

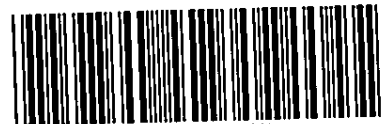
IMI Brighthouse Air Limited

**Directors' report and financial
statements**

Registered number 1400558

Year ended 31 December 2007

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Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2007

Results and dividend

Detailed results for the year are set out on page 5. No dividend is proposed in respect of the year ended 31 December 2007 (2006 £Nil)

Principal activities and business review

No trading in the company occurred during the year

Directors

The directors who held office during the year were as follows

CN Robinson
JR Perkins


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

Auditors

Pursuant to a shareholders' resolution, the Company is not obliged to reappoint its auditors annually and KPMG Audit Plc will therefore continue in office

By order of the board



JR Perkins
Secretary

Nobel Way
Witton
Birmingham
B6 7ES

23 July 2008

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

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

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

The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss 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 estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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



KPMG Audit Plc

2 Cornwall Street
Birmingham
B3 2DL
United Kingdom

Independent auditor's report to the members of IMI Brighouse Air Limited

We have audited the financial statements of IMI Brighouse Air Limited for the year ended 31 December 2007 which comprise the Profit and Loss account, the Balance Sheet, the Reconciliation of movements in shareholder's funds and the related notes. These financial statements have been prepared under the accounting policies set out therein.

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

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of directors' responsibilities on page 2.

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

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

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

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

Basis of audit opinion

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

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

Independent auditor's report to the members of IMI Brighthouse Air Limited
(continued)

Opinion

In our opinion

- the financial statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2007 and of its profit for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the directors' report is consistent with the financial statements

KPMG Audit Plc

KPMG Audit Plc
Birmingham
Chartered Accountants
Registered Auditor

23 July 2008

Profit and loss account
for the year ended 31 December 2007

| | <i>Note</i> | 2007 £000 | 2006 £000 |
|-----------------------------------------------------------------------------------------|-------------|----------------------|----------------------|
| Administrative expenses | | (6) | (6) |
| Operating loss | | (6) | (6) |
| Profit on sale of shares | | - | 850 |
| Interest receivable and similar income | 5 | 444 | 379 |
| Profit on ordinary activities before taxation | 2 | 438 | 1,223 |
| Tax on profit on ordinary activities | 6 | (131) | (112) |
| Profit on ordinary activities after taxation, being retained profit for the year | | 307 | 1,111 |

The company has no recognised gains or losses other than the profit for the year in both the current and preceding financial year

A reconciliation of movements in shareholder's funds is given on page 7 of these financial statements

Balance sheet
at 31 December 2007

| | <i>Note</i> | 2007 £000 | 2006 £000 |
|------------------------------------------------------|-------------|----------------------|----------------------|
| Current assets | | | |
| Debtors | 7 | 7,251 | 6,858 |
| | | <u>7,251</u> | <u>6,858</u> |
| Creditors amounts falling due within one year | 8 | (358) | (272) |
| | | <u>6,893</u> | <u>6,586</u> |
| Net current assets being net assets | | | |
| Capital and reserves | | | |
| Called up share capital | 9 | 6,020 | 6,020 |
| Profit and loss account | 10 | 873 | 566 |
| | | <u>6,893</u> | <u>6,586</u> |
| Equity shareholder's funds | | | |
| | | <u>6,893</u> | <u>6,586</u> |

These financial statements were approved by the board of directors on 23 July 2008 and were signed on its behalf by



JR Perkins
Director

Reconciliation of movements in shareholder's funds
for the year ended 31 December 2007

| | 2007 £000 | 2006 £000 |
|--------------------------------------------|--------------|--------------|
| Profit for the financial year | 307 | 1,111 |
| Net addition to shareholder's funds | 307 | 1,111 |
| Opening shareholder's funds | 6,586 | 5,475 |
| Closing shareholder's funds | 6,893 | 6,586 |

Notes

(forming part of the financial statements)

1 Accounting policies

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

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules

Under Financial Reporting Standard 1 the company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the company in its own published consolidated financial statements

As the company is a wholly owned subsidiary of IMI plc, the company has taken advantage of the exemption contained in FRS 8 and has therefore not disclosed transactions or balances with entities which form part of the group (or investees of the group qualifying as related parties) The consolidated financial statements of IMI plc, within which this company is included, can be obtained from the address given in note 11

Taxation

The charge for taxation is based on the profit and loss for the year

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

2 Profit on ordinary activities before taxation

| | 2007 £000 | 2006 £000 |
|----------------------------------------------------------------|--------------|--------------|
| <i>Profit on ordinary activities before taxation is stated</i> | | |

after charging

| | | |
|------------------------|---|---|
| Auditors' remuneration | | |
| Audit | 4 | 4 |

Auditors' remuneration

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

During 2006, the Company agreed to a final settlement in respect of deferred consideration relating to the sale of shares in 2004 This resulted in a profit in 2006 of £850,000

3 Remuneration of directors

The directors received no emoluments in either the current or preceding year

Retirement benefits are accruing to the following number of directors under

| | Number of directors | |
|-------------------------|---------------------|------|
| | 2007 | 2006 |
| Defined benefit schemes | 2 | 2 |

Notes (continued)

4 Staff numbers and costs

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

| | Number of employees | |
|----------------|---------------------|------|
| | 2007 | 2006 |
| Administration | 2 | 2 |

5 Interest receivable and similar income

| | 2007 £000 | 2006 £000 |
|--------------------------------|--------------|--------------|
| On loans to group undertakings | 444 | 309 |
| On deferred consideration | - | 70 |
| | <u>444</u> | <u>379</u> |

6 Taxation

Analysis of charge in year

| | 2007 £000 | 2006 £000 |
|----------------------------------------------------|--------------|--------------|
| <i>UK corporation tax</i> | | |
| Current tax on income for the year | 131 | 112 |
| | <u>131</u> | <u>112</u> |
| Total current tax on profit on ordinary activities | <u>131</u> | <u>112</u> |

Factors affecting the tax charge for the current year

The current tax charge for the year is the same as (2006 lower than) the standard rate of corporation tax in the UK of 30% (2006 30%). The differences are explained below

| | 2007 £000 | 2006 £000 |
|------------------------------------------|--------------|--------------|
| <i>Current tax reconciliation</i> | | |
| Profit on ordinary activities before tax | 438 | 1,223 |
| | <u>438</u> | <u>1,223</u> |
| Current tax at 30% | 131 | 366 |
| | <u>131</u> | <u>366</u> |
| <i>Effects of</i> | | |
| Non-taxable and non-deductible items | - | (254) |
| | <u>-</u> | <u>(254)</u> |
| Current tax charge for the period | <u>131</u> | <u>112</u> |

7 Debtors

| | 2007 Due after one year £000 | 2007 Due within one year £000 | Total £000 | 2006 Due within one year £000 |
|-----------------------------------------------------------|---------------------------------------|----------------------------------------|---------------|----------------------------------------|
| Amounts owed by parent and fellow subsidiary undertakings | 7,237 | 14 | 7,251 | 6,858 |

Notes (continued)

8 Creditors: amounts falling due within one year

| | 2007 £000 | 2006 £000 |
|-----------------------------------------------------------|--------------|--------------|
| Amounts owed to parent and fellow subsidiary undertakings | 222 | 210 |
| Corporation tax creditor | 131 | 57 |
| Accruals and deferred income | 5 | 5 |
| | <u>358</u> | <u>272</u> |

9 Called up share capital

| | 2007 £000 | 2006 £000 |
|------------------------------------------------------------------------------------|--------------|--------------|
| <i>Authorised</i> 6,250,000 ordinary shares of £1 each | 6,250 | 6,250 |
| <i>Allotted, called up and fully paid.</i> 6,020,100 ordinary shares of £1 each | 6,020 | 6,020 |

10 Reserves

| | Profit and loss account £000 |
|-------------------------------|------------------------------------|
| At beginning of year | 566 |
| Profit for the financial year | 307 |
| At end of year | <u>873</u> |

11 Ultimate parent company

The company is a subsidiary undertaking of IMI Kynoch Limited, incorporated in England and Wales. The ultimate parent undertaking and ultimate controlling party is IMI plc, which is incorporated in Great Britain and registered in England and Wales.

The consolidated financial statements of this group are available to the public and may be obtained from The Company Secretary, IMI plc, Lakeside, Solihull Parkway, Birmingham Business Park, Birmingham B37 7XZ.