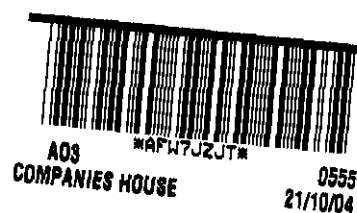


IMI Marston Limited

**Directors' report and financial
statements**

Registered number 155987

For the year ended 31 December 2003



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Directors' report

Directors KR Collie
 GV Tranter (resigned 21 January 2003)
 JR Perkins (appointed 21 January 2003)

Secretary JR Perkins

Registered office Holdford Road
 Witton
 Birmingham
 B6 7ES

Auditor KPMG Audit Plc
 2 Cornwall Street
 Birmingham
 B3 2DL

The directors present their annual report to the shareholders, together with the financial statements for the year ended 31 December 2003.

Results for the year

	2003 £000	2002 £000
Turnover	-	-
Operating profit	-	-
Profit on disposal of discontinued operations	-	1,090
Net interest receivable	159	87
Profit on ordinary activities before taxation	159	1,177
Taxation charge	23	(336)
Profit on ordinary activities after taxation and for the financial year	182	841
Dividends	-	-
Transfer to reserves for the financial year	182	841

Dividends and transfers to reserves

The directors propose that a dividend of £Nil (2002: £Nil) be declared for the year ended 31 December 2003, leaving £182,000 (2002: £841,000) to be transferred to reserves.

Review of the business

The company no longer trades.

Directors' report *(continued)*

Directors' interests

The interests of the directors in office at 31 December 2003 in the share capital of IMI plc, the company's ultimate parent company, are as follows:

	IMI plc ordinary shares of 25p each At 31 December 2003 Number	At 1 January 2003 Number
KR Collie	5,020	4,181
JR Perkins	951	706

The directors had no beneficial interest in shares of any other group company.

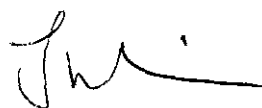
During the year, options on ordinary shares were granted to, and exercised by, the directors as follows under the IMI Savings-Related Share Option Scheme and the IMI Executive Share Option (1985) Scheme:

	Options granted Number	Options exercised Number
KR Collie	1,634	-
JR Perkins	817	-

Auditors

In accordance with Section 384 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



JR Perkins
Secretary

Holdford Road
 Witton
 Birmingham
 B6 7ES

1 October 2004

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and the group and of the profit or loss for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the group will continue in business.

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



KPMG Audit Plc

2 Cornwall Street
Birmingham
B3 2DL

Independent auditor's report to the members of IMI Marston Limited

We have audited the financial statements on pages 5 to 10.

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 are responsible for preparing the directors' report and, as described on page 3, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

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, if 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 transactions with the company is not disclosed.

Basis of audit opinion

We conducted our audit in accordance with Auditing Standards 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 judgements 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 of the state of the company's affairs as at 31 December 2003 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc

KPMG Audit Plc
Chartered Accountants
Registered Auditor

1 October 2004

Profit and loss account
for the year ended 31 December 2003

	<i>Note</i>	2003 £000	2002 £000
Turnover – discontinued operations		-	-
Operating profit – discontinued operations		-	-
Profit on disposal of discontinued operations		-	1,090
Profit on ordinary activities before interest		-	1,090
Net interest receivable	2	159	87
Profit on ordinary activities before taxation	3	159	1,177
Taxation on profit on ordinary activities	4	23	(336)
Profit on ordinary activities after taxation for the financial year		182	841
Dividends		-	-
Transfer to reserves for the financial year	8	182	841

A statement of movements on reserves is set out in note 8.


There are no other recognised gains or losses in either the current or preceding year other than the retained profit for the year.

In both the current and preceding years, there was no difference between the profit before taxation and the retained profit for the year as shown in the company profit and loss account and their historical cost equivalents.

Balance sheet
at 31 December 2003

	<i>Note</i>	2003 £000	2002 £000
Current assets			
Debtors	5	14,768	15,456
Creditors: Amounts falling due within one year	6	(39)	(909)
Net assets		<u>14,729</u>	<u>14,547</u>
Capital and reserves			
Called up share capital	7	67	67
Share premium account		3,120	3,120
Other reserves		8,000	8,000
Profit and loss account	8	3,542	3,360
Equity shareholders' funds		<u>14,729</u>	<u>14,547</u>

These financial statements were approved by the board of directors on 1 October 2004 and were signed on its behalf by:



KR Collie
Director

Reconciliation of movement in shareholders' funds
at 31 December 2003

	2003 £000	2002 £000
Profit on ordinary activities after taxation	182	841
Dividends	-	-
Net increase in shareholders' funds for the year	182	841
Shareholders' funds at 1 January	14,547	13,706
Shareholders' funds at 31 December	14,729	14,547

Notes

(forming part of the financial statements)

1 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.

Taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Provision is made for deferred tax only to the extent that it is probable that an actual liability will crystallise.

Cash flow statement

A group cash flow statement in accordance with Financial Reporting Standard 1 (Revised) is included in the IMI plc annual report and, accordingly, no cash flow statement is shown in these financial statements.

Related party transactions

The company, being a wholly owned subsidiary of IMI plc, is exempt from the requirement to disclose transactions with entities that are part of the IMI group or investees of the IMI Group qualifying as related parties.

2 Net interest receivable

	2003 £000	2002 £000
Interest received from group undertakings	159	87

3 Profit on ordinary activities before taxation

	2003 £000	2002 £000
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Profit on ordinary activities before taxation is stated

after charging

Depreciation on tangible fixed assets	-	-
Hire of plant and machinery	-	-
Auditor's remuneration:		
Audit	-	-
Research and development	-	-

4 Taxation on profit on ordinary activities

Analysis of charge in year

	2003 £000	2002 £000
<i>UK corporation tax</i>		
Current tax on income for the year	48	26
Adjustments in respect of prior periods	(88)	327
Total current tax	(40)	353
<i>Deferred tax</i>		
Origination and reversal of timing differences	17	(17)
Tax on profit on ordinary activities	(23)	336

Notes (continued)

4 Taxation on profit on ordinary activities (continued)

Factors affecting the tax charge for the current year

The current tax charge for the year is lower than (2002: the same as) the standard rate of corporation tax in the UK of 30% (2002: 30%). The differences are explained below:

	2003 %	2002 %
<i>Current tax reconciliation</i>		
Average rate of corporation tax	30	30
<i>Effects of:</i>		
Adjustments to tax charge in respect of previous periods	(55)	-
	<hr/>	<hr/>
Current tax rate for the year	(25)	30
	<hr/> <hr/>	<hr/> <hr/>

5 Debtors

	2003 £000	2002 £000
Amounts owed by group undertakings	14,768	15,439
Deferred taxation	-	17
	<hr/>	<hr/>
	14,768	15,456
	<hr/> <hr/>	<hr/> <hr/>

Deferred tax

The elements of deferred taxation are as follows:

	2003 £000	2002 £000
Other timing differences	-	17
	<hr/>	<hr/>

	Deferred taxation £000
At beginning of year	17
Under-provision in prior years	(17)
	<hr/>
At end of year	-
	<hr/> <hr/>

Notes (continued)

6 Creditors: Amounts falling due within one year

	2003 £000	2002 £000
Bank overdraft	4	54
Other creditors including taxation and social security	35	845
Accruals and deferred income	-	10
	<u>39</u>	<u>909</u>

Other creditors including taxation and social security comprise:

Corporation tax	<u>35</u>	<u>845</u>
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7 Called up share capital

	2003 £000	2002 £000
<i>Authorised:</i>		
75,000 ordinary shares of £1 each	<u>75</u>	<u>75</u>
<i>Allotted, called up and fully paid:</i>		
66,667 ordinary shares of £1 each	<u>67</u>	<u>67</u>

8 Profit and loss account

	£000
At beginning of year	3,360
Retained profit for the year	182
	<u>3,542</u>
At end of year	<u>3,542</u>

9 Ultimate holding company

IMI plc, incorporated in Great Britain and registered in England and Wales, is the company's ultimate holding company. A copy of the financial statements of that company can be obtained from The Company Secretary, IMI plc, Lakeside, Solihull Parkway, Birmingham Business Park, Birmingham, B37 7XZ.

The immediate holding company is IMI Kynoch Limited which is incorporated in Great Britain and registered in England and Wales.