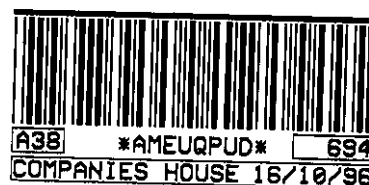


S.J. & E. Fellows Limited

Directors' report and financial statements

For the year ended 31 December 1995

Registered number 43995



S.J. & E. Fellows Limited

Directors' report and financial statements

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S.J. & E. Fellows Limited

Directors' report

Directors	RB Pointon (chairman) KR Collie CR Chick RD Lawrence
Secretary	K Guise
Registered office	Holdford Road Witton Birmingham B6 7ES
Auditors	KPMG

The directors present their report and financial statements for the year ended 31 December 1995.

Principal activity

The principal activity of the company is the manufacture of deep drawn presswork and other specialist machined products for various industries.

Review of business

Activity levels remained fairly flat in a competitive market with total sales rising marginally to £6,609,534, and profit before tax falling to £74,939. Whilst seeing some signs of a more positive outcome in 1996 a cautionary view is being taken.

Results and dividends

The profit and loss account for the year is shown on page 5. The profit for the year after taxation amounted to £198,691 (1994: £364,352).

The directors do not recommend the payment of a dividend (1994: £Nil).

Changes in fixed assets

Movements in fixed assets are shown in note 6 to the financial statements.

S.J. & E. Fellows Limited

Directors' report *(continued)*

Directors' interests

RB Pointon is a director of IMI plc and his interests in its shares are disclosed in the financial statements of that company.

The interests of the other directors in office at 31 December 1995 in the share capital of IMI plc, the company's ultimate parent company were as follows:

	IMI plc ordinary shares of 25p each	
	Number	
	At 31 December 1995	At 1 January 1995
KR Collie	1,495	783

During the year, options on ordinary shares were granted to and exercised by the directors as follows under the IMI Savings-Related Share Option Scheme and the IMI Executive Share Option (1985) Scheme:

	Number	
	Options granted	Options exercised
KR Collie	6,425	712

Directors' and officers' insurance

During the year insurance was maintained for directors and officers of the company against certain liabilities which they might incur personally.

Statement of directors' responsibilities

The directors are required to prepare financial statements for each financial period which comply with the provisions of the Companies Act 1985 and give a true and fair view of the state of affairs of the company as at the end of the accounting period and of the profit or loss for that period. Suitable accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates, have been used in the preparation of the financial statements. Applicable accounting standards have been followed and the financial statements have been prepared on a going concern basis. The directors are responsible for maintaining adequate accounting records, for safeguarding the assets of the company, and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

S.J. & E. Fellows Limited

Directors' report *(continued)*

General

Pursuant to a shareholders' resolution, under the terms of Section 379A, Companies Act 1985 (as amended), no annual general meeting is to be held, the financial statements will not be laid before the members and the auditors, KPMG, will continue to hold office without the necessity to seek re-election.

By order of the board



K Guise
Secretary

Holdford Road
Witton
Birmingham
B6 7ES

27 February 1996



2 Cornwall Street
Birmingham
B3 2DL
United Kingdom

Auditors' report to the members of S.J. & E. Fellows Limited

We have audited the financial statements on pages 5 to 14.

Respective responsibilities of directors and auditors

As described on page 2, the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company as at 31 December 1995 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

*Chartered Accountants
Registered Auditors*

27 February 1996

S.J. & E. Fellows Limited

Profit and loss account for the year ended 31 December 1995

	<i>Note</i>	1995 £	1994 £
Turnover - continuing operations	3	6,609,534	6,511,450
Cost of sales		(5,507,938)	(5,211,482)
Gross profit		1,101,596	1,299,968
Distribution costs		(484,540)	(435,114)
Administrative expenses		(619,237)	(491,325)
Operating (loss)/profit - continuing operations		(2,181)	373,529
Interest receivable	4	77,120	17,823
Profit on ordinary activities before taxation	3	74,939	391,352
Tax on profit on ordinary activities	5	123,752	(27,000)
Retained profit for the year	13	198,691	364,352

The movements in reserves are set out in note 13 on page 13.

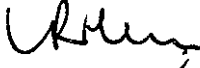
The company has recognised no gains or losses other than the profit for the financial year.

S.J. & E. Fellows Limited

Balance sheet at 31 December 1995

	Note	1995	1994
		£	£
Fixed assets			
Tangible assets	6	718,314	727,399
Current assets			
Stocks	7	708,416	636,792
Debtors	8	1,630,171	2,052,111
Cash at bank and in hand		562,675	282,926
		<u>2,901,262</u>	<u>2,971,829</u>
Creditors: amounts falling due within one year	9	<u>(2,462,280)</u>	<u>(2,748,623)</u>
Net current assets		<u>438,982</u>	<u>223,206</u>
Total assets less current liabilities		<u>1,157,296</u>	<u>950,605</u>
Financed by:			
Creditors: amounts falling due after more than one year	10	1,219,975	1,219,975
Provisions for liabilities and charges	11	8,000	-
Capital and reserves			
Called up share capital	12	411,000	411,000
Profit and loss account	13	<u>(481,679)</u>	<u>(680,370)</u>
Total shareholders' funds		<u>(70,679)</u>	<u>(269,370)</u>
		<u>1,157,296</u>	<u>950,605</u>

These financial statements were approved by the board of directors on 27 February 1996 and were signed on its behalf by:


KR Collie
Director

S.J. & E. Fellows Limited

Reconciliation of movements in shareholders' funds *for the year ended 31 December 1995*

	1995 £	1994 £
Shareholders' funds at 1 January	(269,370)	(633,722)
Profit for the year attributable to shareholders	<u>198,691</u>	<u>364,352</u>
Shareholders' funds at 31 December	<u>(70,679)</u>	<u>(269,370)</u>

S.J. & E. Fellows Limited

Notes

(forming part of the financial statements)

1 Principal accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements:

Basis of accounting

The financial statements have been prepared under the historical cost convention, and in accordance with applicable Accounting Standards.

Depreciation

Depreciation is provided by the company to write off the cost less estimated residual value of other tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

Plant and machinery - between 4 and 10 years

Leases

Payments under operating leases are charged to the profit and loss account as they arise.

Stocks

Stocks are valued at the lower of cost and net realisable value. Cost of work in progress and finished goods includes an appropriate proportion of production overheads.

Deferred 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.

Foreign exchange

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date and gains or losses on translation are included in the profit and loss account.

Pensions

The company is a member of a group operated defined benefit pension scheme, the assets being held in independently administered funds. Contributions to the pension scheme, which is fully funded, are based on pension costs across the group as a whole. Contributions are charged to the profit and loss account so as to spread the cost of pensions over the average remaining service lives of employees.

Pension costs are charged in accordance with the advice of independent qualified actuaries.

S.J. & E. Fellows Limited

Notes (continued)

1 Principal accounting policies (continued)

Pensions (continued)

The latest formal actuarial valuation was at 31 March 1993. Particulars of the actuarial valuation of the group scheme are contained in the financial statements of IMI plc.

2 Cash flow statement

The company's cash flow for the year ended 31 December 1995 is included in the consolidated financial statements of IMI plc. The company is therefore exempted from preparing its own cash flow statement.

3 Turnover and profit on ordinary activities before taxation

Turnover represents amounts invoiced by the company in respect of goods and services provided during the year, excluding value added tax. The analysis of turnover by geographical area is as follows:

	1995 £	1994 £
United Kingdom	5,725,282	5,574,602
Europe	863,269	850,748
Rest of the world	20,983	86,100
	<u>6,609,534</u>	<u>6,511,450</u>

Profit on ordinary activities before taxation is stated after charging:

Depreciation on tangible fixed assets	170,735	165,739
Auditors' remuneration	11,400	11,000
Directors' emoluments:		
Management remuneration (note 16)	114,454	104,501
Operating lease rentals	<u>103,133</u>	<u>97,485</u>

S.J. & E. Fellows Limited

Notes (continued)

4 Interest receivable

	1995 £	1994 £
On loans to group undertakings	41,853	17,823
On corporation tax repayment	35,267	-
	<u>77,120</u>	<u>17,823</u>

5 Taxation

	1995 £	1994 £
Taxation based on the profit for the year:		
Corporation tax at 33% (1994: 33%)	-	(104,000)
Group relief receivable at 33%	10,000	-
Deferred taxation (charged)/released	(8,000)	3,000
Adjustments in respect of prior years:		
Corporation tax	121,752	74,000
	<u>123,752</u>	<u>(27,000)</u>

The taxation charge is reduced because of the impact of non taxable interest received and of timing differences not provided as deferred tax.

6 Tangible fixed assets

	Plant and machinery		Net book value £
	Cost £	Depreciation £	
<i>Cost or valuation</i>			
At beginning of year	2,648,544	(1,921,145)	727,399
Additions	172,054	-	172,054
Disposals	(23,768)	19,686	(4,082)
Depreciation for the year	-	(170,735)	(170,735)
Inter group transfers	(13,195)	6,873	(6,322)
	<u>2,783,635</u>	<u>(2,065,321)</u>	<u>718,314</u>

S.J. & E. Fellows Limited

Notes (continued)

7 Stocks

	1995 £	1994 £
Raw materials and consumables	99,649	80,017
Work in progress	311,567	292,247
Finished goods and goods for resale	297,200	264,528
	<u>708,416</u>	<u>636,792</u>

8 Debtors

	1995 £	1994 £
Trade debtors	1,058,419	1,040,865
Amount owed by immediate parent undertaking	484,340	963,001
Group relief receivable	10,205	-
Prepayments and accrued income	77,207	48,245
	<u>1,630,171</u>	<u>2,052,111</u>

9 Creditors: amounts falling due within one year

	1995 £	1994 £
Trade creditors	993,769	1,103,247
Amounts owed to fellow subsidiary undertakings	1,272,613	1,273,803
Other creditors including taxation and social security	195,898	371,573
	<u>2,462,280</u>	<u>2,748,623</u>
Other creditors including taxation and social security comprise:		
Corporation tax	-	104,000
Other taxes	63,457	88,378
Social security	46,183	47,044
Other creditors	86,258	132,151
	<u>195,898</u>	<u>371,573</u>

S.J. & E. Fellows Limited

Notes (continued)

10 Creditors: amounts falling due after more than one year

	1995 £	1994 £
Amount owed to ultimate parent undertaking	<u>1,219,975</u>	<u>1,219,975</u>

The loan from the parent undertaking is interest free and the directors of that company have indicated that there is no current intention to seek repayment.

11 Provisions for liabilities and charges

	Deferred tax £
At beginning of year	-
Charge to profit and loss account	<u>8,000</u>
At end of year	<u>8,000</u>

Deferred tax calculated on the liability method, at 33% (1994: 33%) and the amounts not provided were as follows:

	1995		1994	
	Amount provided £	Amount not provided £	Amount provided £	Amount not provided £
Accelerated capital allowances	<u>8,000</u>	<u>5,000</u>	<u>-</u>	<u>-</u>

12 Share capital

	1995 £	1994 £
<i>Authorised, allotted, called up and fully paid:</i>		
Ordinary shares of £1 each	<u>411,000</u>	<u>411,000</u>

S.J. & E. Fellows Limited

Notes (continued)

13 Profit and loss account

	£
At beginning of year	(680,370)
Retained profit for the financial year	198,691
	<hr/>
At end of year	(481,679)
	<hr/>

14 Commitments

Capital commitments at 31 December 1995, for which no provision has been made in these financial statements, were as follows:

	1995 £	1994 £
Contracted	14,359	-
Authorised but not contracted	2,160	-
	<hr/>	<hr/>

15 Contingent liabilities

The company has overdraft facilities which form part of a composite accounting arrangement with those of IMI plc and certain of its subsidiaries. Accordingly, the company in concert with those other group companies has entered into arrangements whereby each has offered a limited guarantee in respect of the others overdraft borrowings from time to time. The company's maximum liability is limited to the extent of its current account cash balances from time to time which at 31 December 1995 amounted to £558,827.

16 Directors' emoluments

Excluding pension contributions, the emoluments of the chairman was £Nil (1994: £Nil); the emoluments of the highest paid director were £56,617 (1994: £49,410).

The emoluments of the directors were within the following ranges:

	Number of directors	
	1995	1994
£0 - £ 5,000	1	2
£15,001 - £20,000	1	1
£35,001 - £40,000	-	1
£45,001 - £50,000	1	1
£55,001 - £60,000	1	-
	<hr/>	<hr/>

S.J. & E. Fellows Limited

Notes (continued)

17 Staff numbers and costs

The number of people employed by the company on average each week was as follows:

	Number of employees	
	1995	1994
Administration and selling	18	18
Production	123	132
	<u>141</u>	<u>150</u>

The aggregate payroll costs of these employees were as follows:

	£	£
Wages and salaries	2,089,720	2,045,796
Social security costs	176,717	174,824
Pension costs	188,533	177,421
	<u>2,454,970</u>	<u>2,398,041</u>

18 Operating leases

At the end of the financial year, the company had annual commitments under non-cancellable operating leases as follows:

	Land and buildings	
	1995	1994
	£	£
Operating leases which expire:		
After five years	<u>96,000</u>	<u>99,000</u>

19 Ultimate parent company

The ultimate parent company is IMI plc which is registered in England and Wales. A copy of the group financial statements of that company can be obtained from:

The Company Secretary
IMI plc
PO Box 216
Witton
Birmingham
B6 7BA