

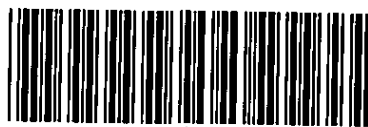
Norgren Limited

**Directors' report and financial
statements**

Registered number 564656

For the year ended 31 December 2006

TUESDAY



ABBA2U8A

A38

30/10/2007

396

COMPANIES HOUSE

Contents

Directors' report	1
Statement of directors' responsibilities in respect of the directors' report and the financial statements	3
Independent auditors' report to the members of Norgren Limited	4
Profit and loss account	4
Balance sheet	4
Notes	4

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2006

Business review and principal activities

The Company is a wholly owned subsidiary of IMI plc and operates as part of that Company's Fluid Controls Division

The Company's principal activities are the manufacture and distribution of pneumatic control equipment

2006

Trading performance has remained consistent, on a like for like basis, with 2005

Sales revenue has increased by 2.8%

Operating profit reduced from £14.5 million to £9.2 million

Outlook for 2007

Market conditions remain good, from which we expect to achieve modest growth. Anticipated cost reduction programmes are expected to improve gross operating margins

Risks for 2007

As with other companies in its business sector, Norgren Ltd is exposed to competitive pressure. In order to mitigate this risk, the Company seeks to focus on the high value engineered end of the market, developing strong relationships with key customers

The Company sells its products into international markets and it is, therefore, exposed to currency movements on such sales. Where appropriate, the Company manages this risk with forward foreign exchange contracts in line with IMI plc's treasury policies

The Company's business may be affected by fluctuations in the price and supply of key raw materials, although purchasing policies and practices seek to mitigate, where practicable, such risks

Results for the year

The profit on ordinary activities before taxation amounted to £9,589,000 (2005: £15,652,000)

The profit on ordinary activities after taxation amounted to £6,228,000 (2005: £10,680,000)

Research and development

The company continues to concentrate on the application of modern technology to improve production methods and product quality and also on developing new products

Directors and their interests

The directors who held office during the year were as follows

MK Payne	(resigned 26 January 2006)
PD Cleaver	
NP Gilpin	(appointed 14 March 2006, resigned 31 January 2007)
B Martin	(appointed 20 April 2007)

Employee involvement

The directors believe that benefit is derived from the provision of systematic channels for employee participation. Formal joint consultative machinery has been in operation for many years and exchange of information between management and employees is strongly encouraged

During 2006 joint consultation has continued, through exchange of information and constructive discussion, to play a vital role in ensuring consideration of employees' views on matters likely to affect their interests and in developing understanding of factors affecting the performance of the company

Directors' report *(continued)*

Employee involvement *(continued)*

An employee profit sharing scheme has been operated for many years providing an annual profit-related bonus to employees. Since 1980 an opportunity to take the bonus in the form of IMI Plc shares has been available to all. In 1984, an Inland Revenue approved savings-related share option scheme was introduced for all employees.

A summary of the IMI Annual Report and a copy of the full IMI Annual Report is also available to all employees.

Employment of disabled persons

Applications for employment from disabled persons are fully and fairly considered, bearing in mind the aptitudes and abilities of the person concerned. In the event of employees becoming disabled every reasonable effort is made to ensure that their employment with the company continues and the appropriate training is arranged.

It is the policy of the company that disabled persons should, as far as possible, have identical training, career development and promotion to those who do not suffer from disabilities.

Policy on the payment of creditors

The company policy is to make its suppliers aware of the terms of payment, to agree such terms with its suppliers for each business transaction and to make payments to suppliers in accordance with these terms, providing that the supplier is also complying with all relevant terms. At the end of the year, there were 41 days (2005 36 days) purchases in trade creditors.

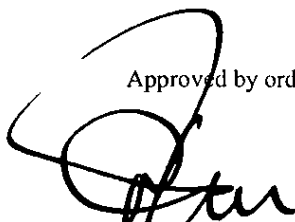
Disclosure of information to auditor

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditors are unaware, and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

Auditors

In accordance with Section 385 of the Companies Act 1985, a resolution for the reappointment of KPMG Audit Plc as the company's auditor will be proposed at the forthcoming annual general meeting.

Approved by order of the board of directors and signed on its behalf by



M Preece
Secretary

PO Box 22
Eastern Avenue
Lichfield
Staffordshire
WS13 6SB

30 October 2007

Statement of directors' responsibilities in respect of the directors' report and the financial statements

The directors are responsible for preparing the directors' report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice)

The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss for that period

In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that its financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities



KPMG Audit Plc

2 Cornwall Street
Birmingham
B3 2DL
United Kingdom

Independent auditors' report to the members of Norgren Limited

We have audited the financial statements of Norgren Limited for the year ended 31 December 2006 which comprise the Profit and Loss Account, the Balance Sheet and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities on page 3.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 judgments 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.

Independent auditors' report to the members of Norgren Limited (*continued*)

Opinion

In our opinion

- the financial statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2006 and of its profit for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements



KPMG Audit Plc
Chartered Accountants
Registered Auditor

30 October 2007

Profit and loss account
for the year ended 31 December 2006

	<i>Note</i>	2006 £000	2005 £000
Turnover - continuing operations	2	127,062	123,645
Cost of sales		(97,421)	(89,378)
		<hr/>	<hr/>
Gross profit		29,641	34,267
Distribution costs		(7,661)	(8,401)
Administrative expenses		(12,761)	(11,325)
		<hr/>	<hr/>
Operating profit – continuing operations		9,219	14,541
Interest receivable and similar income	3	1,203	1,405
Interest payable and similar charges	4	(833)	(294)
		<hr/>	<hr/>
Profit on ordinary activities before taxation	5	9,589	15,652
Taxation	8	(3,361)	(4,972)
		<hr/>	<hr/>
Profit for the financial year		6,228	10,680
		<hr/>	<hr/>

The movement on reserves is set out in note 18

There were no recognised gains or losses other than the profit for the financial year as reported above, and therefore no statement of recognised gains and loss has been presented

Balance sheet
at 31 December 2006

	<i>Note</i>	2006 £000	2005 £000
Fixed assets			
Intangible assets	9	7,117	7,545
Tangible assets	10	20,863	19,171
Investments	11	50	50
		28,030	26,766
Current assets			
Stocks	12	13,013	13,066
Debtors (including £2,991,000 (2005 £2,090,000) due after more than one year)	13	64,039	48,043
Cash at bank and in hand		1,613	1,348
		78,665	62,457
Creditors amounts falling due within one year	14	(34,834)	(22,662)
Net current assets		43,831	39,795
Total assets less current liabilities		71,861	66,561
Creditors amounts falling due after more than one year	15	(6,371)	(6,371)
Provisions for liabilities and charges	16	(1,768)	(1,846)
Net assets		63,722	58,344
Capital and reserves			
Called up share capital	17	30,033	30,033
Profit and loss account	18	33,689	28,311
Equity shareholder's funds	19	63,722	58,344

These financial statements were approved by the board of directors on 30 October 2007 and were signed on its behalf by



PD Cleaver
Director

Notes

(forming part of the financial statements)

1 Accounting policies

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

Basis of preparation

The financial statements have been prepared using the historical cost convention and in accordance with applicable UK Accounting Standards

Under FRS 1 "Cash Flow Statements", the company is exempt from the requirements to prepare a cash flow statement on the grounds that it is a wholly owned subsidiary undertaking of IMI plc which presents consolidated financial statements which include the company and which are publicly available

As the company is a wholly owned subsidiary of IMI plc the company has taken advantage of the exemption contained in FRS 8 "Related Party Disclosures" and has therefore not disclosed transactions or balances with entities which form part of the group. The consolidated financial statements of IMI plc, within which this company is included, can be obtained from the address given in note 26

Goodwill

Purchased goodwill, being the excess of the fair value of consideration given over the fair value of the net assets acquired, has been capitalised as an intangible fixed asset and is being amortised over 20 years. This is the maximum period of amortisation advised by FRS 10, and the directors believe this represents the useful economic life of the goodwill. Goodwill is annually tested for potential impairment

Tangible fixed assets

Assets in the course of construction are not depreciated. Depreciation is calculated so as to write off the cost of other tangible fixed assets by equal instalments over their estimated useful lives as follows

Freehold buildings	-	20 years
Plant and machinery	-	between 3 and 15 years

No depreciation is provided on freehold land

Stocks

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

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 capitalised and depreciated in the normal manner

Taxation

The charge for taxation is based on the profit or loss for the year, and takes into account taxation deferred or accelerated because of timing differences between the treatment of certain items for taxation and accounting purposes

Deferred tax is recognised without discounting in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19 "Deferred tax"

Leased assets

Operating lease rentals are charged to the profit and loss account in the period to which they relate

Where the company has leasehold property commitments and the company is no longer using the property, the directors have made provision for future commitments at the estimated cost to the company

Notes (continued)

1 Accounting policies (continued)

Post retirement benefits

The company participates in a multi-employer pension scheme providing benefits based on final pensionable pay. The assets of the scheme are held separately from those of the company. The company is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis and therefore, as required by FRS 17 "Retirement Benefits", accounts for the scheme as if it were a defined contribution scheme. As a result, the amount charged to the profit and loss account represents the contributions payable to the scheme in respect of the accounting period.

Foreign exchange

Assets and liabilities denominated in foreign currencies have been translated into sterling at the rate of exchange ruling at the year end. Foreign exchange differences arising on trading transactions in the year are reflected in the profit and loss account.

2 Turnover

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 market is as follows:

	2006 £000	2005 £000
UK	86,973	82,149
Rest of Europe	17,462	19,437
America	14,135	12,612
Asia	6,962	7,011
Australasia	901	1,692
Africa	629	744
	<u>127,062</u>	<u>123,645</u>

3 Interest receivable and similar income

	2006 £000	2005 £000
Receivable from group undertakings	<u>1,203</u>	<u>1,405</u>

4 Interest payable

	2006 £000	2005 £000
Amounts payable on overdrafts	11	2
Amounts payable on amounts owed to group undertakings	<u>822</u>	<u>292</u>
	<u>833</u>	<u>294</u>

Notes (continued)

5 Profit on ordinary activities before taxation

	2006	2005
	£000	£000
<i>Profit on ordinary activities before taxation is stated</i>		
<i>after charging</i>		
Amortisation of goodwill	428	379
Depreciation on tangible fixed assets	5,168	6,767
Operating lease rentals		
Hire of plant and machinery	175	55
Other operating leases	1,080	986
Property rents payable	1,753	1,596
Research and development	3,955	3,046
Rationalisation and redundancy costs	616	254

Auditors' remuneration

Audit of these financial statements	191	155
-------------------------------------	-----	-----

Amounts receivable by the company's auditor in respect of services to the company, other than the audit of the company's financial statements, have not been disclosed as the information is required instead to be disclosed on a consolidated basis in the consolidated financial statements of the company's ultimate parent company, IMI plc

6 Directors' remuneration

	2006	2005
	£000	£000
Directors' remuneration		
Emoluments as executives of the company	212	297
Pension contributions	39	49

The remuneration of the highest paid director was as follows

	£000	£000
Total remuneration excluding pension contributions	203	178
Pension contributions to defined benefit pension schemes	37	27

The amount of accrued pension at 31 December 2006 amounted to £14,670 (2005 £9,620)

Each of the directors serving at the year end are members of the group's defined benefit pension scheme

7 Staff numbers and costs

The average number of persons employed by the company during the year (including directors) was as follows

	Number of employees	
	2006	2005
Production	715	662
Distribution	193	255
Administration	185	191
	1,093	1,108

Notes (continued)

7 Staff numbers and costs (continued)

The aggregate payroll costs of these employees were as follows

	£000	£000
Wages and salaries	25,613	24,793
Social security costs	2,091	1,997
Other pension costs	3,402	3,074
	<hr/>	<hr/>
	31,106	29,864
	<hr/>	<hr/>

8 Taxation

Analysis of charge in year

	2006 £000	2005 £000
<i>UK corporation tax</i>		
Current tax on income for the year	3,038	4,975
Adjustments in respect of prior periods	164	9
	<hr/>	<hr/>
Total current tax	3,202	4,984
<i>Deferred tax (see note 16)</i>		
Origination and reversal of timing differences	159	(12)
	<hr/>	<hr/>
Tax on profit on ordinary activities	3,361	4,972
	<hr/>	<hr/>

The current tax charge for the year is higher (2005 higher) the standard rate of corporation tax in the UK 30% (2005 30%) The differences are explained below

	2006 %	2005 %
<i>Current tax reconciliation</i>		
Average rate of corporation tax	30	30
<i>Effects of</i>		
Non taxable and non deductible items	1	1
Non tax deductible goodwill	1	1
Origination and reversal of timing differences	(1)	-
Adjustments to tax charge in respect of previous periods	2	-
	<hr/>	<hr/>
Current tax rate for the year	33	32
	<hr/>	<hr/>

Notes (continued)

9 Intangible fixed assets

	Goodwill £000
Cost	
At beginning and end of year	8,570
Depreciation	
At beginning of year	1,025
Amortisation	428
At end of year	1,453
Net book value	
At 31 December 2006	7,117
At 31 December 2005	7,545

Goodwill arose on the acquisition of the trade and assets of Herion UK Limited, purchased in 1998, the goodwill arising on the acquisition of the trade and net assets of IMI Scott Limited, purchased in 2004, and goodwill arising on the acquisition of the trade and net assets of IMI Watson Smith Limited, purchased on 31 March 2005

10 Tangible fixed assets

	Land and buildings £000	Plant and machinery £000	Payments on account and assets in course of construction £000	Total £000
Cost				
At beginning of year	123	87,977	3,165	91,265
Additions	-	715	6,187	6,902
Disposals	-	(5,726)	-	(5,726)
Transfer	-	5,024	(5,024)	-
At end of year	123	87,990	4,328	92,441
Depreciation				
At beginning of year	48	72,046	-	72,094
Charge for the year	3	5,165	-	5,168
Disposals	-	(5,684)	-	(5,684)
At end of year	51	71,527	-	71,578
Net book value				
At 31 December 2006	72	16,463	4,328	20,863
At 31 December 2005	75	15,931	3,165	19,171

Notes (continued)

10 Tangible fixed assets (continued)

The net book value of land and buildings comprises

	2006 £000	2005 £000
Freehold	72	75

11 Investments

Investments in group undertakings

	£000
<i>Cost</i>	
At beginning and end of year	50
<i>Provision</i>	
At beginning and end of year	-
<i>Net book value</i>	
At 31 December 2006	50
At 31 December 2005	50

The company owns the whole of the issued ordinary share capital of IMI Scott Limited. The principal activity of IMI Scott Limited is acting as a selling operation for the company.

The company is exempt under Section 228 of the Companies Act 1985 from the requirement to prepare group financial statements because it is included in the consolidated financial statements of IMI plc, which is registered in England.

12 Stocks

	2006 £000	2005 £000
Raw materials and consumables	4,906	4,862
Work in progress	6,632	6,988
Finished goods	1,475	1,216
	13,013	13,066

13 Debtors

	2006 £000	2005 £000
Trade debtors	12,656	10,131
Amounts owed by group undertakings	49,910	36,718
Other debtors	54	225
Prepayments and accrued income	1,419	969
	64,039	48,043

Included within amounts owed by group undertakings is a funding loan of £2,991,000 (2005: £2,090,000) which is due after more than one year.

Notes (continued)

14 Creditors: amounts falling due within one year

	2006 £000	2005 £000
Trade creditors	12,991	9,729
Amounts owed to group undertakings	17,976	6,990
Corporation tax	390	2,039
Other taxation	379	580
Social security	326	349
Other creditors	381	360
Accruals and deferred income	2,391	2,615
	<u>34,834</u>	<u>22,662</u>

15 Creditors: amounts falling due after more than one year

	2006 £000	2005 £000
Amounts owed to group undertakings	<u>6,371</u>	<u>6,371</u>

16 Provision for liabilities and charges

	Deferred taxation £000	Warranties £000	Rationalisation £000	Onerous leases £000	Total £000
At beginning of year	947	358	217	324	1,846
Utilised in year	-	(12)	(405)	(101)	(518)
Charged in year	159	131	285	14	589
Released in year	-	(47)	(52)	(50)	(149)
At end of year	<u>1,106</u>	<u>430</u>	<u>45</u>	<u>187</u>	<u>1,768</u>

Product warranties are given in the normal course of business and cover a period of 2 years

The elements of deferred taxation are as follows

	2006 £000	2005 £000
Difference between accumulated depreciation and amortisation and capital allowances	1,138	1,006
Other timing differences	(32)	(59)
	<u>1,106</u>	<u>947</u>

17 Called up share capital

	2006 £000	2005 £000
<i>Authorised, allotted and fully paid</i>		
Ordinary shares of £1 each	<u>30,033</u>	<u>30,033</u>

Notes (continued)

18 Reserves

	Profit and loss account £000
Balance as at 1 January 2006	28,311
Retained profit for the year	6,228
Dividend paid	(850)
	<hr/>
At 31 December 2006	33,689
	<hr/>

19 Reconciliation of movements in equity shareholder's funds

	2006 £000	2005 £000
Profit for the financial year	6,228	10,680
Dividend paid	(850)	(4,231)
	<hr/>	<hr/>
	5,378	6,449
Equity shareholder's funds at beginning of year	58,344	51,895
	<hr/>	<hr/>
Equity shareholder's funds at end of year	63,722	58,344
	<hr/>	<hr/>

20 Capital commitments

Contracts in respect of future capital expenditure which had been contracted for at the balance sheet date and for which no provision had been made in the financial statements amounted to £1,180,000 (2005 £2,113,000)

21 Operating leases

Annual commitments under operating leases expiring

	2006		2005	
	Land and buildings £000	Other £000	Land and buildings £000	Other £000
Within one year	-	80	-	708
Between two and five years	14	76	48	41
After five years	126	2	111	2
	<hr/>	<hr/>	<hr/>	<hr/>
	140	158	159	751
	<hr/>	<hr/>	<hr/>	<hr/>

22 Contingent liabilities

The company has in the past, assigned various property leases and remains contingently liable for any default by subsequent tenants. The directors have made provision for future commitments at the estimated cost to the company (see note 16)

There is a right of set off with the company's bankers relating to the balances of the company, its parent and certain of its fellow wholly owned United Kingdom undertakings with that bank. The company's maximum liability is limited to the extent of its current account cash balance.

Notes (continued)

23 Pensions

The company participates in a multi-employer pension scheme providing benefits based on final pensionable pay. As permitted by FRS 17 "Retirement Benefits" the plan is accounted for by the company as if it were a defined contribution scheme, because the company is unable to identify its share of the plan's assets and liabilities on a consistent and reasonable basis. The latest full actuarial valuation was carried out on 31 March 2002 by a qualified independent actuary.

The profit and loss charge in respect of employer contributions to the scheme for the year was £3,402,000 (2005 £3,074,000). At the year end there were outstanding contributions payable to the scheme of £360,000 (2005 £312,000).

Due to the company being unable to identify its share of the scheme assets and liabilities on a consistent and reasonable basis, as permitted by FRS17 "Retirement Benefits", the scheme will be accounted for by the company when the accounting standard is fully adopted by the company as if the scheme was a defined contribution scheme.

Further information on the funding status of the scheme and the latest full actuarial valuation and FRS17 update are disclosed in the accounts of IMI plc.

24 Related party transactions

The company has taken advantage of the exemption in Financial Reporting Standard No 8 not to disclose related party transactions with IMI Plc and its subsidiaries as the company is a wholly owned subsidiary undertaking of a company producing group financial statements.

25 Dividends

	2006 £000	2005 £000
Dividends paid	850	4,231

26 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, Lakeside, Solihull Parkway, Birmingham Business Park, Birmingham B37 7XZ, United Kingdom.