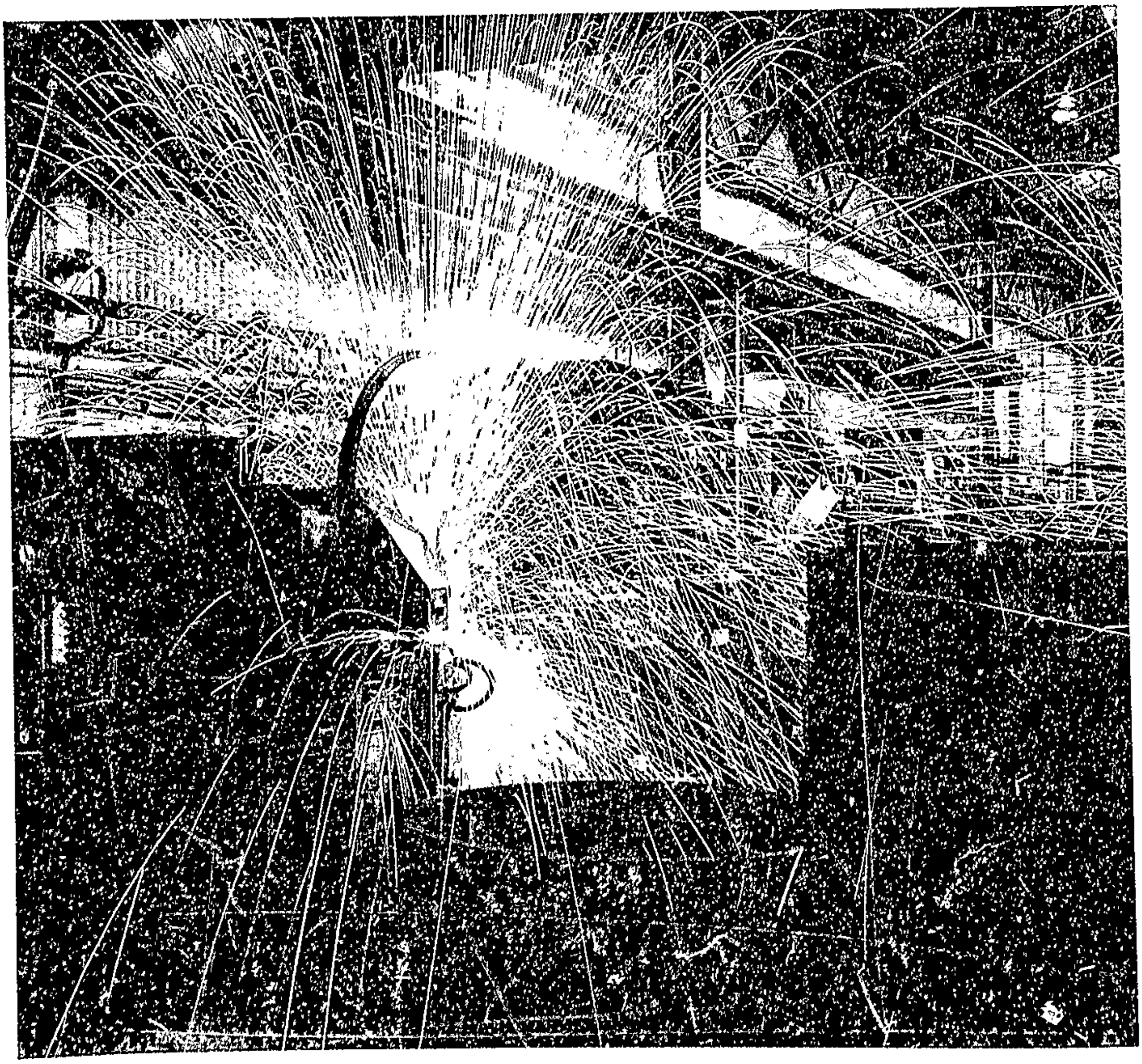
R Amos *IMI Director*

IMI AIR CONDITIONING LIMITED
R J Holden *Managing Director*
MARSTON PALMER LIMITED
G Morris *Managing Director*

As at March 1987

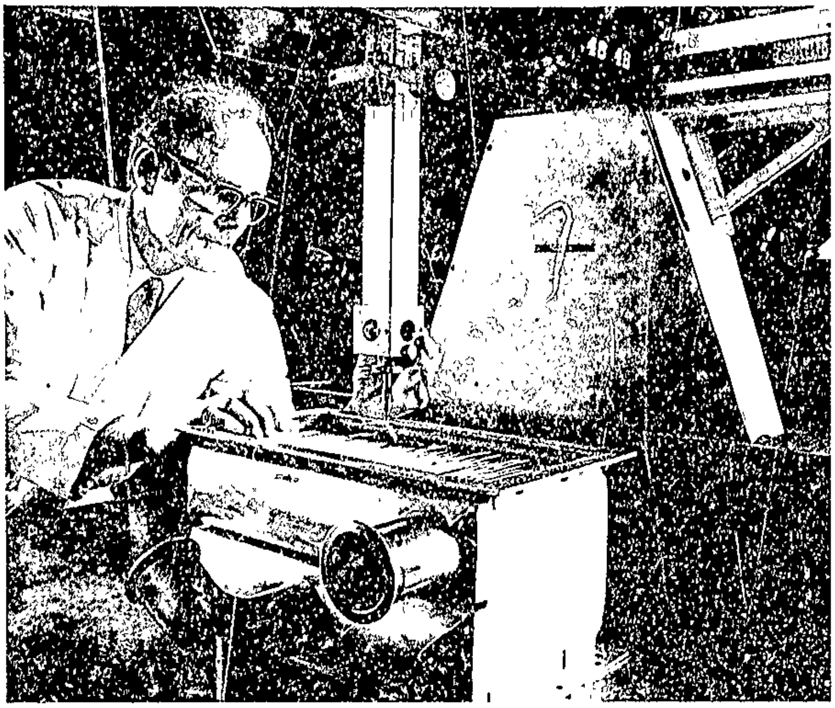
IMI Radiators had a much better year despite a six weeks strike at Baildon in the first half. As part of our continuing cost reduction programme, we transferred heavy vehicle radiator production from the Bolton factory to Leeds, the full benefits of which will be obtained in the current year. Demand for aluminium heat exchangers remained high, some of the increased activity representing a switch of business by customers, including Jaguar, from traditional copper and brass products. About 45 per cent of production is now exported to customers such as Volvo, Daimler-Benz, Volkswagen, Scania and Ford Europe. In South Africa, our 50 per cent joint venture company, Silverton Engineering, emerged from severe recession in the motor industry with increased profits.

In order to improve further on our leading market position in split system air conditioners, we have combined the activities of IMI Marstair and I.S. Air Conditioning to form a new company, IMI Air Conditioning Limited. Poor weather in spring



and early summer adversely affected demand and with increasing competition the activity did well to achieve profits only slightly below 1985.

Marston Palmer again increased its profits, particularly in the aerospace division with new business being obtained in Europe and USA for heat exchangers, hydraulic components, engine rings and electronic cooling systems. Sales of flexible tanks for liquid transportation were again disappointing but there was good growth in fuel and water tanks for aerospace and defence markets. Further progress was made in the industrial heat exchange activity with the development of an extended range of products.



(Above right) Arthur [illegible] inspecting a heat exchanger made by Marston Palmer for British Aerospace.

(Right) The new Jaguar/Daimler XJ-S range is fitted with radiators made by IMI Radiators.

(Left) Flash butt welding of aircraft engine rings at Marston Palmer.

Turnover	£m	Profit before taxation	£m
[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]
1986	74	1986	6.8

Drinks dispense

R Amos *IMI Director*

IMI CORNELIUS AMERICAS INC.
(USA)
D W Morgan *President*

IMI CORNELIUS EUROPE
(German Federal Republic)
G A Maddox *President*

IMI CORNELIUS (UK) LIMITED
R S Johnson *Managing Director*

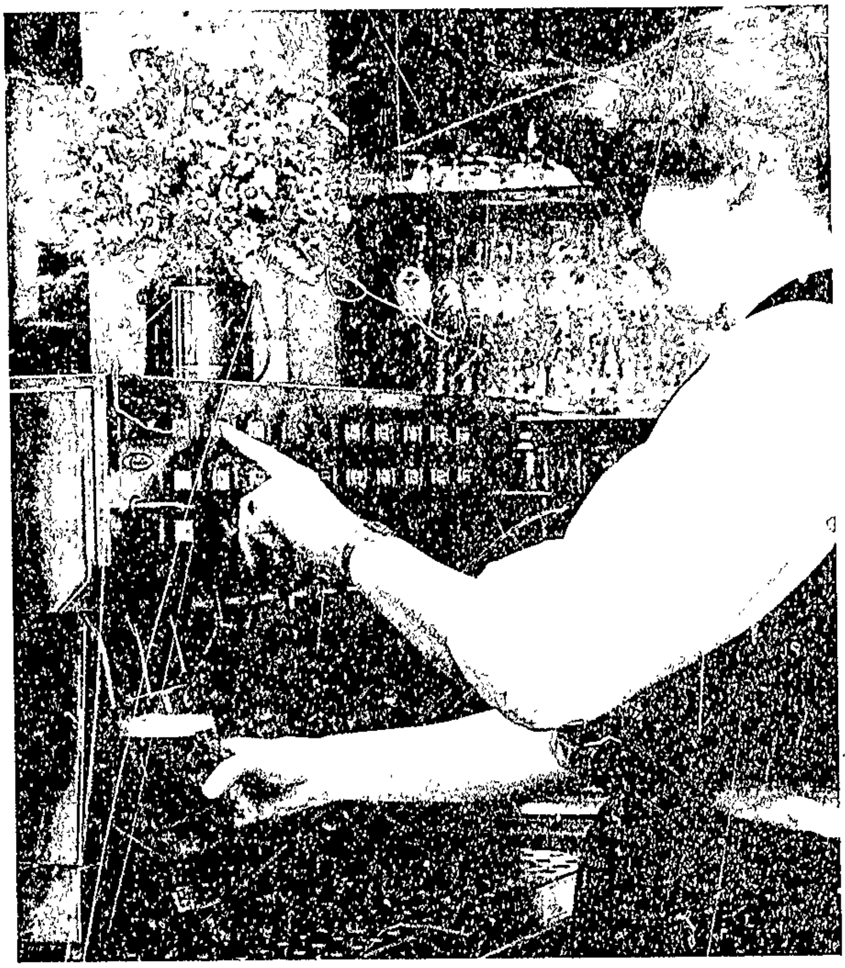
As at March 1987

There was further volume growth in drinks dispense, although the rate of growth varied from market to market.

In the USA, where sterling results were adversely affected by exchange rates, sales growth was modest and competition more intense. Demand for dispensing equipment from the major soft drink companies and their bottlers was depressed following the upheaval in the structure of the industry caused by the acquisition and rationalisation activities of both Coca Cola and Pepsi. Offsetting this, however, demand continued to grow strongly for frozen carbonated beverage machines used in convenience stores and for our extended range of combination ice and drink dispensers. We were also successful in increasing our share in the ice making equipment market with the launch of a new range of vertical evaporator ice makers.

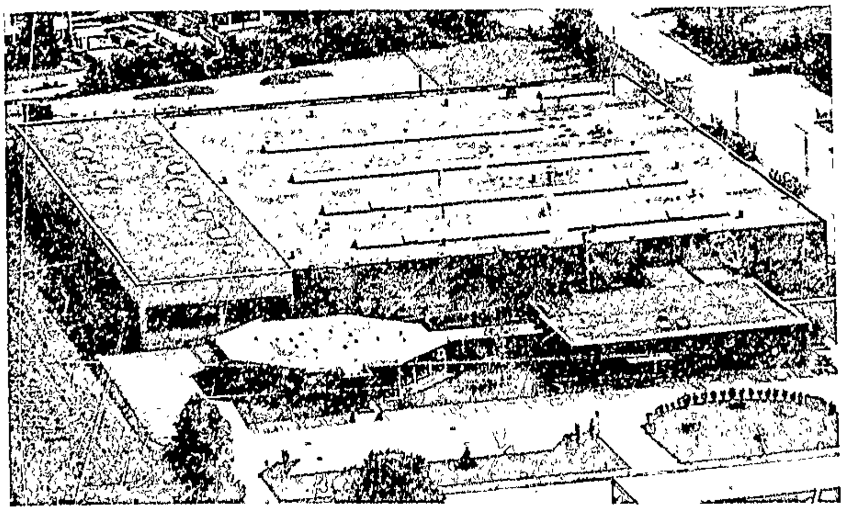
Cannon Equipment achieved record sales in its custom designed distribution carts and point-of-sale products and extended its operations to service customers on the West Coast.

Exports from the USA to Central and South America held steady in difficult trading conditions but further growth was achieved in sales to the Far East, which were enhanced by a significant order for the Asian Games in South Korea. Our Brazilian operation had an excellent year both in meeting the strong demand in its home market and by increasing its export base.



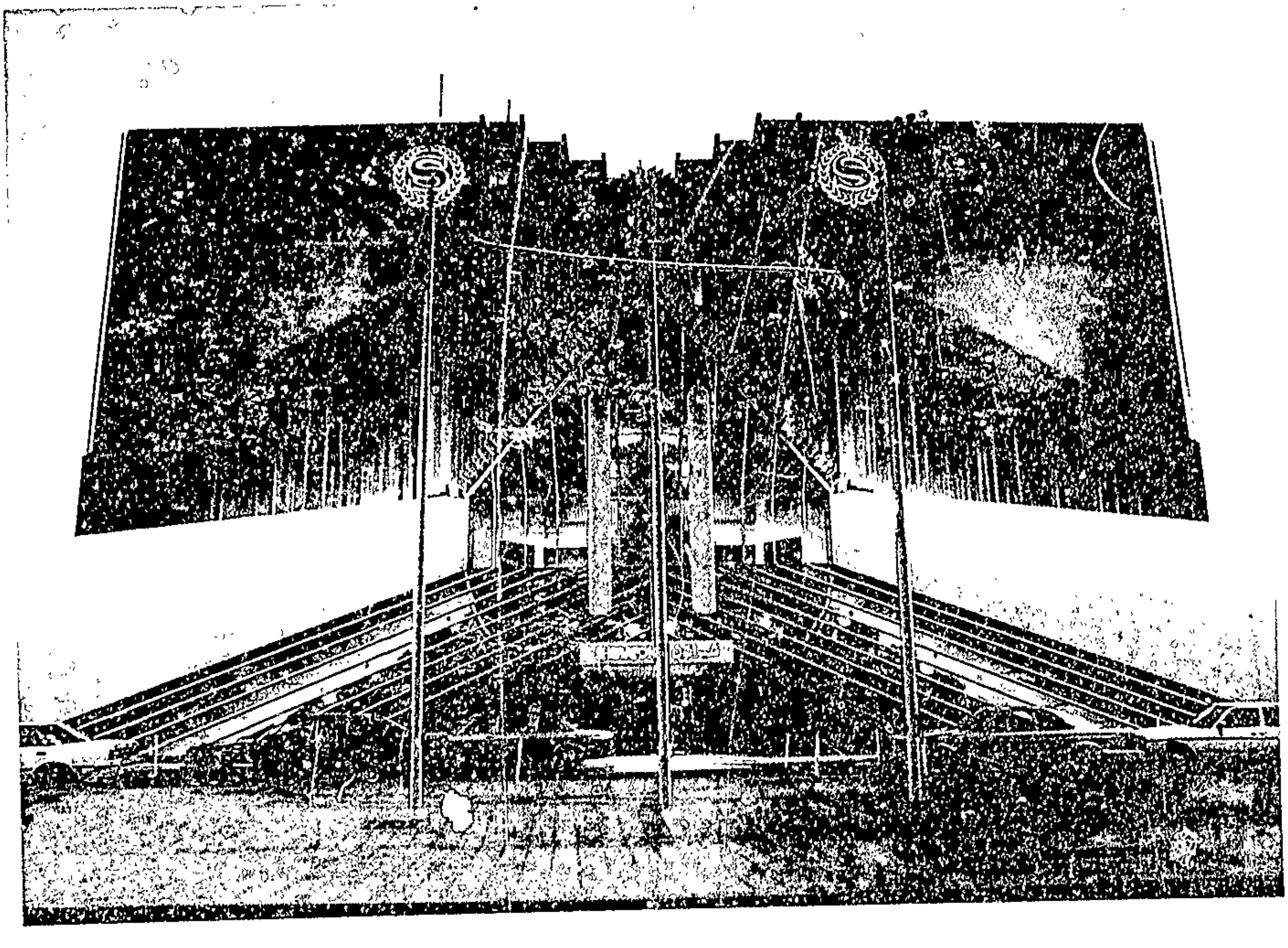
Computer-controlled Cornelius beer dispense equipment.

The head office and works of Cornelius Apparate at Langenfeld, West Germany, from which Cornelius operations in Continental Europe are directed.



Increases in market share throughout the Continental European operations contributed to a very favourable performance. Dispense equipment sales, especially in Germany, Benelux and France, improved significantly with demand in Spain and Italy also continuing strong. Prospects in East Europe over the next few years look encouraging with much interest in our range of products which were prominently displayed during the Moscow International Exhibition.

We also had a good year in the UK with further sales growth in both home and export markets, particularly in an extended range of brewery products. The soft drinks equipment market suffered from uncertainties created by the major bottler rationalisation but we are well placed to benefit from the expected growth in bulk dispense as a result of this restructuring. In October we acquired Coldflow Ltd, with factories in Sheffield and Eastbourne, from British Syphon. The necessary actions are being implemented to ensure that significant benefits from the merged IMI Cornelius/Coldflow activity will be achieved during the current year.



[illegible]

Turnover	£m
1982	64
1983	98
1984	115
1985	130
1986	134

Profit before taxation	£m
1982	4.3
1983	9.8
1984	13.0
1985	12.5
1986	13.1

T A J Lamb *IMI Director*

NORGREN MARTONAIR LIMITED
D R L Lyon *Managing Director*

NORGREN MARTONAIR GmbH
(Federal German Republic)
Dr H G Cremer *Geschäftsführer*

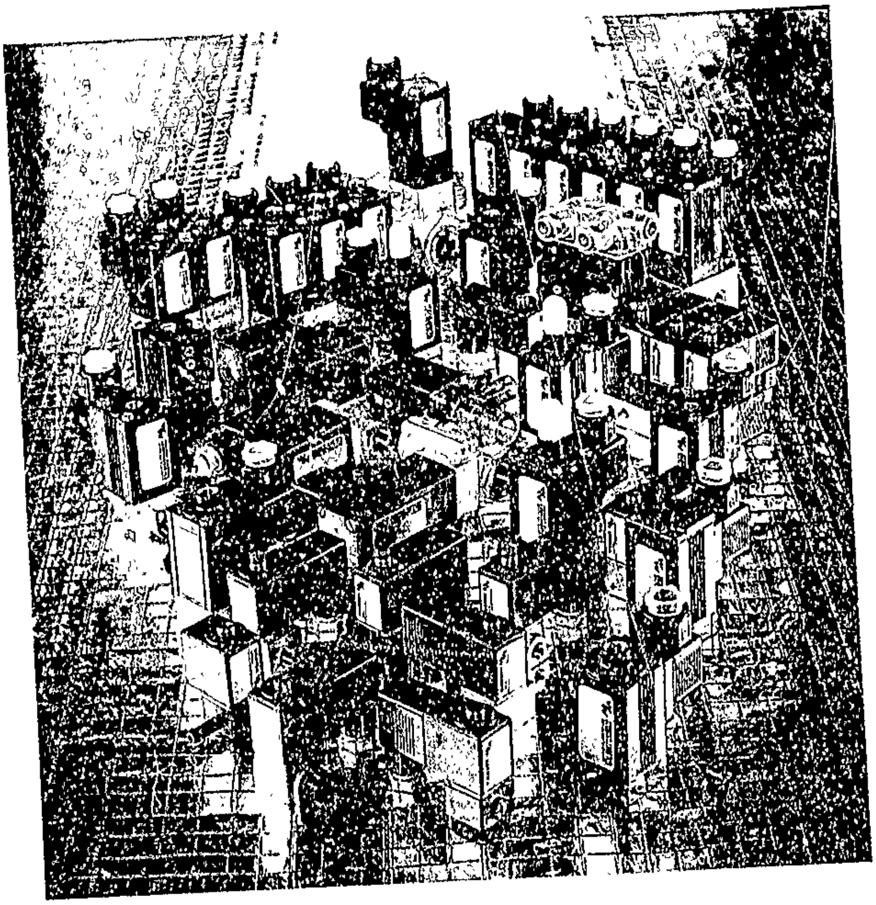
C A NORGREN CO *(USA)*
G C Loury *President*

NORGREN MARTONAIR PACIFIC LIMITED *(Hong Kong)*
P Slater *Deputy Chairman*

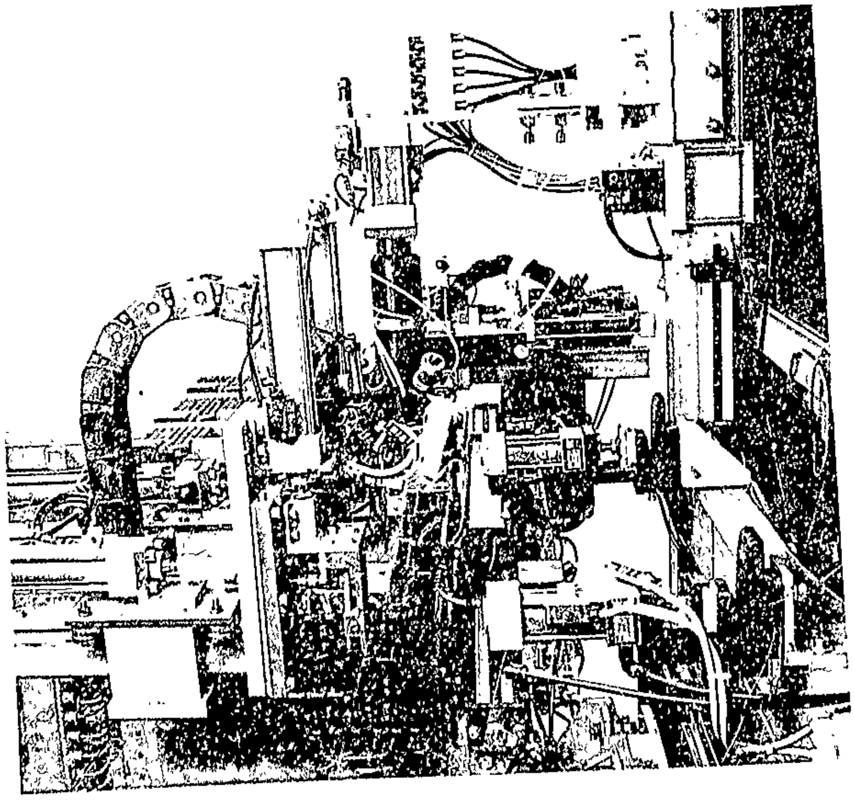
As at March 1987

In fluid power the year was dominated by our acquisition of Martonair International. This took place in April and, in consequence, the IMI fluid power group became one of the leading manufacturers of pneumatic equipment in the world. There was a remarkably good fit between Martonair and our own operations both in terms of products and the markets served. Martonair was especially strong in pneumatic controls and in Continental Europe whereas our strengths were in air service units and in the USA. By the end of the year we had taken the necessary action to secure the benefits of integrating Martonair's operations with our own, though there is further work to be done to rationalise the product ranges. The benefits are living up to expectations and will reflect in the trading account on an increasing scale from 1987 onwards.

In most markets we combined the operations under the name "Norgren Martonair" and in the UK, where there was the greatest overlap, we carried out a major



Webber electro pneumatic components



This [illegible] computer controlled machine for the assembly of windows in cars makes extensive use of Norgren Martonair equipment

programme of headquarters, factory and branch rationalisation. Following the acquisition we also purchased Webber Electro Components, principally to secure an in-house supplier of solenoid valves, and McKinnon Nicholls in Australia, to ensure continuity of assembly and distribution in that market.

In terms of results for the year, the UK reflected a flat pattern of demand in the second half, with some improvement at the year end. Our small compressor company, IMI Fluidair, recorded a useful increase in profit, and Watson Smith instrumentation products continued to make a growing contribution. This activity was integrated with Norgren Martonair and moved into a larger factory in Leeds.

We achieved good results from the various activities in Continental Europe. In West Germany the market was buoyant throughout and Norgren Martonair performed exceptionally well. Our Italian company recorded another excellent year and there were substantial contributions from Austria, Denmark, France, Holland, Spain and Switzerland.

In the USA we experienced another year of uncertain and fluctuating market trends with some attendant pressure on margins. However, the year finished strongly and, taking account of exchange movements and the high cost incurred by C.A. Norgren in establishing its own sales and distribution centre in California, the final result was similar to 1985. Our Brazilian operation made a useful contribution to fluid power group results.

We continued to make progress in building up our position in the Pacific region, principally in Australia, New Zealand, Singapore and Hong Kong. The acquisitions of Martonair and McKinnon Nicholls will assist this process further. We have concluded an arrangement with a Japanese company to re-establish the "Norgren" product range in Japan.

Turnover	£m
1982	61
1983	62
1984	79
1985	[illegible]
1986	134

Profit before taxation	£m
1982	1.7
1983	1.9
1984	9.3
1985	11.2
1986	17.0

T A J Lamb *IMI Director*

IMI BAILEY BIRKETT LIMITED
B M Williams *Managing Director*

MECAFRANCE SA *(France)*
V Lucaire *Président-Directeur-Général*

CONTROL COMPONENTS INC. *(USA)*
N Beaumont *President*

MAPEGAZ-REMATI SA *(France)*
J M Kuchly *Président-Directeur-Général*

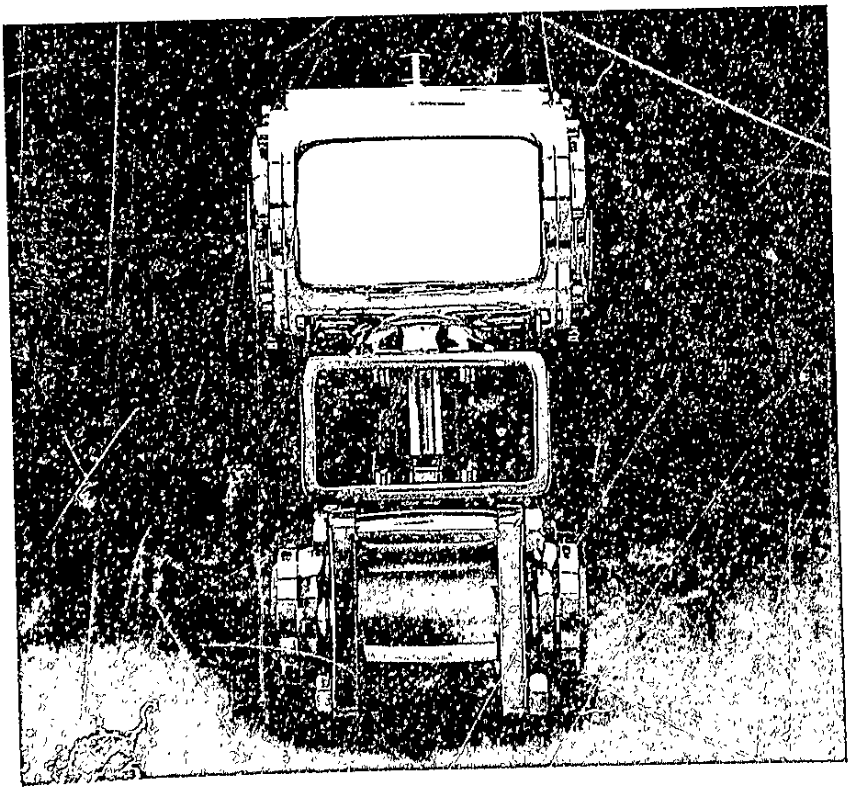
As at March 1987

Rick Hanks mounts a CCI severe service control valve in a test loop for noise and performance measurement.

We continued to make good returns in special-purpose valves. The oil-related markets, however, remained depressed and we were unable to move off the plateau of results of the last few years.

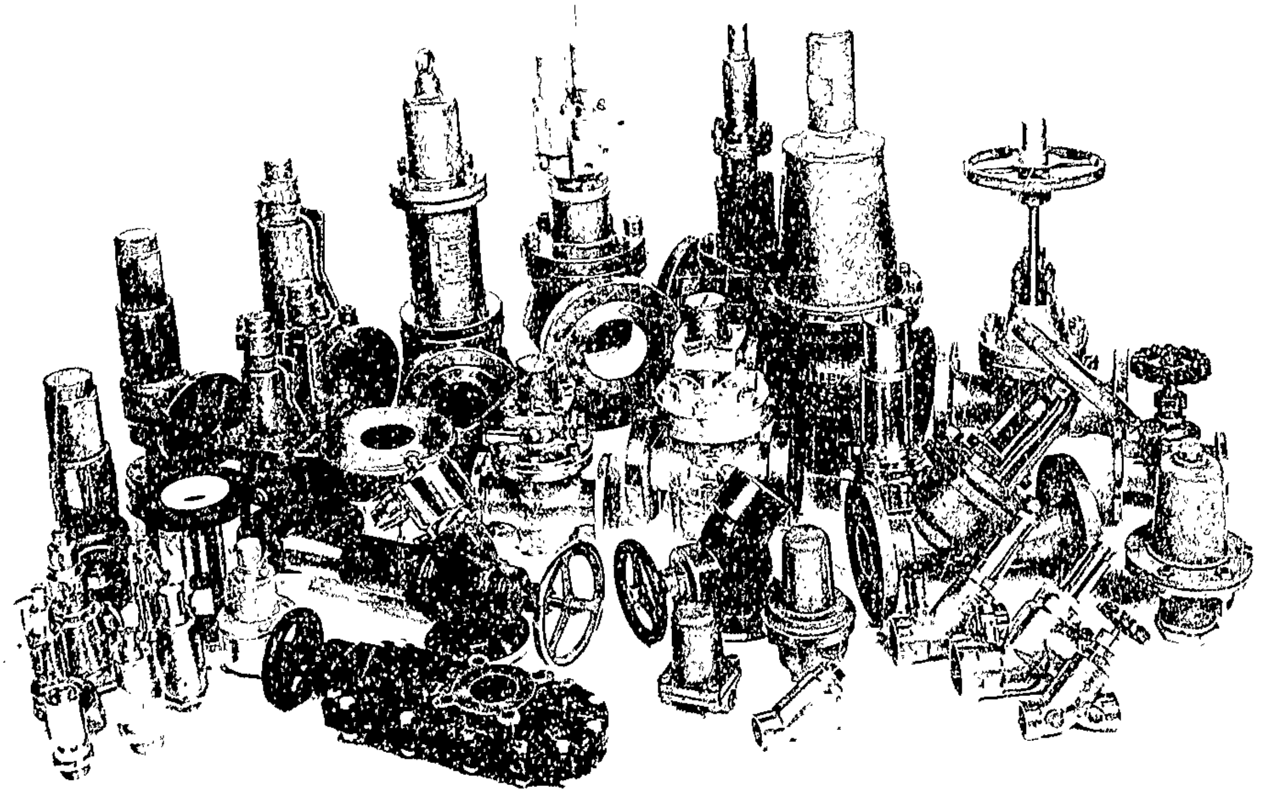
Of our four companies in this field, Mapegaz in France had the most difficult time and immediate prospects are not encouraging. Except during the first quarter, order intake was exceptionally low and project cancellations and postponements were common throughout the oil industry. The French market was at a standstill for most of the year and we endeavoured to increase export business as well as to reduce our dependence on the oil industry. Further reductions in costs were achieved and more will be necessary.

Mecafrance's "state of the art" valve bodies will accept the latest ISO-standard actuator mountings



IMI Bailey Birkett, in the UK, operates in very much the same oil-related field as Mapegaz and, while it had a difficult year, its problems were not on the same scale. Project work held up reasonably well against industry trends and a June launch of a new control valve range, based on technology from Koso, our Japanese joint venture partners, resulted in useful orders from the UK and Norwegian markets. The company continued to benefit from the advanced manufacturing facilities which have been installed in recent years.

We were considerably more successful in the USA where Control Components achieved a good result. It did well to improve its position in the US power generation market but currency movements adversely affected newer product lines of European and Japanese origin. Relocation of the activity to an advanced, purpose-built factory will be completed early in the current year.



Some of IMI Bailey Birkett's range of process valves and energy systems products

Mecafrance consolidated further the strong position it has established in the chemical industry and, while many of its markets were sluggish, order intake gradually improved through the year. We successfully introduced valves with the ISO-standard actuator mountings and now lead the field in this development. West Germany is still the strongest geographical market but efforts were intensified elsewhere, notably in the USA, where the Mecafrance offshoot, MCF Americas based in Houston, made rapid progress in penetrating the US market.

Turnover	£m
1982	41
1983	36
1984	38
1985	38
1986	41

Profit before taxation	£m
1982	3.8
1983	4.1
1984	3.9
1985	4.2
1986	4.2

General engineering (and other activities)

D V Ayres *IMI Director*

IMI YORKSHIRE ALLOYS LIMITED
F J Benton *Managing Director*

ROYAL ORDNANCE SUMMERFIELD
H M Darwell *Managing Director*

R Amos *IMI Director*

ELEY LIMITED
E Lewis *Managing Director*

IMI COMPONENTS LIMITED
K R Collie *Managing Director*

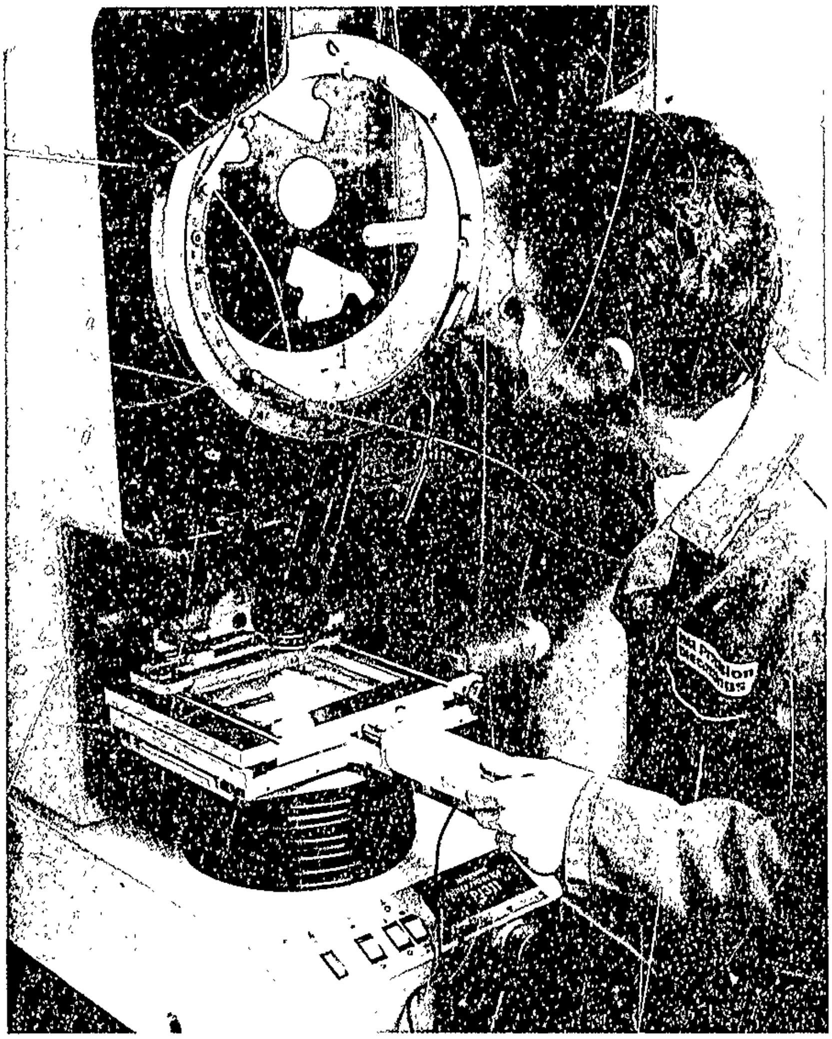
IMI COMPUTING LIMITED
D A Williamson *Managing Director*

HOLFORD ESTATES LIMITED
B K Jones *Managing Director*

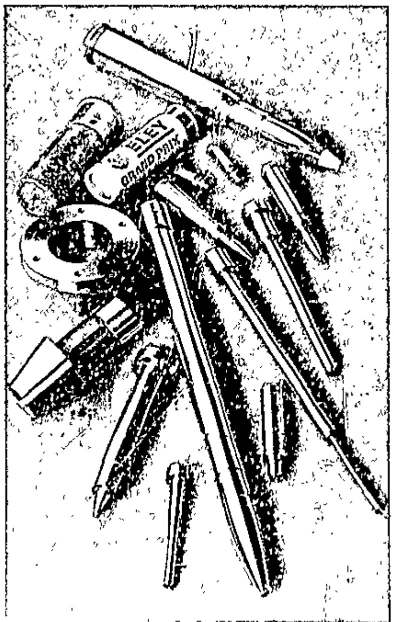
As at March 1987

While continuing to record a good return, the alloy tube activity was again affected by the flatness of its markets, particularly in the oil and offshore industries. Severe competition for the available business kept margins under pressure and IMI Yorkshire Alloys did well to maintain profit close to the 1985 level.

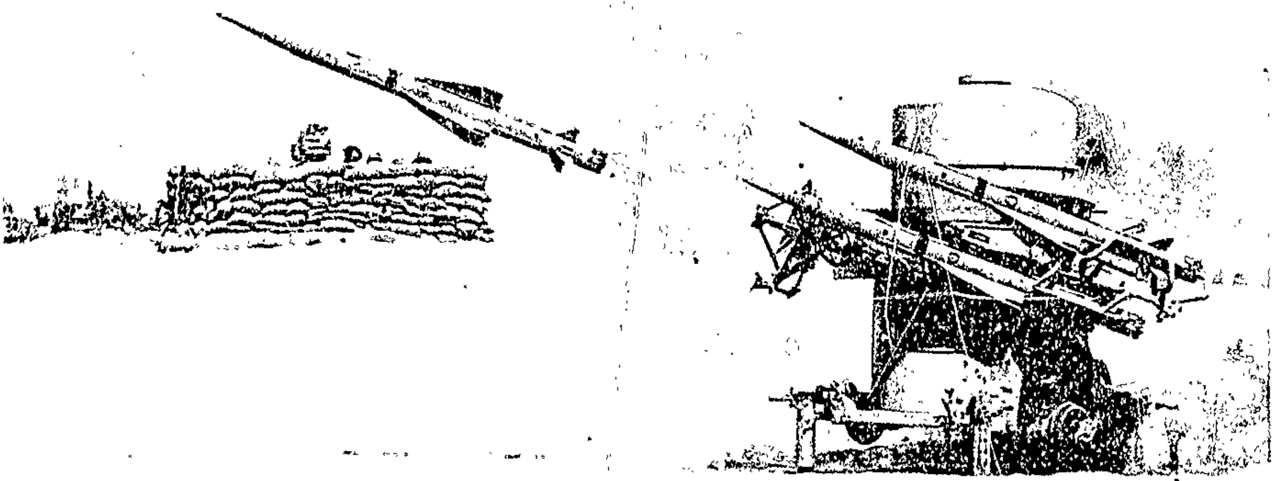
We signed a new agency contract to manage the Summerfield rocket motor activity for Royal Ordnance PLC. The contract provides for a profit sharing arrangement and the activity contributed profits at about the same level as the good result achieved in 1985.



Quality inspector Craig Rawlins of IMI Precision Diecastings (part of IMI Components) using a profile projector to check dimensional accuracy of a casting



High precision tools made by IMI Kynoch Engineering (part of IMI Components) are used in the manufacture of Eley sporting and military ammunition



Eley maintained profits at last year's level after a slow start in the first half. Sales of shotgun cartridges in overseas markets were lower, particularly in North America, but some headway was made with rimfire cartridges. The important European market benefited from favourable exchange rates and a significant increase in demand for the prestigious "Tenex" brand. Once again Eley had an excellent record at the World Championships in East Germany with 26 gold, 22 silver and 23 bronze medals being won. Further overseas contracts were concluded during the year for use of the Eleyprime process.

IMI Components, comprising a number of activities at Witton, achieved a substantial increase in profits. Principally this was the result of continued growth in components for the nuclear energy industry and a high level of activity in the IMI Mint.

IMI Computing continued to expand its external business and future prospects for further growth look encouraging. The activity now contributes to results at a significant level.

The Holford property development on the Witton site progressed well and all but one of the speculative units built on the first 45 acres released have now been let. Enquiries for pre-let units were good with some proceeding to completion and some currently under negotiation. In total some 233,000 sq ft had been let by the year end.

Turnover	£m
1982	73
1983	70
1984	79
1985	83
1986	83

Royal Ordnance Summerfield supplies the rocket motor for the British Aerospace Rapier missile.

Profit before taxation	£m
1982	4.6
1983	2.6
1984	6.5
1985	8.6
1986	8.6

Refined and wrought metals

W Brittain *IMI Director*

IMI TITANIUM LIMITED
T W Farthing *Managing Director*

D V Ayres *IMI Director*

IMI ROLLED METALS LIMITED
M J O'Donnell *Managing Director*

IMI REFINERS LIMITED
C G H Foster *Managing Director*

IMI WOLVERHAMPTON METAL LIMITED
J E Pugh *Managing Director*

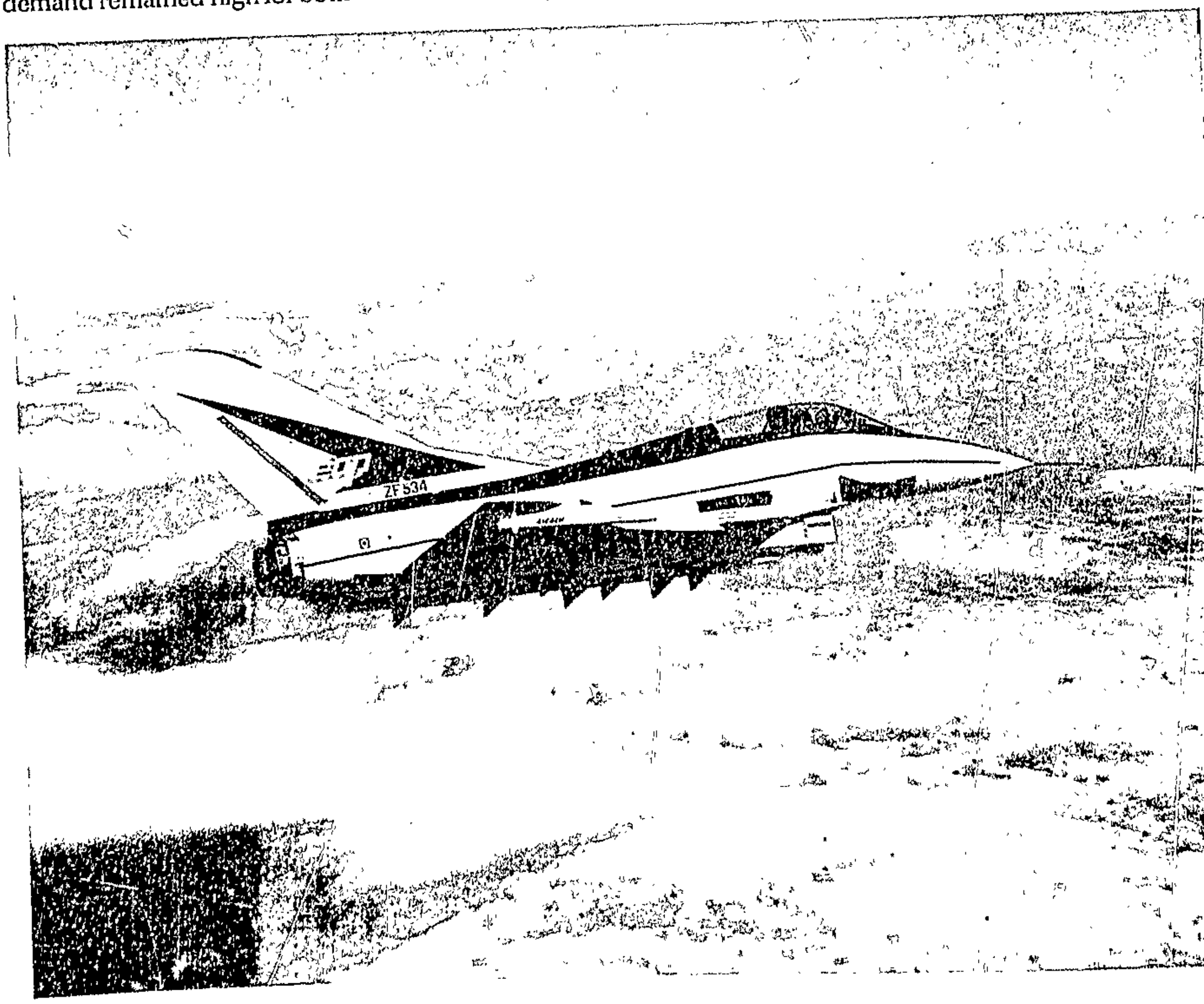
As at March 1987

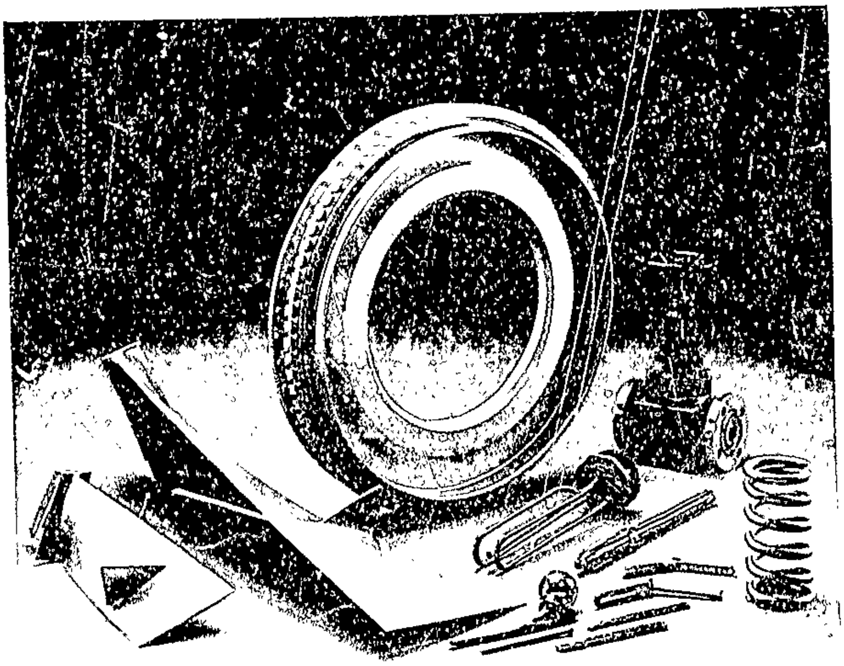
The further substantial increase in profits in this sector largely reflected continued growth of our titanium business, despite severe competition from low-priced US and Japanese imports. Aerospace demand remained high for both civil and military aircraft applications and there was increased interest in the use of titanium in missiles.

We continued to spend heavily on alloy research and development and one of our newest alloys, IMI 834, is a prime contender for the compressor stages of the European Fighter Aircraft engine. It is also being evaluated by US engine manufacturers for discs and impellers. We are still finding it difficult to establish the presence necessary in the USA to overcome high tariffs and sourcing policies of the defence authorities. Outside the aerospace sector, demand for seamless tube was good but we ceased to manufacture welded tube which had proved over a number of years to be insufficiently profitable.

For IMI Rolled Metals, 1986 proved to be a near repetition of the previous year. Strong demand for sheet again failed to offset the declining business for strip in general engineering applications and competition remained intense. By contrast Bailey Gill Products had a better year in stamping and machined components.

Advanced titanium alloys are supplied by IMI Titanium for the engine and airframe of the British Aerospace EAP (Experimental Aircraft Programme) technology demonstrator.





IMI Refiners' results did not come up to expectations despite a high level of demand for its finished products. Reduced metal prices caused a substantial reduction in income with the full force of the 'tin crisis' and the fall in other by-product revenues exacerbating the effect of the low copper price. Some plant problems occurred in the smelter area with a consequent increase in operating costs. IMI Wolverhampton Metal had a much better year, partly resulting from action taken earlier to reduce costs and also some greater stability in the non-ferrous secondary ingot business sector.

Turnover	£m
1982	204
1983	239
1984	244
1985	244
1986	194

Profit before taxation	£m
1982	0.3
1983	2.3
1984	4.0
1985	11.5
1986	13.6

Directors' report

The year's results
The consolidated profit and loss account is shown on page 22. Group profit on ordinary activities before taxation amounted to £73.3m (1985: £57.8m)

After extraordinary losses of £3.2m (1985: £2.8m) earnings applicable to shareholders of IMI plc amounted to £49.0m (1985: £37.3m)

Dividends
The Directors recommend a final dividend at the rate of 3.5p per share on the ordinary share capital payable on 22 May 1987 to shareholders on the register at the close of business on 24 April 1987. Together with the interim dividend of 2.5p per share paid on 20 October 1986 this makes a total distribution for the year of 6.0p per share (1985: 5.25p per share)

Principal activities
The Company and its subsidiaries comprise a diversified engineering group which manufactures and sells in a wide area of industrial and commercial activity. The Group's business falls into the following main business classes: building products, heat exchange, drinks dispense, fluid power, special-purpose valves, general engineering (and other activities) and refined and wrought metals. Subsidiary companies operating within these classes of business are listed with a description of their main activities on pages 38 and 39. The turnover and profit attributable to each of these classes of business are shown in Note 2 on page 26.

Review of activities
The activities of the Group in 1986, together with indications of likely future developments, are reviewed on pages 6 to 19.

Capital expenditure and changes in fixed assets
Expenditure on fixed assets was £32.6m compared with £26.5m in 1985. UK expenditure, including purchase of the assets of the capillary fittings business of Glynwed Tubes & Fittings Limited, accounted for £20.2m, the rest of Europe £5.0m and the rest of the world £7.4m.

Details of changes in the fixed assets of the Group are shown in Notes 10 and 11 on pages 28 and 29.

Research and development
Expenditure on research and development in 1986 was £7.9m compared with £7m in 1985. Major areas of expenditure were drinks dispense, mainly on new and improved bulk dispense products; fluid power, principally on dynamic control systems for automated manufacturing processes; IMI Titanium on alloy development; Marston Palmer on production and testing methods for heat exchangers; new designs for special-purpose valves and improvements at IMI Refiners in furnace operation and electro-refining.

Share capital
In 1986 the Company issued 49,150,060 new ordinary shares and 1,598,950 new 6.3% cumulative redeemable preference shares in connection with the acquisition of Martonair International p.l.c. No other shares were issued by the Company except for 147,084 new ordinary shares under employee share schemes.

At the Annual General Meeting of the Company held on 27 April 1982 a general authority was given to the Directors pursuant to Section 14 of the Companies Act 1980 (now Section 80 of the Companies Act 1985) enabling them to allot authorised but unissued shares within a five year period from that date. At the same and subsequent Annual General Meetings an additional authority was given to the Directors pursuant to Section 18(1) of the Companies Act 1980 (now Section 95(1) of the Companies Act 1985) enabling them to allot equity securities up to an aggregate nominal value of 5 per cent of the Company's authorised share capital as if Section 17(1) of that Act (now Section 89(1) of the Companies Act 1985), which gives pre-emption rights to existing shareholders, did not apply. The Directors consider it advisable to seek renewal of the general authority to allot authorised but unissued ordinary shares and to retain the ability to make small allotments of such shares for cash to persons other than existing ordinary shareholders. They accordingly recommend approval of the resolutions set out in paragraphs B and C in the notice of meeting on pages 40-41.

The Directors have not been informed pursuant to Section 198 of the Companies Act 1985 that any person or company holds any interest in the Company amounting to, or exceeding, 5 per cent of its issued share capital.

Acquisitions and disposals
Following the recommended offer by the Company for the whole of the share capital of Martonair International p.l.c., that company was acquired with effect on 17 April 1986. In addition a total of £18m was spent in cash during the year on acquisitions including, in the fluid power area, Webber Electro Components PLC and, in drinks dispense, Coldflow Limited. Also during the year the switchgear division of IMI Santon Limited was sold for £1.2m. Since the September year end of the Australian subsidiaries, McKinnon Nicholls, which operates in the fluid power area in Australia, was acquired.

Taxation status
The Company is not and has never been a close company within the meaning of the Income and Corporation Taxes Act 1970 (as amended).

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. They are assisted at large sites by local medical officers and at each unit specific members of staff have defined safety duties. The Group also employs a full-time Medical Adviser who is assisted by an occupational hygiene unit, safety officers and environmental specialists. Full co-operation is afforded to government and other inspectorates on health, safety and environmental matters.

Employee involvement
The Directors believe that benefit is derived from the provision of systematic channels for employee participation. Formal joint consultative machinery has been in operation in all except the very smallest units for many years and throughout the Group exchange of information between management and employees is strongly encouraged.

During 1986 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 particular unit in which they are employed.

An employee profit sharing scheme has been operated for many years providing an annual profit-related bonus to members of the scheme, which covers most UK employees. Since 1980 an opportunity to take the bonus in the form of the Company's shares has been available to members of the scheme. In 1984, an Inland Revenue approved savings-related share option scheme was introduced for UK employees.

Copies of a report on employment practices made to the Department of Trade and Industry in 1986 in accordance with the EEC Code of Conduct for companies with interests in South Africa are available on request.

A summary of this Annual Report is produced for employees and a copy of the full Annual Report is also 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.

Donations
£66,000 was given during 1986 for charitable purposes. No money was given during the year for political purposes.

Intra-Group pricing policy
The Group's policy is that transfer pricing shall conform with the laws and regulations of the countries between which the transfer is made. Intra-Group sales across national boundaries are a small fraction of the Group business: in 1986 the figure was approximately £25m, or less than 3 per cent of total sales. Transfers are generally priced on an arm's-length basis, but a cost-plus formula is used for some specialised components.

Directors
The Directors whose names appear on pages 2 and 3 were Directors throughout the year; in addition Mr E Swainson was a Director from the beginning of the year until he retired from the Board on 20 May 1986.

Under Article 104, Messrs R Amos and D V Ayres and Dr T A J Lamb retire by rotation and are recommended for re-election. Mr Amos and Dr Lamb are Executive Directors and have service contracts which may be terminated by either party on three years' notice. Mr Ayres is an Executive Director and has a service contract which will terminate on his retirement on 31 December 1989.

Directors' interests
The interests of the Directors and their families in the share and loan capital of the Company and its subsidiaries are shown in note 19 on page 34, together with their interests in the Company's employee share option schemes.

Auditors
The auditors, Peat, Marwick, Mitchell & Co, will practice under the name of Peat Marwick McLintock from 1 April 1987. They are willing to continue in office and a resolution re-appointing them in accordance with Section 384 of the Companies Act 1985 and authorising the Board to fix their remuneration will be put to the Annual General Meeting.

By order of the Board
J. Metcalf, Secretary
Witton, Birmingham B6 7BA
23 March 1987

Consolidated profit and loss account

for the year ended 31 December 1986

	Notes	1986 £m	1985 £m
Turnover	2	**780.3**	**766.2**
Cost of Sales		(571.4)	(579.8)
Gross Profit		208.9	186.4
Distribution costs		(83.5)	(73.2)
Administration expenses		(53.7)	(51.5)
		71.7	61.7
Other operating income		3.6	2.0
Trading profit		**75.3**	**63.7**
Income from fixed asset investments	3	3.2	3.2
Net interest payable	4	(5.2)	(9.1)
Profit on ordinary activities before taxation	2	**73.3**	**57.8**
Tax on profit on ordinary activities	5	(20.6)	(17.2)
Profit on ordinary activities after taxation		**52.7**	**40.6**
Applicable to minority shareholders of subsidiaries		(0.5)	(0.5)
Profit applicable to shareholders of IMI plc before extraordinary items		52.2	40.1
Extraordinary loss after taxation	6	(3.2)	(2.8)
Profit for the financial year applicable to shareholders	7	**49.0**	**37.3**
Dividends	8	**(19.2)**	**(14.1)**
Retained profit		29.8	23.2
Earnings per ordinary share	9		
Excluding extraordinary items		17.1p	14.9p
Including extraordinary items		16.1p	13.9p

Balance Sheets
at 31 December 1986

		The Group		The Company	
	Notes	1986 £m	1985 £m	1986 £m	1985 £m
Fixed assets					
Tangible assets	10	158.7	138.2	—	—
Investments	11	22.8	22.2	276.4	266.2
		181.5	160.4	276.4	266.2
Current assets					
Stocks	12	200.6	178.9	—	—
Debtors	13	158.9	137.3	98.5	114.0
Listed investments		—	10.0	—	10.0
Cash and deposits		80.2	57.6	48.4	36.0
		439.7	383.8	146.9	160.0
Creditors: amounts falling due within one year					
Loans and overdrafts	14	(56.9)	(23.8)	(32.3)	(7.6)
Other creditors	15	(160.4)	(148.0)	(57.8)	(72.4)
Net current assets		222.4	212.0	56.8	80.0
Total assets less current liabilities		403.9	372.4	333.2	346.2
Creditors: amounts falling due after more than one year					
Loans	16	(78.2)	(102.6)	(60.7)	(90.7)
Other creditors	17	(9.7)	(8.7)	(27.8)	(30.9)
Provisions for liabilities and charges	18	(22.5)	(14.9)	—	—
		293.5	**246.2**	**244.7**	**224.6**
Capital and reserves					
Called up share capital	19	81.2	67.2	81.2	67.2
Share premium account	20	60.9	60.7	60.9	60.7
Revaluation reserve	20	0.5	0.5	—	—
Other reserves	20	9.9	2.3	—	—
Profit and loss account	20	136.2	109.8	102.6	96.7
		288.7	240.5	244.7	224.6
Minority interests in subsidiaries		4.8	5.7	—	—
		293.5	**246.2**	**244.7**	**224.6**

Robert Clark
Gary Allen

Robert Clark
Gary Allen
Directors

	1986		1985	
	£m	£m	£m	£m
Source of funds:				
Profit before taxation		73.3		57.8
Extraordinary loss before taxation		(3.3)		(2.9)
		70.0		54.9
Adjustments for items not involving the movement of funds:				
Depreciation	22.5		18.9	
Other items	3.0	25.5	(3.1)	15.8
Total generated from operations		95.5		70.7
Funds from other sources:				
Disposal of tangible fixed assets	2.6		7.9	
Disposal of fixed asset investments and loan repayments	2.8		1.2	
Proceeds from issue of shares	0.3	5.7	0.2	9.3
		101.2		80.0
Application of funds:				
Purchase of fixed assets	(32.6)		(26.5)	
Fixed asset investments	(0.1)		—	
Acquisition of subsidiary companies	(18.0)		0.2	
Goodwill purchased	(0.4)		(1.8)	
Provisions utilised	(6.3)		(2.5)	
Taxation paid	(17.6)		(10.1)	
Dividends paid	(16.2)	(91.2)	(12.6)	(53.3)
		10.0		26.7
(Increase)/decrease in working capital:				
Stocks	3.2		14.5	
Debtors	2.7		4.3	
Creditors	(12.8)	(6.9)	(11.0)	7.8
Movement in net liquid resources		3.1		34.5
Made up of changes in:				
Short term investments and bank balances		11.8		10.3
Bank overdrafts and borrowings		(8.7)		24.2
Decrease in net borrowings		3.1		34.5

The effect of the acquisition and disposal of subsidiary companies is summarised below:

	1986	1985
Net assets acquired/sold:	£m	£m
Fixed assets	12.8	1.6
Goodwill	74.2	1.9
Working capital	19.3	(0.1)
	106.3	3.4
Cash/(borrowings) on acquisitions	0.8	(3.6)
	107.1	(0.2)
Discharged by:		
Nominal value of shares issued	13.9	—
Premium on shares issued	75.2	—
Cash	18.0	(0.2)
	107.1	(0.2)

1. Accounting policies

(a) Basis of accounting

The accounts have been prepared under the historical cost convention modified by the revaluation of certain tangible fixed assets.

(b) Consolidation

The consolidated accounts incorporate the accounts of IMI plc and all of its subsidiary companies, together with the Group's share of the audited results of major associated companies. The results of subsidiaries acquired or sold during the year are included from the date of acquisition or to the date of disposal.

Goodwill arising on the acquisition of subsidiaries and businesses, being the excess of cost over the fair value of the net assets at the date of acquisition, is written off to reserves.

In order to avoid undue delay in the presentation of consolidated accounts the accounts of certain overseas subsidiaries are made up to 30 September. Major associated companies accounts are made up to dates within three months of 31 December. The accounts of all other group companies are made up to 31 December.

A separate profit and loss account dealing with the results of the Company has not been presented.

(c) Related companies

The consolidated accounts include the Group's share of the results of major associated companies. In the case of other related companies, situated primarily overseas, the consolidated accounts include only dividends and interest receivable. In the opinion of the Directors the benefit of determining the Group's share of adjusted profits less losses for the year of the other related companies would not be commensurate with the time and expense which would be involved.

(d) Foreign currencies

Assets and liabilities denominated in currency have been translated into sterling at the rate of exchange ruling on 31 December 1986. The profit and loss accounts of overseas subsidiaries are translated at the appropriate average rates of exchange. Exchange differences arising on the retranslation of the opening net assets of overseas companies are taken directly to reserves, as are those on currency loans used for overseas investment. Differences arising on trading transactions in the year are reflected in profit before taxation.

(e) Depreciation

Freehold land and 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:

Freehold buildings	50 years
Leasehold land and buildings	period of lease
Plant and machinery	between 5 and 20 years

Expenditure on patents purchased by the Group is charged against profits in the year in which it is incurred.

(f) 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 fixed assets which is depreciated in the normal manner.

(g) 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.

No provision is made for any additional taxation which might become payable in the event of a distribution out of retained profits of overseas subsidiaries and major associated companies.

(h) Leasing

Lease rental costs are charged to the profit and loss account as they arise.

(i) Stocks

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

(j) Pensions

A number of pension funds are maintained both in the UK and overseas. With certain minor exceptions, these funds are independent of the Group's finances and are administered by Trustees. Annual contributions are determined on the recommendations of independent actuaries and are charged against profits in the year in which they are made.

2 Turnover and profit on ordinary activities before taxation

Turnover represents amounts invoiced by the Group 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:

	1986 Turnover £m	1986 Profit £m	1985 Turnover £m	1985 Profit £m
Building products	186	14.3	176	8.1
Heat exchange	74	6.8	77	4.9
Drinks dispense	134	13.1	130	12.5
Fluid power	134	17.0	85	11.2
Special-purpose valves	41	4.2	38	4.2
General engineering (and other activities)	83	8.6	83	8.6
Refined and wrought metals	194	13.6	244	11.5
	846	77.6	833	61.0
Items not attributable to specific classes of business	—	(4.3)	—	(3.2)
Intra group sales	(66)	—	(67)	—
	780	73.3	766	57.8

The analysis of turnover by market is:

	1986 £m	1985 £m
UK	388	403
Europe	180	135
North America	137	149
Asia	29	28
Australasia	15	18
Africa	18	22
Central and South America	13	11
	780	766

The following have been charged in arriving at profit on ordinary activities before taxation:

	Notes	1986 £m	1985 £m
Depreciation on tangible fixed assets		22.5	18.9
Bonus under employees' profit sharing scheme		1.8	1.7
Audit fees and expenses — UK		0.6	0.5
— overseas		0.7	0.5
Directors' emoluments	25	0.6	0.6
Property rents payable		3.4	2.9
Hire of plant and machinery		4.7	4.2

Turnover includes £48.5m and profit before taxation £5.7m in respect of subsidiaries acquired during the year.

3 Income from fixed asset investments

	1986 £m	1985 £m
Income from shares in related companies		
Share of profits of major associates	2.1	2.0
Dividends from other related companies	0.1	0.1
	2.2	2.1
Other income from related companies	0.8	1.0
Income from listed fixed asset investments	0.2	0.1
	3.2	3.2

4 Net interest payable

	1986 £m	1985 £m
Bank loans and overdrafts	8.2	10.1
Other loans		
Not wholly repayable within 5 years	1.6	2.6
Wholly repayable within 5 years	1.5	0.7
	11.3	13.4
Interest receivable	(6.1)	(4.3)
	5.2	9.1

Interest receivable comprises income from marketable securities, short term deposits and other sundry loans. It includes income from listed investments of £0.4m (1985: £1.1m).

5 Taxation

	1986 £m	1985 £m
Based on the profit of the year:		
UK corporation tax	12.5	11.5
Overseas taxes	7.1	5.5
Major associates	0.7	0.5
Adjustment for previous years	0.3	(0.3)
	20.6	17.2

Current UK corporation tax has been provided at 36.25% (1985: 41.25%). The charge for UK corporation tax has been reduced by advance corporation tax written back of £7.3m (1985: £7.5m) and double taxation relief of £0.6m (1985: £1.1m). An amount of £1.5m (1985: £0.5m) is included in respect of deferred taxation.

6 Extraordinary items

	1986 £m	1985 £m
Closure costs	(3.3)	(2.9)
Less tax relief	0.1	0.1
Extraordinary loss after taxation	(3.2)	(2.8)

7 Profit applicable to shareholders of IMI plc

Of the Group profit of £49.0m (1985: £37.3m), £25.1m (1985: £20.6m) has been dealt with in the profit and loss account of the Company.

8 Dividends

	1986 £m	1985 £m
6.3% Cumulative preference dividend	0.1	—
Ordinary dividend:		
Interim 2.5p (1985: 2.2p)	8.0	5.9
Proposed final 3.5p (1985: 3.05p)	11.1	8.2
	19.2	14.1

9 Earnings per ordinary share

The calculation of earnings per ordinary share excluding extraordinary items is based on earnings (after deducting the preference dividend of £0.1m) of £52.1m (1985: £40.1m). The earnings are calculated on 303.9m shares (1985: 268.9m) being the adjusted average number of shares in issue.

10 Tangible fixed assets

	Land and buildings			Plant and machinery			Payments on account and assets in course of construction	Total
	Gross book value	Depreciation	Net book value	Gross book value	Depreciation	Net book value	Net book value	Net book value
	£m	£m	£m	£m	£m	£m	£m	£m
At 31 December 1985	60.8	21.3	39.5	222.5	133.3	89.2	9.5	138.2
New subsidiaries	7.6	1.7	5.9	15.3	9.5	5.8	0.6	12.3
Capital expenditure	3.3	—	3.3	16.2	—	16.2	13.1	32.6
Sales, demolitions and adjustments	(0.8)	(0.3)	(0.5)	(11.0)	(8.9)	(2.1)	—	(2.6)
Transferred during the year	1.4	—	1.4	8.5	—	8.5	(9.9)	—
Exchange adjustments	1.5	0.5	1.0	1.1	1.4	(0.3)	—	0.7
Depreciation for year	—	2.7	(2.7)	—	19.8	(19.8)	—	(22.5)
At 31 December 1986	73.8	25.9	47.9	252.6	155.1	97.5	13.3	158.7

(i) The gross book value of land and buildings comprises:

		1986 £m	1985 £m
Freehold:	Land	6.3	4.7
	Buildings	59.6	50.0
Long leasehold		6.4	5.0
Short leasehold		1.5	1.1
At 31 December		73.8	60.8

(ii) Land and buildings include investment properties at a valuation of £2.1m. The valuation was carried out by an independent firm of chartered surveyors as at 31 December 1986.

(iii) Gross book value represents cost except for the investment properties and £0.5m in respect of a revaluation of land and buildings in an overseas subsidiary.

11 Fixed assets — investments

The Group

	Related companies Equity £m	Related companies Loans £m	Listed investments £m	Total £m
At 31 December 1985				
Major associates				
Cost	4.6	2.7	—	7.3
Group share of post acquisition profits	1.8	—	—	1.8
Other investments				
Cost	2.6	10.0	0.7	13.3
Less provisions	—	(0.2)	—	(0.2)
	9.0	12.5	0.7	22.2
Introduced by new subsidiaries	0.5	—	—	0.5
Additions	0.1	—	—	0.1
Disposals/repayments	—	(2.1)	(0.7)	(2.8)
Share of retained profits for the year	0.5	—	—	0.5
Exchange adjustments	0.2	2.1	—	2.3
At 31 December 1986	10.3	12.5	—	22.8
Major associates				
Cost	5.3	2.1	—	7.4
Group share of post acquisition profits	2.3	—	—	2.3
Other investments				
Cost	2.7	10.6	—	13.3
Less provisions	—	(0.2)	—	(0.2)
	10.3	12.5	—	22.8

(i) Details of major associates at 31 December 1986 are shown on page 39. The Group share of net assets at the date of acquisition was £2.8m.
(ii) The equity investment in the Opti Group was fully written off in 1981 and has therefore been excluded from the figures shown above for related companies.
(iii) Loans to related companies include loans to the Opti Group of £9.7m (1985: £9.3m) which are being repaid at various dates up to 1992. During the year £1.5m was repaid. However, the balance outstanding has increased due to movements in exchange rates.

The Company

	Subsidiaries Shares £m	Subsidiaries Loans £m	Related companies Shares £m	Related companies Loans £m	Listed investments £m	Other loans £m	Total £m
At 31 December 1985							
Cost	83.4	169.2	4.3	2.7	0.7	5.9	266.2
Additions	19.7	—	—	—	—	—	19.7
Disposals/repayments	—	—	—	(0.6)	(0.7)	—	(1.3)
Exchange adjustments	—	0.2	—	—	—	—	0.2
Transfers to subsidiaries	(2.5)	—	—	—	—	(5.9)	(8.4)
At 31 December 1986	100.6	169.4	4.3	2.1	—	—	276.4

(i) Details of subsidiary companies at 31 December 1986 are shown on pages 38 and 39.
(ii) The Company's cost of investment in subsidiaries is stated at the aggregate of (a) the cash consideration, (b) the nominal value of the shares issued as consideration where Sections 131 and 133 of the Companies Act 1985 apply and (c) in all other cases the market value of the Company's shares on the date they were issued as consideration.

12 Stocks

The main categories of stocks are as follows:

	1986 £m	1985 £m
Raw materials and consumables	55.5	46.3
Work in progress	61.3	65.3
Finished goods	84.7	68.3
Less payments on account	(0.9)	(1.0)
	200.6	178.9

The above classifications are those given by individual group companies in relation to their own activities and are not adjusted to reflect the impact of intra-group trading.

13 Debtors

	Group		Company	
	1986 £m	1985 £m	1986 £m	1985 £m
Falling due for payment within one year				
Trade debtors	137.0	120.2	—	—
Amounts owed by group companies	—	—	39.4	21.2
Amounts owed by related companies	1.6	0.8	—	—
Prepayments and accrued income	5.0	4.6	0.6	1.1
Other debtors	13.6	8.8	—	—
	157.2	134.4	40.0	22.3
Falling due for payment after more than one year				
Trade debtors	0.2	0.2	—	—
Amounts owed by group companies	—	—	58.5	91.7
Other debtors	1.5	2.7	—	—
	1.7	2.9	58.5	91.7
Total	158.9	137.3	98.5	114.0

14 Loans and overdrafts: amounts falling due within one year

	Group		Company	
	1986 £m	1985 £m	1986 £m	1985 £m
Bank loans and overdrafts	54.5	21.8	32.3	7.6
Other loans	2.4	2.0	—	—
	56.9	23.8	32.3	7.6

The Group borrowings include bank loans and overdrafts of £2.1m (1985: £1.8m) and other loans of £1.7m (1985: £1.5m) which are secured by charges over the assets of certain overseas subsidiary companies.

15 Other creditors: amounts falling due within one year

	Group		Company	
	1986 £m	1985 £m	1986 £m	1985 £m
Payments received on account	0.6	0.2	—	—
Trade creditors	72.4	69.2	—	—
Bills of exchange payable	3.6	3.6	—	—
Amounts owed to group companies	—	—	33.5	52.0
Amounts owed to related companies	0.6	0.3	—	—
Corporation tax	6.5	5.0	0.3	—
Other taxation	25.8	23.9	7.6	7.0
Social security	4.3	3.3	—	—
Accruals and deferred income	31.7	32.4	3.7	3.3
Proposed dividend	11.1	8.2	11.1	8.2
Other creditors	3.8	1.9	1.6	1.9
	160.4	148.0	57.8	72.4

16 Loans: amounts falling due after more than one year

	Group		Company	
	1986 £m	1985 £m	1986 £m	1985 £m
Bank loans	41.3	64.7	30.6	60.6
Loan stock	30.1	30.1	30.1	30.1
Other loans	6.8	7.8	—	—
	78.2	102.6	60.7	90.7

(i) Details of loans falling due after more than one year are given below:-

	Group		Company	
	1986 £m	1985 £m	1986 £m	1985 £m
Bank loans				
Secured	1.7	0.5	—	—
Unsecured	39.6	64.2	30.6	60.6
	41.3	64.7	30.6	60.6
Loan stock				
Unsecured				
8 per cent Loan Stock 1985/90	5.0	5.0	5.0	5.0
7¼ per cent Loan Stock 1986/91	12.0	12.0	12.0	12.0
8¼ per cent Loan Stock 1987/92	1.5	1.5	1.5	1.5
7¾ per cent Loan Stock 1988/93	10.0	10.0	10.0	10.0
5½ per cent Loan Stock 2001/06	1.6	1.6	1.6	1.6
	30.1	30.1	30.1	30.1
Other loans				
Not wholly repayable within five years				
Secured				
10⅜ per cent US dollar loan repayable in equal monthly instalments terminating 1993	3.5	4.0	—	—
Other loans at variable rates of interest repayable up to 1996	1.8	1.9	—	—
Unsecured				
Sundry loans at variable rates of interest repayable up to 1994	0.5	0.5	—	—
Wholly repayable within five years				
Secured	0.6	0.5	—	—
Unsecured	0.4	0.9	—	—
	6.8	7.8	—	—
Total loans	78.2	102.6	60.7	90.7

Security consists of charges over the assets of certain overseas subsidiary companies.

(ii) Repayment of loans

	Group		Company	
	1986 £m	1985 £m	1986 £m	1985 £m
Bank loans				
Between one and two years	5.4	26.8	1.6	26.3
Between two and five years	19.6	18.2	14.0	16.4
In five years or more	16.3	19.7	15.0	17.9
	41.3	64.7	30.6	60.6
Loan stock and other loans				
Between one and two years	1.1	1.3	—	—
Between two and five years	20.3	8.1	17.0	5.0
In five years or more	15.5	28.5	13.1	25.1
	36.9	37.9	30.1	30.1
Total loans	78.2	102.6	60.7	90.7

17 Other creditors: amounts falling due after more than one year

	Group		Company	
	1986 £m	1985 £m	1986 £m	1985 £m
Amounts owed to group companies	—	—	27.8	30.9
Corporation tax payable 1988	1.9	2.6	—	—
Other taxation	2.6	—	—	—
Accruals and deferred income	5.2	6.1	—	—
	9.7	8.7	27.8	30.9

18 Provisions for liabilities and charges

	Group			
	Deferred taxation	Pensions	Other	Total
	£m	£m	£m	£m
At 31 December 1985	1.6	1.4	11.9	14.9
New subsidiaries/(transfers)	(1.7)	2.0	8.0	8.3
Exchange adjustments	—	0.3	0.1	0.4
Utilised during the year	—	(0.2)	(6.1)	(6.3)
Profit and loss account charge	1.5	0.3	3.4	5.2
At 31 December 1986	1.4	3.8	17.3	22.5

(i) The maximum potential liability for deferred tax, calculated at 35 per cent, and the amount provided are as follows:-

	1986		1985	
	Potential liability £m	Provided £m	Potential liability £m	Provided £m
Accelerated capital allowances	26.6	13.2	27.0	14.6
Other timing differences	(4.9)	(4.9)	(3.4)	(3.4)
Corporation tax losses	(0.2)	(0.2)	(0.4)	(0.4)
Advance corporation tax recoverable	(10.8)	(6.7)	(17.0)	(9.2)
	10.7	1.4	6.2	1.6

(ii) Pensions provisions are in respect of pension liabilities, primarily overseas, which have not been separately funded. At 31 December 1986 other provisions comprise mainly rationalisation and closure costs (£7.4m) and warranties (£4.2m).

19 Share capital

	1986 £m	1985 £m
Authorised		
360m ordinary shares of 25p each	90.0	90.0
15.1m 6.3 per cent cumulative redeemable preference shares of £1 each	15.1	—
	105.1	90.0
Called up and fully paid		
318.3m ordinary shares	79.6	67.2
1.6m 6.3 per cent cumulative redeemable preference shares	1.6	—
	81.2	67.2

During the year 49,150,060 ordinary shares and 1,598,950 preference shares were issued in exchange for 13.7m ordinary shares and 0.1m preference shares in Martonair International p.l.c. In addition 147,084 ordinary shares were issued under employee share schemes realising £0.3m.

The preference shares will be redeemed at par by the Company on 31 October 1991 but may be redeemed at par at the option of shareholders between 31 October 1989 and 30 April 1991.

Share options

At 31 December 1986 options had been granted and were outstanding to participants of the IMI Savings-Related Share Option Scheme to purchase ordinary shares as follows:

Date of grant	No. of shares	Price	Date of exercise
12.6.84	1,231,094	69p	1.8.89 or 1.8.91
26.4.85	382,975	101p	1.7.90 or 1.7.92
23.4.86	291,529	154p	1.7.91 or 1.7.93

On 26 June 1985 options were granted in respect of 2,815,000 ordinary shares at a subscription price of 108.5p each under the IMI Executive Share Option (1985) Scheme. These options are normally exercisable during the period between 3 and 10 years following the date of grant.

Directors' interests

The interests (all being beneficial) of the Directors and their families in the share and loan capital of the company and its subsidiaries are shown below, together with their interests in options granted to them pursuant to the rules of the IMI Savings-Related Share Option Scheme (marked a) and the rules of the IMI Executive Share Option (1985) Scheme (marked b).

Directors at 31 December 1986	Shares/loan stock held and options granted over ordinary shares	Interest at 31 December 1986	Interest at 1 January 1986
G J Allen	Ordinary shares	6,302	5,667
	Options a	10,732	10,732
	Options b	200,000	200,000
R Amos	Ordinary shares	7,140	5,731
	Options a	10,732	10,732
	Options b	200,000	200,000
D V Atterton	—	—	—
D V Ayres	Ordinary shares	7,082	6,521
	Options a	5,362	5,362
	Options b	200,000	200,000
W Brittain	Ordinary shares	6,861	6,300
	Options a	5,362	5,362
	Options b	200,000	200,000
Sir Robert Clark	Ordinary shares	5,000	5,000
P Fisken	Ordinary shares	4,028	3,623
	Options b	70,000	70,000
T A J Lamb	Ordinary shares	7,679	7,118
	Options a	9,025	9,025
	Options b	200,000	200,000
D W Livingstone	Ordinary shares	1,285	1,285

During the period 31 December 1986 to 23 March 1987 there were no changes in the interests of any Director from those shown.

20 Reserves

	Group					
	Share premium account	Revaluation reserve	Other reserves	Profit and loss account	Share of related companies	Total
	£m	£m	£m	£m	£m	£m
At 31 December 1985	60.7	0.5	2.3	108.0	1.8	173.3
Retained profit for year	—	—	—	29.3	0.5	29.8
Amounts taken directly to reserves:						
Adjustment for exchange movements	—	—	—	3.6	—	3.6
Goodwill written off	—	—	(67.6)	(7.0)	—	(74.6)
Share premiums received	0.2	—	—	—	—	0.2
Premium arising on shares issued	—	—	75.2	—	—	75.2
At 31 December 1986	60.9	0.5	9.9	133.9	2.3	207.5

(i) The premium arising on the issue of shares in connection with acquisitions made during the year has been credited to other reserves and the goodwill arising in respect of these acquisitions has been written off to other reserves. Other reserves also include £2.3m in respect of the share premium account of a subsidiary.

(ii) Adjustments for exchange movements include a charge of £1.4m in respect of currency loans used for overseas investments.

	Company		
	Share premium account	Profit and loss account	Total
	£m	£m	£m
At 31 December 1985	60.7	96.7	157.4
Retained profit for year	—	5.9	5.9
Share premiums received	0.2	—	0.2
At 31 December 1986	60.9	102.6	163.5

21 Capital commitments

Group contracts in respect of future capital and investment expenditure which had been placed at the dates of the respective balance sheets amounted to approximately £11.5m (1985: £4.1m)

The amount of capital and investment expenditure authorised by the Directors but not yet contracted for at the dates of the respective balance sheets was £8.2m (1985: £6.2m)

22 Contingencies

Group contingent liabilities relating to guarantees in the normal course of business and other items amounted to approximately £5.3m.

The Company had contingent liabilities relating to (a) guarantees of borrowings of certain subsidiaries amounting to £0.1m and (b) other contingent liabilities in the normal course of business of £7.1m. There is a right of set-off with one of the Company's bankers relating to the balances of the Company and a number of its wholly-owned UK subsidiaries.

23 Finance leasing obligations

	Group	
	1986 £m	1985 £m
Within one year	2.0	1.9
Between one and five years	6.6	5.9
In five years or more	0.6	1.3
Less interest on financing included above	(1.8)	(1.7)
	7.4	7.4

24 Operating leases

Annual commitments under operating leases expiring:

	1986		1985	
	Land and buildings £m	Others £m	Land and buildings £m	Others £m
Within one year	0.6	0.6	0.9	0.4
In the second to fifth year	0.7	1.1	0.9	0.4
After five years	1.1	0.2	0.8	0.1
	2.4	1.9	2.6	0.9

25 Directors' emoluments

The total emoluments of the Directors of the Company for the year comprised fees £19,000 (1985: £20,000) and other emoluments £612,000 (1985: £617,000). In addition £75,000 was paid to a former executive director.

During the year the Chairman received emoluments of £15,000 (1985: £13,500) and the highest paid director received emoluments of £109,500 (1985: £113,200).

The table which follows shows the number of Directors of the Company whose emoluments during the year were within the bands stated.

Emoluments	1986	1985	Emoluments	1986	1985
£1- £5,000	—	1	£75,001- £80,000	—	4
£5,001-£10,000	2	2	£85,001- £90,000	4	1
£10,001-£15,000	1	1	£105,001-£110,000	1	—
£55,001-£60,000	1	1	£110,001-£115,000	—	1
£70,001-£75,000	1	—			

26 Senior employees' emoluments

The table which follows shows the number of UK employees of the Company whose emoluments during the year were within the bands stated.

Emoluments	1986	1985
£30,001-£35,000	36	15
£35,001-£40,000	12	9
£40,001-£45,000	4	6
£45,001-£50,000	9	7
£50,001-£55,000	6	5
£55,001-£60,000	1	—
£60,001-£65,000	1	—

27 Staff numbers and costs

The number of people employed by the Group on average each week was:

	1986	1985
Building products	4,792	4,918
Heat exchange	2,750	3,047
Drinks dispense	2,858	2,457
Fluid power	4,598	2,529
Special-purpose valves	744	772
General engineering (and other activities)	3,499	3,605
Refined and wrought metals	2,318	2,963
	21,559	20,291

The aggregate payroll costs of these employees were as follows:

	1986 £m	1985 £m
Wages and salaries	204.0	188.7
Social security costs	19.9	17.1
Other pension costs	12.4	11.2
	236.3	217.0

28 Disclosable contracts

There were no disclosable contracts or arrangements between the Company and any of its Directors, nor were any of its Directors materially interested in any contract or arrangement subsisting during or at the end of the year.

29 Approval of accounts

The accounts were approved by the Board of Directors on 23 March 1987.

Subsidiary and major associated companies

at 31 December 1986

Subsidiary companies

The following is a list of the Company's subsidiaries, except for some intermediate holding companies and certain companies of minor importance which are excluded by virtue of Section 231 and Schedule 5 of the Companies Act 1985. Except where indicated, the subsidiaries are incorporated in Great Britain and registered in England and the share capital consists of ordinary shares only. The principal country in which each subsidiary operates is the country of incorporation. The Company's effective interest in the companies listed is 100%, except where indicated, and is held in each case by a subsidiary company, except for those marked † in which case it is held directly by the Company. The financial year end of the companies listed is 31 December, except for those marked * in which case the year end is 30 September.

Building products

Copper tubes and fittings; castings; hot water cylinders; controls and ignition devices; calorifiers; electrical resistance wire; electric liquid heating equipment; plastic pipes, fittings and drainage systems; roofing and cladding.

IMI Yorkshire Copper Tube Ltd
IMI Yorkshire Fittings Ltd
Anson Cast Products Ltd
*Yorkshire Fittings Pty Ltd *Australia*
*Anderson Greenwood (Australia) Pty Ltd (60%) *Australia*
YIM Scandinavia AB *Sweden*
IMI Waterheating Ltd
IMI Range Ltd
IMI Pactrol Ltd
IMI Rycroft Ltd
IMI Scott Ltd
IMI Santon Ltd
IMI Pacific SA *France*
IMI Yorkshire Imperial Plastics Ltd
IMI Finance Ltd (IMI Broderick Structures Division)
Ives Cladding Ltd *Scotland*

Heat exchange

Heat exchangers; flexible containers and bulk transport systems; flexible hoses; safety discs; electronics cooling equipment; hydraulic components for aerospace; aircraft engine rings; radiator manufacture and repair; air conditioning.

Marston Palmer Ltd (75%)
Marston Palmer Inc. (75%) *USA*
Marston Trinicon (UK) Ltd (51%)
IMI Radiators Ltd
IMI Radiators Technology Inc. *USA*
*Silverton Engineering Holdings (Pty) Ltd (50%) *South Africa*
IMI Air Conditioning Ltd

Drinks dispense

Beverage and food dispensing and cooling systems.

†IMI Cornelius Group Ltd
IMI Cornelius (UK) Ltd
Coldflow Ltd
IMI Cornelius (Americas) Inc. *USA*
The Cornelius Company *USA*
AAD Co. *USA*
Cannon Equipment Co. *USA*
Electro Measure Inc. *USA*
Stainless Ice-Tainer Company *USA*
Schneider Metal Manufacturing Co. *USA*
Cornelius Manufacturing Co. Ltd *Canada*
Cornelius Equipamentos Para Bebidas Ltda *Brazil*
Cornelius Apparate GmbH *German Federal Republic* (IMI Cornelius Europe)
Cornelius de Espana SA *Spain*
Cornelius Benelux NV *Belgium*
Cornelius GmbH *Austria*

Fluid power

Pneumatic systems and components (including filters, regulators and lubricators, valves and cylinders, silencers, dryers and compressors, electronic controls, fittings) and plastic mouldings.

IMI Fluid Power International Ltd
Norgren Martonair Ltd
Austin Beech Ltd
M.H. Hurst (Engineering) Ltd
IMI Fluidair Ltd
†Webber Electro Components PLC
IMI Mouldings Ltd
Norgren Martonair (Ireland) Ltd *Republic of Ireland*
Martonair SA *France*
Norgren Martonair BV *Holland*
Norgren Martonair AG *Switzerland*
Norgren Martonair AS *Denmark*
Norgren Martonair AS *Norway*
Martonair AB *Sweden*
Norgren Martonair Spa *Italy*
Norgren Martonair Europa GmbH *German Federal Republic*
Norgren Martonair GmbH *German Federal Republic*
Norgren Martonair Druckluftsteuerungen GmbH *Austria*
Enerfluid SA (90%) *Spain*
*Air Automation Ltd (80%) *New Zealand*
*Pneumatic Products Ltd (60%) *New Zealand*
*Norgren Martonair Pty Ltd *Australia*
*IMI Fluid Power (Singapore) Pte Ltd *Singapore*
*Norgren Martonair Pacific Ltd *Hong Kong*
*IMI Fluid Power (Hong Kong) Ltd *Hong Kong*
C.A. Norgren Co. *USA*
Reedex Corporation *USA*
Norgren Martonair (Canada) Ltd *Canada*
Pearce Industrial Products Ltd *Canada*
*Norgren Pneumatica Industrial Ltda *Brazil*

Special-purpose valves

Specialised industrial and process valves.

†IMI Valves International Ltd
IMI Bailey Birkett Ltd
IMI Mapegaz Ltd
IMI Nederland BV *Holland*
(Bailey Birkett Europa Division)
Mapegaz-Remati SA *France*

Franco Operator SA *France*
Mecafranco SA *France*
Mapegaz GmbH *German Federal Republic*

Mecafranco (Deutschland) GmbH *German Federal Republic*
MCF Americas Inc. *USA*
Control Components Inc. *USA*

General engineering (and other activities)

Copper and copper alloy tubes and fittings; pipework fabrication; computer services; sporting ammunition and equipment; metal presswork, assemblies and components; coins and tokens; carburettors; vehicle number plates and signs; Witton site redevelopment.

IMI Yorkshire Alloys Ltd
IMI Dreh Ltd
†IMI Kynoch Ltd
IMI Computing Ltd

Eley Ltd
Eley Americas Inc. *USA*
IMI Components Ltd
IMI Amal Ltd

IMI Amal Espana SA *Spain*
Chaste Investments (Pty) Ltd *South Africa*
†Holford Estates Ltd
Holford Developments Ltd
Witton Estates Management Services Ltd

Refined and wrought metals

Copper refining and ingots in copper, aluminium and their alloys; copper and copper alloy semis (sheet and strip); titanium and zirconium semis.

IMI Refiners Ltd
IMI Wolverhampton Metal Ltd
Wolverhampton Abrasives Ltd (67.5%)

IMI Hayes Metals Ltd
IMI Rolled Metals Ltd
Bailey Gill Products Ltd

IMI Titanium Ltd
IMI Titanium France SARL *France*

Major associated companies

The following companies are those in which, at 31 December 1986, IMI effectively held 20 per cent or more of the equity and for which the Company has included in its consolidated accounts its share of the results. In each case the investment is non-listed and, except as indicated, the companies are incorporated in Great Britain and registered in England. Their activities include fluid power, heat exchange and drinks dispense products. In addition the Company has an effective interest in 20 per cent or more of the equity in a number of companies, details of which are excluded in line with the relaxation afforded under Section 231 and Schedule 5 of the Companies Act 1985.

	Issued share capital at 31 October 1986	Issued share capital at 31 December 1986	Effective interest
Doedijns Pneumatic Nederland BV *Holland*		Dfl 40,000	50%
Lintra Lineartransporter GmbH *German Federal Republic*		DM 500,000	25%
International Radiator Services Ltd		£150	30%
Sanyo-Cornelius Co. Ltd *Japan*	Yen 30,000,000		50%

Notice of meeting

The twenty-fifth Annual General Meeting of IMI plc will be held at the Midland Hotel, New Street, Birmingham on Tuesday 19 May 1987 at noon, for the following purposes:-

A To consider and, if thought fit, to pass the following ordinary resolutions:

1 That the Directors' report and the accounts for the year ended 31 December 1986 be approved and adopted.

2 That a final dividend at the rate of 3.5p per share on the ordinary share capital of the Company be declared for the year ended 31 December 1986 payable on 22 May 1987 to shareholders on the register at the close of business on 24 April 1987.

3 That Mr R Amos be re-elected a Director of the Company.

4 That Mr D V Ayres be re-elected a Director of the Company.

5 That Dr T A J Lamb be re-elected a Director of the Company.

6 That the auditors Peat Marwick McLintock be re-appointed as the Company's auditors until the conclusion of the next Annual General Meeting of the Company, and that the Board be authorised to fix the auditors' remuneration.

B As special business, to consider and, if thought fit, to pass the following ordinary resolution:

That pursuant to Section 80 of the Companies Act 1985 the Directors of the Company be and they are hereby authorised to allot relevant securities up to an aggregate nominal value of £9,240,000 (being the unissued ordinary share capital less that reserved for issue in connection with the Company's employee share option schemes), provided that this authority shall expire on the date five years from the date hereof if not previously varied or revoked by the Company in General Meeting, save that the Company may before such expiry make an offer or agreement which would or might require relevant securities to be allotted after such expiry, and the Directors may allot relevant securities in pursuance of such offer or agreement as if the authority conferred hereby had not expired.

C As special business, conditional upon Resolution B above being passed, to consider and, if thought fit, to pass the following special resolution:

That pursuant to Section 95(1) of the Companies Act 1985 the Directors of the Company be and they are hereby authorised to allot equity securities (within the meaning of Section 94 of the Companies Act 1985) pursuant to the authority conferred by Resolution B as if Section 89(1) of the Companies Act 1985 did not apply to such allotment provided that this power shall be limited:

(a) to the allotment (otherwise than pursuant to paragraph (b) below) of equity securities up to an aggregate nominal value of £4,440,000 (being 5 per cent of the authorised ordinary share capital less that reserved for issue in connection with the Company's share option schemes); and

(b) to the allotment of equity securities in connection with a rights issue in favour of ordinary shareholders of the Company where the equity securities respectively attributable to the interests of all such ordinary shareholders are proportionate (as nearly as may be) to the respective numbers of ordinary shares held by them;

and shall expire on the date of the next Annual General Meeting of the Company after the passing of this resolution, save that the Company may before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry, and the Directors may allot equity securities in pursuance of such offer or agreement as if the power conferred hereby had not expired.

By order of the Board
J. Metcalf, Secretary
Witton, Birmingham B6 7BA
22 April 1987

Note: A member entitled to attend and vote at the meeting may appoint a proxy or proxies to attend and, on a poll, to vote instead of him. A proxy need not be a member of the Company. Any instrument appointing a proxy must be received at the Company's transfer office not less than forty-eight hours before the time fixed for the meeting. A proxy card is enclosed.

The following information, which is available for inspection during business hours at the Company's registered office, will, on the day of the Annual General Meeting, be available for inspection at the Midland Hotel, New Street, Birmingham, from 11.30 a.m. until the conclusion of that meeting:

a statement of the interests of Directors (and their families) in the share and loan capital of the Company and its subsidiaries in accordance with the provisions of the Companies Act 1985;

copies of all contracts of service of Directors with the Company and its subsidiaries.

Auditors' report

to the members of IMI plc

We have audited the accounts on pages 22 to 39 in accordance with approved Auditing Standards.

In our opinion the accounts, which have been prepared on the basis of the accounting policies set out on page 25, give a true and fair view of the state of the affairs of the Company and of the Group at 31 December 1986 and of the profit and source and application of funds of the Group for the year to that date and comply with the Companies Act 1985.

Peat Marwick Mitchell

Peat, Marwick, Mitchell & Co.
Chartered Accountants
Birmingham
23 March 1987

Financial information

Five year summary	1986 £m	1985 £m	1984 £m	1983 £m	1982 £m
Profit and loss account					
Sales	780.3	766.2	737.9	676.3	632.6
Profit before taxation	73.3	57.8	45.1	31.6	21.6
Tax	(20.6)	(17.2)	(15.4)	(11.7)	(8.1)
Profit after taxation	52.7	40.6	29.7	19.9	13.5
Minorities	(0.5)	(0.5)	(0.8)	(0.5)	(0.9)
Profit applicable to IMI before extraordinary items	52.2	40.1	28.9	19.4	12.6
Extraordinary items	(3.2)	(2.8)	(3.1)	(10.3)	(1.9)
Profit applicable to IMI after extraordinary items	49.0	37.3	25.8	9.1	10.7
Dividends	(19.2)	(14.1)	(12.1)	(10.8)	(9.4)
Retained profits	29.8	23.2	13.7	(1.7)	1.3
Earnings and dividends					
Earnings per share (before extraordinary items)	17.1p	14.9p	10.7p	7.2p	4.7p
Ordinary dividend per share	6.0p	5.25p	4.5p	4.0p	3.5p
Balance sheet					
Tangible assets	348.4	305.0	327.2	292.6	311.0
Net borrowings	(54.9)	(58.8)	(89.7)	(66.6)	(84.9)
Net tangible assets	293.5	246.2	237.5	226.0	226.1
Minorities	(4.8)	(5.7)	(6.8)	(6.7)	(4.1)
Shareholders' funds	288.7	240.5	230.7	219.3	222.0
Statistics					
Profit before taxation as a percentage of sales	9.4%	7.5%	6.1%	4.7%	3.4%
Profit before taxation as a percentage of net tangible assets	25.0%	23.5%	19.0%	14.0%	9.6%
Borrowings as a percentage of shareholders' funds	19.0%	24.4%	38.9%	30.4%	38.2%

IMI overseas	1986 £m	1985 £m	1984 £m	1983 £m	1982 £m
Group external sales overseas:					
Sales by overseas companies	270	240	238	204	188
Direct exports from the UK	122	123	115	96	102
	392	363	353	300	290
Percentage of total external sales	50.3%	47.4%	47.8%	44.4%	45.8%
Group external sales overseas by geographical area:					
Europe	180	135	129	120	119
North America	137	149	136	105	82
Asia	29	28	27	22	22
Australasia	15	18	18	14	21
Africa	18	22	32	30	35
Central and South America	13	11	11	9	11
	392	363	353	300	290

Shareholder information

Announcement of trading results

The trading results for the Group for the first half of 1987 will be announced on 8 September 1987 and will be publicised by means of paid advertisements in leading daily newspapers.

The trading results for the full year ending 31 December 1987 will be announced in March 1988.

Dividend payments

Dividends on ordinary shares are normally paid as follows:

Interim: end of October
Final: end of May

Dividends on 6.3 per cent cumulative redeemable preference shares are payable on 30 April and 31 October.

Interest payments on unsecured loan stocks

Interest on the unsecured loan stocks is payable as follows:

5½ per cent loan stock: 30 June 31 December
7¼ per cent loan stock: 6 March 6 September
7¾ per cent loan stock: 30 June 31 December
8 per cent loan stock: 30 June 31 December
8¼ per cent loan stock: 31 March 30 September

	At 31 December 1986	At 31 December 1985
Ordinary shareholders	**41,076**	**41,938**
Holdings:		
1 - 1,000 shares	21,378	22,137
1,001 - 10,000 shares	18,752	19,067
over 10,000 shares	946	734
Registered in the names of:		
Individuals	18%	21%
Corporate holders	82%	79%

IMI

Secretary

John Metcalf

Headquarters and registered office

PO Box 216, Witton, Birmingham B6 7BA
Telephone 021-356 4848
Telex 336771 IMIKYN G
Fax 021-356 3526

Registrar and transfer office

Hill Samuel Registrars Limited
6 Greencoat Place, London SW1P 1PL

Solicitors

Pinsent & Co.
Post & Mail House, 26 Colmore Circus
Birmingham B4 6BH

Bankers

Lloyds Bank Plc
National Westminster Bank PLC

Auditors

Peat Marwick McLintock
45 Church Street, Birmingham B3 2DL

IMI plc is registered in England No. 714275

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