

**Registered No. 00564656**

# **Norgren Limited**

## **Report and Financial Statements**

**For the year ended 31 December 2017**

(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 2017****Registered No. 00564656**

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**NORGREN LIMITED**  
**Registered No. 00564656**  
**Strategic Report**  
**for the year ended 31 December 2017**

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The directors of Norgren Limited (the 'Company') submit their Strategic Report for the year ended 31 December 2017.

**1. Principal activities**

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.

**2. Business review**

IMI plc manages its operations on a divisional basis, the Company's directors believe that analysis using key performance indicators for the Company is neither necessary nor appropriate for an understanding of the development, performance or position of the business of the Company. The performance of the Precision Engineering division of IMI plc, which includes the Company, is discussed in IMI plc's annual report which does not form part of this report.

**3. Future developments**

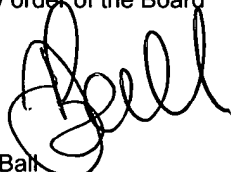
The Company anticipates that it will continue to pursue its principal activities for the foreseeable future.

**4. 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 financed by IMI plc, the details of which can be found in the IMI plc Annual Report and Accounts 2017, which do not form part of this report. The risks facing the IMI group are discussed in IMI plc's Annual Report and Accounts 2017.

By order of the Board



A Ball  
Director  
27 April 2018

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**NORGREN LIMITED**  
**Registered No. 00564656**  
**Directors' Report**  
**for the year ended 31 December 2017**

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The directors of Norgren Limited (the 'Company') submit their Directors' Report together with the audited financial statements for the year ended 31 December 2017.

**1. Profits and dividends**

The results for the financial year are shown in the financial statements. The Company made a profit after tax of £4,213,000 (2016: profit of £2,405,000).

The directors propose a dividend of £4,172,000 in relation to 2017. In the current financial year, £5,700,000 was paid as a dividend in respect of 2016.

**2. Directors**

The directors who held office during the year and since 31 December 2017 were as follows:-

A Ball  
C R Bamford  
M P Geobey (appointed 21 February 2017)  
P Varwijk

The Company's ultimate parent, IMI plc, maintained directors' and officers' liability insurance for all directors.

**3. Disclosure of information to auditors**

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 should have taken as a director to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

**4. 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. Finance and support is available for a period of at least twelve months after the date of approval of these financial statements, subject to the company remaining a subsidiary of the IMI plc Group. This support has been confirmed in writing to the directors and the directors believe it is therefore appropriate to prepare the financial statements on a going concern basis.

**5. 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.

**6. Disclosure requirements**

In accordance with the Companies Act 2006 section 414C(11), the Company's Strategic Report contains certain disclosures required in the Directors' Report. The requirements are included within the principal activities, business review and principal risks and uncertainties sections of the Strategic Report.

**7. 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.

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**NORGREN LIMITED**  
**Registered No. 00564656**  
**Directors' Report**  
**for the year ended 31 December 2017**

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**8. Research and development**

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

**9. Disabled employees**

The Company gives full consideration to applications for employment from disabled persons where the candidate's particular aptitudes and abilities are consistent with adequately meeting the requirements of the job. Opportunities are available to disabled employees for training, career development and promotion.

Where existing employees become disabled, it is the Company's policy to provide continuing employment wherever practicable in the same or an alternative position and to provide appropriate training to achieve this aim.

**10. Employee involvement**

The Company operates a framework for employee information and consultation which complies with the requirements of the Information and Consultation of Employees Regulations 2005. During the year, the policy of providing employees with information, including information relating to the economic and financial factors affecting the performance of the company, has been continued through the newsletter "eye" in which employees have also been encouraged to present their suggestions and views on the Company's performance. Regular meetings are held between local management and employees to allow a free flow of information and ideas. Employees participate directly in the success of the business through the Company's profit sharing schemes and are encouraged to invest in the Company through participation in share option schemes.

By order of the Board



A Ball  
**Director**  
27 April 2018

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**NORGREN LIMITED****Statement of Directors' Responsibilities in respect of the Strategic Report,  
the 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 UK 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 applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101 '*Reduced Disclosure Framework*' (FRS 101).

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 these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable United Kingdom Accounting Standards, including FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements;
- notify the Company's shareholders in writing about the use of disclosure exemptions, if any, of FRS 101 used in the preparation of 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 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 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 member of Norgren Limited**

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### **Opinion**

We have audited the financial statements of Norgren Limited for the year ended 31 December 2017 which comprise the Income Statement and Statement of Comprehensive Income, Balance Sheet, the Statement of changes in equity and the related notes 1 to 24, including a summary of significant accounting policies. 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), including FRS 101 "Reduced Disclosure Framework".

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 31/12/2017 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.

### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Use of our report**

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.

### **Conclusions relating to going concern**

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

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## **Independent auditor's report to the member of Norgren Limited (continued)**

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### **Other information**

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

### **Opinions on other matters prescribed by the Companies Act 2006**

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and directors' report have been prepared in accordance with applicable legal requirements.

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

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or directors' report.

We have nothing to report in respect of the following matters in relation to which 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.

### **Responsibilities of directors**

As explained more fully in the directors' responsibilities statement set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.



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## Independent auditor's report to the member of Norgren Limited (continued)

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### Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Ernst & Young LLP

Stephen Kirk (Senior statutory auditor)  
for and on behalf of Ernst & Young LLP, Statutory Auditor  
Birmingham

Date: 27<sup>th</sup> April 2018

**NORGREN LIMITED****Income statement and statement of comprehensive income  
for the year ended 31 December 2017****Income statement**

	<b>Notes</b>	<b>2017 £000</b>	<b>2016 £000</b>
Revenue	3	75,855	69,210
Cost of sales		<u>(50,912)</u>	<u>(49,331)</u>
<i>Gross Profit</i>		<u>24,943</u>	<u>19,879</u>
Distribution Costs		(6,109)	(5,445)
Administrative expenses		<u>(13,917)</u>	<u>(11,698)</u>
<i>Operating profit</i>	4	<u>4,917</u>	<u>2,736</u>
Exceptional items	5	(463)	(203)
Interest receivable and similar income	8	1,657	1,635
Interest payable and similar costs	9	(1,241)	(1,232)
Other finance income	20	58	66
<i>Profit on ordinary activities before taxation</i>		<u>4,928</u>	<u>3,002</u>
Income tax charge	10	<u>(715)</u>	<u>(597)</u>
<i>Profit for the financial year</i>		<u>4,213</u>	<u>2,405</u>

**Statement of comprehensive income**

	<b>2017 £000</b>	<b>2016 £000</b>
Profit for the financial year	4,213	2,405
<i>Total comprehensive income for the year</i>	<u>4,213</u>	<u>2,405</u>

All activities relate to continuing operations.

**NORGREN LIMITED**  
**Balance sheet**  
**as at 31 December 2017**

	Notes	2017 £000	2016 £000
<i>Fixed assets</i>			
Intangible assets	12	4,149	3,461
Tangible assets	13	12,774	11,688
		<u>16,923</u>	<u>15,149</u>
<i>Current assets</i>			
Stocks	14	3,675	3,089
Debtors	15	97,494	95,052
Deferred tax assets	10	230	151
Other current financial assets	20	94	36
Cash at bank and in hand		3,155	3,987
		<u>104,648</u>	<u>102,315</u>
Creditors: amounts falling due within one year	16	(86,094)	(80,037)
		<u>(86,094)</u>	<u>(80,037)</u>
Net current assets		<u>18,554</u>	<u>22,278</u>
Total assets less current liabilities		<u>35,477</u>	<u>37,427</u>
Provision for liabilities	17	(597)	(1,060)
Net assets		<u>34,880</u>	<u>36,367</u>
<i>Capital and reserves</i>			
Called up share capital	18	30,033	30,033
Profit and loss account		4,847	6,334
Total equity shareholder funds		<u>34,880</u>	<u>36,367</u>

These financial statements were authorised for issue by the board of directors on 27 April 2018 and were signed on its behalf by:

A Ball  
Director



**NORGREN LIMITED**  
**Statement of changes in equity**  
**for the year ended 31 December 2017**

	<b>Called up share capital £000</b>	<b>Profit and loss account £000</b>	<b>Total equity £000</b>
At 1 January 2016	30,033	6,929	36,962
Profit for the financial year	-	2,405	2,405
Total comprehensive expense for the year	-	2,405	2,405
Equity dividends paid	-	(3,000)	(3,000)
At 31 December 2016	30,033	6,334	36,367
Profit for the financial year	-	4,213	4,213
Total comprehensive income for the year	-	4,213	4,213
Equity dividends paid	-	(5,700)	(5,700)
At 31 December 2017	<u>30,033</u>	<u>4,847</u>	<u>34,880</u>

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**NORGREN LIMITED**  
**Notes to the financial statements**  
**for the year ended 31 December 2017**

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**1. Authorisation of financial statements and statement of compliance with FRS 101**

The financial statements of Norgren Limited for the year ended 31 December 2017 were authorised for issue by the board of directors on 10/04/2018 and the balance sheet was signed on the board's behalf by A Ball. Norgren Limited is incorporated and domiciled in England and Wales and its registered office is at Blenheim Way, Fradley Park, Lichfield, Staffordshire, WS13 8SY.

These financial statements were prepared in accordance with Financial Reporting Standard 101 '*Reduced Disclosure Framework*' (FRS 101) and in accordance with applicable accounting standards. The financial statements are prepared in sterling and are rounded to the nearest thousand pounds (£000).

**2. Accounting policies****Basis of preparation**

The accounting policies which follow set out those policies which apply in preparing the financial statements for the year ended 31 December 2017.

The Company has taken advantage of the following disclosure exemptions under FRS 101:

- (a) the requirements of IAS 7 'Statement of Cash Flows';
- (b) the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member;
- (c) the requirements of IFRS7 'Financial Instruments';
- (d) the requirements of paragraphs 91-99 of IFRS13 'Fair Value Measurement';
- (e) the requirements of paragraphs 30 and 31 of IAS8 'Accounting Policies, Changes in Accounting Estimates and Errors';
- (f) the requirements of paragraph 17 of IAS24 'Related Party Disclosures'; and
- (g) the requirements of paragraphs 45(b) and 46-52 of IFRS 2 'Share-based Payment'.

**True and fair override in respect of goodwill**

The UK Companies Act requires goodwill to be reduced by provisions for depreciation on a systematic basis over a period chosen by the directors, its useful economic life. However, under IFRS 3 Business Combinations goodwill is not amortised. Consequently, the company does not amortise goodwill, but reviews it for impairment on an annual basis or wherever there are indicators of impairment. The company is therefore invoking a 'true and fair view override' to overcome the prohibition on the non-amortisation of goodwill in the Companies Act. The Company is not able to reliably estimate the impact of non-amortisation on the profit and loss account, because the useful economic life and the pattern of diminishment of the goodwill cannot be reliably predicted.

**Judgements and key sources of estimation uncertainty**

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenue and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The key judgements that have had the most significant effect on amounts recognised in the financial statements are in relation to the level of provision held against stocks, debtors, warranties and restructuring.

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**NORGREN LIMITED**  
**Notes to the financial statements**  
**for the year ended 31 December 2017**

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**2 Accounting policies (continued)**

**Significant accounting policies**

**(a) Revenue recognition**

Revenue represents amounts invoiced by the Company in respect of goods and services provided during the year, excluding value added tax.

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.

**(b) Rendering of services**

Revenue from services rendered is recognised in proportion to the stage of completion. The stage of completion is assessed by reference to the contractual agreement with each separate customer. Where the contract outcome cannot be measured reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

**(c) Fixed assets and depreciation**

Plant and equipment is stated at cost less accumulated depreciation and accumulated impairment losses. Cost comprises the aggregate amount paid and the fair value of any other consideration given to acquire the asset and includes costs directly attributable to making the asset capable of operating as intended. Borrowing costs directly attributable to assets under construction and which meet the recognition criteria in IAS 23 are capitalised as part of the cost of that asset.

Depreciation is provided on all property, plant and equipment, other than land, on a straight-line basis over its expected useful life as follows:

Plant and machinery	between 3 and 15 years
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The carrying values of property, plant and equipment are reviewed for impairment if events or changes in circumstances indicate the carrying value may not be recoverable, and are written down immediately to their recoverable amount. Useful lives and residual values are reviewed annually and where adjustments are required these are made prospectively.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the derecognition of the asset is included in the income statement in the period of derecognition.

Assets in the course of construction are not depreciated until they are available to be used for their intended purpose.

**(d) Intangible assets and amortisation**

Intangible assets are initially recognised at cost and amortised on a straight-line basis over their estimated useful lives:

Software	3 years
Development costs	10 years

**(e) 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 production overheads and the appropriate proportion of related works overheads.

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**NORGREN LIMITED**  
**Notes to the financial statements**  
**for the year ended 31 December 2017**

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**2 Accounting policies (continued)****(f) Provisions for liabilities**

A provision is recognised when the Company has a legal or constructive obligation as a result of a past event; it is probable that an outflow of economic benefits will be required to settle the obligation; and a reliable estimate can be made of the amount of the obligation. If the effect is material, expected future cash flows are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability.

**(g) Foreign currencies**

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction or at the contracted rate if the transaction is covered by a forward foreign currency contract. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date or if appropriate at the forward contract rate. All differences are taken to the profit and loss account.

**(h) Pensions**

The Company participates in two group-wide pension schemes providing benefits based on final pensionable pay (defined benefit schemes), which were closed to future accrual on 31 December 2010. As a result of a contractual arrangement, the total net defined benefit obligation of these funds are now borne by IMI Kynoch Limited (a fellow IMI Group company) and therefore in accordance with IAS19 'Employee Benefits', no net defined benefit costs are recognised in the Company's financial statements. The Company also operates a defined contribution pension scheme. Contributions are charged to the profit and loss account as they become payable in accordance with the rules of the scheme.

**(i) Taxation**

The charge or credit for taxation is based on the profit for the year and takes into account taxation deferred because of temporary differences between the treatment of certain items for taxation and accounting purposes.

Deferred tax is measured at the tax rates that are expected to apply when the temporary differences reverse, based on the tax laws that have been enacted or substantively enacted by the balance sheet date. A deferred tax asset is recognised to the extent that it is probable that future taxable profit will be available against which the temporary difference can be utilised.

**(j) Leasing**

Rentals payable under operating leases are charged in the profit and loss account on a straight-line basis over the lease term.

**(k) Dividends on shares presented within shareholder's funds**

Dividends unpaid at the balance sheet date are only recognised as a liability at that date to the extent that they are appropriately authorised and are no longer at the discretion of the Company. Unpaid dividends that do not meet these criteria are disclosed in the notes to the financial statements.

**(l) Equity and equity related compensation benefits**

The Company participates in an SAYE savings related share option scheme, a Share Matching Plan (SMP) and a Share Option Plan (SOP). 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 income statement.

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**NORGREN LIMITED**  
**Notes to the financial statements**  
**for the year ended 31 December 2017**

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**2 Accounting policies (continued)**

**(m) Derivatives**

The Company uses forward foreign currency contracts to reduce exposure to foreign exchange rates. Such derivative financial instruments are initially recognised at cost and are subsequently fair valued.

The criteria for forward currency contracts are:

- a) the instrument must be related to a firm foreign currency commitment;
- b) it must involve the same currency as the hedged item; and
- c) it must reduce the risk of foreign currency exchange movements on the Company's operations.

On maturity any subsequent gains or losses are taken to the income statement.

**(n) Goodwill**

Goodwill is stated at cost less any amounts written off for impairment. Goodwill is not amortised but is tested annually for impairment in line with IAS 38: 'Intangible Assets'.

**(o) Investments**

Investments in subsidiary undertakings are stated at cost less amounts written off for impairment.

**(p) Research and development expenditure**

Expenditure on research 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.

**(q) 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 Company's 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. Finance and support is available for a period of at least twelve months after the date of approval of these financial statements, subject to the Company remaining a subsidiary of the IMI plc Group. This support has been confirmed in writing to the directors and the directors believe it is therefore appropriate to prepare the financial statements on a going concern basis.



**NORGREN LIMITED**  
**Notes to the financial statements**  
**for the year ended 31 December 2017**

**3. Revenue**

	<b>2017</b>	<b>2016</b>
	<b>£000</b>	<b>£000</b>
Sale of goods	<b>72,867</b>	66,567
Rendering of services	<b>2,988</b>	2,643
	<b><u>75,855</u></b>	<b><u>69,210</u></b>

Revenue recognised by geographical area is as follows:

	<b>2017</b>	<b>2016</b>
	<b>£000</b>	<b>£000</b>
UK	<b>51,885</b>	48,070
Rest of Europe	<b>6,425</b>	5,916
America	<b>5,910</b>	5,589
Asia	<b>10,713</b>	9,592
Australasia	<b>907</b>	43
Africa	<b>15</b>	-
	<b><u>75,855</u></b>	<b><u>69,210</u></b>

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

Operating profit is stated after charging / (crediting):

	<b>2017</b>	<b>2016</b>
	<b>£000</b>	<b>£000</b>
Research and development costs	<b>2,799</b>	3,440
Depreciation and other amounts written off owned tangible fixed assets	<b>1,932</b>	1,706
Amortisation of intangible assets	<b>100</b>	57
Loss on disposal of fixed assets	<b>17</b>	5
Operating Lease Payments - Minimum Lease Payments		
Land and Buildings	<b>602</b>	560
Plant and Machinery	<b>405</b>	439
Foreign exchange gains/(losses)	<b>181</b>	(27)

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**5. Exceptional item**

	<b>2017</b>	<b>2016</b>
	<b>£000</b>	<b>£000</b>
Restructuring costs	<u><b>463</b></u>	<u><b>203</b></u>
	<u><b>463</b></u>	<u><b>203</b></u>

The tax effect in the income statement the relating to the exceptional item recognised below operating profit is:

	<b>2017</b>	<b>2016</b>
	<b>£000</b>	<b>£000</b>
Tax credit on exceptional item	<u><b>89</b></u>	<u><b>41</b></u>

**6. Auditor's remuneration**

The Company paid the following amounts to its auditors in respect of the audit of the financial statements and for other services provided to the Company.

	<b>2017</b>	<b>2016</b>
	<b>£000</b>	<b>£000</b>
Audit of the financial statements	<u><b>59</b></u>	<u><b>57</b></u>

The Company has taken advantage of the exemption not to disclose amounts paid for non audit services as these are disclosed in the group accounts of its parent IMI plc.

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**7. Staff costs and directors' remuneration**

<b>(a) Staff costs</b>	<b>2017 £000</b>	<b>2016 £000</b>
Wages and salaries	13,712	13,890
Social security costs	1,257	1,339
Other pension costs	666	735
Share-based payments	15	647
	<u>15,650</u>	<u>16,611</u>

The average monthly number of employees during the year was made up as follows:

	<b>2017 Number</b>	<b>2016 Number</b>
Production	214	216
Distribution	90	84
Administration staff	77	102
	<u>381</u>	<u>402</u>

**(b) Directors' remuneration**

	<b>2017 £000</b>	<b>2016 £000</b>
Directors' emoluments	361	672
Pension contributions	19	42
	<u>380</u>	<u>714</u>

The aggregate of emoluments and amounts receivable under long term incentive schemes of the highest paid director was £130,000 (2016: £335,000), and Company pension contributions of £6,000 (2016: £21,000) were made to a defined contribution scheme on his behalf.

During 2017 £nil (2016: £163,500) was payable to a director as compensation for loss of office.

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 £380,000 (2016: £303,000), whilst the remainder is recharged to other group companies.

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

	<b>Number of directors 2017</b>	<b>2016</b>
Defined contribution schemes	<u>3</u>	<u>5</u>

No directors exercised share options during the year (2016: 1).

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**8. Interest receivable and similar income**

	2017 £000	2016 £000
Interest receivable from group undertakings	1,657	1,635
	<u>1,657</u>	<u>1,635</u>

**9. Interest payable**

	2016 £000	2015 £000
Interest payable on bank loans and overdrafts	2	19
Interest payable to group undertakings	1,239	1,213
	<u>1,241</u>	<u>1,232</u>

**10. Taxation**

**(a) Tax charged in the income statement**

	2017 £000	2016 £000
<i>Current income tax:</i>		
UK Corporation tax	839	688
Adjustments in respect of prior years	(45)	(431)
Total current income tax	<u>794</u>	<u>257</u>
<i>Deferred tax</i>		
Origination and reversal of timing differences	121	127
Adjustment in respect of prior years	(200)	213
Total deferred tax	<u>(79)</u>	<u>340</u>
<b>Tax charge in the income statement</b>	<u>715</u>	<u>597</u>

**(b) Reconciliation of the total tax charge**

The tax charge recognised in the income statement for the year is different to the standard rate of corporation tax in the UK of 19.25% (2016: 20.00%). The differences are reconciled below:

	2017 £000	2016 £000
Profit on ordinary activities before tax	4,928	3,002
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.25% (2016: 20.00%)	949	600
Effects of		
Effect of UK rate change	(16)	(16)
Overseas taxes	-	37
Expenses not deductible for tax purposes	27	194
Adjustments in respect of prior years	(245)	(218)
<b>Total tax charge</b>	<u>715</u>	<u>597</u>

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**10 Taxation (continued)**

**(c) Change in Corporation Tax rate**

It was announced in the Budget of 16 March 2016 to reduce the rate of corporation tax to 17% from 1 April 2020. This additional change was substantively enacted on 6 September 2016. The deferred tax balance has been calculated using the substantively enacted rates applicable at the time when any deferred tax balances are expected to reverse.

**(d) Deferred Taxes**

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

	2017 £000	2016 £000
Accelerated capital allowances	210	109
Other timing differences	20	42
Deferred tax asset	<u>230</u>	<u>151</u>
Deferred tax asset at start of year	151	491
Deferred tax credit/(charge) in profit and loss account for year	79	(340)
Deferred tax asset at end of year	<u>230</u>	<u>151</u>

Deferred tax is recognised on the basis that there will be sufficient profits within the Company in future years against which the deferred tax asset can reverse.

**11 Dividends paid and proposed**

The aggregate amount of dividends comprises:

	2017 £000	2016 £000
Final dividends paid in respect of prior year but not recognised as liabilities in that year	5,700	3,000
Aggregate amount of dividends paid in the financial year	<u>5,700</u>	<u>3,000</u>

The directors have recommended a final dividend of £4,172,000 (2016: £5,700,000), which will be paid in 2018.

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**12. Intangible assets**

	Software £000	Patents £000	Development costs £000	Goodwill £000	Total £000
<b>Cost</b>					
At 1 January 2017	585	355	4,787	2,346	8,073
Additions	9	9	770	-	788
Disposals	(122)	-	-	-	(122)
At 31 December 2017	<b>472</b>	<b>364</b>	<b>5,557</b>	<b>2,346</b>	<b>8,739</b>
<b>Amortisation</b>					
At 1 January 2017	524	133	3,889	66	4,612
Amortisation charge for the year	23	33	44	-	100
Disposals	(122)	-	-	-	(122)
At 31 December 2017	<b>425</b>	<b>166</b>	<b>3,933</b>	<b>66</b>	<b>4,590</b>
<b>Net book value at 31 December 2017</b>	<b>47</b>	<b>198</b>	<b>1,624</b>	<b>2,280</b>	<b>4,149</b>
Net book value at 31 December 2016	61	222	898	2,280	3,461

Goodwill relates to the acquisition of the trade and assets of IMI Watson Smith Limited, purchased in March 2005, and Nano-Porous Solutions Limited, acquired on 15th December 2015. The balances at the year end are £2,226,000 and £54,000 respectively. Goodwill relating to the acquisition of the trade and assets of Herion UK Limited was impaired to nil during 2015.

Goodwill is tested annually for impairment as part of the overall assessment of assets against their recoverable amounts. The recoverable amount of a CGU is the higher of its fair value less costs to sell and its value in use. Value in use is determined using cash flow projections from financial budgets, forecasts and plans approved by the Board covering a five-year period and include a terminal value multiple. The projected cash flows reflect the latest expectation of demand for products and services.

**13. Tangible fixed assets**

	Plant & Machinery £000	Assets in the course of construction £000	Total £000
<b>Cost at:</b>			
1 January 2017	28,332	1,816	30,148
Additions	296	2,739	3,035
Disposals	(6,493)	-	(6,493)
Transfers	1,563	(1,563)	-
31 December 2017	<b>23,698</b>	<b>2,992</b>	<b>26,690</b>
<b>Depreciation at:</b>			
1 January 2017	18,460	-	18,460
Charged in the year	1,932	-	1,932
Disposals	(6,476)	-	(6,476)
31 December 2017	<b>13,916</b>	<b>-</b>	<b>13,916</b>
<b>Net book value at 31 December 2017</b>	<b>9,782</b>	<b>2,992</b>	<b>12,774</b>
Net book value at 31 December 2016	9,872	1,816	11,688

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**14 Stock**

	<b>2017</b>	<b>2016</b>
	<b>£000</b>	<b>£000</b>
Raw materials and consumables	<b>1,898</b>	1,504
Work in progress	<b>1,387</b>	1,375
Finished goods	<b>390</b>	210
	<b><u>3,675</u></b>	<b><u>3,089</u></b>

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

Inventories are stated after provisions for impairment of £979,000 (2016: £1,049,000).

**15 Debtors**

	<b>2017</b>	<b>2016</b>
	<b>£000</b>	<b>£000</b>
External debtors	<b>7,587</b>	7,029
Amounts due from other group undertakings	<b>89,233</b>	87,382
Other debtors	<b>144</b>	330
Prepayments and accrued income	<b>530</b>	311
	<b><u>97,494</u></b>	<b><u>95,052</u></b>

Amounts advanced to group undertakings are at arm's length terms and bear interest at the relevant LIBOR plus an appropriate margin.

Trade receivables are stated after provisions for impairment of £437,000 (2016: £445,000).

**16 Creditors: amounts falling due within one year**

	<b>2017</b>	<b>2016</b>
	<b>£000</b>	<b>£000</b>
External creditors	<b>4,854</b>	4,482
Amounts owed to group undertakings	<b>77,295</b>	72,492
Corporation tax	<b>797</b>	802
Other taxation and social security costs	<b>1,177</b>	1,055
Other creditors	<b>1,968</b>	1,183
Accruals and deferred income	<b>3</b>	23
	<b><u>86,094</u></b>	<b><u>80,037</u></b>

Amounts owed to group undertakings are at arm's length terms and bear interest at the relevant LIBOR plus an appropriate margin.

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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 2017		908	152	1,060
	Current	230	152	382
	Non Current	678	-	678
<b>Arising during the year</b>		<b>463</b>	<b>39</b>	<b>502</b>
<b>Utilised</b>		<b>(709)</b>	<b>(19)</b>	<b>(728)</b>
<b>Released</b>		<b>(212)</b>	<b>(25)</b>	<b>(237)</b>
<b>At 31 December 2017</b>		<b>450</b>	<b>147</b>	<b>597</b>
Analysed as:				
	Current	230	121	351
	Non Current	220	26	246
		<b>450</b>	<b>147</b>	<b>597</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 of the closure of IMI Components in August 2014, is expected to be utilised by the end of 2019. The majority of costs have now been utilised. The remaining provision reflects ongoing property costs.

**18. Share Capital**

	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
	<b>Number</b>	<b>Number</b>	<b>£000</b>	<b>£000</b>
<i>Authorised</i>				
Ordinary shares of £1 each	<b>30,033,000</b>	30,033,000	<b>30,033</b>	30,033
<i>Allotted, called up and fully paid</i>				
At 1 January and 31 December	<b>30,033,000</b>	30,033,000	<b>30,033</b>	30,033



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**19. Capital Commitments**

At 31 December, the Company had the following capital commitments:

	2017 £000	2016 £000
Contracts for future capital expenditure not provided in the financial statements	<u>260</u>	<u>1,087</u>

The Company had the following future minimum lease payments under non cancellable operating leases for each of the following periods:

	Plant and Machinery		Property	
	2017 £000	2016 £000	2017 £000	2016 £000
Within one year	334	382	1,155	1,153
Between one and five years	270	320	2,359	3,395
After five years	5	5	5,536	6,202
	<u>609</u>	<u>707</u>	<u>9,050</u>	<u>10,750</u>

**20. Derivative Financial Instruments**

The Company purchases forward foreign currency and metal 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:

	2017 £000	2016 £000
Forward foreign currency contracts	<u>94</u>	<u>36</u>

The movement in the fair value of these derivatives between each balance sheet date is recognised in the income statement. The gain on contracts in 2017 was £58,000 (2016: gain of £66,000).

**21. Pension scheme**

The Company participates in two group-wide pension schemes providing benefits based on final pensionable pay (defined benefit scheme), which were closed to future accrual on 31 December 2010. As a result of a contractual arrangement, the total net defined benefit obligation of these funds are now borne by IMI Kynoch Limited (a fellow IMI Group company) and therefore in accordance with IAS19 'Employee Benefits', no net defined benefit costs are recognised in the Company's financial statements. The Company also operates a defined contribution pension scheme. Contributions are charged to the profit and loss account as they become payable in accordance with the rules of the scheme.

The latest full actuarial valuations for the two group-wide defined benefit pension schemes was carried out on 31 March 2015 and was updated for IAS 19 purposes to the year end by a qualified independent actuary. At 31 December 2017 the schemes surplus was £1.6m (2016: £23.6m). Full disclosure of the schemes is contained in the consolidated financial statements of IMI plc.

The Company made contributions of £666,000 (2016: £735,000) to the Group's defined contribution scheme.

**22. Share-based payments**

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

**IMI Sharesave Scheme ('SAYE')**

This scheme is open to the majority of the Group's UK employees, including the IMI plc 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 may be exercised within six months of the date they first become exercisable.

**IMI Share Option Plan ('SOP')**

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

**Share Incentive Plan ('SIP')**

This SIP is open to the majority of the Group's UK employees, including the IMI plc executive directors. This scheme covers two separate opportunities for employees to share in IMI's success. Partnership shares – allow employees to sacrifice up to the statutory maximum from pre-tax pay, which is used to buy IMI shares. Free shares – allows a grant of shares to employees each year, up to the statutory maximum. 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')**

The delivery of the directors' and selected senior managers' annual bonuses is 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 bonus is paid in cash. The SMP has been operated on the basis that if the SOG is not achieved a proportion of any annual bonus will be mandatorily deferred for three years and delivered in IMI shares under the SMP. This mandated investment (if the SOG is not achieved) has been 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.

**The IMI Incentive Plan ('IIP')**

In light of the expiry in 2015 of the SMP, the IIP was introduced to act as the Group's sole senior executive long-term incentive plan. The IIP acts as an umbrella plan which allows the Company to grant different types of award to different employee groups in an efficient way. The IIP is to be used annually to grant 'Performance Share Awards' in respect of ordinary shares to the executive directors and other members of senior management subject to performance conditions. The IIP will also be used annually to grant 'Bonus Share Awards' below board level. The IIP also gives the Group the ability to grant 'Restricted Stock Unit Awards' and 'Share Options'. It is currently intended that Restricted Stock Unit Awards and share options will only be granted in response to specific business requirements.

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**22. Share-based payments (continued)**

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				IMI Share Option Plan		
	Number of options granted (thousand)	Weighted average option price	Normal exercisable date	Number of options granted (thousand)	Weighted average option price	Normal exercisable date
<b>IMI Sharesave Scheme</b>						
2010	55	511p	2013-2015	119	645p	2013
2011	38	849p	2014-2016	113	972p	2014
2012	40	890p	2015-2017	137	981p	2015
2013	33	1196p	2016-2018	80	1323p	2016
2014	33	1384p	2017-2019	90	1467p	2017
2015	105	1075p	2018-2020			
2016	111	845p	2019-2021			
2017	18	1106p	2020-2023			
	Number of options granted (thousand)	Normal exercisable date		Number of options granted (thousand)	Normal exercisable date	
<b>IMI Share Matching Plan (1)</b>				<b>IMI Incentive Plan (1)</b>		
2012	41	2015				
2013	31	2016				
2014	14	2017				
			2015	49	2017-2018	
			2016	146	2018-2019	
			2017	2	2019-2026	

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

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

The following table illustrates the number of share options exercised during the year:

	2017	2016
	Number of options (thousand)	Number of options (thousand)
Options not granted at nil cost	-	25
Options granted at nil cost	-	3

The following table illustrates the number and range of option prices of share options outstanding at the end of the year:

	2017		2016	
	Number of options (thousand)	Range of option prices	Number of options (thousand)	Range of option prices
Options not granted at nil cost	2	845-1467p	305	845-1467p
Options granted at nil cost	2	-	190	-

No share options were exercised during 2017.

The weighted average remaining contractual life of share options outstanding at 31 December 2017 is 7.01 years (2016: 6.0 years).

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

	2017 £000	2016 £000
Equity settled share-based payment expense recognised in profit and loss	<u>15</u>	<u>647</u>

**23. Related party transactions**

The Company has taken advantage of the exemption available under IAS24 '*Related Party Transactions*' not to disclose related party transactions entered into between two or more members of the Group, provided that any subsidiary which is party to the transaction is wholly owned by such a member.

**24. Ultimate parent company**

The immediate parent undertaking is IMI Kynoch Limited which is registered in England and Wales.

The ultimate parent undertaking and the smallest and largest group to consolidate these financial statements is IMI plc. Copies of the IMI plc consolidated financial statements can be obtained from:

The Company Secretary  
IMI plc  
Lakeside  
Solihull Parkway  
Birmingham Business Park  
Birmingham B37 7XZ

Or at [www.imiplc.com](http://www.imiplc.com)