

Melrose UK 1 Limited  
Annual report  
for the year ended 31 December 2006

Registered Number 5419497



# Melrose UK 1 Limited

## Directors' report for the year ended 31 December 2006

The Directors present their annual report and the audited financial statements for the year ended 31 December 2006. The Company has elected not to present additional directors' report disclosures as permitted by the small company exemptions of section 246(4) of the Companies Act 1985.

### Principal activities and review of business

The Company's principal activity during the year was that of an investment holding company.

The Directors consider the financial position of the Company at the year end to be satisfactory. The Company will continue to act as a holding company.

### Results and dividends

The profit for the year after taxation added to reserves amounted to £27,286 (2005 9 month period £16,577). The Directors do not recommend the payment of an ordinary dividend (2005 9 month period nil).

### Directors and their interests

The Directors who held office during the year were:

G P Martin

A G Peart

S A Peckham

G E Barnes (appointed 1 November 2006)

None of the Directors hold any beneficial interest in shares in the Company.

The interests of GP Martin and SA Peckham in shares in the ultimate holding company, Melrose PLC, are disclosed in the accounts of that company. The other Directors' interests in the shares of Melrose PLC are:

	At 31 December 2006		At 31 December 2005	
	Ordinary Shares of £0.0001	Convertible B Shares of £1.00 <sup>1</sup>	Ordinary Shares of £0.0001	Convertible B Shares of £1.00
A G Peart	82,043	2,957	82,043	2,957
G E Barnes	Nil	Nil	Nil	Nil

Note <sup>1</sup> The arrangements for conversion of the Convertible B Shares can be found in the Annual Report of Melrose PLC.

A G Peart only

### Incentive Share Option Scheme

Options at 1 January 2006	Granted in year	Exercised in year	Options at 31 December 2006	Date of grant	Option price	Date normally exercisable
Nil	592	Nil	592	10 May 2006	Nil	Upon such date as the underlying Convertible B shares are converted

The Directors have the benefit of 'qualifying third party indemnity provisions' for the purposes of sections 309a to 309c of the Companies Act 1985.

# Melrose UK 1 Limited

## Directors' report for the year ended 31 December 2006 (continued)

### Auditors

Each of the Directors at the date of approval of this annual 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 ought to have taken as a Director in order to make himself 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 s234ZA of the Companies Act 1985

Deloitte & Touche LLP have been re-appointed as auditors of the company

### Statement of Directors' responsibilities

The Directors are responsible for preparing 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). 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 judgements 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 proper accounting records that 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 1985. 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.

By order of the Board



GE Barnes 10th October 2007  
Director

# **Melrose UK 1 Limited**

## **Independent auditors' report to the members of Melrose UK 1 Limited**

We have audited the financial statements of Melrose UK 1 Limited for the year ended 31 December 2006 which comprise the Profit and Loss Account, the Balance Sheet and the related notes 1 to 12. 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 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**

The Directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

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

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

In addition we report to you whether 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 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.

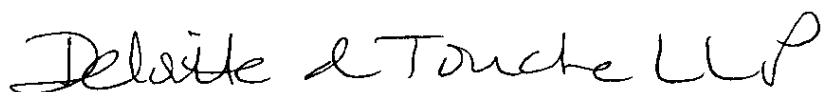
# Melrose UK 1 Limited

## Independent auditors' report to the members of Melrose UK 1 Limited (continued)

### Opinion

In our opinion

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Company's affairs as at 31 December 2006 and of its profit for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985 and
- the information given in the Directors' Report is consistent with the financial statements

A handwritten signature in black ink that reads "Deloitte & Touche LLP". The signature is written in a cursive, flowing style.

Deloitte & Touche LLP  
Chartered Accountants and Registered Auditors  
London

# Melrose UK 1 Limited

## Profit and loss account for the year ended 31 December 2006

		Year ended 31 December 2006	9 month period ended 31 December 2005
	Note	£	£
Group interest receivable		1,702,264	1,085,871
Group interest payable		(1,674,978)	(1,069,294)
<b>Profit on ordinary activities before taxation</b>		<b>27,286</b>	<b>16,577</b>
Taxation on profit on ordinary activities	4	-	-
<b>Profit for the year transferred to reserves</b>	10	<b>27,286</b>	<b>16,577</b>

There are no recognised gains or losses other than those included in the profit and loss account above, therefore no statement of total recognised gains and losses is presented

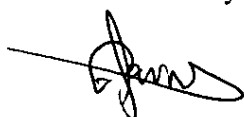
All results derive from continuing activities

# Melrose UK 1 Limited

## Balance sheet as at 31 December 2006

	Notes	2006 £	2005 £
<b>Fixed assets</b>			
Investments	5	7,100,000	40,500,000
<b>Current assets</b>			
Debtors amounts falling due within one year	6	561,668	1,603,676
Creditors amounts falling due within one year	7	-	(1,069,294)
<b>Net current assets</b>		<u>561,668</u>	<u>534,382</u>
Total assets less current liabilities		7,661,668	41,034,382
Creditors amounts falling due after one year	8	-	(33,400,000)
<b>Net assets</b>		<u>7,661,668</u>	<u>7,634,382</u>
 <b>Capital and reserves</b>			
Ordinary Share Capital	9	7,617,805	7,617,805
Profit and loss account	10	43,863	16,577
<b>Shareholders' funds</b>		<u>7,661,668</u>	<u>7,634,382</u>

The financial statements on pages 6 to 12 were approved by the Board of Directors on 10/01/07 and were signed on its behalf by



GE Barnes  
Director

# **Melrose UK 1 Limited**

## **Notes to the financial statements for the year ended 31 December 2006**

### **1 Principal accounting policies**

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

#### **Basis of preparation**

These financial statements have been prepared, under the historical cost convention, and in accordance with applicable accounting standards.

As permitted under Section 228 of the Companies Act 1985 no Group accounts have been prepared.

#### **Cash flow statement**

The Company is a wholly owned subsidiary of Melrose UK Holdings Limited and is included in the consolidated financial statements of Melrose PLC which are publicly available. Consequently, the Company has taken advantage of the exemption from preparing a cash flow statement under the terms of Financial Reporting Standard No 1 (Revised) "Cash Flow Statements".

#### **Investments**

Investments in subsidiary undertakings are stated at cost of acquisition (including any incidental cost of acquisition) together with the amount of any loans advanced to those undertakings. Current asset investments are stated at the lower of cost and net realisable value.

Where, in the opinion of the directors, there has been an impairment in the value of the investments, appropriate provisions are made for impairment and charged to the profit and loss account.

#### **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 taxation**

Deferred tax is provided in accordance with FRS 19 'Accounting for Deferred Taxation', at the rate ruling on the balance sheet date on all timing differences that arise from the recognition of income and expenditure in differing periods for taxation and accounting purposes.



# Melrose UK 1 Limited

## Notes to the financial statements for the year ended 31 December 2006

### 2 Operating profit

There was no operating profit / loss in the current or previous period

The audit fee of £2,000 (2005 £2,000) was borne by a fellow Group company

The company does not have any employees in the current or previous period

### 3 Directors' emoluments

	Year ended 31 December 2006 £	9 month period ended 31 December 2005 £
Aggregate emoluments	Nil	Nil
	<u>Nil</u>	<u>Nil</u>

The Directors are remunerated by a fellow Group company

### 4 Taxation on profit on ordinary activities

	Year ended 31 December 2006 £	9 month period ended 31 December 2005 £
(a) Analysis of charge in year		
<i>Current tax</i>		
UK corporation tax charge at 30% (2005 30%)	Nil	Nil
	<u>Nil</u>	<u>Nil</u>

# Melrose UK 1 Limited

## Notes to the financial statements for the year ended 31 December 2006

### 4 Taxation on profit on ordinary activities (continued)

#### (b) Factors affecting tax charge for the year

The tax assessed for the year is lower than the standard rate of corporation tax in the UK (30%) The differences are explained below

	Year ended 31 December 2006 £	9 month period ended 31 December £
Profit on ordinary activities before tax	<u>27,286</u>	<u>16,577</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2005 30%)	8,186	4,973
<i>Effects of</i>		
Group relief (at nil tax rate)	(8,186)	(4,973)
	<u>-</u>	<u>-</u>

### 5 Fixed asset investments

	Loans to subsidiaries £	Shares in subsidiaries £	Total £
At 1 January 2006	33,400,000	7,100,000	40,500,000
Movement in loans	(33,400,000)	-	(33,400,000)
At 31 December 2006	<u>-</u>	<u>7,100,000</u>	<u>7,100,000</u>

The investments and their place of incorporation are -

Melrose UK 1A Limited – 100% (UK) £7,100,000

The principal of the above entity is to act as an investment holding company

In the opinion of the Directors, the value is not less than the amount at which it is stated in the balance sheet

# Melrose UK 1 Limited

## Notes to the financial statements for the year ended 31 December 2006

### 6 Debtors

	2006	2005
	£	£
Amount owed by subsidiary undertaking	-	1,069,294
Amount owed by ultimate parent undertaking	561,668	534,382
	<u>561,668</u>	<u>1,603,676</u>

### 7 Creditors: amounts falling due within one year

	2006	2005
	£	£
Amounts owed to ultimate parent undertaking	-	1,069,294
	<u>-</u>	<u>1,069,294</u>

### 8 Creditors: amounts falling due after one year

	2006	2005
	£	£
Loan notes issued to ultimate parent undertaking	-	33,400,000
	<u>-</u>	<u>33,400,000</u>

### 9 Share capital

Ordinary shares of £1 each	Authorised		Allotted, called up and fully paid	
	No of Shares	£	No of Shares	£
At 1 January 2006 and 31 December 2006	<u>7,700,000</u>	<u>7,700,000</u>	<u>7,617,805</u>	<u>7,617,805</u>

# Melrose UK 1 Limited

## Notes to the financial statements for the year ended 31 December 2006

### 10 Reconciliation of shareholders' funds and movements on reserves

	1 January 2006 £	Profit for the year £	31 December 2006 £
Ordinary Share Capital	7,617,805	-	7,617,805
Profit and loss account	16,577	27,286	43,863
	<u>7,634,382</u>	<u>27,286</u>	<u>7,661,668</u>

### 11 Related party transactions

The Company has taken advantage of the exemption of FRS 8 Related Party Transactions from disclosing transactions with related parties between members of the Melrose PLC Group of Companies

### 12 Parent undertaking

The immediate and ultimate parent company is Melrose PLC which is incorporated in Great Britain and registered in England and Wales

The largest and smallest of undertakings for which group accounts have been drawn up is that headed by Melrose plc, incorporated in Great Britain and registered in England and Wales. Copies of Group financial statements can be obtained from Precision House, Arden Road, Alcester, Warwickshire, B49 6HN