

Registered No. 00713735

IMI Kynoch Limited

Directors' report and financial statements

For the year ended 31 December 2010

(Registered in England and Wales - number 00713735)



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IMI KYNOCH LIMITED
Directors' report and financial statements
for the year ended 31 December 2010



Registered No. 00713735

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IMI KYNOCH LIMITED
Registered No. 00713735
Directors' report
for the year ended 31 December 2010



The directors of IMI Kynoch Limited submit their Report together with the financial statements for the year ended 31 December 2010

1 Principal activities

The Company is a wholly owned subsidiary of IMI Group Limited

The Company's principal activity is to operate as an intermediate holding company and provide services, including financial facilities, to other IMI plc group companies. There have not been any significant changes in the Company's principal activities in the year under review. The directors are not aware, at the date of this report, of any likely major changes in the Company's activities in the next year. The overall Company performance for the year and the future is dependent upon dividend income from its subsidiaries, the financing structure of its net current liabilities and the service levels for its IMI plc group customers.

2 Business review

The Company has had a successful year reporting profit after tax of £41.9m for the year compared with £81.6m for the year ended 31 December 2009. Within the Company's subsidiary undertakings strong underlying cash flows combined with sound profit performance allowed dividend income of £19.6m to be generated (2009 £89.6m). The resultant profit before tax after the net interest cost, exchange losses and administration expenses was £35.3m (2009 £82.3m).

During the year the General Court of the European Union issued its judgement on the Company's appeal against the fine levied in 2005 in respect of allegations of anti-competitive behaviour among certain manufacturers of copper tube. The result of the appeal was a reduction in the fine of £5.4m. This income has been shown within discontinued operations as it relates to a business that was sold in 2002.

Deferred consideration of £7.4m was received during the second half of the year in relation to the disposal of Polypipe during 2005 and has also been credited within profit from discontinued operations.

In May 2010 the Company disposed of its 24.89% interest in Waterwerkz Limited for £0.4m.

Details of amounts loaned from the parent company, IMI Group Limited, are shown in note 13 on page 18.

As the Company is an intermediate holding company, 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 of the Company.

3 Future developments

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

4 Principal risks and uncertainties

The Company is financed by variable rate loans from other IMI plc group companies.

The Company is exposed to a number of financial market risks including credit risk, liquidity risk, fluctuations in foreign exchange rates and interest rates.

Although the Company takes steps to manage its own financial risks, overall risks are managed at a group level. For this reason, the Company's directors believe that a discussion of the Company's risks would not be relevant for an understanding of the development, performance or position of the Company's business.

5 Financial instruments

The Company uses a combination of derivatives and other financial instruments to manage the Company's exposure to exchange rate movements. The Company has not adopted FRS26 '*Financial Instruments Recognition and Measurement*' and accordingly the derivatives have not been accounted for in accordance with that standard.

6 Profits and dividends

The results for the financial year are shown in the financial statements. The Company did not pay a dividend in 2010 (2009 Nil). The profit for the year of £41.9m (2009 £81.6m) has been transferred to reserves.

7 Directors

The directors who held office during the year and since 31 December 2010 were as follows

J O'Shea
D M Hurt
H Afford
G Croydon (appointed 8 June 2010)
I Moore (appointed 8 June 2010)
M Huckin (appointed 8 June 2010)

The company's ultimate parent, IMI plc, maintained directors and officers liability insurance for all directors and one or more director of the company benefits from third party indemnity provisions which were in place during the financial year. At the date of this report there are such indemnity arrangements with the director in respect of the costs of defending civil, criminal and regulatory proceedings brought against the director, in their capacity as a director, where not covered by insurance and subject always to the limitations set by the Companies Act 2006

8 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 ought to 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

9 Policy on the payment of trade creditors

The Company's policy is to make its suppliers aware of the terms of payment, to agree such terms with its suppliers for each business transaction and to make payments to suppliers in accordance with these terms, provided that the supplier is also complying with all relevant terms. Trade creditor days in 2010 were 17.2 days (2009 24.9 days)

10 Political and charitable donations

During the year the Company made no political donations. Charitable contributions of £91,000 (2009 £105,000) were made

11 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 and principal risks and uncertainties sections of the Directors' Report. The Company is expected to continue to generate positive cash flows on its own account for the foreseeable future in the form of dividends from its subsidiaries which have strong underlying cash flows combined with sound profit performance. The Company participates in the group's centralised treasury arrangements and so shares banking arrangements with its parent and fellow subsidiaries

The directors, having assessed the responses of the directors of the Company's ultimate parent IMI plc to their enquiries, have no reason to believe that a material uncertainty exists that may cast significant doubt about the ability of the IMI plc group to continue as a going concern or its ability to continue with the current banking 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

12 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



N Thompson
Secretary

28 June 2011

IMI Kynoch Limited
Statement of directors' responsibility in respect of the Directors'
Report and the financial statements



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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with 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 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 UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements,
- 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.

We have audited the financial statements of IMI Kynoch Limited for the year ended 31 December 2010 which comprise the Profit and Loss Account, the Balance Sheet, the Reconciliation of Movements in Shareholder's Funds / (Deficit), and the related notes 1 to 23. 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 member, 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 member 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 member as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

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. 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 Directors' report to identify material inconsistencies with the audited financial statements. 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 2010 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.

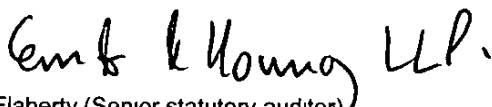
Opinion on other matters prescribed by the Companies Act 2006

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

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



John Flaherty (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Birmingham
28 June 2011

IMI KYNOCH LIMITED
Profit and loss account
for the year ended 31 December 2010



	Notes	2010 £000s	2009 £000s
Group service charges		20,399	13,397
Rental income		1,202	1,540
EU fine reduction - discontinued operations	6	5,358	-
Administrative expenses		(22,974)	(18,100)
Operating profit / (loss)		3,985	(3,163)
Profit on disposal of fixed assets		1,256	8
Profit on disposal of fixed asset investments - discontinued operations	6	6,820	-
Income from shares in group undertakings	2	19,629	89,580
Interest receivable and similar income	3	25,480	28,434
Exchange gains on foreign currency loans		3,050	3,109
Amounts written off investments		-	(1,273)
Interest payable and similar charges	4	(12,699)	(34,406)
Profit on ordinary activities before taxation	5	47,521	82,289
Tax on profit on ordinary activities	8	(5,670)	(678)
Total profit for the year being retained profit for the year	17	41,851	81,611

All profits and losses on ordinary activities before taxation for the current and preceding year arise from continuing operations except where stated

There is no difference between the profit or loss shown in the profit and loss accounts for the current year and preceding year and their historical cost equivalents

There are no recognised gains or losses for the period or in the prior year other than the profit for the period

IMI KYNOCH LIMITED
Balance sheet
as at 31 December 2010



	Notes	2010		2009	
		£000s	£000s	£000s	£000s
Fixed assets					
Tangible assets	9		7,428		9,082
Investments	10		636,230		636,415
			<u>643,658</u>		<u>645,497</u>
Current assets					
Debtors (including £275.4m due after more than one year (2009 £387.2m))	11	497,717		631,414	
Cash at bank and in hand		<u>14,339</u>		<u>58,490</u>	
		512,056		689,904	
Creditors					
Amounts falling due within one year	12	<u>(1,020,352)</u>		<u>(1,249,532)</u>	
Net current liabilities			(508,296)		(559,628)
Creditors					
Amounts falling due after more than one year	13		(7,642)		-
Net assets			<u>127,720</u>		<u>85,869</u>
Financed by:					
Capital and reserves					
Called up share capital	16		27,500		27,500
Share premium account	17		52,500		52,500
Profit and loss account	17		47,720		5,869
Shareholder's funds			<u>127,720</u>		<u>85,869</u>

These financial statements were approved by the board of directors on 28 June 2011 and were signed on its behalf by

D M Hurt
Director

Reconciliation of Movements in Shareholder's Funds

	2010 £000s	2009 £000s
Profit for the financial year	41,851	81,611
Issue of new share capital and premium	-	60,000
Net increase in shareholder's funds for the year	41,851	141,611
Shareholder's funds / (deficit) at 1 January	85,869	(55,742)
Shareholder's funds at 31 December	127,720	85,869

1 Accounting policies

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

(a) Basis of preparation

The financial statements are prepared under the historical cost convention in accordance with applicable UK accounting standards

The Company is included within the consolidated accounts of its ultimate parent, IMI plc, and is therefore exempt by virtue of section 400 of the Companies Act 2006 from the requirement to prepare its own group financial statements. These financial statements present information about the Company as an individual undertaking and not about the group.

The Company is exempt from the requirement to prepare cash flow statements on the grounds that its ultimate parent, IMI plc, includes the Company in its own published consolidated financial statements.

(b) Revenue recognition

Revenue is recognised to the extent that the Company obtains the right to consideration in exchange for its performance. Revenue is measured at the fair value of the consideration received. The following criteria must also be met before revenue is recognised:

Interest income

Interest income is recognised as interest accrues using the effective interest method.

Dividends

Dividend income is recognised when the Company's right to receive payment is established.

Rental income

Rental income from fellow IMI plc group companies is recognised on a straight line basis.

(c) Fixed assets and depreciation

Freehold land is not depreciated. Depreciation is calculated so as to write off the cost of other tangible fixed assets by equal installments over their estimated useful lives as follows:

Freehold buildings	between 30 and 40 years
Leasehold land and buildings	over life of lease
Plant and equipment	between 1 and 10 years

(d) 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.

(e) Pensions

The Company participates in a group wide pension scheme providing benefits based on final pensionable pay (defined benefit scheme). 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 FRS17 'Retirement Benefits', accounts for the scheme as if it were a defined contribution scheme. As a result, the amount charged to the profit and loss account represents the contributions payable to the scheme in respect of the accounting period. 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 defined benefit scheme was closed to future accrual on 31 December 2010.

1 Accounting policies (continued)

(f) Taxation

The charge or credit 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 tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date

(g) Leasing

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

(h) Investments

Investments are held at historic cost less any provisions for impairment. Where the functional currency of a subsidiary changes from a foreign currency to sterling, the cost of investment is deemed to be the value at the date the subsidiary's functional currency is converted

(i) 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

(j) Equity and equity related compensation benefits

The Company participates in an SAYE savings related share option scheme, an Executive Share Option Scheme, a Long Term Incentive Plan (LTIP), a Performance Share Plan (PSP), a Deferred Bonus Plan (DBP), a Share Matching Plan (SMP), a Share Option Plan (SOP), and an All Employee Share Ownership 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 income statement

(k) 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 not 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 hedge 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 profit and loss account

IMI KYNOCH LIMITED
Notes to the financial statements
for the year ended 31 December 2010



2 Income from shares in group undertakings

Income from shares in group undertakings for the year ended 31 December 2010 resulted from dividends paid by IMI Kynoch Limited's subsidiaries to the Company of £19.6m (2009 £89.6m)

3 Interest receivable and similar income

	2010 £000s	2009 £000s
On loans to group undertakings	23,882	28,384
On others	1,598	50
	<u>25,480</u>	<u>28,434</u>

4 Interest payable and similar charges

	2010 £000s	2009 £000s
On bank loans and overdrafts	563	793
On loans from group undertakings	12,136	33,613
	<u>12,699</u>	<u>34,406</u>

5 Profit on ordinary activities before taxation

The profit on ordinary activities before taxation is stated after charging the following

	2010 £000s	2009 £000s
Depreciation of tangible fixed assets	506	593
Land and buildings lease costs	518	518
Hire of plant and machinery	162	174
<i>Auditor's remuneration</i>		
Audit of these financial statements	<u>2</u>	<u>2</u>

6 Profit for the year on operations discontinued in prior years

	2010 £000s	2009 £000s
EU fine reduction	5,358	-
Deferred consideration in relation to the disposal of Polypipe in 2005	7,387	-
Costs associated with the receipt of the deferred consideration	(567)	-
	<u>12,178</u>	<u>-</u>

IMI KYNOCH LIMITED
Notes to the financial statements
for the year ended 31 December 2010



7 Employee information

(a) Remuneration of directors	2010 £000s	2009 £000s
Directors' emoluments	1,405	1,401
Pension contributions	63	29
	<u>1,468</u>	<u>1,430</u>

The aggregate of emoluments of the highest paid director was £402,911 (2009 £887,144). The Company made no pension contributions during the year to the highest paid director as he does not participate in any Company pension scheme. The director has exercised and received share options in IMI plc.

The highest paid director waived £534,000 of their 2010 bonus and pension allowance (2009 £ nil), and another director waived £109,000 of their bonus and pension allowance (2009 £ nil). The Company made discretionary contributions into an executive retirement plan of £513,000 for the highest paid director (2009 £ nil) and £104,670 for the other director who waived part of their bonus and pension allowance (2009 £ nil).

None of the directors received any remuneration from the Company for their services as a director of the Company. The total remuneration shown above relates to remuneration for other services they provide to the Company, and other IMI group companies, in relation to their respective contracts of employment.

During the year 5 (2009 4) directors exercised options over shares of IMI plc.

At the end of the year, retirement benefits accrued to the following number of directors

	Number of Directors	
	2010	2009
Defined benefit schemes	<u>3</u>	<u>2</u>

The defined benefit scheme was closed to future accrual on 31 December 2010.

(b) Staff numbers and costs

The average number of persons, all of which held administrative roles, employed and whose costs were borne by the Company during the year was 108 (2009 115).

The aggregate payroll costs of these persons were as follows

	2010 £000s	2009 £000s
Wages and salaries	8,815	10,768
Share based payments	3,432	2,862
Social security costs	967	1,188
Other pension costs	502	645
	<u>13,716</u>	<u>15,463</u>

The staff numbers and costs disclosed above includes all employees remunerated through the Company's payroll, incorporating those whose costs are not ultimately borne by the Company, including the executive directors of IMI plc.

8 Taxation

<i>(a) Tax on profit on ordinary activities</i>	2010 £000s	2009 £000s
<i>Current tax</i>		
UK Corporation tax at 28% (2009 28%)	5,153	828
Adjustments in respect of prior years	627	(274)
Total current tax charge	5,780	554
<i>Deferred tax</i>		
Origination of timing differences	(110)	124
Tax on profit on ordinary activities	5,670	678

(b) Factors affecting the tax charge for the current period

The current tax charge for the period is lower (2009 lower) than the Company's underlying rate of tax of 28%. The differences are shown below

	2010 £000s	2009 £000s
Profit on ordinary activities before tax	47,521	82,289
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 28% (2009 28%)	13,306	23,041
<i>Effects of</i>		
Capital allowances for the period in excess of depreciation	15	(13)
Other timing differences	(40)	47
Effect of rate change	22	-
Non taxable and non deductible items	(2,654)	1,560
Non taxable dividends	(5,496)	(23,807)
Adjustments in respect of prior years	627	(274)
Total current tax charge (note 8 (b))	5,780	554

(c) Factors that may affect future charges

The Finance (No 2) Act 2010 reduced the main rate of UK Corporation Tax from 28% to 27% from 1 April 2011. Additional changes to the main rate of UK Corporation Tax have been proposed in the Budget of 23 March 2011 to reduce the main rate to 26% from 1 April 2011 and by 1% per annum to 23% by 1 April 2014. The 1% reduction in the main rate of UK corporation tax to 26% was substantially enacted on 29 March 2011. These changes had not been substantively enacted at the balance sheet date and consequently are not included in the Financial Statements.

Deferred tax assets and liabilities at 31 December 2010 have been calculated at 27% and the reduction in the deferred tax asset has been included within the tax charge for the year.

8 Taxation (continued)

(d) Deferred tax

The deferred tax included in the balance sheet is as follows

	2010 £000s	2009 £000s
Accelerated capital allowances	90	121
Other timing differences	583	442
Deferred tax asset	<u>673</u>	<u>563</u>
Asset at start of year	563	687
Deferred tax credit / (charge) in profit and loss account for year	<u>110</u>	<u>(124)</u>
Deferred tax asset at end of year (see note 11)	<u>673</u>	<u>563</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

9 Tangible fixed assets

	Land & Buildings £000s	Plant & Equipment £000s	Total £000s
Cost at:			
Beginning of year	18,105	2,150	20,255
Additions	437	178	615
Disposals	<u>(3,533)</u>	<u>(89)</u>	<u>(3,622)</u>
End of year	<u>15,009</u>	<u>2,239</u>	<u>17,248</u>
Depreciation and amortisation at			
Beginning of year	9,516	1,657	11,173
Charged in the year	294	212	506
Disposals	<u>(1,778)</u>	<u>(81)</u>	<u>(1,859)</u>
End of year	<u>8,032</u>	<u>1,788</u>	<u>9,820</u>
Net book value at 31 December 2010	<u>6,977</u>	<u>451</u>	<u>7,428</u>
Net book value at 31 December 2009	<u>8,589</u>	<u>493</u>	<u>9,082</u>

The net book value of land and buildings comprises

	2010 £000s	2009 £000s
Freehold land and buildings	6,608	6,460
Short leasehold land and buildings	<u>369</u>	<u>2,129</u>
	<u>6,977</u>	<u>8,589</u>

IMI KYNOCH LIMITED
Notes to the financial statements
for the year ended 31 December 2010



10 Fixed asset investments

	Shares in group undertakings £000s	Shares in participating interests £000s	Total £000s
Cost/valuation			
At beginning of year	690,578	497	691,075
Additions	165	-	165
Disposals	-	(497)	(497)
At end of year	<u>690,743</u>	<u>-</u>	<u>690,743</u>
Provision			
At beginning of year	54,513	147	54,660
Disposals	-	(147)	(147)
At end of year	<u>54,513</u>	<u>-</u>	<u>54,513</u>
Net book value at 31 December 2010	<u>636,230</u>	<u>-</u>	<u>636,230</u>
Net book value at 31 December 2009	<u>636,065</u>	<u>350</u>	<u>636,415</u>

At 31 December 2010 the historical cost of shares in group undertakings was £712,472,000 (2009 £712,307,000). The net book value, on a historical cost basis, of shares in group undertakings at 31 December 2010 was £657,959,000 (2009 £657,794,000).

The historical cost and net book value of shares in participating interests are the same as shown above.

Interest in group undertakings

The principal country in which each subsidiary operates is the country of incorporation. The Company's effective interest in the undertakings is shown below, and is held in each case by a subsidiary undertaking, except for those marked * in which case is held directly by the Company.

Company	Country of incorporation	Proportion of share capital held	Activity
Holford Developments Ltd	UK	100%	Corporate
Holford Estates Ltd	UK	100%	Corporate
Holford Estates Management Services Ltd	UK	100%	Corporate
IMI Holdings LLC (USA)*	USA	100%	Corporate
IMI Refiners Ltd	UK	100%	Corporate
IMI Vision Ltd*	UK	100%	Corporate
IMI Yorkshire Fittings (Exports) Ltd	UK	100%	Corporate
IMI Yorkshire Transport Ltd	UK	100%	Corporate
Liquick 200 Ltd	UK	100%	Corporate
Liquick 203 Ltd	UK	100%	Corporate
Liquick 211 Ltd	UK	100%	Corporate
Objex (Investments) Ltd	UK	100%	Corporate
Premier Profiles Ltd*	UK	100%	Corporate
Witton Estates Management Services Ltd	UK	100%	Corporate
Deeside Titanium	UK	17.5%	Dormant
Quanta Fluid Solutions Ltd	UK	26.4%	Dormant

IMI KYNOCH LIMITED
Notes to the financial statements
for the year ended 31 December 2010



10 Fixed asset investments (continued)

Company	Country of incorporation	Proportion of share capital held	Activity
Accles and Shelvoke Ltd*	UK	100%	Fluid Controls
Anson Cast Products Ltd	UK	100%	Fluid Controls
CCI America du Sol Comenco de Equipamentos Industriais Ltda*	Brazil	1%	Fluid Controls
CCI Czech Republic sro*	Czech Republic	10%	Fluid Controls
CCI International Ltd*	UK	100%	Fluid Controls
Commtech Ltd	UK	100%	Fluid Controls
Eley Export Ltd	UK	100%	Fluid Controls
Eley Ltd*	UK	100%	Fluid Controls
Gaskell and Chambers Ltd	UK	100%	Fluid Controls
IMI Amal Ltd	UK	100%	Fluid Controls
IMI Bnghouse Air Ltd	UK	100%	Fluid Controls
IMI Components France SA	France	100%	Fluid Controls
IMI Components Ltd*	UK	100%	Fluid Controls
IMI Marston Ltd	UK	100%	Fluid Controls
IMI Norgren (Export) Ltd	UK	100%	Fluid Controls
IMI Norgren Ltd*	UK	100%	Fluid Controls
IMI Scott Ltd	UK	100%	Fluid Controls
IMI Watson Smith Ltd*	UK	100%	Fluid Controls
IMI Webber Ltd*	UK	100%	Fluid Controls
MK Refrigeration Ltd	UK	100%	Fluid Controls
Norgren European Logistics Co Ltd*	UK	100%	Fluid Controls
Rickmans Ltd	UK	100%	Fluid Controls
Tour & Andersson Ltd*	UK	100%	Fluid Controls
IMI Components Export Ltd	UK	100%	Holding Company
IMI Group Services Ltd	UK	100%	Holding Company
MKR Holdings Ltd	UK	100%	Holding Company
The Commtech Group Ltd	UK	100%	Holding Company
Brookvale International Insurance Ltd*	Bermuda	100%	Insurance Services
IMI Property Investments Ltd*	UK	100%	Property
Artform International Ltd	UK	100%	Retail Dispense
Coldflow Ltd	UK	100%	Retail Dispense
Creative Identities Ltd*	UK	100%	Retail Dispense
DCI Marketing Europe Ltd*	UK	100%	Retail Dispense
IMI Cornelius (Ireland) Ltd	Republic of Ireland	100%	Retail Dispense
IMI Cornelius (UK) Ltd*	UK	100%	Retail Dispense
IMI Cornelius Jet Spray Ltd	UK	100%	Retail Dispense
Objex Ltd	UK	100%	Retail Dispense
IMI QUEST Trustees Ltd	UK	100%	Trustee Company

In the opinion of the directors, the aggregate value of the investment in subsidiary companies at 31 December 2010 is not less than the aggregate carrying value stated in the balance sheet

Undertakings in which the Company has a participating interests

The Company's 24.89% investment in Waterwerkz Limited incorporated in England and Wales was disposed of in May 2010 for its net book value of £0.4m. There was no profit or loss on this disposal.

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11 Debtors

	2010 £000s	2009 £000s
Trade debtors	14	101
Amounts advanced to parent	-	143,341
Amounts advanced to other group undertakings	495,683	485,791
Prepayments and accrued income	1,347	1,618
Deferred tax asset (see note 8)	673	563
	<u>497,717</u>	<u>631,414</u>

Amounts advanced to overseas group undertakings are at arm's length terms and bear interest at the relevant LIBOR plus an appropriate margin. This also applies, in most instances, to amounts advanced to both the parent and other UK group undertakings.

Debtors include amounts owed by group undertakings of £274.8m (2009 £386.7m) and deferred tax of £0.6m (2009 £0.5m) due after more than one year.

12 Creditors amounts falling due within one year

	2010 £000s	2009 £000s
Bank overdrafts	9,937	59,635
Trade creditors	1,852	1,973
Amounts owed to group undertakings	994,290	1,177,943
Corporation tax	5,615	777
Other taxation	397	376
Social security	133	151
Other creditors	5,671	5,291
Accruals and deferred income	2,457	3,386
	<u>1,020,352</u>	<u>1,249,532</u>

Amounts owed to overseas group undertakings are at arm's length terms and bear interest at the relevant LIBOR plus an appropriate margin. This also applies, in most instances, to amounts owed to other UK group undertakings.

13 Creditors amounts falling due after more than one year

	2010 £000s	2009 £000s
Amounts owed to parent	<u>7,642</u>	<u>-</u>

14 Contingent liabilities

The Company has overdraft facilities which form part of a composite accounting arrangement between IMI plc and certain of its subsidiaries. Accordingly, the Company in concert with those other group companies has entered into arrangements whereby each has offered a limited guarantee in respect of others' overdraft borrowings from time to time. The Company's maximum liability is limited to the extent of its current account cash balances from time to time which at 31 December 2010 amounted to £14.3m (2009 £58.5m).

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15 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 wholly owned fellow subsidiaries and group undertakings of IMI plc

16 Share Capital

	2010 £000s	2009 £000s
Authorised, allotted, called up and fully paid 27,500,000 (2009 27,500,000) ordinary shares of £1 per share	<u>27,500</u>	<u>27,500</u>

17 Reserves

	Share premium account £000s	Profit and loss account £000s
Balance as at 1 January 2010	52,500	5,869
Profit for the year	-	41,851
Balance as at 31 December 2010	<u>52,500</u>	<u>47,720</u>

18 Dividends

The aggregate amount of dividends comprises

	2010 £000s	2009 £000s
Dividends received	<u>19,629</u>	<u>89,580</u>

19 Commitments

Annual commitments under non-cancellable operating leases are as follows

	2010		2009	
	Land and buildings £000s	Other £000s	Land and buildings £000s	Other £000s
Operating leases which expire				
Within one year	-	34	-	28
In the second to fifth years inclusive	-	123	-	179
Over five years	518	-	518	-
	<u>518</u>	<u>157</u>	<u>518</u>	<u>207</u>

20 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 shares in the business. SAYE options are exercisable within six months of the exercise date and otherwise expire.

Performance Share Plan (PSP)

These are open to the executive directors and selected senior managers within the group. For awards granted prior to April 2009, 50% of these PSP shares vest subject to EPS growth, based on internal financial performance conditions. The plan uses TSR (total shareholder return) as a performance condition for the other 50% of shares granted. For awards granted in 2009, 100% of the shares granted vest subject to TSR as the performance condition. For awards granted in 2010 onwards, 50% of these PSP shares vest subject to EPS growth, based on internal financial performance conditions, 25% vest subject to TSR (total shareholder return), and 25% vest subject to RoOCE (Return on Operating Capital Employed).

Share Matching Plan (SMP)

In 2009, the Deferred Bonus Plan (DBP) was amended and renamed, to become the SMP. Under this plan, executive directors' and selected senior managers' cash incentive payments are governed by their 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 earned annual bonus will be mandatorily deferred for three years, and delivered in shares in the Company.

Qualifying employees may also elect to voluntarily defer all or part of the remainder of their annual bonus, and invest personal funds, up to a maximum of 100% of incentive opportunity. Additional shares, in the form of a matching award, may be earned (to a maximum of 200% of the investment made) if stretching performance conditions are met by the Company over the three year deferral period.

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 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 earnings per share above inflation over a fixed period of three financial years. Executive share options expire if not exercised or lapsed within the periods shown below.

Long Term Incentive Plan (LTIP)

The LTIP awards were made in 2005 as part of the transition to new long term incentive arrangements introduced in 2005.

The LTIP allows cash awards to executive directors and selected senior managers within the group subject to certain performance conditions. At the end of the performance period, the net of tax value of any LTIP payments can (or in the case of executive directors, must) normally be invested in market purchases of the Company's ordinary shares pursuant to a deferred share plan. Such share purchases are to be made through an employee trust and held for a further three year period. After that period, matching shares are awarded with one additional share for every four invested with no further performance conditions.

20 Share based payments (continued)

Deferred Bonus Plan (DBP)

Under the DBP, for executive directors and selected senior managers, a proportion of earned annual bonus was mandatorily deferred for three years, and delivered in shares in the Company. Qualifying employees also elected to voluntarily defer all or part of the remainder of their annual bonus. Additional shares, in the form of a matching award, may be earned (to a maximum of 100%, or 125% for the Chief Executive, of the deferred bonus at the entry share price level) if stretching performance conditions are met by the Company over the three year deferral period.

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
2005	212,781	380p	2008-2010	45,000	421p	2008-2015
2006	42,990	495p	2009-2011	-	-	-
2007	39,635	517p	2010-2012	-	-	-
2008	68,354	391p	2011-2013	-	-	-
2009	161,411	201p	2012-2014	-	-	-
2010	29,915	511p	2013-2015	-	-	-

	Long Term Incentive Plan (1)		Performance Share Plan (1)		Deferred Bonus Plan (1)	
	Number of awards	Normal Exercisable Date	Number of awards	Normal Exercisable Date	Number of awards	Normal Exercisable Date
2007	60,881	2010	374,750	2010	141,100	2010
2008	80,416	2011	523,860	2011	141,634	2011
2009	-	-	673,400	2012	-	-
2010	-	-	227,700	2013	-	-

	Share Matching Plan (1)		Share Option Plan		
	Number of awards	Normal Exercisable Date	Number of awards	Weighted average option price	Normal Exercisable Date
2009	1,245,547	2012	388,000	441p	2012
2010	759,418	2013	202,500	645p	2013

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

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20 Share based payments (continued)

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

	Options without performance conditions			Options with performance conditions
	Number of options	Range of option prices	Weighted Average Option Price	Number of options
Outstanding at 1 January 2009	280,553	201-517p	372p	1,778,389
Exercisable at 1 January 2009	107,451	201-421p	360p	8,900
Granted	549,411	201-441p	371p	1,918,947
Exercised	109,195	201-496p	314p	374,624
Lapsed	64,988	201-517p	437p	127,218
Outstanding at 31 December 2009	655,781	201-517p	374p	3,195,494
Exercisable at 31 December 2009	44,875	257-495p	376p	911
Granted	232,415	511-645p	628p	987,118
Exercised	31,289	201-517p	379p	304,044
Lapsed	33,442	201-517p	380p	289,713
Outstanding at 31 December 2010	823,465	201-645p	448p	3,588,855
Exercisable at 31 December 2010	23,960	374p	374p	-

Share options previously reported as Employee SAYE options and Executive options have been combined within Options without performance conditions. The options previously reported as Long Term Incentive Plan options, Performance Share Plan options and Deferred Bonus Plan options have been combined within Options with performance conditions. In both cases these schemes have substantially similar arrangements. Options with performance conditions were granted with an option price of £nil.

The weighted average remaining contractual life for the share options outstanding as at 31 December 2010 is 7.76 years (2009 8.04 years).

Included in these balances are share options that have not been recognised in accordance with FRS20 'Share-based payments' as the options were granted on or before 7 November 2002. These options have not been subsequently modified and therefore do not need to be accounted for in accordance with FRS20. The number of these share options outstanding was as follows:

1 January 2009	22,005
31 December 2009 and 1 January 2010	4,420
31 December 2010	Nil

The weighted average share price at the date of exercise of share options exercised during the period was £6.89 (2009 £3.81).

20 Share based payments (continued)

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 2010 included a dividend yield of 3.7% (2009 7.6%), expected share price volatility of 30% (2009 30%), a weighted average expected life of 3.6 years (2009 3.7 years) and a weighted average interest rate of 2.0% (2009 4.0%). 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.

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

	2010 £000s	2009 £000s
Equity settled share based payment expense recognised in the profit and loss	<u>3,432</u>	<u>2,862</u>

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

	2010 £000s	2009 £000s
Forward foreign currency contracts	<u>(3,288)</u>	<u>814</u>

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 was a defined contribution scheme.

The latest full actuarial valuation for the larger group wide pension scheme was carried out on 31 March 2008 and was updated for FRS 17 purposes to 2010 by a qualified independent actuary. At 31 December 2010 the scheme deficit was £110.4m (2009 £174.8m).

The Company's contribution for the year was £0.6m (2009 £0.7m). In addition to the final pensionable pay scheme the Company made contributions of £0.3m (2009 £0.3m) to the group's defined contribution scheme.

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.

23 Ultimate parent company

The immediate parent company is IMI Group Limited, incorporated in England and Wales. The ultimate parent company is IMI plc, incorporated in England and Wales.

The results of the Company are consolidated into the group accounts of IMI plc. The consolidated accounts of IMI plc are available to the public and may be obtained from:

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

Or at www.imiplc.com

No other group accounts include the results of the Company.