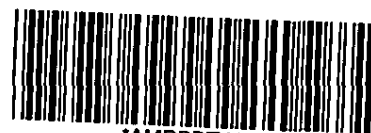


IMI Vision Limited

**Directors' report and financial
statements**

Registered number 4421176
For the year ended 31 December 2006

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Directors' report

The directors of IMI Vision Limited submit their annual report and the audited financial statements for the year ended 31 December 2006

Results and dividends

The results are set out on page 4

The directors do not recommend the payment of a dividend (2005 £Nil)

Principal activities

The principal activities of the company are to seek opportunities and develop ideas for business applications for IMI plc and external companies

Review of the business

The business has invested in technology to build and develop future income streams License income generated amounted to £441,000 (2005 £278,000)

Research and development

During the year the company has pursued its policy of developing existing and new products

Directors

The directors of the company during the year were as follows

MS Johnson

M J Lamb

Disclosure of information to auditors

The directors who held office at the date 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

In accordance with Section 385 of the Companies Act 1985, a resolution for the re-appointment of KPMG Audit Plc as auditors of the company is to be proposed at the forthcoming annual general meeting

By order of the board



I Davis
Secretary

Tything Road
Alcester
Warwickshire
B49 6EU

16 May 2007

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

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

Company law requires the directors to prepare financial statements for each financial year. Under that law 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.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.



KPMG Audit Plc

2 Cornwall Street
Birmingham
B3 2DL

Independent auditors' report to the members of IMI Vision Limited

We have audited the financial statements of IMI Vision Limited for the year ended 31 December 2006 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 if, in our opinion, the directors' report is not 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.

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2006 and of its loss 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
Chartered Accountants
Registered Auditor

16 May 2007

Profit and loss account
for the year ended 31 December 2006

	<i>Note</i>	2006 £000	2005 £000
Turnover	1	441	278
Cost of sales		(5,230)	(5,301)
Gross loss		(4,789)	(5,023)
Administrative expenses		(401)	(385)
Operating loss being loss on ordinary activities before taxation	2	(5,190)	(5,408)
Tax on loss on ordinary activities	3	1,578	1,621
Loss on ordinary activities after taxation being loss for the financial year		(3,612)	(3,787)

The company has recognised no gains or losses other than the loss for the financial year which has been wholly derived from continuing operations

Balance sheet
as at 31 December 2006

	<i>Note</i>	2006 £000	2005 £000
Fixed assets	4	180	279
Current assets			
Debtors	5	2,247	2,219
		<u>2,247</u>	<u>2,219</u>
Creditors amounts falling due within one year	6	(19,991)	(16,450)
		<u>(19,991)</u>	<u>(16,450)</u>
Net current liabilities		(17,744)	(14,231)
Total assets less current liabilities		<u>(17,564)</u>	<u>(13,952)</u>
Financed by			
Capital and reserves			
Called up share capital	7	-	-
Profit and loss account	8	(17,564)	(13,952)
		<u>(17,564)</u>	<u>(13,952)</u>
Shareholder's deficit		<u>(17,564)</u>	<u>(13,952)</u>

These financial statements were approved by the board of directors on 16 May 2007 on its behalf by

MS Johnson
 Director



Reconciliation of movements in shareholder's funds
for the year ended 31 December 2006

	2006 £000	2005 £000
Retained loss for the financial year	(3,612)	(3,787)
Net movement in shareholder's funds	(3,612)	(3,787)
Deficit on shareholder's funds brought forward	(13,952)	(10,165)
Deficit on shareholder's funds carried forward	(17,564)	(13,952)

Notes

(forming part of the financial statements)

1 Accounting Standards and principal 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

The financial statements have been prepared on a going concern basis. The company is reliant on the continued support of its parent company, IMI plc, which has confirmed that it will provide sufficient funds to enable the company to continue its normal trading activities and pay its debts as and when they fall due for the foreseeable future, being at least one year from the date of signing these financial statements

Cash flow

A group cash flow statement prepared in accordance with Financial Reporting Standard 1 (revised 1996) is included in the IMI plc group financial statements and accordingly no cash flow statement is shown in these financial statements

Turnover

Turnover represents license income, all exclusive of value added tax. License income is recorded as turnover when the technology is made available under license. All turnover is sourced from IMI Vision Limited's intellectual property that is held in the United Kingdom

Related parties

Transactions with other IMI plc group companies, being related parties under FRS 8, have not been disclosed in these financial statements as the company is itself a wholly owned subsidiary of that group

Research and development

Expenditure on research and development is written off against profits in the year in which it is incurred

Foreign exchange

Currency differences arising on normal trading transactions in the year are written off to profit and loss account. Overseas debtors and creditors have been translated into sterling at the rate of exchange ruling at 31 December 2006 except where such amounts are covered by forward exchange contracts and translation is made at the contract rate

Pension costs

The company participates in a pension scheme providing benefits based on final pensionable pay. The assets of the scheme are held separately from those of the company. The company is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis and therefore, as required by Financial Reporting Standard No 17 'Retirement Benefits', accounts for the scheme as if it were a defined contribution scheme. As a result, the amounts charged to the profit and loss account represent the contributions payable to the scheme in respect of the accounting period

Taxation

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

Deferred taxation is recognised on all timing differences which have arisen but not reversed at the balance sheet date, except as otherwise stated by FRS 19

Notes (continued)

2 Loss on ordinary activities before taxation

	2006 £000	2005 £000
<i>Loss on ordinary activities before taxation is stated after charging</i>		
Depreciation	99	90
Operating lease payments		
Land and building rentals	34	36
Other rentals	-	32
Auditor's remuneration for audit services	5	5
	<u> </u>	<u> </u>

There were no non-audit fees paid to the auditors in the year

3 Tax on loss on ordinary activities

	2006 £000	2005 £000
<i>Current tax</i>		
Group relief for the period	(1,526)	(1,623)
Adjustments in respect of prior periods	(28)	-
	<u> </u>	<u> </u>
	(1,554)	(1,623)
<i>Deferred tax (see note 5)</i>		
Origination and reversal of timing differences	(24)	2
	<u> </u>	<u> </u>
Tax on loss on ordinary activities	(1,578)	(1,621)
	<u> </u>	<u> </u>

Factors affecting the tax credit for the current period

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

	2006 £000	2005 £000
<i>Current tax reconciliation</i>		
Loss on ordinary activities before tax	(5,190)	(5,408)
	<u> </u>	<u> </u>
Current tax at 30% (2005 30%)	(1,557)	(1,622)
<i>Effects of</i>		
Prior year adjustments	(28)	-
Depreciation in excess of capital allowances	10	(3)
Permanent differences	7	-
Other timing differences	14	2
	<u> </u>	<u> </u>
Total current tax	(1,554)	(1,623)
	<u> </u>	<u> </u>

Factors that may affect future current and total tax charges

It has been announced that the corporation tax rate applicable to the company is expected to change from 30% to 28% from 1 April 2008. The deferred tax asset has been calculated at 30% in accordance with FRS 19. Any timing differences which reverse before 1 April 2008 will be charged relieved at 30%, any timing differences which exist at 1 April 2008 will reverse at 28% and, because of the uncertainty of when the deferred tax asset will reverse, it is not possible to calculate the full financial impact of this change.

Notes (continued)

4 Tangible fixed assets

	Plant and fixtures £000
Cost	
At beginning of year	404
Additions	61
Disposals	(75)
	<hr/>
At end of year	390
	<hr/>
Depreciation	
At the beginning of year	125
Disposals	(14)
Charge for the year	99
	<hr/>
At end of year	210
	<hr/>
Net book value	
At 31 December 2006	180
	<hr/>
At 31 December 2005	279
	<hr/>

5 Debtors

	2006 £000	2005 £000
Trade debtors	-	94
Amounts owed by group undertakings	571	574
UK group relief receivable	1,649	1,496
Deferred taxation	27	3
Other debtors	-	52
	<hr/>	<hr/>
	2,247	2,219
	<hr/>	<hr/>
Deferred taxation comprises		
Difference between accumulated depreciation and capital allowances	27	3
	<hr/>	<hr/>

Deferred taxation amounting to £27,000 (2005 £3,000) is due after more than one year

Notes (continued)

6 Creditors' amounts falling due within one year

	2006 £000	2005 £000
Trade creditors	110	120
Accruals and deferred income	206	175
Amounts owed to group undertakings	19,675	16,155
	<u>19,991</u>	<u>16,450</u>

7 Called up share capital

	2006 £	2005 £
<i>Authorised, allotted, called up and fully paid</i>		
1 ordinary share of £1 each	<u>1</u>	<u>1</u>

8 Reserves

	Profit and loss reserve £000
At beginning of the year	(13,952)
Loss for the year	(3,612)
	<u>(17,564)</u>

9 Commitments

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

	2006		2005	
	Property £000	Other £000	Property £000	Other £000
Agreement expiring within one year of the balance sheet date	1	-	8	-
One to five years	<u>-</u>	<u>24</u>	<u>-</u>	<u>36</u>

Notes (continued)

10 Directors' remuneration

	2006 £000	2005 £000
Directors' emoluments	153	122
Pension contributions	31	26
	<u>184</u>	<u>148</u>

	Number of directors	
	2006	2005
Retirement benefits are accruing to the following number of directors under Defined benefit schemes	<u>1</u>	<u>1</u>

11 Staff numbers and costs

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

	Number of employees	
	2006	2005
Production	27	26
Administration	3	3
	<u>30</u>	<u>29</u>

The aggregate payroll costs of these persons were as follows

	£000	£000
Wages and salaries	1,201	887
Social security	118	112
Pension	137	71
	<u>1,456</u>	<u>1,070</u>

12 Ultimate parent company

The ultimate parent company is IMI plc which is registered in England and Wales

A copy of the group financial statements of that company can be obtained from The Company Secretary, Lakeside, Solihull Parkway, Birmingham Business Park, Birmingham B37 7XZ