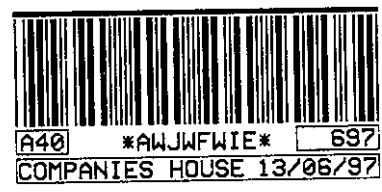


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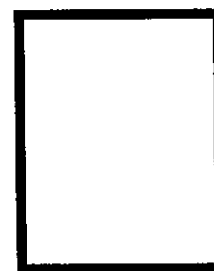
IMI plc Annual Report 1996



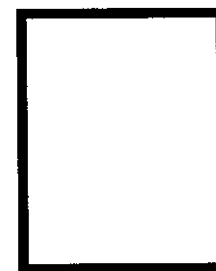
IMI

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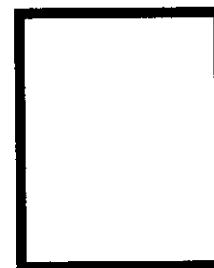
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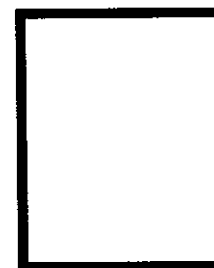
BUILDING PRODUCTS



DRINKS DISPENSE



FLUID POWER



SPECIAL ENGINEERING

IMI plc ANNUAL REPORT 1996

IMI is a major international group and one of Britain's foremost industrial companies, developing and manufacturing a wide range of advanced and high technology products.

IMI is capitalised on The London Stock Exchange at over £1.3 billion. In 1996 sales of £1,316 million, two-thirds overseas, produced pre-tax profits before exceptional items of £137.5 million. It employs over 16,000 people world-wide and has major plants in the UK, North and South America, Continental Europe and Asia/Pacific.

IMI's activities are grouped into four business areas; Building Products, Drinks Dispense, Fluid Power and Special Engineering.

IMI is committed to establishing leading market and technical positions with the clear objective of optimising returns to shareholders.

RESULTS IN BRIEF

	1996	1995
Turnover	£1,316m	£1,322m
Profit before exceptional items	£137.5m	£105.8m
Profit before tax	£161.1m	£87.2m
Profit after tax	£108.7m	£54.4m
Adjusted earnings per share	25.7p	20.1p
Earnings per share	31.5p	16.4p
Dividend per share	13.0p	11.5p
Net assets per share	107.8p	135.2p
Gearing	11.5%	2.6%

CHAIRMAN'S STATEMENT

CHAIRMAN Sir Eric Pountain

Results and Dividend for 1996

I am delighted to report upon another very successful year for the Group – the best ever – in terms both of its operating results and progress in achieving strategic objectives. Profit before tax and exceptional items was a record at £137.5 million, 30 per cent higher than in 1995. Adjusted earnings per share at 25.7p were up 28 per cent.

Each of our four business areas did well to improve their sales in an increasingly competitive world. Building Products, including an impressive first year from Heimeier, improved profit by 66 per cent. Drinks Dispense and Fluid Power consolidated their market and product positions and Special Engineering benefited from major organisational and structural changes.

There was an exceptional profit before tax of £23.6 million.

We again generated cash from our operations and at the year-end net borrowings and gearing were £43 million and 11 per cent respectively. Capital expenditure increased to £64 million and we committed £239 million on acquisitions. An aggregate £130 million were realised from disposals. Interest cover before exceptional items increased to 31 times.

Your Board is pleased to recommend an increase in the final dividend to 8.0p. This will make a total dividend for the year of 13.0p, which is covered two times and compares with 11.5p for 1995. The Finance Director comments on the figures in more detail in his Financial Review on pages 22 to 25.

Strategy

In January 1996 we completed the acquisition of Heimeier, Germany's largest manufacturer of thermostatic radiator valves, which has provided us with an excellent extension to Building Products.

We have strengthened our global Drinks Dispense business organically and by acquisitions, most recently Wilshire Corporation.

At the end of the year we substantially enlarged our Fluid Power interests by acquiring ISI Automation, a US manufacturer of pneumatic components for automated handling systems and a leading supplier of these systems to US automobile manufacturers.

We also implemented major changes in Special Engineering through the sale in June 1996 of almost the whole of our titanium interests and the announcement, following the year-end, relating to the closure of IMI Yorkshire Alloys.

I must once again express my admiration for the commitment and performance of all who have worked so hard for the Group to produce its record results in 1996. With their experience, innovative skills and international outlook, our people are our greatest asset.

Our Future

Our achievements in 1996 have further strengthened the Group's ability to compete effectively and to benefit fully from its participation in all major world markets. Our acquisitions will also enhance IMI's performance. We have made a satisfactory start to 1997 and we look forward to our continuing success.



Eric Pountain, Chairman

10 March 1997

Sir Eric Pountain, Chairman

Corporate Governance

I can confirm that the Company has complied with all recommendations of The Code of Best Practice introduced by the Cadbury Report and with the Stock Exchange's Listing Rules relating to best practice regarding Directors' remuneration. The report of our Appointments and Salaries Committee is on pages 33 to 36.

Our People

As announced a year ago, Peter Roberts and Roy Amos resigned from the Board in April and September on their respective retirements after each had given over thirty years' service to the Company. Nick Paul became our Deputy Chief Executive in May and we welcomed Martin Lamb to the Board in August.

CHIEF EXECUTIVE'S OPERATING REVIEW

CHIEF EXECUTIVE Gary Allen

I am very pleased that in 1996 IMI was able to achieve a record profit before exceptional items. A profit improvement of 30 per cent in a year of difficult trading conditions on the Continent of Europe is confirmation of the success of our strategic thrust. Our gearing of 11 per cent gives us ample scope for further growth.

The following is a brief summary of our operations in the year – a fuller review is given on pages 6 to 21.

Building Products

Our building products companies, enlarged by Heimeier, maintained their excellent growth record despite a difficult construction sector in Continental Europe. The copper tube activities again achieved good profits and plumbing fittings did well in the UK; our Australian company had a better year.

Air conditioning also had a good year overall, but waterheating continued to disappoint in highly competitive conditions. We enjoyed excellent first year results from Heimeier which made a contribution of £20.3 million to operating profits; we have already begun to expand its export sales of thermostatic radiator valves.

Drinks Dispense

Drinks dispense achieved modest growth in sales but lower demand, particularly from Western Europe and South America, resulted

in a small reduction in operating profit compared with 1995's record levels. In September we bought Objex in the UK. Our increasing range of products and services expanded our sales in USA where we look forward to the contribution of Wilshire, which we shall acquire in March 1997.

Progress was also made in markets in Asia/Pacific and a new factory in China will be commissioned in April. Cannon had another successful year and expanded its production facilities to meet the growing demand in the US for its automated handling equipment.

Fluid Power

After two years of substantial growth, fluid power consolidated its competitive position with profit moving slightly ahead of 1995. This increase was achieved despite weaker sales throughout Europe, notably in Germany and Switzerland. Continuing investment in marketing and in new products enabled us to make useful progress in the Americas, helped in the second half by the acquisition of Mosier's range of pneumatic actuators.

At the end of the year we were also able to add a complementary systems capability with good international opportunities by acquiring ISI Automation, a US manufacturer of pneumatic components for automated handling systems and a leading supplier of these systems to US automobile manufacturers.

Gary Allen, Chief Executive

Special Engineering

In special engineering we recorded higher sales and an 8 per cent increase in operating profit. We implemented major changes with the sale of almost the whole of our titanium interests and the announcement in February 1997 relating to the closure of IMI Yorkshire Alloys after another year of unacceptable losses.

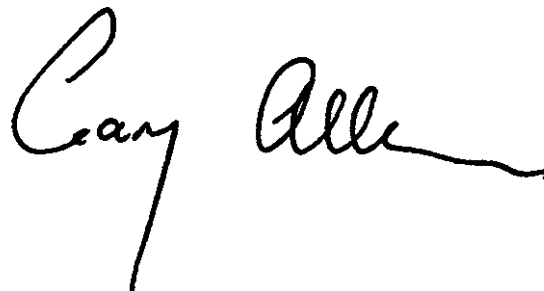
Of our engineering components companies, IMI Marston and Eley performed well but results from minting were lower than last year.

In special purpose valves and controls, IMI Cash Valve's trading performance was disrupted during its relocation to a new factory in Alabama. However, Control Components Inc had excellent results with its severe service valves.

Strategic Change

1996 was a very significant year for IMI in terms of the scale of strategic change. We spent £239 million on acquisitions. The two most important were our largest ever – Heimeier and ISI Automation – and we also bought Mosier and Objex. We shall spend another £24 million on Wilshire. We realised £130 million in aggregate from disposals, mainly our titanium interests.

The thrust of these changes has significantly strengthened our ability to compete globally and to continue profitable growth in IMI's chosen business areas. We now have more than half of our employees outside the UK, emphasising the increasingly international strength of the Group. We are well placed to grasp the opportunities ahead of us.



Gary Allen, Chief Executive

10 March 1997

IMI

*Heimeier,
Germany's
largest
manufacturer
of thermostatic
radiator
valves, had an
excellent year.*

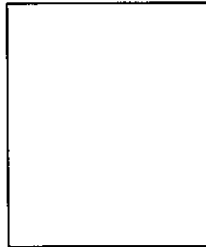
BUILDING PRODUCTS

EXECUTIVE DIRECTOR **Barry Pointon**

Our building products companies have once again demonstrated their quality and resilience by recording sales and profits of £479 million and £59.4 million respectively, both well ahead of 1995. Adverse weather conditions in Germany in the first quarter resulted in significant merchant de-stocking. Despite this slow start, Heimeier had an excellent first year within the group and has fully justified our confidence at the time of the acquisition.

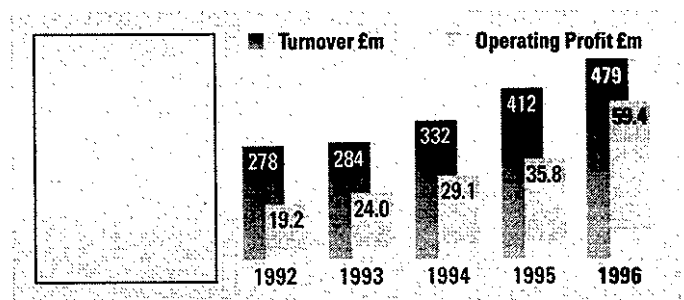
The combined refinery and copper tube activity again achieved good profits although margins were lower. A fall in copper prices reduced the value of unsold copper stocks at the year-end by £0.5 million.

Overall our plumbing fittings group of companies did well. Our UK business enjoyed another very successful year despite increasing margin pressure in both home and export markets, with export sales leading the growth. In Germany, sales volumes and profits from fittings were down on the previous year again reflecting problems of



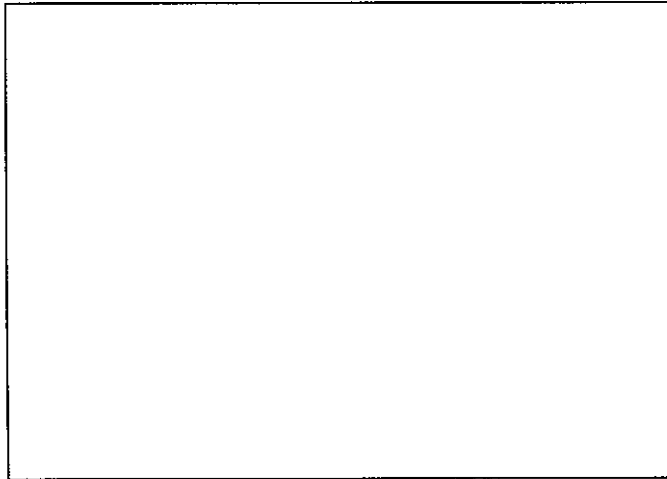
poor weather early in the year, lower economic activity and merchant de-stocking. There was a welcome seasonal improvement towards the end of 1996 when we were also able to improve our market share. We had a quieter year in France, Spain and Italy, but made increasing headway in developing our Eastern European fittings markets.

The Australian economy weakened in the manufacturing and construction sectors as consumption, investment and domestic demand progressively declined. Despite the worst housing recession for many years our fittings company, based in New South Wales, performed creditably to increase sales and profit, helped by active marketing of high margin products and further cost reductions.



Following upon the previous year's hot summer, IMI Air Conditioning continued its success in promoting new products, particularly in the buoyant market conditions which prevailed in the first part of 1996, and sales and profits were significantly ahead of 1995 levels.

IMI Waterheating continued to experience particularly difficult trading conditions in a declining and highly competitive market place. The sales effort has been refocused to increase market penetration of our new mains pressure 'Powermax' boiler and 'Premier' hot water cylinders. Sales of these are largely dependent upon house builder specifications and are taking time to develop, but recent trends are very encouraging. IMI Scott expanded sales and profit in 1996 and IMI Rycroft also had a reasonable year with growth in its offshore packaged boiler business. Andrews in the UK and Sentry in the Netherlands, now in their second full year since acquisition, continued to develop sales of their direct gas-fired water heaters.



Mike Perry completing final tests on the new mains pressure 'Powermax' boiler.

The acquisition of Heimeier, Germany's largest manufacturer of thermostatic radiator valves, was an excellent one for our building products group and was completed early in January 1996. In its first year the new business achieved sales of £83 million, contributing £20.3 million to operating profit. Its home market demand was down in the first half, reflecting overstocking of Heimeier products by merchants at a time of economic downturn. The second half saw an uplift in demand and market share as stock levels stabilised and the heating season developed. Improved trading and performance has also reflected the implementation of cost-saving measures and the beginning of our drive to expand export sales to the UK, France and the

IMI Yorkshire Copper Tube and Fittings were specified for the Holiday Inn Crown Plaza in Bochum, Germany.

IMI's Copper Tube factory is one of the most up-to-date facilities in Europe.

emerging markets of Eastern Europe.

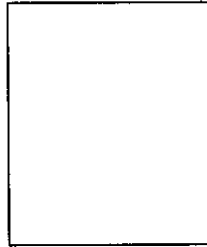
We look forward to a recovery in building activity during 1997 when we shall be very well placed to take full advantage of an upturn in business for our enlarged portfolio of building products. □

IMI

*Objex Ltd,
acquired in
September,
manufactures a
wide range of
countermount
displays.*

DRINKS DISPENSE

EXECUTIVE DIRECTOR **Martin Lamb**



Following several years of sales growth, 1996 was a year of consolidation.

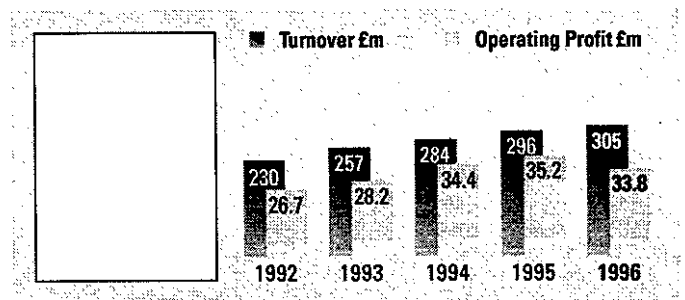
Operating profits fell back from last year's record levels, influenced primarily by the general economic downturn in Europe, difficult trading conditions in South America, and start-up costs associated with our new operations in China. The underlying prospects for our drinks dispense business, however, remain extremely healthy. We continue to strengthen our position with our major customers and this, together with our investment in emerging markets, will provide the springboard for renewed growth over the next few years.

In the UK we were successful in increasing both sales and profitability. Further good progress was made with both brewers and soft drinks bottlers alike, with product range extensions and market share improvements adding to our overall volumes. Sales to Ireland continued in buoyant fashion and exports from the UK advanced yet further with excellent demand for beer coolers in Eastern Europe and Asia/Pacific. In September

we acquired Objex Ltd, which has 150 employees based in Abingdon,

Oxfordshire, and manufactures a range of counter mount displays for drinks dispense applications, principally in the UK. This provides a much sought-after addition to our product range and we look forward to expanding its current annual sales of approximately £12 million.

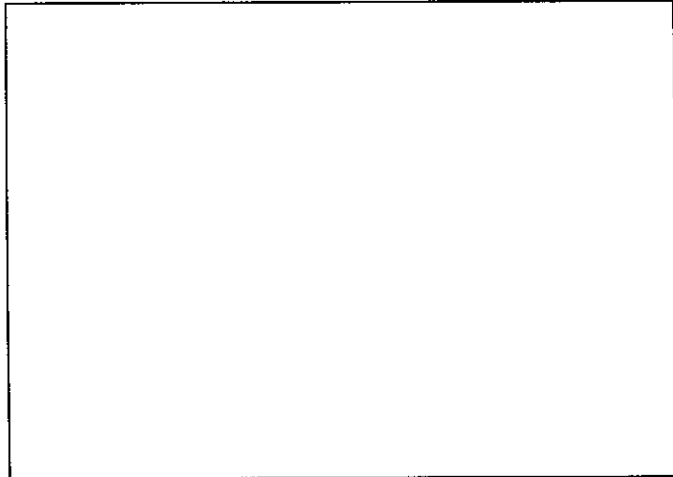
Trading in Continental Europe was dominated by the depressed German economy which impacted negatively on volume and profits in the region as a whole. Spain also experienced a difficult trading climate. Excellent progress was made in Eastern Europe, not only in the now established markets of Poland and the Czech Republic, but also in newer territories such as Croatia and the Ukraine. Significant



progress was also made in Italy where we continued to improve our position in this important market.

We were encouraged by an increase in sales in the USA following two previous record years, with strong overall demand backed by further improvements in market share. We continued to focus our attention on providing a full portfolio of products and services for our customers. New product development activity was high, including considerable success in promoting dispense towers for an iced tea programme; and in September we acquired Equipco, a small Illinois company, specialising in the refurbishment of dispense equipment.

Export sales from the USA, however, mainly into Central and South America, were down, with competitive pressures impacting negatively on margins. Our Brazilian business had a very difficult year with changes in strategic direction amongst our customer base and an overstocked position from the previous year leading to a substantial decline



A new concept drinks dispense tower developed by IMI Cornelius, Alcester.

in volumes. The acquisition in February 1997 of Distribuidora Ielus, our distributor in Mexico, will strengthen our position in the territory as a whole.

Sales in the Asia/Pacific region were maintained overall just ahead of 1995 levels but with some reduction in profitability, particularly in Australia after a further decline in our FCB sales. We attracted some useful new business in China, Korea, Thailand and Vietnam, and also in India where several of our major customers are now increasing their activity. Satisfactory progress was made towards completing our new manufacturing plant and recruiting management in Tianjin in China where we expect to commence production in April 1997.

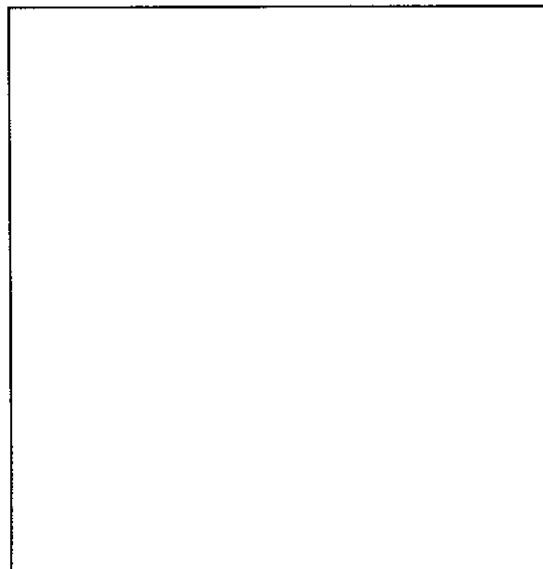
IMI Cornelius 'Vanguard' system installed in the first McDonald's store opened in India.

Our Cannon group in the USA increased its operating profit. Improvements in operating efficiencies and some excellent work with components suppliers will have a positive and long term impact on future profitability. A new 100,000 ft² factory was built in Rosemount, Minnesota, to support increased demand for automated handling equipment in the newspaper, dairy and baking industries. The new facility came on line in February 1997. Volumes generally were increasing by the end of 1996 and prospects for 1997 look encouraging.

In March 1997 we announced the acquisition of Wilshire Corporation, a long established US drinks dispense business with

manufacturing facilities in Connecticut and Illinois and also Ontario, Canada, and with sales offices in Mexico and Belgium. It competes internationally from a strong technological base with a full range of post-mix, juice and ice dispensers. We look forward to the contribution which Wilshire's management and products will make to our global drinks dispense business. □

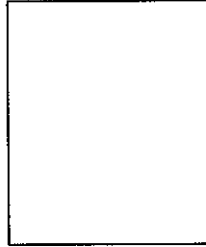
The Duraflex ice-maker recently launched by IMI Cornelius, Anoka, USA.



*ISI Automation,
Michigan, USA,
acquired in
December, is a
leading supplier
of automated
handling
systems.*

FLUID POWER

EXECUTIVE DIRECTOR Nick Paul



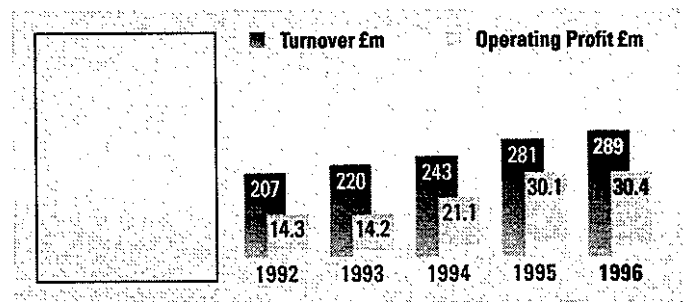
Following two years of substantial increases in sales and operating profit, our fluid power companies succeeded in 1996 in consolidating their competitive position in increasingly difficult world markets. Profit and sales in 1996 were slightly ahead of 1995 despite overall market demand being lower. 1996 sales relied upon market share gains directly resulting from our policy of investing in additional marketing resources to increase sales to OEM customers and to extend our geographical coverage.

During the year we expanded our capabilities with two acquisitions in USA. In June we bought Mosier Industries Inc, based in Dayton, Ohio and its progress to date has been very encouraging. Its wide range of pneumatic actuators are now being sold through our US distributor network and is strengthening our market share for these products. In December we completed the much larger acquisition of ISI Automation, based in Michigan. This company is one of the principal US manufacturers of pneumatic components for automated handling systems

and one of the leading suppliers of such systems to US automobile manufacturers. In this major expansion of our fluid power interests we have added a complementary systems capability to our operations and are looking forward to developing its significant opportunities internationally.

Our market companies operate in four geographical regions. After strong demand in 1995, particularly in the UK and Scandinavia, sales overall in Western Europe weakened during the year reflecting reduced economic activity. Good progress was made in developing business opportunities in countries served by our independent distributor network.

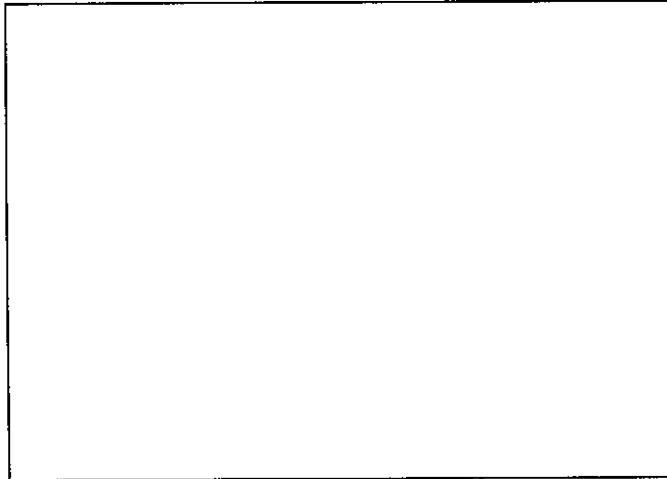
In Central and Southern Europe substantially lower demand reduced



profitability, particularly in Germany, Switzerland and Italy where orders were well below the levels of the previous year. In Hungary we continued to make progress and successes in gaining market share strengthened our position in Spain.

In the Americas region, sales were up by 14 per cent (including a 5 per cent contribution from Mosier's half year). This was greatly helped by strong investment in marketing in the USA and Canada which left profit slightly ahead of 1995. We made good progress in Mexico through our own sales branches and a number of new dedicated distributors. Demand was also encouraging in Brazil despite strong competition from low-cost local suppliers and from more aggressive marketing by our international competitors.

Our businesses in the Pacific region increased sales by 6 per cent compared with the previous year, but at lower levels of profitability. Australia and Hong Kong fulfilled our expectations, but in



Bruce Wood of IMI Norgren Fittings Division verifying component parts.

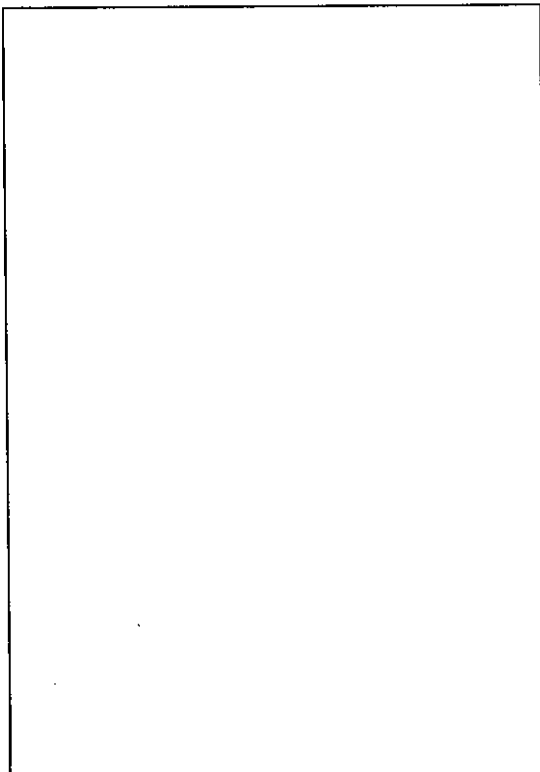
New Zealand we were affected by a downturn in the economy. We rationalised our Singapore manufacturing operations to offer better support to our South East Asian distributors and we made steady progress in Malaysia. Our new subsidiary in mainland China developed according to plan, but the Japanese market proved very difficult in the second half.

A substantial number of new product lines were launched and were well received by customers, contributing to our ability to expand our market share. Our four product divisions continued to provide support with product marketing and with specialist functions. The Actuator Division, based in Germany, achieved success in adding to its conventional and LINTRA rodless

IMI Norgren 'Olympia Plus' air preparation units are installed in a Volvo car factory in Ghent, Belgium.

cylinder ranges with re-designed products. The Valve Division initiated special marketing programmes in Germany, Holland and Spain to increase sales of solenoid

A range of 'Lintra' rodless cylinders manufactured in the IMI Norgren factory in Notzingen, Germany.



valves. The Air Line Division improved shop floor efficiency by site consolidation in the UK, and the Fittings Division had another successful year of product introductions and increasing market share. Both Watson Smith, suppliers of electro-pneumatic controls and the Webber solenoid valve business had record years.

The expanded Fluid Power Group is confident of its ability to improve its operational efficiency, to launch new products and to take full advantage of continuing growth in market share to deliver enhanced profits as economies begin to recover throughout the world. □

IMI

*Industrial heat
exchangers
manufactured at
IMI Marston,
Wolverhampton.*

SPECIAL ENGINEERING

In the past year we achieved a number of important strategic objectives which resulted in substantial changes. Our special engineering companies are now managed in three separate business areas:- controls, engineering components and metals.

CONTROLS

EXECUTIVE DIRECTOR **Nick Paul**

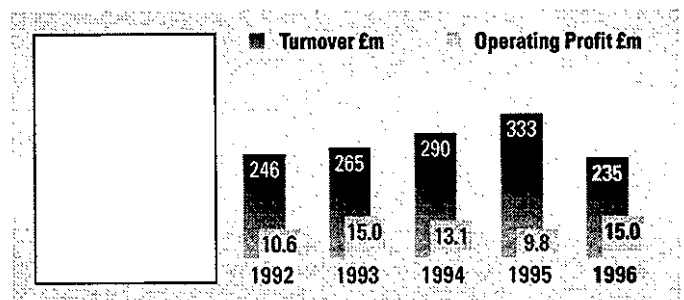
Our special purpose valves and controls companies had a mixed year with reduced profit overall despite increased sales. The principal disappointment was IMI Cash Valve in the USA which suffered from the disruption of moving its business from Illinois to Alabama. This relocation is now complete and we anticipate more satisfactory results in 1997.

The UK-based businesses, IMI Bailey Birkett, IMI Pactrol and IMI Amal, maintained sales levels but profitability fell in a more competitive environment.

Mecafrance, our French ball valve company, suffered from a weak order book, with shorter lead times and smaller order quantities reflecting lower demand from its important German chemical industry market.

Conax Buffalo achieved break even performance in 1996 despite a reduction in both US and export sales.

Control Components Inc, based in California, USA, had an excellent year increasing both sales and profits from severe service valves for the power, oil and gas industries. In February 1996 this company formed a joint venture in Korea to promote its sales in that market.



ENGINEERING COMPONENTS

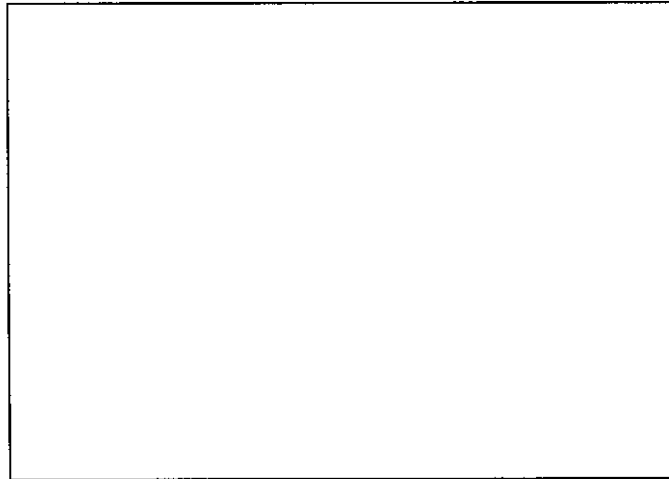
EXECUTIVE DIRECTOR **Martin Lamb**

Our engineering components companies, principally located in the UK, also had a mixed year.

IMI Marston made continued progress with both sales and profits substantially improved over 1995. Its industrial heat exchange business did exceptionally well and prospects for 1997 look equally promising. Its aerospace and other industrial activities also performed satisfactorily.

Increased competition in world markets, together with some production difficulties at Birmingham Mint, combined to leave profits on our minting activities well down on last year. A programme of capital investment, supported by a solid order book, provides encouragement for 1997.

Eley took full advantage of the Olympic games in Atlanta, USA, to demonstrate internationally the excellence of its products, with eleven out of eighteen medals in rifle and pistol events being won by competitors



Eley's new premium 'Tenex Gold' rimfire cartridge has been successfully launched.

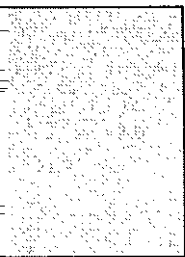
using Eley ammunition. A premium 'Tenex Gold' rimfire cartridge was launched and sales of our bismuth shotgun cartridge made good progress.

In April we sold Bailey Gill Products Ltd, a small West Midlands hot stampings and fittings business.

METALS

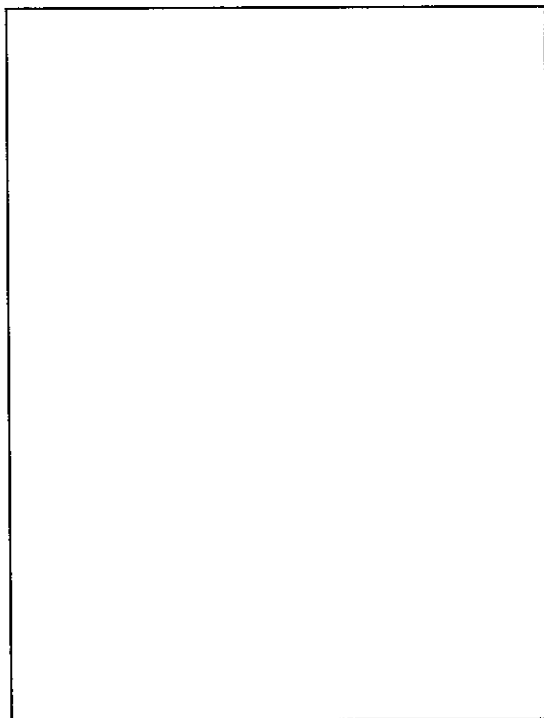
EXECUTIVE DIRECTOR **Barry Pointon**

In February 1996 we announced the merger of our titanium interests with those of Tremont Corporation of the USA, giving us an overall 38 per cent shareholding in a combined business, known as TIMET. In June 1996 we raised £105 million in cash from the sale of most of those shares (other



In February 1997 we made an announcement relating to the closure of our copper and copper alloy tube subsidiary, IMI Yorkshire Alloys. This business has experienced difficult trading conditions and recorded substantial trading losses for several years and, with continuing low demand in world markets for its products, we see no prospect of it returning to profitability. □

*Control valves made by
Control Components Inc. California, USA.*



*Gerard Goodwin making final adjustments to a safety valve
in IMI Bailey Birkett's clean room.*

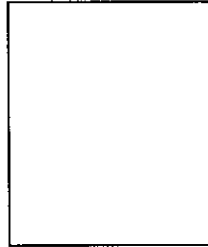
than a residual 6.4 per cent holding under options expiring in 1999) and a further £13 million from the repayment of a loan note following the completion of a public offering of TIMET's shares in the USA.

FINANCIAL REVIEW

EXECUTIVE DIRECTOR Alan Emson

Accounting Policies

The financial statements have been prepared in accordance with applicable UK accounting standards including Financial Reporting Standard 1 (revised 1996).



Deutschmark 2.35 (1995: 2.26).

The segmental analysis of the operating results is given on pages

45 and 46 of the financial statements, and graphical representations are given in this review.

Trading Results

Turnover of £1,316 million was similar to that for 1995. Profit, before exceptional items and taxation, amounted to £137.5 million which was 30 per cent higher than the previous year. Heimeier which was acquired in January 1996, made a significant first year contribution to the group's profits. The other major acquisition, ISI Automation, was acquired on 13 December and had no impact on trading results in 1996. Divestments during the year, the most significant of which was the disposal of the majority of our titanium interests, also impacted favourably on the results.

Net interest paid of £4.6 million was significantly lower than last year and interest cover improved to thirty one times.

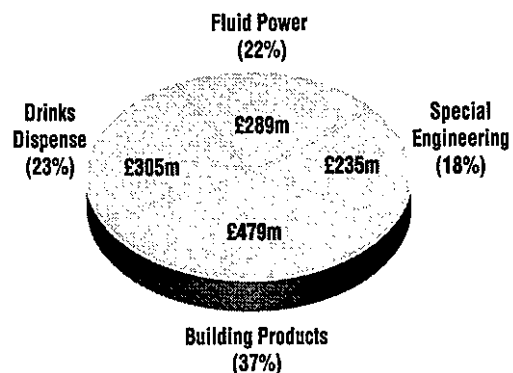
Profit before exceptional items as a percentage of shareholders funds increased to 36.6 per cent (1995: 22.8 per cent).

Exceptional items

There was an exceptional net profit in the year of £23.6 million (1995: loss £18.6 million).

The effect of exchange rates on the conversion of overseas subsidiaries' results for the year did not have material impact on the profit compared with the previous year. The average rates of exchange used for 1996 for the two most significant currencies were US dollars 1.56 (1995: 1.58) and the

Turnover by Business Area



Divestments during the year included the sale of 31.6 per cent of the group's holding in Timet, the 30 per cent interest in International Radiator Services and the wholly owned subsidiary IMI Computing Limited. These resulted in a net surplus of £64.3 million after writing off fully the loan notes and investment in Redwood International.

A provision of £25 million has been made in respect of the closure of Yorkshire Alloys which was announced in February 1997. We have also written off through the profit and loss account £15.7 million of goodwill relating to Conax Buffalo Corporation, which was previously deducted from reserves.

Taxation

The effective tax rate on the profit before exceptional items was 35.6 per cent.

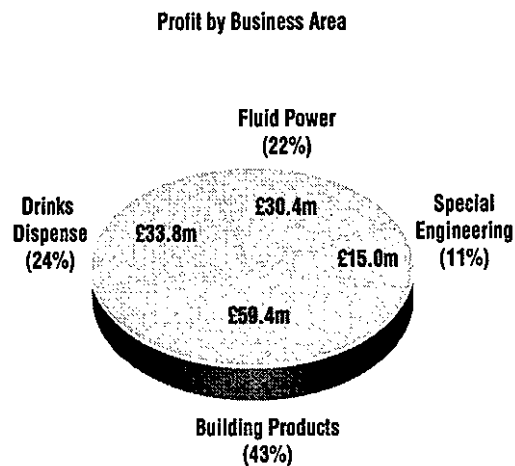
Taxation on the capital profits on disposals is comparatively low due to the availability of past capital losses. Tax relief on the provision for closure costs in the UK has been reduced to reflect the related restriction on recoverability of advance corporation tax. The overall tax charge on the exceptional items is 14.4 per cent.

Earnings per share

Earnings per share, including the effect of exceptional items, increased by 92 per cent to 31.5p per share. Adjusted earnings per share, calculated as defined by the Institute of Investment Management and Research, increased by 28 per cent to 25.7p per share.

Shareholders funds

Shareholders funds reduced by £90.8 million in the year to £373.9 million. There was a total goodwill write-off of £176.4 million in respect of acquisitions during the year, retained earnings were £84.6 million, before deducting £21 million goodwill written off in previous years, and other movements totalled £1 million.



Cash flow

Net cash inflow from operating activities for the year was £168.8 million, a detailed analysis of which can be found on page 40.

Capital expenditure was £64 million which is an increase of 11 per cent over the previous year. This expenditure was 1.5 times the normal depreciation charge of £43.1 million. Taxation paid amounted to £41.5 million, and dividends £41 million.

A total of £239 million was spent on acquisitions during the year, of which £226 million was in cash; the balance was deferred consideration and the issue of shares.

Net realisation from divestments, including loan repayments, was £142 million. The principal disposals were the flotation of Timet Inc and the sale of the Group's interests in IMI Computing and International Radiator Services.

Borrowings increased by £64 million as a result of cash flows but currency translation differences, including £21 million in respect of the Heimeier purchase consideration, reduced the overall increase in borrowings to £31 million.

Dividends

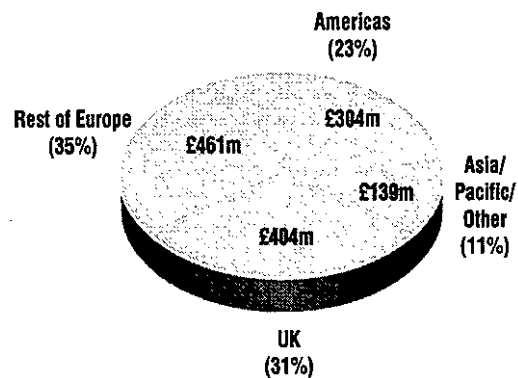
The cost of dividends paid and proposed in respect of the financial year is £45.1 million

(1995: £38.8 million). The dividend cover, based on profit before exceptional items, improved to 2.0 times compared to 1.7 times last year.

Funding and Treasury Management

The Group runs a central treasury department, acting within Board approved policies and operating parameters and following controlled reporting procedures. The policies are designed to support the overall Group objectives by providing a stable financial platform where liquidity demands can be met in both the short and medium term and where financial risks are minimised. Speculative transactions are not permitted and the Treasury department is run as a cost centre.

Turnover by Geographical Destination



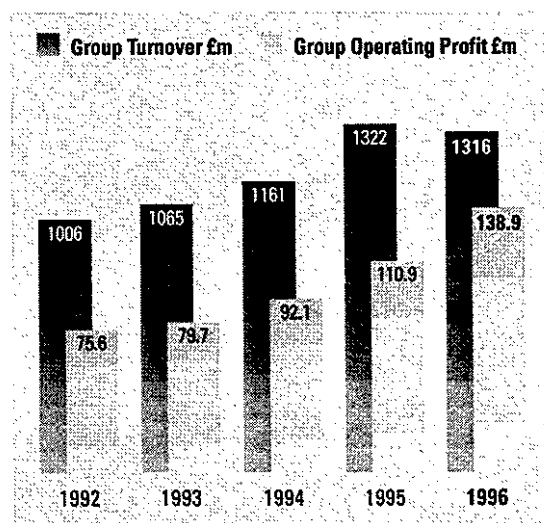
Net borrowings of £43 million at 31 December 1996 comprised gross borrowings of £132 million offset by cash deposits of £89 million and represent gearing of 11.5 per cent. There are no material funds where repatriation is restricted as a result of foreign exchange regulations. £111 million of the gross borrowings are against committed facilities in the UK with an average maturity of 5.4 years. Net assets denominated in foreign currencies are hedged within Board approved limits by foreign currency borrowings or foreign currency swaps. At 31 December 1996 a total of £330 million of currency assets were hedged using £95 million borrowings and £235 million swaps. Interest rate swaps and forward rate agreements are used from time to time in order to reduce exposure to interest rate movements by locking in acceptable rates or rate differentials. Foreign currency transactional cash flows are hedged using appropriate currency instruments (primarily forward exchange contracts). Transactions are carried out with first class relationship banks.

The Group can meet all its short term requirements from its existing borrowing facilities.

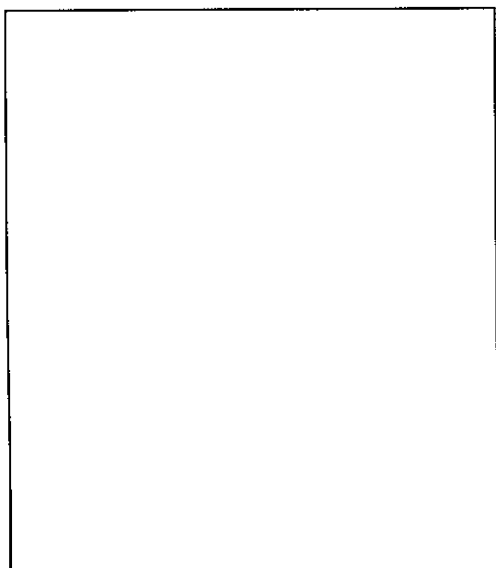
Shareholders Return

At the close of business on the date of the Directors' Report, the ordinary shares had a value of 387.5p per share (1995: 308p) valuing the Group at £1.3 billion on the London Stock Exchange. This compared with a book value of £373.9 million of shareholders funds in the balance sheet, equating to 108p per share.

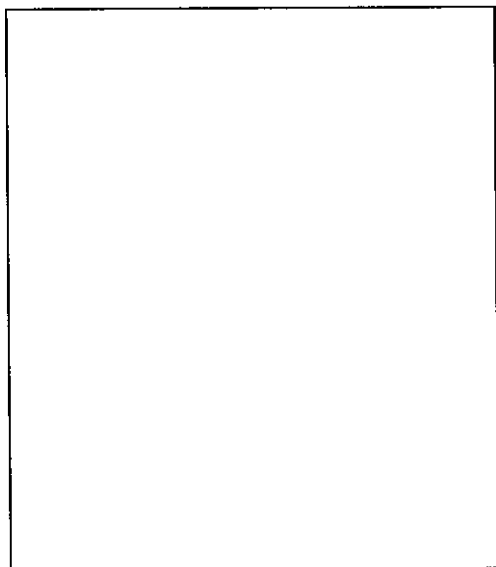
The total dividend of 13.0p per share proposed by your Board gives a yield of 3.4 per cent based on the above market value of the shares. □



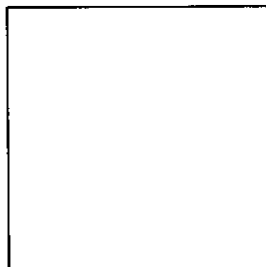
BOARD OF DIRECTORS



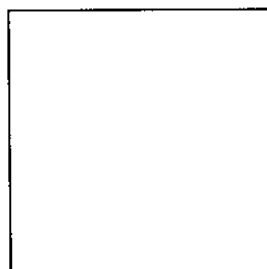
Sir Eric Pountain DL *Chairman*
 Age 63; non-executive; joined the Board in 1988; appointed Chairman in 1989. Chairman of James Beattie. Other directorships include United News & Media and John Maunders Group.



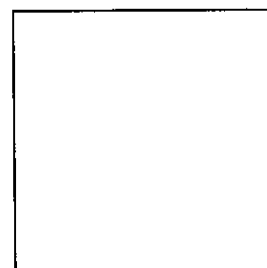
G J Allen CBE DL *Chief Executive*
 Age 52; joined IMI in 1965; appointed to the Board in 1978, and as Managing Director and Chief Executive in 1986. Directly responsible for the company secretarial, legal and investor relations functions. Non-executive directorships include Marley (Deputy Chairman), The London Stock Exchange and N V Bekaert (Belgium).



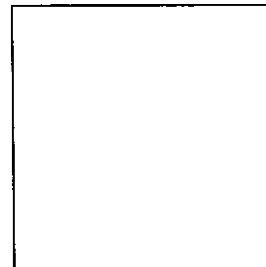
I A N McIntosh
 Age 58; non-executive; joined the Board in 1989. Other appointments include Vice Chairman, HSBC Samuel Montagu.



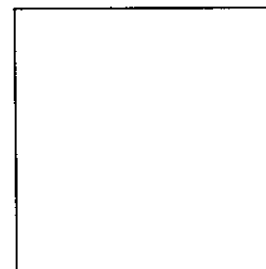
N C Paul *Deputy Chief Executive*
 Age 52; joined IMI in 1977; appointed to the Board in 1989, and as Deputy Chief Executive in 1996. Responsible for Fluid Power and valves and controls in Special Engineering.



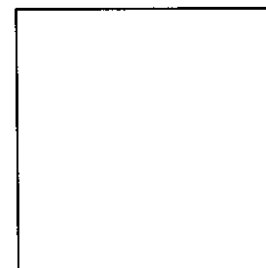
M J Lamb
 Age 36; joined IMI in 1985; appointed to the Board in 1996. Responsible for Drinks Dispense and engineering components in Special Engineering.



Sir Chips Keswick
 Age 57; non-executive; joined the Board in 1994. Other directorships include Hambros Bank (Chairman), The Bank of England, De Beers, The Edinburgh Investment Trust, Persimmon and Anglo American Corporation of South Africa.



R B Pointon
 Age 50; joined IMI in 1981; appointed to the Board in 1994. Responsible for Building Products and metals in Special Engineering.



A L Emson
 Age 54; joined IMI and appointed to the Board in 1993. Finance Director and also responsible for property and human resources. Non-executive director of Police Mutual Assurance Society.

DIRECTORS' REPORT

The year's results

The Group profit and loss account is shown on page 38. Group profit before exceptional items amounted to £137.5 million (1995: £105.8 million) and profit before taxation amounted to £161.1 million (1995: £87.2 million).

Earnings applicable to shareholders of IMI plc amounted to £108.7 million (1995: £54.3 million).

Dividends

The Directors recommend a final dividend at the rate of 8.0p per share on the ordinary share capital payable on 19 May 1997 to shareholders on the register at the close of business on 11 April 1997. Together with the interim dividend of 5.0p per share paid on 14 October 1996 this makes a total distribution for the year of 13.0p per share (1995: 11.5p per share).

Shareholders' funds

Shareholders' funds decreased from £465 million to £374 million at 31 December 1996.

Principal activities

In 1996 the Group's business fell into the following main classes: Building Products, Drinks Dispense, Fluid Power and Special

Engineering. Subsidiary companies operating within these classes of business are listed with a description of their main activities on pages 60 and 61. The turnover, profit and capital employed attributable to each of these classes of business are shown in Note 1 on page 45.

Review of activities

The activities of the Group in 1996, together with indications of likely future developments, are reviewed on pages 6 to 21. Details of acquisitions are given in notes 22 and 23 on pages 56 to 58.

Research and development

Expenditure on research and development in the year was £12.8 million.

Capital expenditure

Expenditure on fixed assets was £64.0 million compared with £57.6 million in 1995. UK expenditure accounted for £27.9 million, the rest of Europe £18.4 million and the rest of the world £17.7 million.

Land and buildings

The Directors are of the opinion that on an existing use basis the aggregate market

value of the Group's interests in land and buildings is substantially in excess of their net book value.

Share capital

During the year 3,134,972 new ordinary shares were issued, 1,334,954 of which were issued as part of the consideration for the acquisition of Objex (Investments) Limited on 3 September 1996. The balance of 1,800,018 shares were issued under employee share schemes.

The Directors consider it advisable to have available the power to make limited issues of shares for cash without reference to statutory pre-emption rights. The power to make such issues granted at the Annual General Meeting held on 13 May 1996 will expire at the forthcoming Annual General Meeting and the Directors accordingly recommend approval of the special resolution set out in paragraph B in the notice of meeting on pages 64 and 65. The resolution, if approved, will disapply pre-emption rights so as to allow rights issues to be made in the most practical manner and otherwise to allow the Directors to issue for cash, without recourse to existing shareholders, shares up to a nominal value of £2,500,000, representing

under 2.9 per cent of the total ordinary share capital in issue as at 10 March 1997. This power will terminate 15 months after the passing of the resolution or, if earlier, at the conclusion of the Annual General Meeting of the Company to be held in 1998.

The Company has been notified pursuant to Section 198 of the Companies Act 1985 of interests in the Company amounting to or exceeding 3 per cent of its ordinary issued share capital as follows:

	<u>%</u>
Prudential Corporation	3.71
Britannic Assurance PLC	3.33
BT Pension Scheme	3.06
BAT Industries plc	3.06

Post balance sheet events

The following material transaction has been announced since the year end: the agreement to acquire Wilshire Corporation for £24 million.

Employee involvement and development

The Group continues to support employee involvement at all levels in the organisation. Formal joint consultative machinery is

The Birmingham Childrens' Hospital Appeal is one of the many charitable causes supported by IMI.

operated in all except the smallest units where it is strongly encouraged on an informal basis. During 1996 consultative arrangements, including formal committees and team briefings, were used to consider and discuss employees' views, to develop understanding of business aims, to increase awareness of financial and economic factors affecting performance, and to improve effectiveness.

A profit sharing scheme covering most UK employees, which includes the opportunity to take the Company's shares, has operated for many years. A savings-related share option scheme available to all UK employees has operated successfully since 1984 and an Executive Share Option Scheme available to selected senior executives, including Executive Directors, has operated since 1985.

The Group requires its operating units to train and develop employees at all levels and

a wide range of business-related training is offered. As a matter of long-standing policy, where appropriate, all employees who become disabled have been given suitable training for employment within the Group or elsewhere and this policy is in accord with the provisions applicable in the UK of the Disability Discrimination Act 1995. Every effort is made to ensure that applications for employment from disabled persons are fully and fairly considered, and that disabled employees have equal opportunity in training and promotion. The Group also supports charities for assisting disabled people into work.

A summary of this Annual Report is produced for employees and copies of the full Annual Report are available to all.

Health, safety and the environment

It is Group policy to maintain healthy and safe working conditions and to operate in a responsible manner with regard to the environment. Chief executives have personal responsibility for implementing these policies in relation to the units under their control.

Policy on the payment of trade creditors

Operating businesses are responsible for making their suppliers aware of the terms of

payment and agreeing such terms with their suppliers for each business transaction. It is Group policy that payments to suppliers are made in accordance with these terms.

Donations

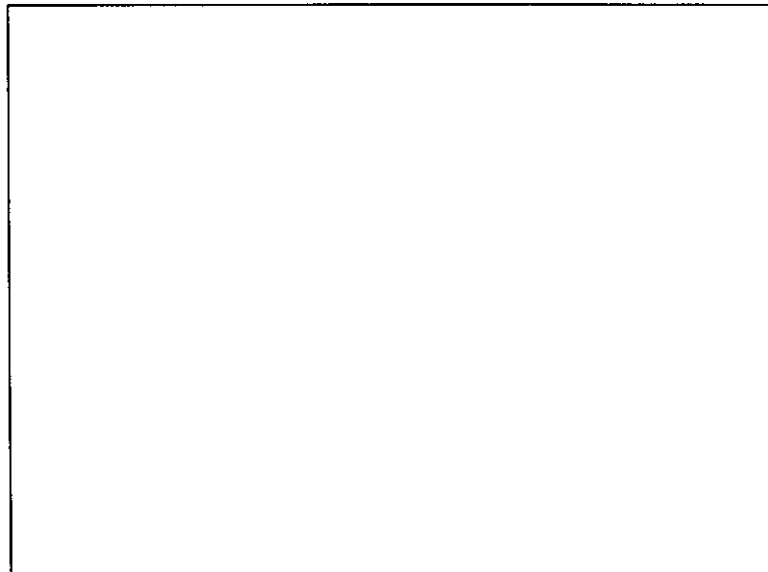
£380,000 was given during 1996 for community and similar purposes, including £313,000 for charitable purposes. £40,000 was given during 1996 to the Conservative Party.

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 in 1996 were approximately £145 million, or 9 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 page 26 were Directors throughout the year except for Mr M J Lamb who was appointed with effect from 1 August 1996. Mr P C Roberts and Mr R Amos were Executive Directors



Graduate Engineering Students, James Atkinson and Claire Roberts with instructor John Bissell at the IMI Training Centre.

from the beginning of the year until their retirement from the Board on 30 April 1996 and 30 September 1996 respectively. Under the Articles, Mr Lamb retires and is recommended for re-election; Sir Chips Keswick and Mr A L Emson retire by rotation and are also recommended for re-election. Sir Chips Keswick is a non-Executive Director and does not have a service contract; he is a member of the Audit Committee and of the Appointments and Salaries Committee. Mr Lamb and Mr Emson are Executive Directors and have service contracts which may be terminated by either party on one years' notice.

Directors' interests

The interests, of the persons (including the interests of their families) who were Directors at the end of the year, in the share and loan capital of the Company, and their interests

in the Company's share option schemes are shown on pages 35 and 36.

Corporate governance

The Company has complied throughout 1996 with all recommendations of the Cadbury Code of Best Practice.

The Audit Committee, chaired by the Chairman, comprises all the non-Executive Directors. It meets at least twice a year. The Company's auditors, the Chief Executive and the Finance Director attend when appropriate. Its principal business is to review accounting policies and financial matters generally.

The Appointments and Salaries Committee, also chaired by the Chairman, consists of all the non-Executive Directors. The Committee makes recommendations to the Board on the appointment and responsibilities of Executive Directors and determines all aspects of their remuneration. It also acts as a nomination committee with regard to the selection of non-Executive Directors. The report of the Committee is on pages 33 to 36.

The Executive Committee, chaired by the Chief Executive, comprises all the Executive Directors and monitors performance and

formulates proposals on strategy, policy and resource allocation for consideration by the Board.

The Chairman of each of these Committees is under an obligation to keep the Board informed of its deliberations.

Internal financial controls

The Directors are responsible for the Group's system of internal financial control which is designed to safeguard the Group's assets and maintain proper accounting records which provide reliable financial information.

The key elements of the system of internal control, which are carried out through the organisational structure, are:

Business planning – all business units prepare forward plans annually which make projections for the following three years. These plans are considered in detail by Executive Directors and then consolidated for review by the Board as a whole. Performance against plan is monitored on a monthly and quarterly basis by the Executive Directors. Reports are consolidated and rolling forecasts are updated for overall quarterly review by the Board.

Controls – common accounting systems and controls are in place throughout the

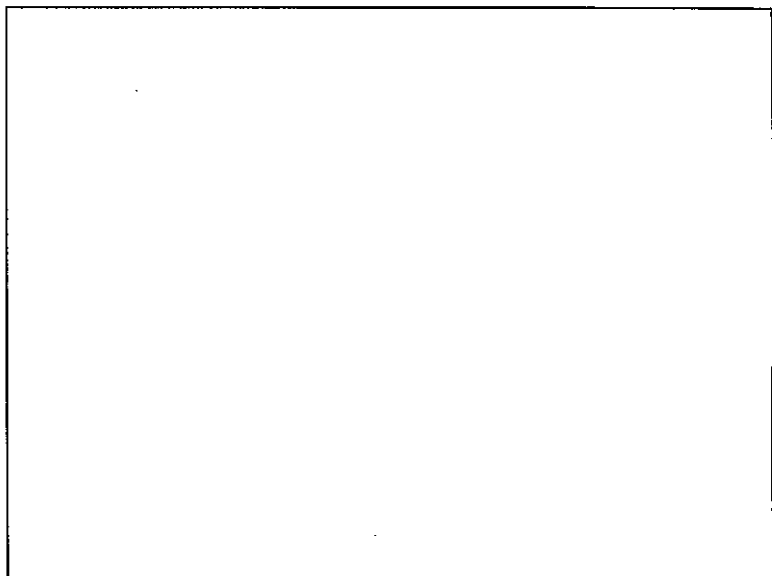
Group, which are documented and monitored. Certificated quarterly reports from relevant senior executives are required confirming compliance with the systems laid down. There is also a rolling programme of internal reviews which are documented and reported. In addition, selective annual reviews of subsidiary companies are carried out each year by Group personnel in conjunction with the external auditors.

Investment appraisal – procedures are set out for appraisal, authorisation and post-investment review of capital investments.

The Board has reviewed the effectiveness of the system of internal financial control through the monitoring process outlined above. It must be recognised that such a system can provide reasonable but not absolute assurances.

Going concern

The Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future and therefore the financial statements have been prepared on a going concern basis.



Symphony Hall and the City of Birmingham Symphony Orchestra are recipients of IMI sponsorship.

Auditor

In accordance with Section 384 of the Companies Act 1985, a resolution for the re-appointment of KPMG Audit Plc as auditor of the Company is to be proposed at the forthcoming Annual General Meeting.

By order of the Board

R B Almond, Secretary

Witton, Birmingham, B6 7BA

10 March 1997

REPORT OF THE APPOINTMENTS AND SALARIES COMMITTEE

The Appointments and Salaries Committee is responsible for determining the remuneration and other terms of employment of the executive directors. In line with the recommendations of the Greenbury Report, the Committee is comprised solely of the non-executive directors. In all respects, the Company complies with the requirements relative to the role and composition of remuneration committees set out in Section A of the best practice provisions annexed to the London Stock Exchange's Listing Rules.

Policy

The policy of the Committee is to provide a competitive remuneration package to executive directors to attract, retain and motivate individuals of the calibre required, and to ensure that the group is managed successfully in the interest of shareholders. Remuneration comprises salaries, performance bonuses, benefits in kind, pension arrangements and participation in share schemes.

When setting the remuneration of executive directors, the Appointments and Salaries Committee takes into account market rates, as evidenced by comparisons with companies of a similar type, size and complexity, and periodic reports from external consultants. Reviews are carried out annually or when a change of responsibilities occurs. In framing its policy, the Committee has given full consideration to Section B of the best practice provisions annexed to the London Stock Exchange's Listing Rules.

Executive Directors are only permitted to accept external appointments with the consent of the Board, and are allowed to retain fees from their external non-executive directorships.

Service contracts

The two longest serving executive directors, Mr G J Allen and Mr N C Paul, have voluntarily agreed to reduce the notice period for termination of their service contracts from three to two years. Other executive directors have one year rolling service contracts. No specific terms are set out in any of these contracts for compensation in the event of early termination.

Mr P C Roberts and Mr R Amos retired on 30 April 1996 and 30 September 1996 respectively. Mr M J Lamb was appointed as an Executive Director on 1 August 1996.

Salaries

The number of executive directors reduced from six to five during 1996. The annual salary review took into account increases and changes in responsibilities of three executive directors which were effective from 1 May 1996.

Newly appointed executive directors normally reach the full rate of salary for their position after completing two years in office.

Performance bonuses

Executive directors are awarded performance bonuses to encourage profitable growth, which is measured by the increase in earnings per share, and for the achievement of strategic objectives; these are capped at 30 per cent of salary. Additional bonuses were awarded in 1996 to Mr P C Roberts and Mr R Amos which related to the long term achievements of those parts of the Group for which they were directly responsible; the additional bonus of £50,000 to Mr R Amos was not pensionable.

Pensions

All executive directors are members of the IMI Supplementary Pension Fund which is a defined benefit plan. The general pension arrangements are that executive directors can receive up to two thirds of their final pensionable emoluments (which include normal bonuses in accordance with long standing practice for the vast majority of UK employee members of IMI pension schemes). The pension calculation is based on the average amounts for the final three years' service, up to the maximum permitted by the Inland Revenue.

One executive director is subject to the Inland Revenue earnings cap and his pension will be enhanced through an unfunded money purchase arrangement; the amount accrued for the financial year is disclosed separately.

The Appointments and Salaries Committee awaits the final conclusions to the work carried out by the Institute of Actuaries and the Faculty of Actuaries on the method to be used to disclose directors' pension entitlements. At present, the pension contributions disclosed for each director are based upon the overall contribution rate which is the same basis as in previous years.

Benefits

The principal benefits in kind for executive directors relate to the provision of a fully expensed motor car and private health care arrangements.

Share options

Following a review of alternative Long Term Incentive Plans, the Committee decided it would be appropriate to make the first grant of options under the IMI Executive Share Option (1995) Scheme which was approved at an Extraordinary General Meeting of the Company on 12 May 1995. The options are subject to performance related conditions so that they only become exercisable if growth in earnings per share during any three consecutive financial years exceeds the rate of increase in the UK Retail Prices Index over that three year period by at least 6%. The grant of options is being phased over a period of years as the Committee does not favour block grants of the maximum entitlement in any one year. The Scheme is available to all senior executives and options are priced at full market value without discount.

Executive directors are also eligible to participate in a savings related share option scheme, which is available to all UK employees and permits savings up to a maximum of £250 per month on the same terms as all other eligible staff (including the grant of options at a discount of up to 20% below the market price).

The executive directors also participate in a profit sharing scheme covering most UK employees but whereas employees may take up their entitlement in cash or IMI shares, executive directors are required to take their entitlement in the form of shares.

Directors' emoluments

	Salary £000	Benefits £000	Bonus £000	Total		Pension Contributions	
				1996 £000	1995 £000	1996 £000	1995 £000
Executive							
G J Allen	313	14	92	419	374	62	42
R Amos	131	17	89	237	241	26	26
A L Emson	180	12	53	245	237	65	57
M J Lamb	62	3	18	83	—	12	—
N C Paul	204	13	60	277	236	40	26
R B Pointon	174	17	51	242	196	34	22
P C Roberts	57	3	25	85	233	13	26
Non-Executive							
Sir Eric Pountain	40			40	40		
Sir Chips Keswick	15			15	15		
I A N McIntosh	15			15	15		
Total	1191	79	388	1658		252	
Total 1995	1176	84	327		1587		199

Salaries listed above for non-executive directors include fees of £30,000 (1995: £30,000)

A L Emson's pension contributions included an unfunded accrual of £52,000 (1995: £48,000)

Directors' interests

The interests (all being beneficial) of the Directors and their families in the share and loan capital of the Company are shown below, together with their interests in options granted to them pursuant to the rules of the IMI Savings-Related Share Option Schemes (marked a) and the rules of the IMI Executive Share Option (1985) Scheme (marked b) and the rules of the IMI Executive Share Option (1995) Scheme (marked c).

Directors at 31 December 1996	Shares/loan stock held and options granted over ordinary shares	Interest at 31 December 1996	Interest at 1 January 1996 or date of appointment if later	Options during the year		Option price	Mid-market price at date of exercise
				granted	exercised		
G J Allen	Ordinary shares	87,102	83,480				
	Options a	12,655	14,713	–	2,058	204p	393p
	Options b	260,000	360,000	–	100,000	202.6p	375.5p
	Options c	30,000	–	30,000	–		
A L Emson	Ordinary shares	15,542	14,523				
	Options a	6,964	6,964	–	–		
	Options b	170,000	170,000	–	–		
	Options c	30,000	–	30,000	–		
Sir Chips Keswick	Ordinary shares	10,000	10,000				
M J Lamb	Ordinary shares	2,734	1,053				
	Options a	8,592	10,273	–	1,681	223p	380.5p
	Options b	12,700	12,700	–	–		
	Options c	30,000	–	30,000	–		
I A N McIntosh	Ordinary shares	7,500	7,500				
Sir Eric Pountain	Ordinary shares	30,000	25,000				
N C Paul	Ordinary shares	12,806	10,156				
	Options a	7,410	7,885	1,206	1,681	223p	367p
	Options b	223,000	268,000	–	15,000	212p	362p
					13,000	226.1p	362p
					17,000	224.4p	362p
Options c	20,000	–	20,000	–			
R B Pointon	Ordinary shares	1,169	472				
	Options a	4,276	4,276	–	–		
	Options b	113,000	154,000	–	15,000	224.4p	359p
					26,000	236.1p	394p
Options c	30,000	–	30,000	–			

During the period 31 December 1996 to 10 March 1997 there were no changes in the interests of any current Director from those shown.

The closing price of the Company's ordinary shares at 31 December 1996 was 375.5p per share and the price range during the year was 312p to 411p.

Directors' share options

Directors share options outstanding at 31 December 1996 were as follows:-

Scheme Code	G J Allen	A L Emson	M J Lamb	N C Paul	R B Pointon
A	4,158				
B					
C			2,112	3,097	
D	3,631		3,631		
E	1,643	6,964	1,643		
F	3,223			3,107	4,276
G			1,206	1,206	
H	100,000				
I				73,000	
J					
K			5,700		20,000
L	60,000			60,000	
M	50,000	45,000	5,500	50,000	10,000
N		45,000			3,000
O	50,000	80,000	1,500	40,000	80,000
P	30,000	30,000	30,000	20,000	30,000
Total	302,655	206,964	51,292	250,410	147,276

Please refer to page 54 for the respective scheme codes.

Non-executive directors

The remuneration (including fees) of the non-executive directors is determined, after reference to external comparisons, by the Board. Non-executive directors do not participate in, or vote on, any discussion relating to their own remuneration, nor do they participate in any bonus, pension or share schemes and they receive no other benefits.

Non-executive directors are appointed for an initial period of three years.

**Eric Pountain, Chairman of the
Appointments and Salaries Committee**

10 March 1997

DIRECTORS' RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

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 and the Group 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 and the Group have 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 the Group, and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

AUDITOR'S REPORT

to the members of IMI plc

We have audited the financial statements on pages 38 to 61 and the detailed information set out on pages 33 to 36 of the report of the Appointments and Salaries Committee.

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.

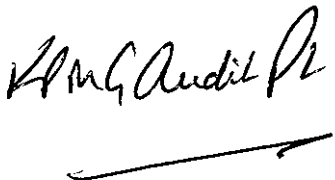
Basis of opinion

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 Group'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 affairs of the Company and the Group as at 31 December 1996 and of the profit of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.


KPMG Audit Plc
Chartered Accountants
Registered Auditor
Birmingham
10 March 1997

GROUP PROFIT AND LOSS ACCOUNT

for the year ended 31 December 1996

		Before exceptional items	Exceptional items	Total	Before exceptional items	Exceptional items	Total
		1996	1996	1996	1995	1995	1995
	Notes	£m	£m	£m	£m	£m	£m
Turnover							
Continuing operations		1217.8		1217.8	1212.8		1212.8
Acquisitions		90.2		90.2	-		-
Total continuing operations		1308.0		1308.0	1212.8		1212.8
Discontinued operations	3	8.4		8.4	109.6		109.6
Total turnover	1	1316.4		1316.4	1322.4		1322.4
Net operating costs	2	(1177.5)		(1177.5)	(1211.5)		(1211.5)
Operating profit							
Continuing operations		118.2		118.2	115.0		115.0
Acquisitions		20.4		20.4	-		-
Total continuing operations		138.6		138.6	115.0		115.0
Discontinued operations	3	0.3		0.3	(4.1)		(4.1)
Total operating profit	1	138.9		138.9	110.9		110.9
Share of profits of associates		3.2		3.2	2.7		2.7
Reorganisation of titanium businesses			-	-		(18.6)	(18.6)
Profit on disposals	4		64.3	64.3		-	-
Provision for losses on closure and sale of businesses	5		(40.7)	(40.7)		-	-
Profit before interest		142.1	23.6	165.7	113.6	(18.6)	95.0
Net interest	7	(4.6)		(4.6)	(7.8)		(7.8)
Profit before taxation		137.5	23.6	161.1	105.8	(18.6)	87.2
Tax on profit	8	(49.0)	(3.4)	(52.4)	(38.9)	6.1	(32.8)
Profit after taxation		88.5	20.2	108.7	66.9	(12.5)	54.4
Minority interests		-		-	(0.1)		(0.1)
Profit for the year	9	88.5	20.2	108.7	66.8	(12.5)	54.3
Dividends paid and proposed	10			(45.1)			(38.8)
Transfer to reserves	21			63.6			15.5
Earnings per share	11			31.5 p			16.4 p
Adjusted earnings per share	11			25.7 p			20.1 p

The movements in reserves are set out in note 21.

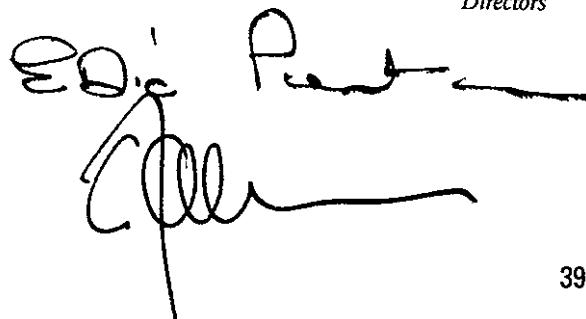
GROUP BALANCE SHEET

at 31 December 1996

	Notes	1996 £m	1995 £m
Fixed assets			
Tangible assets	13	275.1	268.6
Investments	14	-	12.6
		275.1	281.2
Current assets			
Stocks	15	247.8	286.2
Debtors	16	208.5	219.5
Investments		10.2	2.9
Cash and deposits		89.3	196.2
		555.8	704.8
Creditors:			
amounts falling due within one year			
Borrowings and finance leases	17	(11.7)	(51.1)
Other creditors	17	(253.5)	(267.3)
		290.6	386.4
Net current assets			
		565.7	667.6
Total assets less current liabilities			
Creditors:			
amounts falling due after more than one year			
Borrowings and finance leases	18	(120.5)	(157.3)
Other creditors	18	(23.3)	(11.7)
Provisions for liabilities and charges	19	(48.0)	(33.9)
		373.9	464.7
Net assets			
Capital and reserves			
Called up share capital	20	86.7	85.9
Share premium account	21	121.3	117.5
Revaluation reserve	21	1.0	1.0
Other reserves	21	(313.7)	(190.8)
Profit and loss account	21	478.6	451.1
		373.9	464.7
Shareholders' funds			

Approved by the Board of Directors on 10 March 1997 and signed on its behalf by:

Eric Pountain Gary Allen
Directors



GROUP CASH FLOW STATEMENT

for the year ended 31 December 1996

	1996		1995	
	£m	£m	£m	£m
Cash flow from operating activities				
Operating profit	138.6		110.9	
Depreciation	43.1		41.1	
Stocks decrease/(increase)	15.0		(4.6)	
Debtors increase	(14.4)		(16.6)	
Creditors and provisions (decrease)/increase	(13.5)		3.2	
Exceptional items	-		(5.4)	
	168.8		128.6	
Net cash inflow from operating activities		168.8		128.6
Net cash flow from return on investments and servicing of finance		(3.8)		(7.1)
Taxation		(41.5)		(28.5)
Net cash flow for capital expenditure and financial investment		(61.0)		(30.4)
Acquisitions and disposals		(90.0)		(2.2)
Equity dividend paid		(41.0)		(35.0)
		(68.5)		25.4
Cash flow before use of liquid resources		(68.5)		25.4
Management of liquid resources		12.8		-
Net cash flow from financing				
Issue of ordinary shares	4.3		49.8	
(Decrease)/increase in borrowings	(17.1)		36.0	
		(12.8)		85.8
(Decrease)/increase in cash in the year		(68.5)		111.2
		(68.5)		111.2
Reconciliation of net cash to movement in net borrowings				
(Decrease)/increase in cash in the year		(68.5)		111.2
Cash outflow/(inflow) from borrowings		17.1		(36.0)
Cash inflow from decrease in liquid resources		(12.8)		-
		(64.2)		75.2
Change in borrowings resulting from cash flows		(64.2)		75.2
Borrowings assumed with acquisitions		(0.4)		-
Currency translation differences		33.9		(1.2)
		(30.7)		74.0
Movement in net borrowings in the year		(30.7)		74.0
Net borrowings at 1 January		(12.2)		(86.2)
		(42.9)		(12.2)
Net borrowings at 31 December		(42.9)		(12.2)

Notes on the cash flow appear in note 23.

STATEMENT OF GROUP TOTAL RECOGNISED GAINS AND LOSSES

for the year ended 31 December 1996

	1996	1995
	£m	£m
Profit for the financial year	108.7	54.3
Currency translation differences	(8.5)	6.4
Total recognised gains and losses for the financial year	100.2	60.7

GROUP HISTORICAL COST PROFITS AND LOSSES

for the year ended 31 December 1996

There is no material difference between the profit before taxation and the retained profit for the year as shown in the Group profit and loss account and their historical cost equivalent.

RECONCILIATION OF MOVEMENTS IN GROUP SHAREHOLDERS' FUNDS

for the year ended 31 December 1996

	1996	1995
	£m	£m
Profit for the financial year	108.7	54.3
Dividends	(45.1)	(38.8)
Other recognised gains and losses relating to the financial year	63.6	15.5
New ordinary share capital issued	(8.5)	6.4
Goodwill on acquisitions during the year deducted from reserves	9.5	49.8
Goodwill on acquisitions during the year deducted from reserves	(176.4)	(1.7)
Previously acquired goodwill taken through the profit and loss account in arriving at the profit for the financial year	21.0	-
Net (decrease)/increase in shareholders' funds for the year	(90.8)	70.0
Shareholders' funds at 1 January	464.7	394.7
Shareholders' funds at 31 December	373.9	464.7

COMPANY BALANCE SHEET

at 31 December 1996

	Notes	1996 £m	1995 £m
Fixed assets			
Investments	14	281.6	197.7
Current assets			
Debtors	16	268.6	306.8
Cash and deposits		1.0	112.6
		269.6	419.4
Creditors:			
amounts falling due within one year			
Borrowings	17	(8.4)	(39.2)
Other creditors	17	(37.0)	(37.8)
		224.2	342.4
Net current assets			
		505.8	540.1
Creditors:			
amounts falling due after more than one year			
Borrowings	18	(111.4)	(151.8)
Other creditors	18	(52.4)	(52.4)
		342.0	335.9
Capital and reserves			
Called up share capital	20	86.7	85.9
Share premium account	21	121.3	117.5
Other reserves	21	1.6	1.6
Profit and loss account	21	132.4	130.9
		342.0	335.9

Approved by the Board of Directors on 10 March 1997 and signed on its behalf by:

Eric Pountain Gary Allen
Directors

Eric Pountain
Gary Allen

ACCOUNTING POLICIES

(a) Basis of accounting

The financial statements have been prepared under the historical cost convention modified by the revaluation of certain tangible fixed assets and in accordance with applicable UK accounting standards including Financial Reporting Standard 1 (revised 1996).

(b) Consolidation

The consolidated financial statements incorporate the accounts of IMI plc and all of its subsidiary undertakings made up to 31 December 1996 and the Group's share of the results and reserves of associated undertakings. The results of subsidiary undertakings acquired or sold during the year are included from the date of acquisition or to the date of disposal. Acquisitions during the year have been recognised by the acquisition method of accounting.

The Company has not presented a separate profit and loss account as is permitted by Section 230 Companies Act 1985.

(c) Foreign currencies

Assets and liabilities denominated in foreign currencies have been translated into sterling at the rate of exchange ruling on 31 December 1996. The profit and loss accounts of overseas subsidiary undertakings are translated at the appropriate average rate of exchange for the year and the adjustment to year end rates is taken directly to reserves. Exchange differences arising on the retranslation of the opening net assets of foreign subsidiaries, foreign currency loans used for overseas investment and transactions executed solely for the purpose of hedging foreign currency assets exposure are taken directly to reserves. Differences arising on revenue transactions in the year are reflected in profit before taxation.

(d) Goodwill

Purchased goodwill and goodwill on consolidation, being the excess of cost over the fair value of the net assets acquired, has been deducted from reserves. The net assets of businesses acquired are incorporated into the consolidated financial statements at their fair value to the Group. Goodwill previously deducted from reserves is taken through the profit and loss account when acquired businesses are sold or closed.

(e) Tangible fixed assets

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 to residual values over the period of their estimated useful lives within the following ranges:

Freehold buildings	25 to 50 years
Leasehold land & buildings	period of lease
Plant & machinery	3 to 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) Stocks

Stocks are valued at the lower 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.

(h) Turnover

Turnover represents amounts invoiced by the Group in respect of goods and services provided during the year, excluding sales between group companies and sales related taxes.

(i) Taxation

Provision is made for deferred taxation in respect of timing differences to the extent that such liabilities are expected to become payable in the foreseeable future. Full provision is made for timing differences arising on pensions and other post-retirement benefits.

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.

(j) Pensions and post-retirement benefits

The Group operates a number of pension plans throughout the world and these cover the majority of Group employees. With certain minor exceptions referred to in the notes relating to the accounts the funds of the plans are administered by Trustees and are separate from the Group. Valuations are normally carried out every three years by independent actuaries and annual contributions are paid to the plans in accordance with their recommendations.

The amount charged to the profit and loss account in respect of defined benefit pension plans is calculated so as to spread the cost of pensions over the average remaining service life of the employees in accordance with the advice of qualified actuaries. The amount charged in respect of defined contribution plans is in accordance with the rules of the plans.

Full provision is made for the current actuarial liability for US post-retirement medical and life assurance plans.

(k) Leasing

Assets acquired under hire purchase and finance leasing contracts are recorded in the balance sheet as fixed assets at their equivalent capital value and are depreciated over the useful life of the asset. The corresponding liability is recorded as a creditor and the interest element of the amount paid is charged against profits. Payments under operating leases are charged to the profit and loss account as they arise. The majority of leasing transactions entered into by the Group are operating leases.

NOTES RELATING TO THE FINANCIAL STATEMENTS

1 Segmental analysis

by activity:

	1996			1995		
	Turnover	Operating Profit	Net Assets	Turnover	Operating Profit	Net Assets
	£m	£m	£m	£m	£m	£m
Building Products						
Continuing operations	396	39.1	109	412	35.8	113
Acquisitions	83	20.3	32	-	-	-
Building Products total	479	59.4	141	412	35.8	113
Drinks Dispense	305	33.8	106	296	35.2	108
Fluid Power	289	30.4	167	281	30.1	154
Special Engineering	235	15.0	53	223	13.9	83
Continuing operations	1308	138.6	467	1212	115.0	458
Discontinued operations	8	0.3	-	110	(4.1)	58
	1316	138.9	467	1322	110.9	516

by geographical origin:

UK	552	57.5	188	547	44.7	200
Rest of Europe	367	49.5	125	302	35.3	109
The Americas	318	27.2	130	299	30.9	126
Asia/Pacific	71	4.4	24	64	4.1	23
Continuing operations	1308	138.6	467	1212	115.0	458
Discontinued operations	8	0.3	-	110	(4.1)	58
	1316	138.9	467	1322	110.9	516

reconciliation of net assets:

Operating assets as shown above	467	516
Investments	10	15
Net borrowings	(43)	(12)
Taxation liabilities and dividend payable	(60)	(54)
Net assets per Group balance sheet	374	465

The reported figures for 1995 have been restated to reflect the following:

- (a) within Special Engineering a valves and controls group has been formed and IMI Pactrol and IMI Cash Valve, previously reported with Building Products, have now been transferred to Special Engineering; and
- (b) corporate and other costs previously shown separately in the segmental analysis of operating profit have been allocated to the business activities.

The major acquisition during the year was Heimeier which is included by activity in Building Products and by geographical origin in Rest of Europe. Other acquisitions during the year are not considered material to the segmental analysis. Discontinued operations were previously included by activity in Special Engineering and by geographical origin mainly in the UK.

1 Segmental analysis (continued)

turnover by geographical destination:

	1996	1995
	£m	£m
UK	404	405
Rest of Europe	461	397
The Americas	304	292
Asia/Pacific/Other	139	118
Continuing operations	1308	1212
Discontinued operations	8	110
	1316	1322

2 Net operating costs

	1996			1995		
	Continuing Operations	Discontinued Operations	Total	Continuing Operations	Discontinued Operations	Total
	£m	£m	£m	£m	£m	£m
Cost of sales	913.5	6.6	920.1	866.2	102.0	968.2
Distribution costs	158.4	0.8	159.2	142.7	6.6	149.3
Administrative expenses	100.0	0.7	100.7	90.7	4.8	95.5
	1171.9	8.1	1180.0	1099.6	113.4	1213.0
Other operating income	(2.5)	-	(2.5)	(1.5)	-	(1.5)
	1169.4	8.1	1177.5	1098.1	113.4	1211.5

Continuing operations for 1996 include the following amounts relating to acquisitions: cost of sales £55.6m; distribution costs £9.4m; administrative expenses £3.7m.

3 Discontinued operations

On 15 February 1996 IMI transferred its titanium businesses to Titanium Metals Corporation ('Timet') in exchange for 38% of Timet's stock. On 10 June 1996 IMI sold all but 6.4% of its holding in Timet in a public offering. 100% of the IMI titanium businesses results have been included up to 15 February 1996 and IMI's share of the profits of Timet have been included for the period 15 February to 10 June.

4 Profit on disposals

Profit on disposals comprises £70.6m (after deducting £5.2m for previously acquired goodwill) from the sale of the fixed asset investments in Timet (31.6%) and International Radiator Services Limited, and £6.3m loss for other disposals after writing off fully the loan notes and investment in the former computing subsidiaries which have now all been sold.

5 Provision for losses on closure and sale of businesses

Provision has been made for the estimated closure costs and asset write-offs of £25m in respect of IMI Yorkshire Alloys and for previously acquired goodwill in respect of businesses to be sold or terminated.

6 The following have been charged in arriving at profit before taxation

	1996	1995
	£m	£m
Depreciation on tangible fixed assets	49.1	41.1
Bonus under employees' profit sharing scheme	2.7	2.4
Auditor's remuneration:		
Fees and expenses	1.8	1.9
Non-audit services (mainly overseas)	0.7	0.6
Property rents	7.1	6.3
Research and development expenditure	12.8	12.0
Hire of plant and machinery	2.2	2.4

7 Net interest payable

	1996	1995
	£m	£m
Bank loans and overdrafts	12.0	14.3
Interest on finance leases	0.2	0.2
Other loans	0.1	0.1
	12.3	14.6
Interest receivable	(7.7)	(6.8)
	4.6	7.8

8 Taxation

	1996	1995
	£m	£m
Based on the profit of the year:		
UK corporation tax	19.7	11.1
Overseas taxes	34.5	26.8
Associated undertakings	0.8	0.9
Adjustment for previous years	(2.6)	(6.0)
	52.4	32.8

Current UK corporation tax has been provided at 33% (1995: 33%). The charge for UK corporation tax has been reduced by double taxation relief of £11.8m (1995 : £5.2m). A charge of £1.1m (1995 : credit £1.8m) is included in respect of deferred taxation. UK corporation tax includes £4.0m (1995 : £4.6m) for advance corporation tax arising in 1996 not considered recoverable in the foreseeable future.

9 Profits applicable to shareholders of IMI plc

Of the Group profit of £108.7m (1995 : £54.3m), £46.6m (1995 : £39.0m) has been dealt with in the profit and loss account of the Company.

10 Dividends

	1996	1995
	£m	£m
Ordinary dividend:		
Interim 5.0p (1995 : 4.6p)	17.3	15.1
Proposed final 8.0p (1995 : 6.9p)	27.8	23.7
	45.1	38.8

11 Earnings per ordinary share

The weighted average number of shares in issue during the year was 345.0m (1995 : 331.7m). Earnings per share have been calculated on earnings of £108.7m (1995 : £54.3m) and adjusted earnings per share have been calculated on earnings of £88.5m (1995 : £66.8m) being the profit for the year before exceptional items. Adjusted earnings per share figures have been shown because the directors consider that they give a more meaningful indication of the underlying performance. Dilution arising from the exercise of outstanding share options is not material.

12 Employee information

The number of people employed by the Group on average each week during the year were:

	1996	1995
Building Products	4,127	3,659
Drinks Dispense	3,723	3,791
Fluid Power	4,867	4,662
Special Engineering	3,205	4,736
Other	241	228
	16,163	17,076

The aggregate employment costs for the year were:

	£m	£m
Wages and salaries	324.0	328.3
Social security costs	39.3	38.4
Pension costs	13.8	14.1
	377.1	380.8

Directors' emoluments for the year were:

	£000	£000
Salaries	1,191	1,176
Taxable benefits	79	84
Annual bonus	388	327
Pension fund contributions	252	199
	1,910	1,786

The detailed information concerning directors' emoluments, shareholdings and options is shown in the Report of the Appointments and Salaries Committee on pages 33-36.

13 Tangible fixed assets

	Land and buildings			Plant and machinery			Assets in course of construction	Total
	Gross book value	Depre- ciation	Net book value	Gross book value	Depre- ciation	Net book value	Net book value	Net book value
	£m	£m	£m	£m	£m	£m	£m	£m
At 31 December 1995	133.6	54.1	79.5	484.9	314.1	170.8	18.3	268.6
Exchange adjustments	(12.6)	(4.7)	(7.9)	(29.4)	(18.6)	(10.8)	(2.3)	(21.0)
Acquisitions	15.4	6.7	8.7	64.1	34.3	29.8	5.8	44.3
Disposal of subsidiaries	(5.2)	(2.0)	(3.2)	(62.1)	(38.7)	(23.4)	(2.1)	(28.7)
Additions	8.0	-	8.0	35.5	-	35.5	20.5	64.0
Disposals	(1.5)	(0.4)	(1.1)	(15.0)	(13.1)	(1.9)	-	(3.0)
Transfers	1.2	-	1.2	16.8	-	16.8	(18.0)	-
Depreciation for year	-	4.1	(4.1)	-	39.0	(39.0)	-	(43.1)
Exceptional item	-	0.5	(0.5)	-	5.5	(5.5)	-	(6.0)
At 31 December 1996	138.9	58.3	80.6	494.8	322.5	172.3	22.2	275.1

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

	1996 £m	1995 £m
Freehold: land	12.7	13.4
buildings	57.3	55.8
Long leasehold	7.5	7.1
Short leasehold	3.1	3.2
At 31 December	80.6	79.5

(ii) Gross book value represents cost except for £1.0m in respect of revaluations of land and buildings in overseas subsidiaries.

(iii) Included in the total net book value is £2.7m in respect of assets acquired under finance leases. Depreciation for the year on these assets was £0.2m.

14 Fixed assets – investments

Group	Associated undertakings		
	Shares £m	Loans £m	Total £m
At 31 December 1995	12.6	-	12.6
Transfer from subsidiaries	43.2	13.0	56.2
Share of retained profits to date of sale	1.5	-	1.5
Disposal of investments	(47.7)	(13.0)	(60.7)
Transfer to current asset investments	(9.6)	-	(9.6)
At 31 December 1996	-	-	-

14 Fixed assets – investments (continued)

Company	Associated undertakings		Subsidiary undertakings		Total
	Shares		Shares	Loans	
	£m		£m	£m	
At 31 December 1995 at cost	4.3		80.7	112.7	197.7
Disposals	(4.3)		–	–	(4.3)
Movements during the year	–		2.4	85.8	88.2
At 31 December 1996 at cost	–		83.1	198.5	281.6

(i) Details of subsidiary undertakings at 31 December 1996 are shown on pages 60 and 61.

(ii) The Company's cost of investment in subsidiary undertakings 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.

15 Stocks

The main categories of stock are as follows:

	1996	1995
	£m	£m
Raw materials and consumables	91.6	90.8
Work in progress	48.8	61.1
Finished goods	110.3	137.6
Payments on account	(2.9)	(3.3)
	247.8	286.2

The replacement value of stocks is not considered to be significantly different from the amount stated above.

16 Debtors

	Group		Company	
	1996	1995	1996	1995
	£m	£m	£m	£m
Falling due for payment within one year:				
Trade debtors	179.7	192.5	–	–
Amounts owed by subsidiary undertakings	–	–	256.8	299.6
Prepayments and accrued income	7.7	8.7	1.8	1.0
Other debtors	12.9	10.4	–	–
	200.3	211.6	258.6	300.6
Falling due for payment after more than one year:				
Amounts owed by subsidiary undertakings	–	–	10.0	6.2
Pension fund prepayment	4.9	–	–	–
Other debtors	3.3	7.9	–	–
	8.2	7.9	10.0	6.2
Total	208.5	219.5	268.6	306.8

17 Amounts falling due within one year:

Borrowings and finance leases:

	Group		Company	
	1996 £m	1995 £m	1996 £m	1995 £m
Bank loans and overdrafts	11.2	50.9	8.4	39.2
Obligations under finance leases	0.4	0.2	-	-
Other loans	0.1	-	-	-
	11.7	51.1	8.4	39.2

The Group borrowings include bank loans and overdrafts of £5.1m (1995 : £0.9m) and obligations under finance leases of £0.4m (1995 : £0.2m) which are secured by charges over the assets of certain overseas subsidiary companies.

Other creditors:

	Group		Company	
	1996 £m	1995 £m	1996 £m	1995 £m
Trade creditors	112.2	125.1	-	-
Bills of exchange payable	1.3	1.0	-	-
Corporation tax	9.1	3.7	-	1.2
Other taxation	21.8	34.3	7.0	8.2
Social security	5.8	6.0	-	-
Accruals and deferred income	72.1	65.2	2.2	4.7
Proposed dividend	27.8	23.7	27.8	23.7
Other creditors	3.4	8.3	-	-
	253.5	267.3	37.0	37.8

18 Amounts falling due after more than one year:

Borrowings and finance leases:	Group		Company	
	1996	1995	1996	1995
	£m	£m	£m	£m
Bank loans				
Secured	2.3	2.8	–	–
Unsecured	110.2	151.5	109.8	150.2
	112.5	154.3	109.8	150.2
Loan stock				
Unsecured				
5½ per cent loan stock 2001/06	1.6	1.6	1.6	1.6
	1.6	1.6	1.6	1.6
Other loans				
Secured	4.9	–	–	–
Obligations under finance leases	1.5	1.4	–	–
	6.4	1.4	–	–
Total loans	120.5	157.3	111.4	151.8
Secured	8.7	4.2	–	–
Unsecured	111.8	153.1	111.4	151.8
Total loans	120.5	157.3	111.4	151.8

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

Repayment of loans

	Group		Company	
	1996	1995	1996	1995
	£m	£m	£m	£m
Bank loans				
Between one and two years	2.3	19.5	–	15.5
Between two and five years	15.4	66.8	15.0	66.7
In five years or more	94.8	68.0	94.8	68.0
	112.5	154.3	109.8	150.2
Loan stock and other loans				
Between one and two years	0.4	0.1	–	–
Between two and five years	1.2	0.3	–	–
In five years or more	6.4	2.6	1.6	1.6
	8.0	3.0	1.6	1.6
Total loans	120.5	157.3	111.4	151.8

18 Amounts falling due after more than one year (continued)

Other creditors	Group		Company	
	1996 £m	1995 £m	1996 £m	1995 £m
Amounts owed to subsidiary undertakings	-	-	52.4	52.4
Overseas taxation	15.3	8.5	-	-
Accruals and deferred income	8.0	3.2	-	-
	23.3	11.7	52.4	52.4

19 Provisions for liabilities and charges

	Deferred taxation £m	Post- retirement liabilities £m	Other £m	Total £m
At 31 December 1995	2.3	12.0	19.6	33.9
Exchange adjustments	-	(2.6)	(0.6)	(3.2)
Acquisitions/disposals	(1.2)	5.3	(1.9)	2.2
Advance corporation tax	(1.5)	-	-	(1.5)
Utilised during the year	-	(0.6)	(7.1)	(7.7)
Profit and loss account	1.1	1.7	21.5	24.3
At 31 December 1996	0.7	15.8	31.5	48.0

(i) Post-retirement liabilities are in respect of overseas pension liabilities and US post-retirement benefits which have not been separately funded. At 31 December 1996 other provisions comprise mainly rationalisation and closure costs (£23.5m) and warranties given in the normal course of trade (£6.5m).

(ii) The potential liability for deferred tax calculated at 33% (1995 : 33%) is analysed as follows:

	1996		1995	
	Provided £m	Not provided £m	Provided £m	Not provided £m
Accelerated capital allowances	9.6	7.1	10.9	9.3
Other timing differences	(7.7)	-	(5.0)	-
Advance corporation tax recoverable	(1.2)	(4.3)	(3.6)	(5.6)
	0.7	2.8	2.3	3.7

The total advance corporation tax not considered recoverable at 31 December 1996 amounted to £15.4m (1995 : £11.4m).

20 Share Capital

	1996	1995
	£m	£m
Authorised		
440m ordinary shares of 25p each	110.0	110.0
Issued and fully paid		
346.9m (1995 : 343.8m) ordinary shares	86.7	85.9

During the year 1,334,954 new ordinary shares were issued as part of the consideration for the acquisition of Objex at a price of 389.5p per share. In addition 1,800,018 shares were issued under employee share schemes realising £4.3m.

Share options

All UK employees may participate in the IMI SAYE Share Option (1994) Scheme and selected senior executives within the Group participate in the IMI Executive Share Option (1995) Scheme. At 31 December 1996 options to purchase ordinary shares had been granted to and not exercised by participants of IMI Share Option Schemes as follows:

	Date of grant	No. of shares	Price	Date of Exercise	Scheme Code
IMI Savings Related	20.04.90	147,900	202p	01.07.97	A
Share Option Scheme	19.04.91	170,952	223p	01.07.98	B
	16.04.92	450,485	213p	01.07.97 or 01.07.99	C
	21.04.93	985,015	213p	01.06.98 or 01.06.00	D
	08.04.94	885,548	280p	01.08.99 or 01.08.01	E
	IMI SAYE Share Option	11.04.95	1,247,658	242p	01.07.00 or 01.07.02
(1994) Scheme	04.04.96	1,132,185	286p	01.07.01 or 01.07.03	G
IMI Executive Share	22.04.89	275,965	226.1p	20.04.92 to 20.04.99	H
Option (1985) Scheme	19.04.90	88,000	224.4p	19.04.93 to 19.04.00	I
	05.10.90	55,000	202.6p	05.10.93 to 05.10.00	J
	19.04.91	485,700	247.7p	19.04.94 to 19.04.01	K
	16.04.92	422,500	236.1p	16.04.95 to 16.04.02	L
	15.04.93	637,800	265.7p	15.04.96 to 15.04.03	M
	07.04.94	315,100	349.9p	07.04.97 to 07.04.04	N
	11.04.95	537,200	301.3p	11.04.98 to 11.04.05	O
IMI Executive Share Option	19.09.96	423,200	398.9p	19.09.99 to 19.09.06	P
(1995) Scheme					

21 Reserves

	Group				Total £m
	Share premium account	Revalu- ation reserve	Other reserves	Profit and loss account	
	£m	£m	£m	£m	
At 31 December 1995	117.5	1.0	15.0	344.7	478.2
Goodwill transferred	-	-	(205.8)	106.4	(99.4)
	117.5	1.0	(190.8)	451.1	378.8
Retained profit for the year	-	-	-	63.6	63.6
Amounts taken directly to reserves:					
Goodwill arising on acquisitions during the year	-	-	(176.4)	-	(176.4)
Previously acquired goodwill taken through the profit and loss account	-	-	21.0	-	21.0
Currency translation differences	-	-	27.6	(36.1)	(8.5)
Share premiums received	3.8	-	4.9	-	8.7
At 31 December 1996	121.3	1.0	(313.7)	478.6	287.2

Goodwill written off against the profit and loss account and goodwill deducted from reserves at 31 December 1995 has been transferred to other reserves.

Other reserves include the aggregate amount of goodwill arising on acquisitions amounting to £333.6m and a capital redemption reserve of £1.6m (1995 : £1.6m).

Currency translation differences include a credit of £38.2m in respect of currency loans and hedging transactions used for overseas investments.

	Company			Total £m
	Share premium account	Capital redemption reserve	Profit and loss account	
	£m	£m	£m	
At 31 December 1995	117.5	1.6	130.9	250.0
Retained profit for the year	-	-	1.5	1.5
Share premiums received	3.8	-	-	3.8
At 31 December 1996	121.3	1.6	132.4	255.3

22 Acquisitions

Acquisitions during the year were as follows:

January	Theodor Heimeier Metallwerk (Germany)
June	Mosier Industries (US)
August	Objex Limited (UK)
September	Equipco (US)
December	ISI Automation (US)

	Theodor Heimeier £m	ISI Automation £m	Others £m	Total £m
Book value at acquisition				
Fixed assets	25.2	4.5	1.6	31.3
Working capital	2.9	16.7	2.5	22.1
Taxation	0.8	–	–	0.8
Net borrowings	(4.4)	(0.6)	(1.0)	(6.0)
Net assets	24.5	20.6	3.1	48.2
Fair value adjustments				
Fixed assets	12.5	1.3	–	13.8
Working capital	(4.6)	(1.7)	(0.3)	(6.6)
Taxation	7.4	–	–	7.4
Net borrowings	–	(0.4)	–	(0.4)
Net assets	15.3	(0.8)	(0.3)	14.2
Fair value to the Group	39.8	19.8	2.8	62.4
Purchase consideration	138.0	87.7	13.1	238.8
Goodwill arising in year	98.2	67.9	10.3	176.4

The principal fair value adjustments made were £1.7m to bring the accounting policies in line with the Group and, in the case of Theodor Heimeier, to increase the value of fixed assets to £12.5m based on external valuer's advice. The main accounting policy adjustments were to revise fixed asset lives (increase £0.9m), adopt SSAP 21 for finance leases which increases fixed assets and finance lease obligations (£0.4m), adopt an SSAP 9 valuation of stock (reduction £1.7m), account for certain liabilities, mainly employee related, on an accrual basis (increase £3.9m) and provide for a deferred taxation asset of £7.4m.

The sales and profits of the major acquisitions in the periods before acquisition, as reported by the acquired company using their accounting policies, were as follows:

	Sales £m	Operating Profit £m
Heimeier		
1995 year	106	26
ISI Automation		
1995 year	59	3
1996 to date of acquisition	56	5

The above figures have been converted to sterling at the average rate of exchange for 1996.

23 Cash flow notes

a) Exceptional items

The closure costs of £25m included in the profit and loss account in 1996 did not involve any cash outflow in 1996.

The 1995 profit and loss account charge of £18.6m involved £5.4m cash.

	1996 £m	1995 £m
<hr/>		
b) Return on investments and servicing of finance		
Interest received	7.7	6.8
Interest paid	(12.4)	(14.7)
Dividends received	0.9	0.8
	<hr/>	
Net cash outflow for returns on investments and servicing of finance	(3.8)	(7.1)
<hr/>		
c) Capital expenditure and financial investment		
Purchase of fixed assets	(64.0)	(57.6)
Sale of fixed assets	3.0	27.2
	<hr/>	
	(61.0)	(30.4)
<hr/>		
d) Acquisitions and disposals		
Purchase of subsidiary undertaking	(226.0)	(2.3)
Net (overdrafts)/cash acquired with subsidiaries	(5.9)	0.1
Sale of businesses	144.8	-
Cash at date of disposal	(2.9)	-
	<hr/>	
	(90.0)	(2.2)
<hr/>		
e) Purchase of subsidiary undertakings:		
Net assets acquired:		
Tangible fixed assets	44.3	0.2
Stocks	24.2	0.4
Debtors	20.4	0.6
Creditors	(28.3)	(0.7)
(Borrowings)/cash	(6.4)	0.1
Taxation	8.2	-
	<hr/>	
	62.4	0.6
Goodwill	176.4	1.7
	<hr/>	
	238.8	2.3
<hr/>		
Satisfied by:		
Cash consideration	226.0	2.3
Shares issued	5.2	-
Deferred consideration	7.6	-
	<hr/>	
	238.8	2.3
<hr/>		

23 Cash flow notes (continued)

	1996
	£m
f) Sale of businesses:	
Net assets disposed of	
Tangible fixed assets	1.4
Fixed asset investments	60.7
Stocks	0.3
Debtors	8.5
Investments	1.3
Creditors	(2.6)
Cash	2.9
Taxation	(0.4)
Goodwill	5.2
	77.3
Profit on disposal	64.3
	141.6
Satisfied by:	
Cash	144.8
Deferred income	(3.2)
	141.6

g) Analysis of net borrowings

	1996	
	At 31 December	At 1 January
	£m	£m
Cash and deposits	89.3	196.2
Borrowings & finance leases due within 1 year	(11.7)	(51.1)
Borrowings & finance leases due after more than 1 year	(120.5)	(157.3)
	(42.9)	(12.2)

24 Post-retirement liabilities**a) United Kingdom**

The principal pension plan operated for UK employees is the IMI Pension Fund, a defined benefit plan with assets held in separate trustee administered funds. The latest formal actuarial valuation of the fund was as at 31 March 1996 and used the Projected Unit method of valuation. The main financial assumptions adopted were that the annual investment return will exceed the increase in earnings by 2.5% and the increase in pensions by 4.5%. The actuarial value of the Fund assets was 115% of the benefits that had accrued to members and the surplus, resulting in an abatement of the company contributions, is being spread over the average remaining service life of employees. The market value of the assets of the fund at the valuation date was £780m.

b) Overseas

Both defined contributions and defined benefit plans operate in overseas subsidiaries. The contributions to the defined contribution plans are made in accordance with the rules of the plans. The major defined benefit plans have been subject to valuation by an independent actuary within the last three years and the valuations showed that the value of the assets were sufficient to cover the benefits accrued to members.

For certain pension plans, principally in Germany, and US post-retirement benefits, the annual actuarial liability is funded by insurance and or provisions made by the subsidiaries concerned. The provisions are shown in note 19.

25 Transactions with related parties

On 15 February 1996 IMI disposed of its titanium businesses to Timet Metals Corporation Inc ('Timet'). Loans outstanding at that date of £13m was repaid on 10 June 1996 following the Timet public offering. For the period 15 February 1996 to 10 June 1996 interest of £0.6m and rent in respect of property leases of £0.2m was received by IMI.

On 3 June IMI advanced a loan of £3.2m to International Radiator Services Limited ('IRS'). This loan was repaid on 28 June 1996 when IMI sold its 30% interest in IRS. No interest was payable on the loan.

26 Operating leases

Annual commitments under operating leases expiring:

	1996		1995	
	Land and buildings	Others	Land and buildings	Others
	£m	£m	£m	£m
Within one year	1.0	0.5	1.0	0.4
In the second to fifth year	2.9	1.2	3.1	1.2
After five years	4.6	0.1	2.4	–
	8.5	1.8	6.5	1.6

27 Directors' interest in contracts and loans

At no time during the year has any director had any material interest in a contract with the Company, being a contract of significance in relation to the Company's business.

28 Commitments

Group contracts in respect of future capital expenditure which have been placed at the balance sheet date amounted to £12m (1995 : £14m).

Foreign exchange commitments at the balance sheet date amounted to £267m (1995 : £64m).

29 Contingencies

Group contingent liabilities relating to guarantees in the normal course of business and other items amounted to £13m.

There is a right of set-off with three of the Company's bankers relating to the balances of the Company and a number of its wholly-owned UK subsidiaries.

SUBSIDIARY UNDERTAKINGS

AT 31 DECEMBER 1996

The following is a list of the Company's subsidiary undertakings, except for some intermediate holding companies and certain other undertakings of minor importance which are excluded by virtue of sub-Section 231(5) of the Companies Act 1985. Except where indicated, the undertakings are subsidiaries incorporated in Great Britain 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 undertakings listed is 100%, except where indicated, and is held in each case by a subsidiary undertaking, except for those marked † in which case it is held directly by the Company.

BUILDING PRODUCTS

Copper tubes and fittings; heating and control products; air conditioners.

IMI Yorkshire Copper Tube Ltd	Raccord Orléanais SA <i>France</i>	Yorkshire Fittings Pty Ltd <i>Australia</i>
IMI Refiners Ltd	Theodor Heimeier Metallwerk GmbH & Co (KG) <i>Germany</i>	IMI Titon Ltd <i>New Zealand</i>
IMI Wolverhampton Metal Ltd	R Woeste & Co "Yorkshire" GmbH & Co KG <i>Germany</i>	IMI Waterheating Ltd
Wolverhampton Abrasives Ltd (67.5%)	IMI Woeste SL <i>Spain</i>	IMI Rycroft Ltd
Irish Metal Industries Ltd <i>Republic of Ireland</i>	IMI Épületgépész Kft <i>Hungary</i>	Sentry Europa BV <i>Holland</i>
YIM Scandinavia AB <i>Sweden</i>	IMI Instalacje Sanitarne Sp <i>Poland</i>	IMI Scott Ltd
IMI Yorkshire Fittings Ltd	IMI Componenti Termoidrosanitari Srl <i>Italy</i>	IMI Air Conditioning Ltd
Anson Cast Products Ltd		IMI Klimatechnik Vertriebs GmbH <i>Germany</i>
SA Eclipse NV <i>Belgium</i>		

DRINKS DISPENSE

Beverage dispensing and cooling systems; food service equipment; point of purchase displays.

† IMI Cornelius Group Ltd	Remcor Products Company <i>USA</i>	IMI Cornelius (Pacific) Ltd <i>Hong Kong</i>
IMI Cornelius (UK) Ltd	IMI Cornelius Brasil Ltda <i>Brazil</i>	IMI Cornelius (Singapore) Pte Ltd <i>Singapore</i>
MK Refrigeration Ltd	IMI Cornelius Österreich GesmbH <i>Austria</i>	IMI Cornelius Australia Pty Ltd <i>Australia</i>
MK Refrigeration (Ireland) Ltd <i>Republic of Ireland</i>	IMI Cornelius Benelux NV <i>Belgium</i>	IMI Cornelius (New Zealand) Ltd <i>New Zealand</i>
Gaskell and Chambers Ltd	IMI Cornelius Deutschland GmbH <i>Germany</i>	Cannon Equipment Co <i>USA</i>
Objex Ltd	IMI Cornelius Hellas SA <i>Greece</i>	Cannon Equipment West Inc <i>USA</i>
IMI Cornelius Inc <i>USA</i>	IMI Cornelius Italia Srl <i>Italy</i>	Cannon Equipment Southeast Inc <i>USA</i>
IMI Cornelius Equipco Inc <i>USA</i>	IMI Cornelius España SA <i>Spain</i>	Cannon Conveyor Systems Inc <i>USA</i>
Cornelius Bar-Master International Inc <i>USA</i>	IMI Cornelius (Tianjin) Ltd <i>China</i>	

FLUID POWER

Pneumatic systems and components; process control and instrumentation.

IMI Norgren Group Ltd	IMI Norgren SpA <i>Italy</i>	IMI Norgren Pneumatics (Shanghai) Co Ltd <i>China</i>
IMI Norgren Ltd	IMI Norgren AS <i>Norway</i>	
IMI Norgren GmbH <i>Germany</i>	IMI Norgren SA <i>Spain</i>	IMI Norgren Ltd <i>Hong Kong</i>
Norgren Martonair Europa GmbH <i>Germany</i>	IMI Norgren AB <i>Sweden</i>	IMI Norgren Pty Ltd <i>Australia</i>
IMI Norgren GesmbH <i>Austria</i>	IMI Norgren AG <i>Switzerland</i>	IMI Norgren Ltd <i>New Zealand</i>
IMI Norgren NV <i>Belgium</i>	IMI Norgren Inc <i>USA</i>	ISI Norgren Inc <i>USA</i>
IMI Norgren A/S <i>Denmark</i>	IMI Norgren Ltda <i>Brazil</i>	ISI Automation GmbH <i>Germany</i>
IMI Norgren SA <i>France</i>	IMI Norgren Ltd <i>Canada</i>	ISI Automation SRL <i>Italy</i>
IMI Norgren Ltd <i>Ireland</i>	IMI Norgren SA de CV <i>Mexico</i>	Watson Smith Ltd
IMI Norgren BV <i>Holland</i>	IMI Norgren (Pty) Ltd <i>South Africa</i>	† IMI Webber Ltd
IMI Norgren Kft <i>Hungary</i>	IMI Norgren Sdn Bhd <i>Malaysia</i>	Mosier Industries Inc <i>USA</i>
	IMI Norgren Pte Ltd <i>Singapore</i>	

SPECIAL ENGINEERING

Copper and alloy tubes; minting and engineering components; sporting ammunition; heat exchangers; industrial and severe service valves and controls; sealing and sensing devices.

IMI Yorkshire Alloys Ltd	Eley Ltd	Mecafrance (Deutschland) GmbH <i>Germany</i>
IMI Dreh Ltd	Eley Hawk Ltd	
IMI Components Ltd	Eley Americas Inc <i>USA</i>	IMI Cash Valve Inc <i>USA</i>
S J & E Fellows Ltd	IMI Marston Ltd	IMI Bailey Birkett Ltd
IMI Birmingham Mint Ltd	Control Components Inc <i>USA</i>	IMI Pactrol Ltd
GDC Inc <i>USA</i>	Mecafrance SA <i>France</i>	IMI Amal Ltd
Casino Tokens Inc <i>USA</i>		Conax Buffalo Corporation <i>USA</i>

CORPORATE

Holford Estates Ltd	† IMI Kynoch Ltd
Witton Estates Management Services Ltd	IMI Property Investments Ltd

FINANCIAL INFORMATION

Five year summary	1996	1995	1994	1993	1992
	£m	£m	£m	£m	£m
Profit and loss account					
Sales	1316	1322	1161	1065	1006
Profit before exceptional items	137	106	85	72	68
Exceptional items	24	(19)	(35)	(2)	–
Profit before taxation	161	87	50	70	68
Tax	(52)	(33)	(31)	(25)	(24)
Profit after taxation	109	54	19	45	44
Dividends	(45)	(39)	(34)	(33)	(32)
Transferred to/(from) reserves	64	15	(15)	12	12
Earnings and dividends					
Adjusted earnings per share	25.7p	20.1p	16.4p	14.5p	13.6p
Earnings per share	31.5p	16.4p	6.0p	13.8p	13.6p
Ordinary dividend per share	13.0p	11.5p	10.5p	10.0p	10.0p
Balance sheet					
Tangible assets	417	477	481	483	478
Net borrowings	(43)	(12)	(86)	(97)	(100)
Net assets	374	465	395	386	378
Statistics					
Profit before exceptional items as a percentage of sales	10.3%	8.0%	7.3%	6.7%	6.8%
Profit before exceptional items as a percentage of net assets	36.6%	22.8%	21.5%	18.6%	18.0%
Net borrowings as a percentage of shareholders' funds	11.5%	2.6%	21.8%	25.2%	26.5%

IMI overseas	1996	1995	1994	1993	1992
	£m	£m	£m	£m	£m
Group external sales overseas					
Sales by overseas companies	751	678	613	563	507
Direct exports from the UK	153	189	147	140	125
	904	867	760	703	632
Percentage of total external sales	69%	66%	66%	66%	63%
Group external sales overseas by geographical areas					
Rest of Europe	461	418	341	313	313
The Americas	304	319	311	283	233
Asia/Pacific/Other	139	130	108	107	86
	904	867	760	703	632

NOTICE OF MEETING

The thirty-fifth Annual General Meeting of IMI plc will be held at the Birmingham Metropole Hotel, National Exhibition Centre, Birmingham on Monday 12 May 1997 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 1996 be approved and adopted.
- 2 That a final dividend at the rate of 8.0p per share on the ordinary share capital of the Company be declared for the year ended 31 December 1996 payable on 19 May 1997 to shareholders on the register at the close of business on 11 April 1997.
- 3 That Sir Chips Keswick be re-elected a Director of the Company.
- 4 That Mr A L Emson be re-elected a Director of the Company.
- 5 That Mr M J Lamb be re-elected a Director of the Company.

6 That KPMG Audit Plc be re-appointed as the Company's auditor until the conclusion of the next Annual General Meeting of the Company, and that the Board be authorised to fix the auditor's remuneration.

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

That the Directors be given power pursuant to section 95 of the Companies Act 1985 to allot for cash equity securities (as defined for the purposes of section 89 of the Companies Act 1985) pursuant to the existing general authority conferred on them by the resolution passed at the Extraordinary General Meeting of the Company held on 12 May 1995, under section 80 of that Act as if section 89(1) of that Act did not apply to the allotment but this power shall be limited:

- (i) to the allotment of equity securities in connection with an offer or issue to or in favour of ordinary shareholders on the register on a date fixed by the Directors where the equity securities respectively

attributable to the interests of all those shareholders are proportionate (as nearly as practicable) to the respective numbers of ordinary shares held by them on that date but the Directors may make such exclusions or other arrangements as they consider expedient in relation to fractional entitlements, shares represented by depository receipts, legal or practical problems under the laws in any territory or the requirements of any relevant regulatory body or stock exchange or any other matter or thing whatsoever; and

- (ii) to the allotment (other than under (i) above) of equity securities having, in the case of relevant shares (as defined for the purposes of section 89), a nominal amount or, in the case of other equity securities, giving the right to subscribe for or convert into relevant shares having a nominal amount not exceeding in aggregate £2,500,000;

and shall expire fifteen months from the passing of this resolution or, if earlier, at the

conclusion of the next Annual General Meeting of the Company after the passing of this resolution, save that the Company may prior to such expiry make offers or agreements which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of such offers or agreements notwithstanding the expiry of any power conferred by this resolution.

By order of the Board

R B Almond, Secretary

Witton, Birmingham B6 7BA

14 April 1997

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.

If a member has more than one holding registered in his name he should receive only one copy of the Annual Report and Accounts. However, one form of proxy will be valid in respect of all his holdings. A proxy card is enclosed.

The following information, which is available throughout the year 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 Birmingham Metropole Hotel, National Exhibition Centre, 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 provision of the Companies Act 1985;
- copies of contracts of service of Directors with the Company and its subsidiaries.

SHAREHOLDER INFORMATION

Announcement of trading results

The trading results for the Group for the first half of 1997 will be announced on 2 September 1997.

The trading results for the full year ending 31 December 1997 will be announced in March 1998.

Dividend payments

Dividends on ordinary shares are normally paid as follows:

Interim: mid October

Final: mid May

Interest payments on unsecured loan stock

Interest on the 5½ per cent unsecured loan stock is payable on 30 June and 31 December.

Share prices and capital gains tax

The closing price of the Company's ordinary shares on the London Stock Exchange on 31 December 1996 was 375.5p per share compared with 328.5p per share on 29 December 1995 (the last trading day of that year).

The market value of the Company's ordinary shares on 31 March 1982, as calculated for capital gains tax purposes, was 56p per share.

The Company's SEAQ number is 51443.

Crest

In his letters dated 2 September 1996 the Chairman notified holders of the Company's ordinary shares and unsecured loan stock of the Board's decision that these securities should be made eligible to be transferred by CREST. As proposed, both its ordinary shares and unsecured loan stock joined the CREST system on 17 February 1997. This new paperless system is however voluntary and investors who wish to retain their share and loan stock certificates remain able to do so and to transfer their securities in a similar manner as previously, with written transfers being registered and new certificates issued.

Enquiries about shareholdings

For enquiries concerning shareholders' personal holdings please contact the Company's registrar, Lloyds Bank Registrars, 54 Pershore Road South, Birmingham B30 3EP.
(Telephone: 0121 433 8000).

IMI Personal Equity Plans (PEPs)

IMI PEPs are open to existing and prospective shareholders. They include a monthly savings facility. Further information concerning IMI PEPs is available from the Managers of the Plans, Bradford & Bingley (PEPs) Ltd, PO Box 50, Main Street, Bingley, West Yorkshire, BD16 2LW.
(Telephone: 01274 555677).

Share Dealing Service

Managed by Cazenove & Co, the Company's stockbrokers, the IMI plc Low Cost Share Dealing Service provides shareholders with a simple, low cost way of buying and selling IMI ordinary shares. Full written details can be obtained from Secretary's Department, IMI plc, PO Box 216, Witton, Birmingham, B6 7BA. (Telephone: 0121 356 4848).

Ordinary shareholders	At 31 December	At 31 December
	1996	1995
Holdings:		
1-1,000 shares	15,225	16,042
1,001-10,000 shares	12,317	13,362
10,001-100,000 shares	545	550
over 100,000 shares	336	311
Total	28,423	30,265
Registered in the names of:		
Individuals	10%	11%
Corporate holders	90%	89%

GENERAL INFORMATION

Secretary

Roger Almond

**Headquarters and
Registered Office**

PO Box 216
Witton
Birmingham B6 7BA
Telephone: 0121 356 4848

Registrar and Transfer Office

Lloyds Bank Registrars
54 Pershore Road South
Birmingham B30 3EP
Telephone: 0121 433 8000

Solicitors

Pinsent Curtis
3 Colmore Circus
Birmingham B4 6BH

Stockbrokers

Cazenove & Co.
12 Tokenhouse Yard
London EC2R 7AN

Auditor

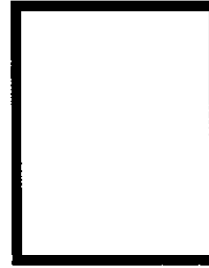
KPMG Audit Plc
2 Cornwall Street
Birmingham B3 2DL

IMI plc is registered in England No. 714275

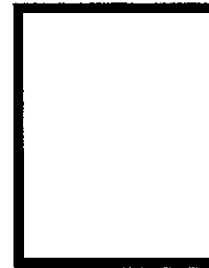
IMI is a major international group operating in four business areas: Building Products, Drinks Dispense, Fluid Power and Special Engineering. At the end of 1996 IMI had over 16,000 employees in thirty countries around the world. At the year end the geographic distribution was as follows:

United Kingdom	8,128
Continental Europe	3,061
Americas	4,702
Asia Pacific	679
Total	16,570

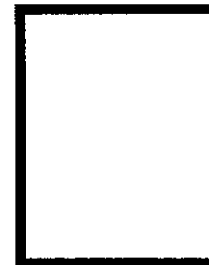
IMI's policies relating to employee involvement and development together with health, safety and the environment are set out in the Directors' Report on pages 28 and 29.



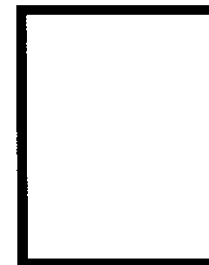
BUILDING PRODUCTS



DRINKS DISPENSE



FLUID POWER



SPECIAL ENGINEERING