

**Registered No. 00564656**

# **Norgren Limited**

**Strategic report, Directors' report and financial statements**

**For the year ended 31 December 2013**

(Registered in England and Wales - number 00564656)



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**NORGREN LIMITED****Strategic report, Directors' report and financial statements  
for the year ended 31 December 2013****Registered No. 00564656**

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**NORGREN LIMITED**  
**Company details**

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**Directors**

D Cox (appointed 18 October 2013)

A Samples (appointed 18 October 2013)

**Secretary**

S A Hallam

**Auditors**

Ernst & Young LLP

One Colmore Square

Birmingham

B4 6HQ

**Bankers**

Lloyds TSB plc

PO Box 1000

Colmore Row

Birmingham

BX1 1LT

**Registered office**

PO Box 22

Eastern Avenue

Lichfield

Staffordshire

WS13 6SB

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**NORGREN LIMITED**  
**Registered No. 00564656**  
**Strategic report**  
**for the year ended 31 December 2013**

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The directors' present their Strategic report for the year ended 31 December 2013.

**Principal activities and review of the business**

The company is a wholly-owned subsidiary of IMI plc and operates as part of IMI plc's Precision Engineering business.

The company's principal activities are the manufacture and distribution of pneumatic control equipment and precision manufactured components. There have not been any significant changes in the company's principal activities in the year under review. The directors are not, at the date of this report, aware of any likely major changes in the company's activities in the next year.

Throughout the year, the rationalisation program announced in 2011 continued, with investment in new facilities completed and handed over in early 2014. The transfer of valves manufacturing to low cost manufacturing facilities was completed, whilst 2014 will see the remaining transfer of certain industrial fittings completed.

As shown in the company's profit and loss account on page 8 the company's turnover has decreased by 9% over the prior year and the profit after tax has decreased by £2.5m. The balance sheet on page 9 of the financial statements shows the company's financial position at the year-end.

It is the intention to terminate the agency agreement between the company and IMI Scott Limited effective from 31 July 2014. The principal activity of IMI Scott Limited will revert to that of wire manufacturer rather than a selling agent for the company from this date and IMI Scott Limited will consequently benefit from the risks and rewards arising from its activities from 1 August 2014.

Subsequent to the year end, as a result of falling demand levels at IMI Components, which supplies non-valve components into the nuclear fuel enrichment market, a decision has been taken to close the manufacturing site in Birmingham with an anticipated exceptional restructuring charge of up to £10m in 2014.

IMI plc manages its operations on a divisional basis. For this reason, the company's directors believe that analysis using key performance indicators for the company is not necessary or appropriate for an understanding of the development, performance or position of the business. The performance of the Fluid Controls division of IMI plc, which includes the company, is discussed in IMI plc's annual report which does not form part of this report.

**Principal risks and uncertainties**

As with other companies in its sector, Norgren Limited is exposed to competitive pressure. In order to mitigate this risk, the company seeks to focus on the high value engineered end of the markets 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 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 and supplies, although purchasing policies and practices seek to mitigate, where practicable, such risks.

The company is a member of IMI plc's multi-employer UK defined benefit pension plan, which is currently in deficit. The funding level of this pension plan is subject to potential adverse change resulting from movements in assumptions that would be reflected in the actuarial calculation of plan liabilities, including decreasing yields on corporate bonds and increasing longevity of plan members, as well as declines in the market value of plan investments. The UK pension fund is closed to new members and future accrual and deficit-reduction contributions are being made by IMI plc in addition to the normal cash contributions due under the terms of a repayment schedule agreed with the plan Trustee. Significant adverse changes could materially impact the company's trading results.

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**NORGREN LIMITED**  
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**Strategic report**  
**for the year ended 31 December 2013**

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**Principal risks and uncertainties** *(continued)*

The company is financed by IMI plc, the details of which can be found in the IMI plc annual report and financial statements, which do not form part of this report. The risks facing the IMI group are discussed in IMI plc's annual report.

By order of the Board



S A Hallam

**Secretary**

25 September 2014

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**NORGREN LIMITED**  
**Registered No. 00564656**  
**Directors' report**  
**for the year ended 31 December 2013**

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The directors present their report and financial statements for the year ended 31 December 2013.

**Environment**

The company recognises the importance of its environmental responsibilities, monitors its impact on the environment, and designs and implements policies to mitigate any adverse impact that might be caused by its activities. The company operates in accordance with IMI plc policies, as noted in IMI plc's annual report, which does not form part of this report. Initiatives aimed at minimising the company's impact on the environment include safe disposal of manufacturing waste, recycling and reducing energy consumption.

**Employees**

Details of the number of employees and related costs can be found in note 5 to the financial statements.

Applications for employment by disabled persons are considered fully, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the company continues and that appropriate training is arranged. It is the policy of the company that the training, career development and promotion of disabled persons should, as far as possible, be identical with that of other employees.

The company participates in IMI plc's policies and practices to keep employees informed on matters relevant to them as employees through appropriate means, such as employee meetings and newsletters.

The directors believe that benefit is derived from the provision of systematic channels for employee communication. Formal point consultative procedures have been in operation for many years and exchanges of information between management and employee is strongly encouraged.

**Results and dividends**

The results are set out on page 8. The profit after tax for the year was £15.0m (2012: profit of £17.5m).

The company paid a dividend of £19,397,000 in 2013 (2012: £36,316,000). The directors propose a dividend of £15,479,000 (2012: £19,397,000) amounting to £0.52 (2012: £0.65) per £1 ordinary share to be paid on 30 September 2014.

**Research and development**

During the year the company continued to pursue its policy of developing existing and new products.

**Directors**

The current directors are shown on the company details page. Other directors serving during the year and changes are as follows:

R Fenton (appointed 18 October 2013, resigned 3 September 2014)

W O C North (resigned 18 October 2013)

C Leyden (resigned 18 October 2013)

P Cleaver (resigned 18 October 2013)

The company's ultimate parent, IMI plc, maintained directors liability insurance for all directors during the financial year.

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**NORGREN LIMITED**  
**Registered No. 00564656**  
**Directors' report**  
**for the year ended 31 December 2013**

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**Disclosure of information to the auditors**

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow directors and the company's auditor, each director has taken all the steps that he/she is obliged to take as a director in order to make himself/herself aware of any relevant audit information and to establish that the auditor is aware of that information.

**Going concern**

The company participates in the group's centralised treasury function and so shares funding arrangements with its parent and fellow subsidiaries. Having assessed the responses of the directors of IMI plc, the company's ultimate parent, to their enquiries, the directors have no reason to believe that a material uncertainty exists that may cast significant doubt about the ability of IMI plc to continue as a going concern or its ability to continue with the current funding arrangements.

On the basis of their assessment of the company's financial position and of the enquiries made of the directors of IMI plc, the company's directors have a reasonable expectation that the company will be able to continue in operational existence in the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

**Auditors**

Pursuant to Section 485 of the Companies Act 2006, the auditors will be deemed to be reappointed and Ernst & Young LLP will therefore continue in office.

By order of the Board



S A Hallam  
**Secretary**

25 September 2014

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**NORGREN LIMITED****Statement of directors' responsibility in respect of the Strategic Report, Directors' Report and the financial statements**

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The directors are responsible for preparing the Strategic Report, 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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent; and
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.



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## **Independent auditor's report to the members of Norgren Limited**

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We have audited the financial statements of Norgren Limited for the year ended 31 December 2013 which comprise the Profit and Loss Account, the Balance Sheet, the Reconciliation of Movements in Shareholder's Funds and the related notes 1 to 26. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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**

As explained more fully in the Statement of Directors' Responsibilities set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Strategic report, Directors' report and financial statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2013 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **Opinion on other matter prescribed by the Companies Act 2006**

In our opinion the information given in the Strategic Report and Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

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## **Independent auditor's report to the members of Norgren Limited**

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### **Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

*Ernst & Young LLP*

Steven Bagworth (Senior statutory auditor)

for and on behalf of Ernst & Young LLP, Statutory Auditor

Birmingham

*26 September 2014*

**NORGREN LIMITED**  
**Profit and loss account**  
**for the year ended 31 December 2013**

	Notes	2013 £000	2012 £000
<b>Turnover</b>	<b>2</b>	<b>113,657</b>	<b>125,571</b>
Cost of sales		(78,558)	(89,040)
<b>Gross profit</b>		<b>35,099</b>	<b>36,531</b>
Distribution costs		(6,438)	(8,647)
Administrative expenses		(12,932)	(8,916)
<b>Operating profit</b>		<b>15,729</b>	<b>18,968</b>
Income from shares in group undertakings		242	982
Interest receivable and similar income	6	1,530	1,360
Interest payable and similar charges	7	(968)	(279)
<b>Profit on ordinary activities before taxation</b>	<b>3</b>	<b>16,533</b>	<b>21,031</b>
Tax on profit on ordinary activities	8	(1,489)	(3,515)
<b>Profit for the financial year</b>	<b>19</b>	<b>15,044</b>	<b>17,516</b>

All activities relate to continuing operations.

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

There were no recognised gains or losses in either the current or preceeding year other than the profit for the financial year.

**NORGREN LIMITED**  
**Balance sheet**  
**as at 31 December 2013**

	Notes	2013		2012	
		£000	£000	£000	£000
<b>Fixed assets</b>					
Intangible assets	10		4,121		4,549
Tangible assets	11		11,286		7,265
Investments	12		50		50
			<u>15,457</u>		<u>11,864</u>
<b>Current assets</b>					
Stocks	13	10,701		11,101	
Debtors	14	109,735		102,681	
Cash at bank and in hand		459		2,506	
		<u>120,895</u>		<u>116,288</u>	
<b>Creditors: amounts falling due within one year</b>	15	(81,464)		(67,655)	
<b>Net current assets</b>			39,431		48,633
<b>Total assets less current liabilities</b>			<u>54,888</u>		<u>60,497</u>
<b>Creditors: amounts falling due after more than one year</b>	16	(6,371)		(6,371)	
Provisions for liabilities	17	(1,285)		(2,541)	
<b>Net assets</b>			<u><u>47,232</u></u>		<u><u>51,585</u></u>
<b>Capital and reserves</b>					
Called up share capital	18		30,033		30,033
Profit and loss account	19		17,199		21,552
<b>Shareholder's funds</b>			<u><u>47,232</u></u>		<u><u>51,585</u></u>

These financial statements were approved by the board of directors on 26<sup>th</sup> September 2014 and were signed on its behalf by:



**A Samples**  
**Director**

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**NORGREN LIMITED****Reconciliation of movements in shareholder's funds  
for the year ended 31 December 2013**

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	2013 £000	2012 £000
<b>Profit for the financial year</b>	<b>15,044</b>	<b>17,516</b>
Dividends on shares classified in shareholder's funds	<u>(19,397)</u>	<u>(36,316)</u>
<b>Net reduction in shareholder's funds</b>	<b>(4,353)</b>	<b>(18,800)</b>
Opening shareholder's funds	<b>51,585</b>	<b>70,385</b>
<b>Closing shareholder's funds</b>	<u><b>47,232</b></u>	<u><b>51,585</b></u>

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**NORGREN LIMITED**  
**Notes to the financial statements**  
**for the year ended 31 December 2013**

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**1. Accounting policies (continued)*****Turnover***

Turnover represents amounts invoiced by the company in respect of goods and services provided during the year, excluding value added tax. Included within turnover is £15.4m (2012: £21.9m) of sales to Norgren European Logistics Company Limited, a fellow subsidiary undertaking, where the significant risks and rewards of ownership of the inventory to which these sales relate have been transferred to Norgren European Logistics Company Limited. In addition, the company has recognised sales of £9.7m (2012: £11.9m) for items sold to entities outside of the IMI plc group that have been originally manufactured by the company but have been purchased from Norgren European Logistics Company Limited. Purchases from Norgren European Logistics Company Limited during the year were £8.2m (2012: £9.9m).

Revenue from the sale of products is recognised in the profit and loss account net of returns, trade discounts and volume rebates when the significant risks and rewards of ownership have been transferred to the buyer, and reliable measurement is possible. No revenue is recognised where recovery of the consideration is not probable or there are significant uncertainties regarding associated costs, or the possible return of goods.

***Research and development expenditure***

Expenditure on research and development is written off to the profit and loss account in the year in which it is incurred. Development expenditure is capitalised only where there is a clearly defined project, the expenditure is separately identifiable, the outcome of the project can be assessed with reasonable certainty, aggregate costs are expected to exceed related future sales and adequate resources exist to enable the project to be completed.

***Foreign currencies***

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 contracted rate or the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

***Pensions***

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 Financial Reporting Standard No 17 'Retirement Benefits' accounts for the scheme as if it were a defined contribution scheme. As a result, the amounts charged to the profit and loss account represent the contributions payable to the scheme in respect of the accounting period.

***Taxation***

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Deferred taxation is recognised without discounting on all timing differences which have arisen but not reversed at the balance sheet date, except as otherwise stated by FRS 19. Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

**NORGREN LIMITED**  
**Notes to the financial statements**  
**for the year ended 31 December 2013**

**1. Accounting policies (continued)**

***Equity and equity-related compensation benefits***

The Company participates in an Executive Share Option Scheme, a SAYE Share Option Scheme and a Performance Share Plan. For options granted on or after 7 November 2002, the fair value of the employee services received in exchange for the grant of the options is recognised as an expense each year.

The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. The fair value of the options is determined based on the Black-Scholes option-pricing model.

At each balance sheet date, the Company revises its estimates of the number of options that are expected to vest. It recognises the impact of the revision of original estimates, if any, in the profit and loss account.

***Leases***

Operating lease rentals are charged to the profit and loss account on a straight line basis over the period of the lease.

***Going concern***

The company's business activities, together with the factors likely to affect its future development and position, are set out in the Business Review section of the Strategic Report on page 1.

The company participates in the group's centralised treasury function and so shares funding arrangements with its parent and fellow subsidiaries. Having assessed the responses of the directors of IMI plc, the company's ultimate parent, to their enquiries, the directors have no reason to believe that a material uncertainty exists that may cast significant doubt about the ability of IMI plc to continue as a going concern or its ability to continue with the current funding arrangements.

On the basis of their assessment of the company's financial position and of the enquiries made of the directors of IMI plc, the company's directors have a reasonable expectation that the company will be able to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

**2. Turnover**

Turnover is derived from one class of business in the UK and is analysed by geographical area as follows:

	<b>2013</b>	<b>2012</b>
	<b>£000</b>	<b>£000</b>
UK	<b>57,358</b>	63,461
Rest of Europe	<b>33,714</b>	44,628
America	<b>14,180</b>	8,672
Asia	<b>7,454</b>	6,934
Australasia	<b>945</b>	1,873
Africa	<b>6</b>	3
	<b>113,657</b>	<b>125,571</b>



**NORGREN LIMITED**  
**Notes to the financial statements**  
**for the year ended 31 December 2013**

**3. Profit on ordinary activities before taxation**

Profit on ordinary activities before taxation is stated after charging/(crediting):

	2013 £000	2012 £000
Depreciation and other amounts written off tangible fixed assets:		
Owned	2,124	2,027
Profit on disposal of fixed assets	(1)	(14)
Amortisation of goodwill	428	428
Operating lease rentals - land and buildings	965	544
Operating lease rentals - plant and machinery	598	803
Foreign exchange (gains)/losses	(254)	40
Research and development expenditure:		
Expenditure in the year	<u>2,543</u>	<u>2,381</u>

*Auditors' remuneration:*

	2013 £000	2012 £000
Audit of these financial statements	<u>79</u>	<u>68</u>

Amounts receivable by the Company's auditors and their associates in respect of services to the Company and its associates, 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 parent, IMI plc.

**4. Remuneration of directors**

	2013 £000	2012 £000
Directors' emoluments	300	1,133
Pension contributions	<u>38</u>	<u>96</u>
	<u>338</u>	<u>1,229</u>

The aggregate of emoluments and amounts receivable under long term incentive schemes of the highest paid director was £143,000 (2012: £805,000), and Company pension contributions of £25,000 (2012: £56,000) were made to a defined contribution scheme on his behalf.

The total remuneration received by the directors reflects their services as directors of the company and fellow subsidiary companies. The total remuneration cost retained in Norgren Ltd is £96,000, whilst the remainder is recharged to other group companies.

Retirement benefits are accruing to the following number of directors under:

	Number of directors	
	2013	2012
Money purchase schemes	<u>3</u>	<u>3</u>

Three directors exercised share options during the year (2012: 3).

**NORGREN LIMITED**  
**Notes to the financial statements**  
**for the year ended 31 December 2013**

**5. Staff numbers and costs**

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

	2013	2012
Production	290	351
Distribution	97	107
Administration	176	158
	<u>563</u>	<u>616</u>

The aggregate payroll costs of these persons was as follows:

	2013 £000	2012 £000
Wages and salaries	16,621	20,928
Share-based payments	30	488
Social security costs	1,597	2,215
Pension costs	1,032	1,023
	<u>19,280</u>	<u>24,654</u>

**6. Interest receivable and similar income**

	2013 £000	2012 £000
Receivable from group undertakings	<u>1,530</u>	<u>1,360</u>

**7. Interest payable and similar charges**

	2013 £000	2012 £000
Interest payable to group undertakings	934	240
Interest payable on bank overdrafts	34	39
	<u>968</u>	<u>279</u>

**8. Taxation**

**(a) Tax on profit on ordinary activities**

	2013 £000	2012 £000
<i>Current tax</i>		
UK Corporation tax at 23.25% (2012: 24.5%)	1,647	3,087
Adjustment in respect of prior years	(600)	288
Total current tax (note 8(b))	<u>1,047</u>	<u>3,375</u>
<i>Deferred tax</i>		
Origination and reversal of timing differences	400	183
Adjustment in respect of prior years	42	(43)
Total deferred tax	<u>442</u>	<u>140</u>
Tax on profit on ordinary activities	<u>1,489</u>	<u>3,515</u>

**NORGREN LIMITED**  
**Notes to the financial statements**  
**for the year ended 31 December 2013**

**8. Taxation (continued)**

**(b) Factors affecting current tax charges**

The tax assessed on the profit on ordinary activities for the year is lower (2012: lower) than the standard rate of corporation tax in the UK of 23.25% (2012: 24.5%). The differences are reconciled below:

	2013 £000	2012 £000
Profit on ordinary activities before tax	<u>16,533</u>	<u>21,031</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 23.25% (2012: 24.5%)	3,844	5,153
Effects of		
Depreciation in excess of capital allowances	(365)	166
Transfer pricing adjustment	(1,825)	(1,924)
Other timing differences	(98)	(361)
Expenses not deductible for tax purposes	91	53
Adjustments in respect of prior years	(600)	288
Total current tax charge (note 8(a))	<u>1,047</u>	<u>3,375</u>

**(c) Factors that may affect future charges**

The UK government announced in the Budget of 20 March 2013 further reductions in the standard rate of UK corporation tax to 21% from 1 April 2014 and to 20% from 1 April 2015. These reductions had not been substantively enacted at the balance sheet date and consequently their tax effects are not included in these financial statements.

**(d) Deferred tax**

The deferred tax included in the balance sheet is as follows:

	2013 £000	2012 £000
Included in debtors (note 14)	<u>528</u>	<u>970</u>
Accelerated capital allowances	343	703
Other timing differences	<u>185</u>	<u>267</u>
	<u>528</u>	<u>970</u>
Balance at start of year	970	1,110
Deferred tax charge in profit and loss account for the year	(442)	(140)
Balance at end of year	<u>528</u>	<u>970</u>

**NORGREN LIMITED**  
**Notes to the financial statements**  
**for the year ended 31 December 2013**

**9. Dividends**

The aggregate amount of dividends comprises:

	<b>2013</b>	<b>2012</b>
	<b>£000</b>	<b>£000</b>
Final dividends paid in respect of prior year but not recognised as liabilities in that year	<b>19,397</b>	36,316
Interim dividends paid in respect of the current year	-	-
Aggregate amount of dividends paid in the financial year	<u><b>19,397</b></u>	<u>36,316</u>
Dividends in respect of the year recognised as a liability at the year end	-	-
	<u><b>19,397</b></u>	<u>36,316</u>

**10. Intangible fixed assets**

	<b>Goodwill</b>
	<b>£000</b>
<b>Cost</b>	
At beginning and end of year	<u><b>8,570</b></u>
<b>Amortisation</b>	
At beginning of year	4,021
Charged in year	<u>428</u>
At end of year	<u><b>4,449</b></u>
<b>Net book value</b>	
At 31 December 2013	<u><b>4,121</b></u>
At 31 December 2012	<u><b>4,549</b></u>

Goodwill of £310,000 arose on the acquisition of the trade and assets of Herion UK Limited, purchased in 1998; the goodwill of £4,302,000 arising on the acquisition of the trade and net assets of IMI Scott Limited, purchased in January 2003; and goodwill of £3,958,000 arising on the acquisition of the trade and net asset of IMI Watson Smith Limited, purchased in March 2005.

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**11. Tangible fixed assets**

	<b>Plant and machinery £000</b>	<b>Assets in course of construction £000</b>	<b>Total £000</b>
<b>Cost</b>			
At 1 January 2013	68,300	928	69,228
Additions	79	5,403	5,482
Disposals	(1,699)	(73)	(1,772)
Transfers	1,709	(1,709)	-
<b>At 31 December 2013</b>	<b>68,389</b>	<b>4,549</b>	<b>72,938</b>
<b>Depreciation and impairment</b>			
At 1 January 2013	61,963	-	61,963
Charge for the year	2,124	-	2,124
Impairment loss	(738)	-	(738)
Disposals	(1,697)	-	(1,697)
<b>At 31 December 2013</b>	<b>61,652</b>	<b>-</b>	<b>61,652</b>
<b>Net book value</b>			
<b>At 31 December 2013</b>	<b>6,737</b>	<b>4,549</b>	<b>11,286</b>
At 31 December 2012	6,337	928	7,265

**12. Fixed asset investments**

	<b>Shares in group undertakings £000</b>
<b>Cost</b>	
At beginning and end of year	50
<b>Provision</b>	
At beginning and end of year	-
<b>Net book value</b>	
<b>At 31 December 2013</b>	<b>50</b>
At 31 December 2012	50

The company owns the whole of the issued ordinary share capital of IMI Scott Limited, a company incorporated in Great Britain and registered in England and Wales. The principal activity of IMI Scott Limited is acting as a selling operation for the company.

The company is exempt under Section 401 of the Companies Act 2006 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 and Wales.

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**13. Stocks**

	<b>2013</b>	<b>2012</b>
	<b>£000</b>	<b>£000</b>
Raw materials and consumables	<b>4,908</b>	5,428
Work in progress	<b>4,183</b>	3,938
Finished goods	<b>1,610</b>	1,735
	<b><u>10,701</u></b>	<b><u>11,101</u></b>

The replacement cost of stocks are not materially different from the amounts shown above.

**14. Debtors**

	<b>2013</b>	<b>2012</b>
	<b>£000</b>	<b>£000</b>
Trade debtors	<b>10,037</b>	11,241
Amounts owed by group undertakings	<b>97,292</b>	87,948
Deferred taxation	<b>528</b>	970
Other debtors	<b>192</b>	733
Prepayments and accrued income	<b>1,686</b>	1,789
	<b><u>109,735</u></b>	<b><u>102,681</u></b>

**15. Creditors: amounts falling due within one year**

	<b>2013</b>	<b>2012</b>
	<b>£000</b>	<b>£000</b>
Trade creditors	<b>6,264</b>	8,200
Amounts owed to group undertakings	<b>70,390</b>	50,908
Corporation tax	<b>1,616</b>	3,059
Other taxation and social security costs	<b>1,228</b>	1,219
Other creditors	<b>673</b>	22
Accruals and deferred income	<b>1,293</b>	4,247
	<b><u>81,464</u></b>	<b><u>67,655</u></b>

**16. Creditors: amounts falling due after more than one year**

	<b>2013</b>	<b>2012</b>
	<b>£000</b>	<b>£000</b>
Amounts owed to group undertakings	<b><u>6,371</u></b>	<b><u>6,371</u></b>

The amount owed to a fellow group undertaking is non interest bearing.

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**17. Provisions for liabilities**

	<b>Rationalisation</b>	<b>Warranty provision</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
At 1 January 2013	2,516	25	2,541
Profit and loss account charge	762	-	762
Utilised in the year	(2,018)	-	(2,018)
<b>At 31 December 2013</b>	<b>1,260</b>	<b>25</b>	<b>1,285</b>

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

The rationalisation provision created on the announcement in December 2011 of a rationalisation program, is expected to be utilised in 2014.

**18. Called up share capital**

	<b>2013</b>	<b>2012</b>
	<b>£000</b>	<b>£000</b>
<i>Authorised:</i>		
30,033,000 ordinary shares of £1 each (2012: 30,033,000 shares of £1 each)	<u>30,033</u>	<u>30,033</u>
<i>Allotted, called up and fully paid:</i>		
30,033,000 ordinary shares of £1 each (2012: 30,033,000 shares of £1 each)	<u>30,033</u>	<u>30,033</u>

**19. Reserves**

	<b>Profit and loss account</b>
	<b>£000</b>
At beginning of year	21,552
Profit for the year	15,044
Dividend paid	<u>(19,397)</u>
<b>At end of year</b>	<b><u>17,199</u></b>

**20. Commitments**

**(a) Capital commitments**

Capital commitments at the date of the balance sheet, for which no provision has been made in these financial statements, were as follows:

	<b>2013</b>	<b>2012</b>
	<b>£000</b>	<b>£000</b>
Contracted	<u>294</u>	<u>315</u>

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**20. Commitments (continued)**

**(b) Leasing commitments**

The company was committed to the following annual payments under non-cancellable operating leases which expire:

	<b>2013</b>		<b>2012</b>	
	<b>Land and buildings</b>	<b>Other</b>	<b>Land and buildings</b>	<b>Other</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Within one year	-	108	-	51
Between one to five years	46	605	46	631
Over five years	955	-	755	-
	<b>1,001</b>	<b>713</b>	<b>801</b>	<b>682</b>

**21. Derivatives**

The company purchases forward foreign currency contracts to hedge currency exposure on firm future commitments. The fair values of the derivatives held at the balance sheet date, determined by reference to their market values are as follows:

	<b>2013</b>	<b>2012</b>
	<b>£000</b>	<b>£000</b>
Forward foreign currency contracts	<b>56</b>	<b>10</b>

The company has not adopted FRS26 '*Financial Instruments: Recognition and Measurement*' and accordingly the fair value of the derivatives shown above are not recorded in the balance sheet of the company.

**22. Pension scheme**

The Company is a member of a larger group-wide pension scheme providing benefits based on final pensionable pay. As the Company is 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 has been accounted for by the Company as if the scheme were a defined contribution scheme.

The latest full actuarial valuation for the larger group-wide pension scheme was carried out on 31 March 2011 and was updated for IAS 19 purposes to the year end by a qualified independent actuary. At 31 December 2013 the scheme deficit was £63.1m (2012: £110.6m).

The pension scheme providing benefits on final pensionable pay was closed on 31 December 2010. Active members of the scheme at the date of closure have been invited to join the group's defined contribution scheme.

Full disclosure of the scheme is contained in the consolidated financial statements of IMI plc.

In addition to the final pensionable pay scheme the Company made contributions of £1,032,000 (2012: £1,023,000) to the group's defined contribution scheme. Expected contributions for 2014 are £1,042,000.



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**23. Share based payments**

The Company participates in the following IMI plc Group share-based payment schemes:

**SAYE savings-related share option scheme**

This scheme is open to the majority of the Group's UK employees, including the executive directors, and allows the grant of options to all participants at a discount of up to 20% below the market price. Such schemes are not subject to performance conditions and offer tax incentives to encourage employees to use their own money to purchase IMI shares. SAYE options are exercisable within 6 months of the date they become exercisable or otherwise expire.

**Share Incentive Plan (SIP)**

This scheme is open to the majority of the Group's UK employees, including the executive directors. This scheme covers two separate opportunities for employees to share in IMI's success. Partnership shares – allow employees to sacrifice up to £125 per month from pre tax pay, which is used to buy IMI shares. Matching shares may be awarded in respect of partnership shares acquired under the plan although the policy to date has been not to award any matching shares. Free shares – allows a grant of shares to employees each year, up to a maximum of 0.6% of salary capped at £3,000. Both the Partnership and Free share schemes are not subject to performance conditions and offer tax incentives to encourage employees to build up their shareholdings with the Company.

**Share Matching Plan (SMP)**

Executive directors and selected senior managers' annual incentive payments are governed by the individual's achievement of a Share Ownership Guideline (SOG). The SOG is a requirement to hold a percentage of salary as IMI shares, and if achieved, any incentive payment is made in cash. If not achieved, a proportion of any earned annual incentive payment will be mandatorily deferred for three years and delivered in IMI shares in the SMP. This mandated investment (if the Share Ownership Guideline is not achieved) is matched from 75% up to a maximum of 200%. These matching shares can be earned if performance conditions over the three year vesting period are met.

Qualifying employees may also elect to voluntarily defer all or part of the remainder of their incentive payment, and invest personal funds, up to a maximum of 100% of their annual incentive opportunity. Additional shares, in the form of a matching award, may be earned (to a maximum of 200% of the "gross equivalent" number of shares invested in the plan) if performance conditions over the three year vesting period are met.

The performance measures for SMP matching awards differ depending upon the year in which the award was granted.

**Share Option Plan (SOP)**

Share option awards were made from 2009 to selected senior managers and certain other employees under the Share Option Plan adopted in 2009. These awards are not subject to performance conditions, but are subject to a three year vesting period. The purpose of the Plan is to give selected IMI employees (who are not executive directors of the Company) the opportunity to share in the benefits of share price growth and to increase their IMI shareholding.

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**23. Share based payments (continued)**

The following share-based plans are no longer operated, but awards are outstanding under them:

**Executive Share Option Scheme**

Executive share options were last awarded to executive directors in 2004 and to certain other employees in 2005 under the Executive Share Option (1995) Scheme which expired in May 2005. All outstanding options granted under this scheme were granted subject to stretching tiered performance conditions related to growth in EPS above inflation over a fixed period of three financial years. Executive share options expire if they are not exercised or they lapse within the periods shown below.

The terms and conditions of the grants are as follows, whereby all options are settled by physical delivery of shares:

**Analysis of options granted**

	Employee SAYE options			Executive Options		
	Number of options	Weighted Average Option Price	Normal Exercisable Date	Number of options	Weighted Average Option Price	Normal Exercisable Date
2004	180,545	289p	2007-2009	45,000	358p	2007-2014
2005	117,322	380p	2008-2010	42,000	421p	2008-2015
2006	94,845	495p	2009-2011	-	-	-
2007	89,185	517p	2010-2012	-	-	-
2008	115,363	391p	2011-2013	-	-	-
2009	314,903	201p	2012-2014	-	-	-
2010	55,344	511p	2013-2015	-	-	-
2011	37,844	849p	2014-2016	-	-	-
2012	39,925	890p	2015-2017	-	-	-
2013	32,755	1196p	2016-2018	-	-	-

	PSP (1)		DBP (1)		Share Matching Plan (1)	
	Number of awards	Normal Exercisable Date	Number of awards	Normal Exercisable Date	Number of awards	Normal Exercisable Date
2008	23,700	2011	900	2011	-	-
2009	-	-	-	-	18,916	2012
2010	-	-	-	-	19,401	2013
2011	-	-	-	-	17,930	2014
2012	-	-	-	-	41,473	2015
2013	-	-	-	-	31,007	2016

Share Option Plan			
	Number of awards	Weighted average option price	Normal Exercisable Date
2009	137,500	441p	2012
2010	118,500	645p	2013
2011	113,000	972p	2014
2012	137,300	981p	2015
2013	79,950	1323p	2016

(1) These options were granted at an option price of £nil.

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**23. Share based payments (continued)**

The number and weighted average exercise price of share options are as follows:

	<b>Options without performance conditions</b>			<b>Options with performance conditions</b>
	<b>Number of options</b>	<b>Range of option prices</b>	<b>Weighted Average Option Price</b>	<b>Number of options</b>
Outstanding at 1 January 2012	771,574	201-849p	493p	56,247
Exercisable at 1 January 2012	9,787	391-511p	434p	-
Granted	177,225	890-981p	961p	41,473
Exercised	265,926	201-890p	330p	18,916
Lapsed	22,575	201-890p	509p	-
Outstanding at 31 December 2012	660,298	201-981p	683p	78,804
Exercisable at 31 December 2012	34,697	201-890p	480p	-
Granted	112,705	1196-1323p	1286p	31,007
Exercised	185,085	201-890p	551p	19,401
Lapsed	135,453	201-1323p	997p	78,593
Outstanding at 31 December 2013	452,465	201-1323p	799p	11,817
Exercisable at 31 December 2013	20,630	391-645p	466p	-

The weighted average remaining contractual life for the share options outstanding as at 31 December 2013 is 4.79 years (2012: 5.74 years).

The weighted average share price at the date of exercise of share options exercised during the year was £13.80 (2012: £8.65).

The fair value of services received in return for share options granted are measured by reference to the fair value of share options granted. The estimate of the fair value of the services received is measured based on a Black-Scholes option pricing model. The assumptions used for grants in 2013 included a dividend yield of 3.1% (2012: 3.7%), expected share price volatility of 38% (2012: 38%), a weighted average expected life of 3.7 years (2012: 3.6 years) and a weighted average interest rate of 0.4% (2012: 0.5%). The expected volatility is wholly based on the historic volatility (calculated based on the weighted average remaining life of the share options), adjusted for any expected changes to future volatility due to publicly available information.

Applying the assumptions noted above, the weighted average fair value of the share options granted in the year at their grant date was £3.35 (2012: £2.01).

The total expenses recognised for the year arising from share based payments are as follows:

	<b>2013 £000</b>	<b>2012 £000</b>
Equity settled share based payment expense recognised in the profit and loss account	<b>30</b>	<b>488</b>

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**24. Related party transactions**

The company has taken advantage of the exemption available under FRS8 '*Related Party Transactions*' not to disclose transactions between the company and other fellow subsidiaries and group undertakings of IMI plc.

**25. Subsequent events**

It is the intention to terminate the agency agreement between the company and IMI Scott Limited effective from 31 July 2014. The principal activity of IMI Scott Limited will revert to that of wire manufacturer rather than a selling agent for the company from this date and IMI Scott Limited will consequently benefit from the risks and rewards arising from its activities from 1 August 2014.

Subsequent to the year end, as a result of falling demand levels at IMI Components, which supplies non-valve components into the nuclear fuel enrichment market, a decision has been taken to close the manufacturing site in Birmingham with an anticipated exceptional restructuring charge of up to £10m in 2014.

**26. Ultimate parent company**

The ultimate parent company is IMI plc which is registered in England and Wales. The immediate parent undertaking is IMI Kynoch Limited which is registered in England and Wales. IMI plc is the smallest and largest group in which the results of the company are consolidated.

A copy of the financial statements of both companies can be obtained from The Company Secretary, Lakeside, Solihull Parkway, Birmingham Business Park, Birmingham B37 7XZ.