Company Registration No. 00334189

Logistex Limited (formerly FKI Logistex Limited)

Report and Financial Statements

Year ended 31 December 2009

Logistex Limited (formerly FKI Logistex Limited)

Report and financial statements 2009

Officers and professional advisers

Directors

S A Peckham	
G P Martin	
G E Barnes	
A G Peart	(Appointed 27 March 2009)
M J Richards	(Appointed 27 March 2009)
R P Graham-Adriani	(Appointed 27 March 2009)
G D Morgan	(Appointed 27 March 2009)
M Nicholson	(Appointed 21 January 2010)
J W Woodhouse	(Appointed 21 January 2010)

Secretary

G E Barnes

Registered Office

Precision House
Arden Road
Alcester
Warwickshire
B49 6HN

Auditors

Deloitte LLP
Chartered Accountants
Nottingham

Logistex Limited (formerly FKI Logistex Limited)

Directors' report

The dırectors present theır annual report and the audıted financıal statements for the year ended 31 December 2009

Prıncıpal actıvity and revıew of the busıness

The company has changed ıts year end from 31 March to 31 December hence the comparatıve penod for these statutory financıal statements present the results of Logıstex Lımıted for the nıne months to 31 December 2008

The company's prıncıpal actıvıty remaıned that of the desıgn and manufacture of ıntegrated materıal handlıng systems

Turnover for the year ended 31 December 2009 was £37 6 mıllıon (nıne month perıod ended 31 December 2008 £33 9 mıllıon) The operatıng loss of £1 2 mıllıon (nıne month perıod ended 31 December 2008 loss of £7 9 mıllıon) ıs dıfficult to compare agaınst the prıor perıod due to the faır value adjustments arısıng out of the acquısıtıon of FKI plc by Melrose PLC on 1 July 2008 of £5 4 mıllıon ın the nıne months to 31 December 2008

On 1 July 2009, the assets and lıabılıtıes of the conveyor operatıon based at Gaınsborough were sold to BA Dıstrıbutıon Lımıted Net assets of £1 2 mıllıon were dısposed ın exchange for a nomınal sum of consıderatıon resultıng ın a loss on dısposal of £1 6 mıllıon (after dısposal expenses) whıch has been recognısed as a non-operatıng exceptıonal ıtem ın the ıncome statement The conveyors operatıon had been actıng as a cost centre through 2009 to dısposal and the contrıbutıng operatıng loss for the perıod was £0 1 mıllıon A £0 7 mıllıon gaın on the dısposal of an ınvestment has also been recognısed as a non-operatıng exceptıonal ıtem for the year

Net finance costs for the year of £0 6 mıllıon (nıne month perıod ended 31 December 2008 £0 6 mıllıon) ıncluded £0 3 mıllıon (nıne month perıod ended 31 December 2008, £0 1 mıllıon) of ınterest payable on bank loans and overdrafts, £nıl (nıne month perıod ended 31 December 2008 £0 1 mıllıon) of faır value loss on financıal ınstruments and net finance costs of £0 2 mıllıon (nıne month perıod ended 31 December 2008 £0 1 mıllıon) on pensıon scheme lıabılıtıes and assets

The taxatıon charge for the year was £0 9 mıllıon (nıne month perıod ended 31 December 2008 credıt of £0 1 mıllıon) A reconcılıatıon of the actual tax charge to the standard rate of corporatıon tax ıs set out ın note 7 to the financıal statements

The dırectors are confident of contınued progress ın the development of the busıness ın the comıng year

Prıncıpal rısks and uncertaıntıes

The company has adopted a process for the ıdentıficatıon, assessment, treatment, monıtorıng and reportıng of rısk Thıs process helps support busıness objectıves by lınkıng ınto busıness strategy, ıdentıfyıng and reportıng to emergıng rısks and developıng cost effectıve solutıons to rısk exposures

The company's products and manufacturıng processes requıre a varıety of raw materıals Any ıncrease or volatılıty ın the prıce of these commodıtıes and energy together wıth shortages ın supply can affect the company's performance Purchasıng polıcıes and practıces take ınto account and seek to mıtıgate the dependence on any sıngle ıtem and supplıer where practıcable

Logistex Limited (formerly FKI Logistex Limited)

Directors' report

Principal risks and uncertainties (continued)

In addition to the above, the company's involvement in global markets creates an exposure to other risk factors that are both external and internal to the company These risks include but are not limited to failure to comply with legislative and regulatory requirements including environmental and litigation risk, equipment failures, business continuity and the actions of customers and competitors The company has, as previously described, implemented risk controls and loss mitigation plans but cannot give absolute assurance that such procedures will be effective in identifying or controlling each of the operational risks faced by the company

The directors do not propose the payment of a dividend this period (31 December 2008 nil dividend)

Research and development

Product development and innovation is a continuous process The company has committed resources to the development of new products to enhance the organic growth of the business

Directors

The directors who served during the year ended 31 December 2009 and thereafter are as listed on page 1

Employment policies

The company has developed a wide range of voluntary practices and procedures for employee involvement The company encourages this approach to provide information and consultation and believes this promotes understanding of the issues facing the individual business in which the employee works

It is company policy to achieve and maintain a high standard of health and safety by all practical means and the active involvement of employees in matters of health and safety is encouraged

It is the policy of the company to give full and fair consideration to applications made by disabled persons for job vacancies, where particular job requirements are within their ability and, where possible, arrangements are made for the continuing employment of employees who have become disabled

Suppliers payment policy

The company agrees terms and conditions for its business transactions with suppliers Payment is made on those terms subject to the terms and conditions being met by the supplier At 31 December 2009, the Company had an average of 53 days purchases outstanding in trade creditors (31 December 2008 56 days)

Directors' liabilities

The ultimate parent undertaking has indemnified one or more directors of the company against liability in respect of proceedings brought by third parties, subject to the conditions set out in the Companies Act 2006 Such qualifying third party indemnity provision was in force during the year

Going concern

The directors have considered the going concern assumption given the current economic climate and have reviewed the company forecasts for the foreseeable future The directors have examined the forecast and actual trading results of the company to the date of approval of these financial statements along with cash flows generated and considered the financial commitment from the ultimate parent company, which has been confirmed in writing

After making enquiries and considering the above facts, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future Accordingly, they continue to adopt the going concern basis in preparing the financial statements

Logistex Limited (formerly FKI Logistex Limited)

Directors' report

Auditors

Each of the persons who is a director at the date of approval of this report confirms that

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware, and
- the director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the company's auditors are aware of that information

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006

Deloitte LLP were appointed in the period and have expressed their willingness to continue in office as auditors and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting

Approved by the Board of Directors
and signed on behalf of the Board

M J Richards

M J Richards
Director 31 March 2010

Directors' responsibilities statement

The directors are responsible for preparing the Annual 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 estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006 They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

Independent auditors' report to the members of Logistex Limited (formerly FKI Logistex Limited)

We have audited the financial statements of Logistex Limited for the year ended 31 December 2009 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet and the related notes 1 to 22 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 members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' 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

As explained more fully in the Directors' Responsibilities Statement, 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 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 (APB'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

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 2009 and of its loss 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 matter 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

Independent auditors' report to the members of Logistex Limited (formerly FKI Logistex Limited) (continued)

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

Alistair Pritchard FCA

Alistair Pritchard FCA (Senior Statutory Auditor)

for and on behalf of Deloitte LLP

Chartered Accountants and Statutory Auditors

Nottingham

31 March 2010

Logistex Limited (formerly FKI Logistex Limited)

Profit and loss account
Year ended 31 December 2009

	Note	Year ended 31 December 2009 £'000	Nine month period ended 31 December 2008 £'000
Turnover	2	**37,588**	33,858
Cost of sales (including operating exceptional items of nil (2008 £3,388,000), see note 3)		**(33,400)**	(32,633)
Gross profit		**4,188**	1,225
Administrative expenses (including operating exceptional items of £831,000 (2008 £2,019,000), see note 3)		**(5,404)**	(9,120)
Operating loss	3	**(1,216)**	(7,895)
Non-operating exceptional items	4	**618**	-
Loss on ordinary activities before finance charges and taxation		**(598)**	(7,895)
Net finance costs	6	**(603)**	(562)
Loss on ordinary activities before taxation		**(1,201)**	(8,457)
Tax on loss on ordinary activities	7	**(939)**	131
Retained loss for the financial period	15	**(2,140)**	(8,326)

All amounts relate to continuing activities (see note 4)

Statement of total recognised gains and losses
Year ended 31 December 2009

	Year ended 31 December 2009 £'000	Nine month period ended 31 December 2008 £'000
Loss for the year/period	**(2,140)**	(8,326)
Actuarial loss on defined benefit pension scheme	**(5,847)**	(1,888)
Deferred tax relating to actuarial loss	**1,637**	208
Total recognised losses relating to the financial year/period	**(6,350)**	(10,006)

Logistex Limited (formerly FKI Logistex Limited)

Balance sheet
31 December 2009

	Note	31 December 2009 £'000	31 December 2008 £'000
Fixed assets			
Tangible assets	8	435	1,359
Investments	9	-	206
		435	1,565
Current assets			
Stocks	10	601	1,346
Debtors	11	5,085	17,689
Cash at bank and in hand		1,908	-
		7,594	19,035
Creditors: amounts falling due within one year	12	(12,950)	(20,777)
Net current liabilities		(5,356)	(1,742)
Total assets less current liabilities		(4,921)	(177)
Provisions for liabilities	13	(1,132)	(2,635)
Pension liability	19	(4,118)	(2,108)
Net liabilities		(10,171)	(4,920)
Capital and reserves			
Called up share capital	14	954	954
Share premium account	15	3,355	3,355
Capital redemption reserve	15	251	251
Cash flow hedging reserve	15	-	(1,099)
Profit and loss account	15	(14,731)	(8,381)
Shareholder's deficit	16	(10,171)	(4,920)

These financial statements were approved by the Board of Directors on 31 March 2010

Signed on behalf of the Board of Directors

M J Richards

M J Richards

Director

Company Reg No 00334189

Logistex Limited (formerly FKI Logistex Limited)

Notes to the financial statements
Year ended 31 December 2009

1. Accounting policies

The principal accounting policies are summarised below They have been applied consistently throughout the year and preceeding period

Basis of preparation

The financial statements are prepared under the historical cost convention except for derivative financial instruments which have been measured at fair value, and are in accordance with applicable United Kingdom accounting standards

The company has taken advantage of the exemption from adopting FRS 29 (IFRS 7) Financial Instruments - Disclosures as the company is a wholly owned subsidiary of Melrose PLC and the consolidated financial statements of Melrose PLC, which are publicly available, have adopted IFRS 7 - Financial Instruments - Disclosures

The company has taken advantage of the exemption from preparing consolidated financial statements afforded by Section 400 of the Companies Act 2006 because it is a wholly owned subsidiary of Melrose PLC which prepares consolidated financial statements which are publicly available

The accounting policies have been applied consistent in both the current and prior periods

Going concern

As detailed in the Director's report on the basis of current financial projections, facilities available and the financial commitment from the ultimate parent company (which has been confirmed in writing), the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future and accordingly, consider that it is appropriate to adopt the going concern basis in preparing the financial statements

Statement of cash flows

Under the provisions of FRS 1 "Cash Flow Statements" (Revised 1996), the company has not prepared a statement of cash flows because its ultimate parent undertaking, Melrose PLC, has prepared consolidated financial statements which include the results of the company and which contain a statement of cash flows

Investments

Investments are stated at cost less provision for any impairment in value

Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less accumulated depreciation and any provision for impairment Depreciation is provided on all tangible fixed assets, other than freehold land, at rates calculated to write off the cost, less estimated residual value, of each asset on a straight line basis over their expected useful lives, as follows

Plant and machinery - heavy production	15 years
Plant and machinery - other	10 years
Office equipment	5 to 10 years

Stocks and work in progress

Stocks are stated at the lower of cost, on a first-in first-out basis, and net realisable value after making due allowance for any obsolete or slow moving items In the case of finished goods and work in progress, cost comprises direct materials, direct labour and an appropriate proportion of manufacturing overheads, based on normal levels of activity Net realisable value is based on estimated selling price less further costs expected to be incurred to completion and disposal

Notes to the financial statements
Year ended 31 December 2009

1. **Accounting policies (continued)**

Long-term contracts

Long term contracts are stated at costs incurred, which comprise cost of direct materials and labour plus appropriate overhead expenses, net of amounts transferred to cost of sales and after deducting foreseeable losses and payments on account not matched with turnover To the extent that payments on account exceed the value at which long-term contracts are stated, they are included as "payments received on account" within creditors

Research and development

Development expenditure on clearly defined projects whose outcome can be assessed with reasonable certainty is capitalised, and amortisation is commenced in the year the expenditure is incurred by reference to the lesser of the life of the project or three years All other research and development expenditure is written off in the year in which it is incurred

Leasing and hire purchase commitments

Assets obtained under hire purchase contracts and leases which result in the transfer to the company of substantially all the risks and rewards of ownership (finance leases) are capitalised as tangible fixed assets at the estimated present value of underlying lease payments and are depreciated over their expected useful lives or over the primary lease period, whichever is the shorter, in accordance with the above policy The capital elements of future lease obligations are recorded as liabilities whilst the finance element of the rental payments are charged to the profit and loss account over the period of the lease or hire purchase contract so as to produce a constant rate of charge on the outstanding balance of the net obligation in each year

Rentals paid under other leases (operating leases) are charged against income on a straight line basis over the lease term

Taxation

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid or recovered, using the tax rates and laws that have been enacted, or substantively enacted, by the balance sheet date

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date Timing differences are differences between the company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted

Deferred tax is not recognised when fixed assets are revalued unless by the balance sheet date there is a binding agreement to sell the revalued asset and the gain or loss expected to arise on sale has been recognised in the financial statements Neither is deferred tax recognised when fixed assets are sold and it is more likely than not that the taxable gain will be rolled over, being charged to tax only if and when the replacement assets are sold

Deferred tax is measured at the average rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date Deferred tax is measured on a non-discounted basis

1. Accounting policies (continued)

Turnover

Turnover comprises the invoiced value of the goods and services supplied by the company exclusive of value added taxes

In respect of long-term contracts, turnover is calculated on a percentage completion basis, reflecting the extent to which the right to consideration has been earned The amount by which recorded turnover on contracts is in excess of payments on account is recorded in debtors as "amounts recoverable on contracts" Attributable profit is recognised on long-term contracts only when the profitable outcome of the contract can be reasonably foreseen and is calculated so as to reflect the proportion of work carried out at the year end Full provision is made in respect of foreseeable losses on uncompleted contracts

Pension costs

The company operates defined benefit and defined contribution pension schemes The assets of the schemes are held separately from those of the company in independently administered funds

Defined contribution pension scheme

Pension costs for the company's defined contribution pensions scheme are recognised within operating profit at an amount equal to contributions payable to the scheme for the year Any prepaid or outstanding contributions at the balance sheet date are recognised respectively as assets or liabilities within prepayments or accruals

Defined benefit pension scheme

Pension liabilities are measured at their present value using the projected unit method in accordance with actuarial assumptions that are updated at each balance sheet date Pension assets are measured at fair value The net pension liability or assets, after deferred tax, is recognised in the balance sheet

Pension costs for the company's defined benefit pension schemes are recognised as follows

(i) Within operating profit

- The current service cost arising from employee service in the current year
- The prior service cost related to employee service in prior years arising in the current year as a result of improvements to benefits, and
- Gains and losses arising on unanticipated settlements or curtailments where the items that gave rise to the settlement or curtailment is recognised within operating profit

(ii) Within non-operating exceptional items

- Gains and losses arising on unanticipated settlements or curtailments where the items that gave rise to the settlement or curtailment is recognised within non-operating exceptional items

(iii) Within other net finance charges

- The interest cost on the liabilities, calculated by reference to the scheme liabilities and discount rate at the beginning of the year and allowing for changes during the year, and
- The expected return on assets, calculated by reference to the assets and their long-term expected rate of return at the beginning of the year and allowing for changes during the year

(iv) Within the statement of total recognised gains and losses

- On the scheme assets - the difference between the expected and actual return on assets, and
- On the scheme liabilities - (a) the differences between the actuarial assumptions and actual experience, and (b) the effect of changes in the actuarial assumptions

Notes to the financial statements
Year ended 31 December 2009

1. **Accounting policies (continued)**

Foreign currencies

Transactions denominated in foreign currencies are recorded at the rate of exchange ruling at the date of the transaction Monetary assets and liabilities denominated in foreign currencies are re-translated at the rate of exchange ruling at the balance sheet date All exchange differences are taken to the profit and loss account

Financial instruments

Financial assets and financial liabilities are recognised in the company's balance sheet when the company becomes a party to the contractual provisions of the instruments

Financial assets and liabilities

All financial assets are recognised and derecognised on a trade date basis where the purchase or sale of a financial asset is under a contract whose terms require delivery of the instrument within the timeframe established by the market concerned They are initially measured at fair value plus transaction costs

Loans and receivables

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables Loans and receivables are measured at amortised cost using the effective interest method, less any impairment Interest income is recognised by applying the effective interest rate method, except for short-term receivables when the recognition of interest would be immaterial

Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period

Hedge accounting

The Company uses derivative financial instruments to hedge its exposure to foreign exchange and interest rate risks arising from operational, financial and investment activities The Company does not use derivative financial instruments for speculative purposes

Derivative financial instruments are recognised initially at cost Subsequent to initial recognition they are stated at fair value The gain or loss on remeasurement to fair value is recognised immediately in profit or loss However, where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the item being hedged

The fair value of forward foreign exchange contracts is determined by reference to current forward exchange rates for contracts with similar maturity profiles The fair value of interest rate swap contracts is determined by reference to the present value of the estimated future cash flows

Notes to the financial statements
Year ended 31 December 2009

1. Accounting policies (continued)

For the purpose of hedge accounting, hedges are classified as either fair value hedges where they hedge the exposure to changes in the fair value of a recognised asset or liability, or cash flow hedges where they hedge exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a forecasted transaction

In relation to fair value hedges which meet the conditions for hedge accounting, any gain or loss from remeasuring the hedging instrument at fair value is recognised immediately in the income statement Any gain or loss on the hedged item attributable to the hedged risk is recognised as an adjustment to the carrying amount of the hedged item and recognised in the income statement Where the adjustment is to the carrying amount of a hedged interest-bearing financial instrument, the adjustment is amortised to the net profit and loss such that it is fully amortised by maturity

In relation to cash flow hedges (eg forward foreign currency contracts) to hedge firm commitments which meet the conditions for hedge accounting, the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised directly to equity and the ineffective portion is recognised in net profit or loss

When the hedged firm commitment results in the recognition of an asset or liability, then, at the time the asset or liability is recognised, the associated gains or losses that had previously been recognised in equity are included in the initial measurement of the acquisition cost or other carrying amount of the asset or liability For cash flow hedges that do not result in the recognition of an asset or a liability, the gains or losses that are recognised in equity are transferred to the income statement in the same year in which the hedged firm commitment affects the net profit and loss, for example when the future sale actually occurs

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated or exercised, or no longer qualifies for hedge accounting. At that point in time, any cumulative gain or loss on the hedging instrument recognised in equity is kept in equity until the forecasted transaction occurs If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in equity is transferred to net profit or loss for the year

Notes to the financial statements
Year ended 31 December 2009

2 Segmental information

Turnover is attributable to the principal activity The analysis of turnover by geographical area of destination is as follows

	Year ended 31 December 2009 £'000	Nine month period ended 31 December 2008 £'000
United Kingdom	20,820	19,578
Rest of Europe	15,082	12,515
North America	1,686	1,765
	37,588	33,858

3. Operating loss

This is stated after charging

	Year ended 31 December 2009 £'000	Nine month period ended 31 December 2008 £'000
Auditors' remuneration – for the audit of the company's financial statements	37	36
Depreciation	519	432
Operating lease rentals		
- Plant and machinery	478	674
- Other	279	402
Research and development	21	642
Fixed asset impairment	288	-
Operating exceptional items	831	5,407

During the year, the company incurred £831,000 of labour related one-off costs, relating primarily to headcount reductions as part of restructuring programmes

In the prior period, as a result of the acquisition of FKI plc by Melrose PLC on 1 July 2008, an acquisition balance sheet fair value exercise was undertaken Provisions were recognised within cost of sales towards stock obsolescence and onerous contracts totalling £3,388,000 Several provisions were also recognised in operating profit relating to reorganisation, doubtful debts and leasehold dilapidations totalling £1,318,000 Separate to the fair value exercise was a restructuring project announced in the first 3 months of the period for which redundancy costs of £600,000 were incurred during the period as well as an impairment against a group loan receivable of £101,000, both of which were recognised in operating profit

Notes to the financial statements
Year ended 31 December 2009

4. Non operating exceptional items

	Year ended 31 December 2009 £'000	Nine month period ended 31 December 2008 £'000
Loss on sale of operation	(1,602)	-
Curtailment gain on defined benefit scheme	1,532	-
Gain on disposal of investments in subsidiary undertaking	744	-
Impairment of investment in subsidiary undertakings	(56)	-
	618	-

During the year, the investment held in FKI Logistex BV was sold to an inter-group entity for consideration of £894,000 The carrying value of the investment at the time of disposal was £150,000 resulting in a gain on disposal of £744,000

The remaining investment in FKI Logistex Conveyors Limited was impaired during the year to nil carrying value

On 1 July 2009, the assets and liabilities of the conveyor operation based at Gainsborough were sold to BA Distribution Limited Management have deemed that the sale of the conveyor operation at Gainsborough does not represent a material change in the nature and focus of the Company's operation, nor does the loss of the operation have a material impact on the reported profit figure As such, the conveyors operation at Gainsborough has been reported as a 'continuing operation' The operating loss of the conveyor operation up to the date of disposal was £0 1 million (nine month period ended 31 December 2008 loss of £0 1 million)

Net assets disposed of and the related net sale proceeds were as follows

	£'000
Fixed assets	193
Current assets	1,019
Net assets	1,212
Sale proceeds	-
Disposal expenses	(390)
Loss on sale	1,602

As a direct result of the disposal of the conveyors operation, a curtailment gain of £1,532,000 arose on the company defined benefit pension scheme during the year

There is no current tax effect of these exceptional items

Notes to the financial statements
Year ended 31 December 2009

5. Staff costs

The dırectors receıved no remuneratıon ın respect of servıces provıded to thıs company durıng the year (nıne month perıod ended 31 December 2008 £nıl) The dırectors of the company are also dırectors of a number of the companıes wıthın the Melrose group The director's servıces to the company do not occupy a sıgnıficant amount of theır tıme As such, the dırectors do not consıder that they have receıved any remuneratıon for theır ıncıdental servıces to the company for the year ended 31 December 2009 or the nıne month perıod ended 31 December 2008

	Year ended 31 December 2009 £'000	Nıne month period ended 31 December 2008 £'000
Wages and salarıes	13,154	11,477
Socıal securıty and other allıed costs	1,303	1,217
Pensıon and other post retırement benefits	364	957
Pensıon curtaılment gaın	(1,532)	-
Redundancy costs	831	600
	14,120	14,251

The average monthly number of employees, ıncludıng dırectors, employed by the company durıng the year was as follows

	Year ended 31 December 2009	Nıne month perıod ended 31 December 2008
Productıon	283	347
Sales and dıstrıbutıon	4	11
Admınıstratıon and management	36	58
	323	416

Notes to the financial statements
Year ended 31 December 2009

6. Net finance costs

	Year ended 31 December 2009 £'000	Nine month period ended 31 December 2008 £'000
Interest receivable and similar income		
Expected return on pension scheme assets	753	667
	753	667
Interest payable and similar charges		
Bank loans and overdrafts	(265)	(62)
Interest payable to parent undertaking and fellow subsidiary undertakings	(127)	(229)
Interest on pension scheme liabilities	(964)	(800)
Fair value loss on financial instruments	-	(138)
	(603)	(562)

Notes to the financial statements
Year ended 31 December 2009

7. Tax charge/(credit) on loss on ordinary activities

a) Analysis of tax charge/(credit) in the year

	Year ended 31 December 2009 £'000	Nine month period ended 31 December 2008 £'000
Current tax:		
Withholding taxes	83	-
Total current tax charge	83	-
Deferred tax:		
Current period	856	(131)
Total tax charge/(credit)	939	(131)

b) Factors affecting the total tax charge/(credit) for the year

The tax assessed for the year is higher (2008 higher) than the standard rate of corporation tax in the UK as explained below

	Year ended 31 December 2009 £'000	Nine month period ended 31 December 2008 £'000
Loss on ordinary activities before tax	(1,201)	(8,457)
Loss on ordinary activities multiplied by the standard rate of corporation tax in the UK of 28% (31 December 2008 28%)	(336)	(2,368)
Effects of		
Non-deductible (income)/expenses	(156)	164
Short term timing differences	(978)	94
Depreciation in excess of capital allowances	197	50
Group relief surrendered for nil consideration	1,273	2,060
Witholding taxes	83	-
Current tax charge	83	-

Notes to the financial statements
Year ended 31 December 2009

7. Tax charge/(credit) on loss on ordinary activities

c) Deferred tax

Deferred tax included in the balance sheet is as follows

	Year ended 31 December 2009 £'000	Nine month period ended 31 December 2008 £'000
Pension deferred tax asset	**1,601**	820
Deferred tax asset	**1,601**	820

The deferred tax asset is recognised as it is regarded more likely than not that there will be suitable taxable profits against which to recover

The movement in the deferred tax asset in the year is as follows

	£'000
At 1 January 2009	820
Credited to statement of total recognised gains and losses	1,637
Debited to the profit and loss account	(856)
At 31 December 2009	1,601

A further deferred tax asset in respect of other timing differences of £466,000 (2008 £340,000) has not been recognised due to the uncertainty of future profit streams

Notes to the financial statements
Year ended 31 December 2009

8. Tangible fixed assets

	Plant and machinery £'000
Cost	
At 1 January 2009	3,898
Additions	84
Disposals	(8)
Disposal of subsidiary	(2,518)
At 31 December 2009	1,456
Depreciation:	
At 1 January 2009	2,539
Charge for the period	519
Impairment	288
Disposals	-
Disposal of subsidiary	(2,325)
At 31 December 2009	1,021
Net book value:	
At 31 December 2009	435
At 31 December 2008	1,359

9. Fixed asset investments

	Interests in subsidiary undertakings £'000
Cost	
At 1 January 2009	978
Disposals	(894)
At 31 December 2009	84
Provision for impairment	
At 1 January 2009	(772)
Charge for period	(56)
Disposals	744
At 31 December 2009	(84)
Net book value	
At 31 December 2009	-
At 31 December 2008	206

Notes to the financial statements
Year ended 31 December 2009

9. Fixed asset investments (continued)

Interests in subsidiary undertakings

Name of undertaking	Country of incorporation or registration	Nature of holding	Owned
FKI Logistex Conveyors Limited	UK	Ordinary shares	100

10 Stocks

	31 December 2009 £'000	31 December 2008 £'000
Raw materials and consumables	-	547
Work in progress	-	49
Finished goods	601	750
	601	1,346

There is no material difference between the Balance Sheet value of stocks and their replacement value

11. Debtors: amounts due within one year

	31 December 2009 £'000	31 December 2008 £'000
Trade debtors	4,085	10,640
Amounts recoverable on contracts	167	2,351
Amounts owed by fellow group undertakings	-	2,095
Other debtors	-	925
Prepayments and accrued income	833	1,678
	5,085	17,689

12. Creditors: amounts falling due within one year

	31 December 2009 £'000	31 December 2008 £'000
Bank overdraft (unsecured)	-	1,982
Payments received on account	696	3,732
Trade creditors	473	4,522
Amounts owed to fellow group undertakings	9,562	6,651
Other taxation and social security costs	507	1,055
Accruals and deferred income	1,465	1,242
Derivative financial liabilities	12	1,418
Other creditors	235	175
	12,950	20,777

Notes to the financial statements
Year ended 31 December 2009

13 Provisions for liabilities

	Property provisions £'000	Reorganisation provision £'000	Legal & environmental provisions £'000	Total £'000
At 1 January 2009	550	335	1,750	2,635
Charged to profit and loss account	-	831	538	1,369
Utilised	(66)	(999)	(1,444)	(2,509)
Released to profit and loss account	-	(17)	(42)	(59)
Adjustments for change in fair value	(304)	-	-	(304)
At 31 December 2009	**180**	**150**	**802**	**1,132**

Property provisions relate to dilapidation assessments by third party experts commissioned by management on acquisition of the parent, FKI plc, by Melrose PLC

Reorganisation provisions relate to a number of redundancies announced during the year as well as a retention bonus offered to key staff during the year

Legal & environmental provisions relate to long term contracts whereby management have reassessed future costs to complete

These provisions are expected to be utilised within the next 12 to 24 months

14. Called up share capital

	31 December 2009 £'000	31 December 2008 £'000
Authorised		
1,573,355 ordinary shares of £1 each	1,573	1,573
Allotted, called up and fully paid		
954,000 ordinary shares of £1 each	954	954

Notes to the financial statements
Year ended 31 December 2009

15. Reserves

	Share premium account £'000	Capital redemption reserve £'000	Cash flow hedging reserve £'000	Profit and loss account £'000
At 1 January 2009	3,355	251	(1,099)	(8,381)
Retained loss for the period	-	-	-	(2,140)
Realised gain in the period on cash flow hedges	-	-	1,099	-
Actuarial loss net of deferred tax on defined benefit pension scheme	-	-	-	(4,210)
At 31 December 2009	**3,355**	**251**	-	**(14,731)**

16. Reconciliation of movements in shareholders' deficit

	31 December 2009 £'000	31 December 2008 £'000
Loss after taxation attributable to shareholders	(2,140)	(8,326)
Actuarial loss net of deferred tax on defined benefit pension scheme	(4,210)	(1,680)
Realised/(unrealised) gains/(losses) in the period	1,099	(1,099)
Increase in shareholders' deficit	(5,251)	(11,105)
Opening shareholders' (deficit)/funds	(4,920)	6,185
Closing shareholders' deficit	(10,171)	(4,920)

17. Financial instruments

Derivative financial instruments - current	31 December 2009 Derivative financial assets £000	Derivative financial liabilities £000	Net financial instruments £000	31 December 2008 Derivative financial assets £000	Derivative financial liabilities £000	Net financial instruments £000
Forward foreign exchange contracts	-	(12)	(12)	-	(1,418)	(1,418)

At 31 December 2009, the Company held a single forward foreign exchange contract that was accounted for as a cash flow hedge, to hedge against the risk of exchange rate fluctuations affecting the value of committed sales and purchases denominated in foreign currencies This is summarised below

Forward foreign exchange contracts	Currency	Principal	Maturity	Exchange rate
Pays	Sterling	1,573 thousands	29 January 2010	Sterling to Euro exchange rate £0 885
Receives	Euros	1,790 thousands		

(a) Fair value of financial instruments

Fair value is defined as the amount at which a financial instrument could be exchanged in an arm's length transaction between informed and willing parties and is calculated by reference to market prices discounted to current value Where market values are not available, fair values have been calculated by discounting cash flows at prevailing rates translated at year end exchange rates

	31 December 2009 Book value £'000	Market value £'000	31 December 2008 Book value £'000	Market value £'000
Cash and short-term deposits	2,343	2,343	11,446	11,446
Overdraft	(435)	(435)	(13,428)	(13,428)
Derivative financial instruments forward foreign exchange contracts	(12)	(12)	(1,418)	(1,418)
Net financial assets/(liabilities)	1,896	1,896	(3,400)	(3,400)

(b) Foreign currency risk

The Company uses forward foreign exchange contracts to hedge foreign currency exposures on committed, and occasionally forecast, receipts and payments in foreign currencies

18. Financial commitments

As at 31 December 2009, the group had annual commitments under non-cancellable operating leases as set out below

	Land and buildings			Other
	31 December 2009 £'000	31 December 2008 £'000	31 December 2009 £'000	31 December 2008 £'000
Operating leases which expire				
Within one year	-	475	102	157
Between two and five years	147	23	98	236
	147	498	200	393

19 Pensions

(a) Defined contribution pension scheme

The company operates a defined contribution pension scheme, the assets of which are held externally to the company in a separate trust administered fund Contributions to the defined contribution scheme in the year, which were the same as the amount charged to the profit and loss account, amounted to £274,000 (nine months to 31 December 2008 £611,000)

(b) Defined benefit pension scheme

The company together with certain associated companies operates the Cleco Combined Pension Scheme, which is a defined benefit scheme The scheme funds are administered by trustees and are independent of the company's finances

The cost of the scheme is determined in accordance with FRS 17 with the advice of independent professionally qualified actuaries on the basis of formal actuarial valuations using the projected unit method Independent actuarial valuations are undertaken triennially with the most recent full valuation, on which the amounts in the financial statements are based, having been carried out on 5 April 2009

The valuation was updated to 31 December 2009 by independent qualified actuaries using the assumptions shown in the table below, which are consistent with FRS 17

	Year ended 31 December 2009 % per annum	Period ended 31 December 2008 % per annum	Year ended 31 March 2008 % per annum
Rate of increase in salaries	N/A	3 25	4 60
Rate of increase in pensions in payment	3 35	2 90	3 30
Discount rate	5 75	6 30	6 70
Inflation assumption	3 45	2 75	3 40

Notes to the financial statements
Year ended 31 December 2009

19. Pensions (continued)

The assets in the scheme and the expected rate of return were

	Long term rate of return expected at 31 December 2009 % per annum	Long term rate of return expected at 31 December 2008 % per annum	Value at 31 December 2009 £'000	Value at 31 December 2008 £'000
Equities	8.50	7 70	6,270	4,567
Bonds	4.73	5 20	10,500	9,306
Cash	4.45	6 75	188	12
Total market value of assets			16,958	13,885
Present value of scheme liabilities			(22,677)	(16,813)
Deficit in the scheme			(5,719)	(2,928)
Related deferred tax asset			1,601	820
Net pension liability			(4,118)	(2,108)

The components of the defined benefit cost were as follows

Charged within profit and loss account

	Year ended 31 December 2009 £'000	Nine month period ended 31 December 2008 £'000
Current service cost	(90)	(213)
Total operating charge	(90)	(213)
Expected return on pension scheme assets	753	667
Interest on pension scheme liabilities	(964)	(800)
Net return, charged to interest	(211)	(133)
Curtailment gain	1,532	-
Total non-operating exceptional items	1,532	-

Notes to the financial statements
Year ended 31 December 2009

19. Pensions (continued)

Recognised within statement of total recognised gains and losses

	Year ended 31 December 2009 £'000	Nine month period ended 31 December 2008 £'000
Actual return less expected return on pension scheme assets	969	(1,671)
Changes in assumptions underlying the present value of the scheme liabilities	(6,816)	(217)
Actuarial loss recognised in statement of total recognised gains and losses	(5,847)	(1,888)

Movements in the present value of defined benefit obligations were as follows

	Year ended 31 December 2009 £'000	Nine month period ended 31 December 2008 £'000
At 1 January	16,813	15,936
Service cost	90	213
Interest cost	964	800
Contributions from scheme members	81	123
Actuarial losses	6,816	217
Benefits paid	(555)	(476)
Curtailments	(1,532)	-
At 31 December	22,677	16,813

Logistex Limited (formerly FKI Logistex Limited)

Notes to the financial statements
Year ended 31 December 2009

19. Pensions (continued)

Movements in the fair value of scheme assets were as follows

	Year ended 31 December 2009 £'000	**Nine month period ended 31 December 2008 £'000**
At 1 January	**13,885**	14,096
Expected return on plan assets	**753**	667
Actuarial gains/(losses)	**969**	(1,671)
Member company contributions	**1,825**	1,146
Contributions from scheme members	**81**	123
Benefits paid	**(555)**	(476)
At 31 December	**16,958**	13,885
Funded status	**(5,719)**	(2,928)

Mortality assumptions

Investigations have been carried out within the past three years into the mortality experience of the Cleco Combined Pension Scheme These investigations concluded that the current mortality assumptions include sufficient allowance for future improvements in mortality rates The assumed life expectancy on retirement at age 65 are

	31 December 2009	31 December 2008
Male currently aged 65	**86.8**	85 8
Male currently aged 50	**90.0**	87 2

The five year history of experience adjustments is as follows

	31 December 2009 £'000	31 December 2008 £'000	31 March 2008 £'000	31 March 2007 £'000	31 March 2006 £'000
Present value of defined benefit obligations	**(22,677)**	(16,813)	(15,936)	(18,342)	(17,877)
Fair value of scheme assets	**16,958**	13,885	14,096	13,001	11,659
Deficit in the scheme	**(5,719)**	(2,928)	(1,840)	(5,341)	(6,218)
Experience adjustments on scheme liabilities (£)	**6,816**	217	3,570	607	(2,163)
Percentage of scheme liabilities (%)	**30%**	1%	22%	3%	12%
Experience adjustments on scheme assets (£)	**969**	(1,671)	(879)	(18)	190
Percentage of scheme assets (%)	**6%**	12%	6%	0%	2%

Notes to the financial statements
Year ended 31 December 2009

19. Pensions (continued)

The total loss charged to the statement of recognised gains and losses since adoption of FRS 17 is £9,177,000

The estimated amounts of contributions expected to be paid to the scheme during the current financial year is £1,825,000

Following the full actuarial valuation at 5 April 2009 employer contributions have been paid at the rate of 10 65% of pensionable pay Active members pay on average at the rate of 4 50% of pensionable pay

20. Contingent liabilities

As part of a group debt arrangement, the company has entered into a multilateral cross guarantee with certain group undertakings in respect of group borrowings Other outstanding bonds and guarantees at the year end amounted to £2,254,000 (31 December 2008 £347,000)

21. Related party transactions

The company is a wholly owned subsidiary of Melrose PLC, the consolidated financial statements of which are publicly available Accordingly, the company has taken advantage of the exemption in FRS 8 from disclosing transactions with members or investees of the Melrose Group

22. Ultimate parent company

The directors regard Melrose PLC, a company incorporated in Great Britain and registered in England and Wales, as the company's ultimate parent undertaking and controlling party for the year ended 31 December 2009 The company's immediate parent company is FKI Logistex Group Limited The group into which the results of the company are consolidated is that headed by Melrose PLC, these are the smallest and largest financial statements that this company is consolidated into Copies of the financial statements are available from the Company Secretary, Melrose PLC, Precision House, Arden Road, Alcester, Warks, B49 6HN