

**Company Registration No. 04225686**

**FKI Heracles Limited**  
**Annual Report and Financial Statements**  
**31 December 2010**

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**FKI Heracles Limited**

**Report and Financial Statements  
Year ended 31 December 2010**

**Officers and professional advisers**

**Directors**

G P Martin  
S A Peckham  
G E Barnes

**Secretary**

G E Barnes

**Registered Office**

Precision House  
Arden Road  
Alcester  
Warwickshire  
B49 6HN

**Chartered Accountants and Statutory Auditors**

Deloitte LLP  
Chartered Accountants  
London, United Kingdom

## **FKI Heracles Limited**

### **Directors' report**

The Directors present their annual report and the audited financial statements for the year ended 31 December 2010

#### **Principal activity and review of the business**

The Company's principal activity is to act as an investment company. The Directors do not expect any change in this activity in the foreseeable future.

The operating loss for the year ended 31 December 2010 was £23,847,000 (year ended 31 December 2009: result of £nil).

The operating loss for the year ended 31 December 2010 included a £23,847,000 exchange loss (year ended 31 December 2009: £nil).

The retained profit for the year ended 31 December 2010 was £6,448,000 (year ended 31 December 2009: loss of £13,234,000).

The Directors do not recommend the payment of a dividend in the year (year ended 31 December 2009: £nil).

The only subsidiary held by FKI Heracles Limited, FKI Luxembourg Sarl, was liquidated during the year resulting in a gain on liquidation of £34,406,000.

#### **Going concern**

The Directors have considered the going concern assumption given the current economic climate and have reviewed the Company forecast for the foreseeable future. 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.

#### **Financial risk management and policies**

The Company's activities expose it to a number of financial risks including credit risk and liquidity risk.

##### ***Credit risk***

The Company's principal financial assets are other receivables (including receivables from other Group undertakings).

The Company's credit risk is primarily attributable to its receivables from other Group undertakings. The amounts presented in the Balance Sheet are net of allowances for doubtful receivables. An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.

##### ***Liquidity risk***

In order to maintain liquidity to ensure that sufficient funds are available for ongoing operations and future developments, the Company ensures regular communication with other Group companies.

## **FKI Heracles Limited**

### **Directors' report (continued)**

#### **Directors and their interests**

The Directors who served during the year ended 31 December 2010 and thereafter are listed under 'Officers and professional advisers'. No Director had any interests in the shares of the Company at 31 December 2010.

#### **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 throughout the year and at the date of this report.

#### **Charitable and political donations**

During the year the Company donated £nil for charitable purposes (year ended 31 December 2009: £nil). No political donations were made during the year (year ended 31 December 2009: £nil).

#### **Auditors**

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

- so far as the Directors are aware, there is no relevant audit information of which the Company's auditors are unaware, and
- the Directors have 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 have indicated their willingness to continue in office as auditors and will be deemed to be re-appointed after the end of the next "period for appointing auditors" as defined in s485(2) of the Companies Act 2006.

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



G E Barnes  
Director  
19 August 2011

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## **FKI Heracles Limited**

### **Directors' responsibilities statement**

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with the 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 judgements and accounting 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.

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## **FKI Heracles Limited**

### **Independent auditor's report to the members of FKI Heracles Limited**

We have audited the financial statements of FKI Heracles Limited for the year ended 31 December 2010, which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet, and the related notes 1 to 13. 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 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 auditor**

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 and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (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 2010 and of its profit for the year then ended,
  - have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice and
  - have been prepared in accordance with the requirements of the Companies Act 2006.
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## **FKI Heracles Limited**

### **Independent auditor's report to the members of FKI Heracles Limited (continued)**

#### **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

#### **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



Jeremy Black (Senior Statutory Auditor)  
**for and on behalf of Deloitte LLP**  
Chartered Accountants and Statutory Auditor  
London, United Kingdom  
19 August 2011

## **FKI Heracles Limited**

### **Profit and Loss Account Year ended 31 December 2010**

		<b>Year ended 31 December 2010 £'000</b>	<b>Year ended 31 December 2009 £'000</b>
	<b>Notes</b>		
Other operating expenses		(23,847)	-
<b>Operating loss</b>		<b>(23,847)</b>	<b>-</b>
Exceptional income	2	34,406	-
<b>Profit on ordinary activities before finance charges</b>		<b>10,559</b>	<b>-</b>
Finance income	3	8,417	-
Finance expense	3	(12,528)	(13,234)
<b>Profit/(loss) on ordinary activities before taxation</b>	4	<b>6,448</b>	<b>(13,234)</b>
Tax charge on profit/(loss) on ordinary activities	6	-	-
<b>Profit/(loss) for the financial year</b>		<b>6,448</b>	<b>(13,234)</b>

The above results derive from continuing operations



## **FKI Heracles Limited**

### **Statement of Total Recognised Gains and Losses Year ended 31 December 2010**

	<b>Year ended 31 December 2010 £'000</b>	<b>Year ended 31 December 2009 £'000</b>
<b>Notes</b>		
Profit/(loss) for the financial year	6,448	(13,234)
Foreign currency translation loss on foreign currency net investments	-	(28,369)
Foreign currency translation gain on loans due to ultimate parent company	-	10,807
<b>Total recognised gains and losses</b>	<b>6,448</b>	<b>(30,796)</b>

# FKI Heracles Limited

## Balance Sheet

Year ended 31 December 2010

	Notes	31 December 2010 £'000	31 December 2009 £'000
<b>Fixed Assets</b>			
Investments	7	-	708,373
		-	708,373
<b>Current Assets</b>			
Debtors	8	727,007	12
<b>Creditors</b> amounts falling due within one year	9	(536,991)	(524,817)
<b>Net current assets/(liabilities)</b>		190,016	(524,805)
<b>Net assets</b>		190,016	183,568
<b>Capital and reserves</b>			
Called-up share capital	10	2	2
Share premium account	11	282,360	282,360
Profit and loss account	11	(92,346)	(98,794)
<b>Shareholders' funds</b>		190,016	183,568

The financial statements of FKI Heracles Limited (registered number 04225686) were approved by the Board of Directors and authorised for issue on 19 August 2011

Signed on Behalf of the Board of Directors



G E Barnes  
Director

# **FKI Heracles Limited**

## **Notes to the accounts**

**Year ended 31 December 2010**

### **1 Accounting policies**

The principal accounting policies are summarised below. They have all been applied consistently throughout the year and the preceding year.

#### **Basis of preparation**

The financial statements have been prepared under the historical cost convention, in accordance with applicable United Kingdom law and accounting standards, and on a going concern basis as described in the Director's report.

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

#### **Going concern**

The Directors have considered the going concern assumption given the current economic climate and have reviewed the Company forecast for the foreseeable future. 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.

#### **Statement of Cash Flow**

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 financial statements of the Company and which contain a Statement of Cash Flows.

#### **Investments**

The Company's investment in shares in Group companies are stated at cost less provision for impairment.

#### **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.

# FKI Heracles Limited

## Notes to the accounts

Year ended 31 December 2010

### 1 Accounting policies (continued)

#### Foreign currencies

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the Balance Sheet date are translated to sterling at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the Profit and Loss Account with the exception of differences on foreign currency borrowings, to the extent that they are used to finance or provide a hedge against foreign equity investments, which are taken directly to reserves together with the exchange difference on the carrying amount on the related investments. Tax charges and credits attributable to exchange differences on those borrowings are also dealt with in reserves.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated at foreign exchange rates ruling at the dates the fair values were determined.

#### Finance costs

Finance costs of financial liabilities are recognised in the Profit and Loss Account over the term of such instruments at a constant rate on the carrying amount.

### 2. Exceptional items

	Year ended 31 December 2010 £'000	Year ended 31 December 2009 £'000
<b>Exceptional income</b>		
Gain on liquidation of subsidiary undertaking	34,406	-
	<u>34,406</u>	<u>-</u>

During the year the subsidiary FKI Luxembourg sarl was liquidated. Liquidation dividends of £742,779,000 were received against a net book value of investment of £708,373,000.

### 3. Finance income and expense

	Year ended 31 December 2010 £'000	Year ended 31 December 2009 £'000
<b>Interest receivable and similar income</b>		
Loans to fellow Group undertakings	8,417	-
	<u>8,417</u>	<u>-</u>

	Year ended 31 December 2010 £'000	Year ended 31 December 2009 £'000
<b>Interest payable and similar charges</b>		
Loans from fellow Group undertakings	(12,528)	(13,234)
	<u>(12,528)</u>	<u>(13,234)</u>

# FKI Heracles Limited

## Notes to the accounts

### Year ended 31 December 2010

#### 4. Profit/(loss) on ordinary activities before taxation

This is stated after charging

	Year ended 31 December 2010 £'000	Year ended 31 December 2009 £'000
Net foreign exchange loss	23,847	-

The fees payable to the Company's auditors of £1,000 (year ended 31 December 2009 £1,000) for the audit of the financial statements were borne by a fellow group undertaking in both the current and prior year

The Company did not have any employees in the current year or prior year

#### 5. Directors remuneration

The Directors received no remuneration for their services to the Company during the year (year ended 31 December 2009 £nil). The Directors of the Company who served during the year were also Directors of a number of the companies within the Melrose Group. The Directors' services to the Company do not occupy a significant amount of their time. As such, the Directors do not consider that they have received any remuneration for their incidental services to the Company for the year ended 31 December 2010 or the year ended 31 December 2009.

#### 6 Tax on ordinary activities

The tax charge comprises

	Year ended 31 December 2010 £'000	Year ended 31 December 2009 £'000
<b>Current tax</b>		
UK corporation tax	-	-
<b>Total current tax charge</b>	-	-
<b>Deferred tax</b>		
<b>Total current tax charge</b>	-	-

The differences between the total current tax shown above and the amount calculated by applying the standard rate of UK corporation tax to the profit/(loss) on ordinary activities before taxation is as follows

	Year ended 31 December 2010 £'000	Year ended 31 December 2009 £'000
<b>Profit/(loss) on ordinary activities before taxation</b>	6,448	(13,234)
Tax on profit/(loss) on ordinary activities before taxation at standard UK corporation tax rate of 28% (31 December 2009 28%)	1,805	(3,706)
Effects of		
Non taxable income	(9,634)	-
Group relief surrendered at nil consideration	7,829	3,706
<b>Current tax charge</b>	-	-

## **FKI Heracles Limited**

### **Notes to the accounts Year ended 31 December 2010**

#### **7 Investments**

	<b>Investment in Subsidiary £'000</b>	<b>Total £'000</b>
<b>Cost</b>		
At 1 January 2010	813,432	813,432
Disposal of subsidiary	(813,432)	(813,432)
At 31 December 2010	-	-
<b>Provision for impairment</b>		
At 1 January 2010	(105,059)	(105,059)
Disposal of subsidiary	105,059	105,059
At 31 December 2010	-	-
<b>Net book value</b>		
At 31 December 2010	-	-
At 31 December 2009	708,373	708,373

The only subsidiary held by FKI Heracles Limited, FKI Luxembourg Sarl, was liquidated during the year

## **FKI Heracles Limited**

### **Notes to the accounts**

**Year ended 31 December 2010**

#### **8 Debtors**

	<b>31 December 2010 £'000</b>	<b>31 December 2009 £'000</b>
Amounts falling due within one year		
Amounts owed by fellow Group undertakings	727,007	12
	<u>727,007</u>	<u>12</u>

#### **9 Creditors-amounts falling due within one year**

	<b>31 December 2010 £'000</b>	<b>31 December 2009 £'000</b>
Amounts owed to fellow Group undertakings	536,991	524,817
	<u>536,991</u>	<u>524,817</u>

# **FKI Heracles Limited**

## **Notes to the accounts Year ended 31 December 2010**

### **10 Called-up Share Capital**

	<b>31 December 2010 £'000</b>	<b>31 December 2009 £'000</b>
<b>Allotted, called-up and fully-paid 2,000 Ordinary Shares of £1 each</b>	<b>2</b>	<b>2</b>
	<b>2</b>	<b>2</b>

### **11 Reserves**

	<b>Share premium account £'000</b>	<b>Profit and loss account £'000</b>	<b>Total £'000</b>
At 1 January 2010	282,360	(98,794)	183,566
Result for the year	-	6,448	6,448
At 31 December 2010	282,360	(92,346)	190,014



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## **FKI Heracles Limited**

### **Notes to the accounts**

**Year ended 31 December 2010**

#### **12 Related party transactions**

The Company is a wholly owned subsidiary of Melrose PLC, the consolidated accounts 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.

#### **13 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 2010. The immediate parent company is Brush Trains Oldco (formerly Brush Traction), which is registered in Great Britain.

The smallest and largest group into which the results of the company are consolidated is that headed by Melrose PLC. Copies of the financial statements are available from the Company Secretary, Melrose PLC, Precision House, Arden Road, Alcester, Warwickshire, B49 6HN.

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