

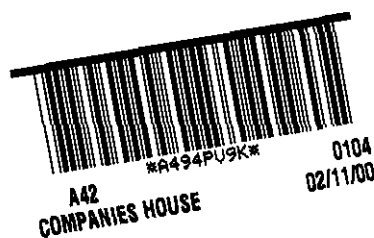
McKechnie Limited

(formerly McKechnie plc)

Report and Accounts

31 July 2000

Registered No.141976



McKechnie Group of Companies

DIRECTORS

V E Treves (Non-executive Chairman) - resigned 25 October 2000
A J Walker (Group Chief Executive)
D P Allvey (Non-executive) - resigned 25 October 2000
D K W Hanratty (Group Director of Operations)
H N P McCorkell (Non-executive) - resigned 25 October 2000
S G Moberley (Group Finance Director)
L J Stammers (Non-executive) - resigned 25 October 2000

SECRETARY

R E McDonald

AUDITORS

Ernst & Young
One Colmore Row
Birmingham
B3 2DB

SOLICITORS

Martineau Johnson
St Philips House
St Philips Place
Birmingham
B3 2PP

REGISTERED OFFICE

Leighswood Road
Aldridge
Walsall
West Midlands
WS9 8DS

REGISTRARS

Lloyds TSB Registrars - until de-listing on 27 October 2000
The Causeway
Worthing
West Sussex
BN99 6DA

BANKERS

National Westminster Bank plc
103 Colmore Row
Birmingham
B3 3NR

Lloyds TSB Bank plc
Victoria Square House
Victoria Square
Birmingham
B13 1BZ

DIRECTORS' REPORT

The directors present their report, together with the accounts of the Group, for the year ended 31 July 2000.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activities of the group are the design, development and manufacture of aerospace, proprietary fastener and engineered plastic components.

Turnover this year increased to £526.1 million, from £525.6 million last year.

GROUP PROFIT AND DIVIDENDS

Group profit on ordinary activities before taxation amounted to £48.6 million compared with £60.1 million for the previous year.

An interim dividend of 7.0 pence per ordinary share was paid during the year. As a result of the acquisition of the Company by BlueAzure Limited, no final dividend will be paid.

POST BALANCE SHEET EVENT

On 2 September 2000 recommended proposals for the acquisition, for cash, of the whole of the issued and to be issued share capital of the Company, to be implemented by way of a Scheme of Arrangement under section 425 of the Companies Act 1985, were announced. Following shareholder approval of the Scheme of Arrangement on 28 September 2000, the Scheme was sanctioned by the Court on 23 October 2000. The Scheme became effective upon registration of the Court Order with the Registrar of Companies on 25 October 2000. The Company de-listed from the London Stock Exchange Official List and re-registered as a private limited company, changing its name to McKechnie Limited, on 27 October 2000.

DIRECTORS AND THEIR INTERESTS

The Directors who served during the year are shown on page 2.

Directors' Shareholdings

The interests of the directors, all of which are beneficial, in the ordinary shares of the Company are shown below:

	At 31 July 2000		At 31 July 1999	
	Ordinary shares	Restricted shares*	Ordinary shares	Restricted shares*
D P Allvey	1,121	nil	1,121	nil
D K W Hanratty	46,035	133,748	46,035	62,943
H N P McCorkell	4,875	nil	4,742	nil
S G Moberley	24,734	133,748	24,470	62,943
L J Stammers	1,000	nil	1,000	nil
V E Treves	3,265	nil	1,000	nil
A J Walker	61,898	154,426	53,252	63,231

* under the McKechnie Restricted Share Schemes

Directors' Share Options

Details of share options held by each director in office on 31 July 2000 are as follows:

	Subscription price (pence)	Options exercisable from	Options expire	Options outstanding at 1 August 1999	Options outstanding at 31 July 2000
DKW Hanratty					
Savings Related Share Option Scheme					
	358	2001	2001	1,927	1,927
	388	2001	2001	889	889
	430	2002	2002	802	802
	249	2004	2004	1,355	1,355
Executive Share Option Schemes					
	237/278	1995	2002	20,000	20,000
	271/318	1995	2002	10,000	10,000
	350/411	1996	2003	10,000	10,000
	351/412	1996	2003	20,000	20,000
	337/396	1998	2005	30,000	30,000
	426	1998	2005	40,000	40,000
S G Moberley					
Savings Related Share Option Scheme					
	249	2004	2004	6,777	6,777
Executive Share Option Schemes					
	191	1993	2000	35,000	35,000
	237/278	1995	2002	15,000	15,000
	271/318	1995	2002	10,000	10,000
	350/411	1996	2003	10,000	10,000
	351/412	1996	2003	20,000	20,000
	337/396	1998	2005	30,000	30,000
	426	1998	2005	30,000	30,000
A J Walker					
Savings Related Share Option Scheme					
	249	2004	2004	6,777	6,777

CORPORATE GOVERNANCE

During the year, the Audit and Remuneration Committees of the Board dealt with the matters reserved for their attention in accordance with best practice recommended for companies listed on the London Stock Exchange, and adopted the policies and procedures they had followed in previous years. As a consequence of the delisting of the Company however, no formal report on these matters is included within these Financial Statements.

EMPLOYEE INVOLVEMENT

The directors attach great importance to the maintenance and development of good labour relations and employee involvement and training. The results for the half year and for the financial year are discussed at meetings held with senior management and the opportunity is taken to inform them of Group developments. Employees everywhere are encouraged to be aware of the performance of their business and of the Group as a whole. The diverse nature of the Group's activities places the responsibility for such matters with local management in a manner appropriate to the particular circumstances of each business.

Employee involvement in the Group's profitability is encouraged through locally based bonus and profit related pay schemes, executive bonus schemes and share savings and share option schemes. Details of the membership of these schemes, which will cease operation following the BlueAzure Limited acquisition, are shown in Note 19 on pages 29 and 30.

CHARITABLE DONATIONS

The Company made donations totalling £39,907 (1999: £32,460) to charitable causes during the year.

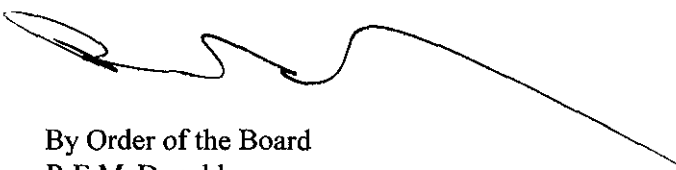
A donation of £1,000 was made to the Group's local Member of Parliament, who is a member of the Conservative Party.

RESEARCH AND DEVELOPMENT

The Group continues to invest in research into new products and activities as well as introducing new technology to improve service to customers and reduce manufacturing costs.

PAYMENTS TO SUPPLIERS

It is the Group's general policy to abide by the terms of payment agreed with suppliers at the time of individual transactions. The Company does not have any trade creditors.



By Order of the Board
R E McDonald
Company Secretary
30 October 2000

STATEMENT OF DIRECTORS' RESPONSIBILITIES

DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS

The following statement, which should be read in conjunction with the auditors' report set out on page 7, is made for the purpose of clarifying for members the respective responsibilities of the directors and the auditors in the preparation of the accounts. The directors are required by the Companies Act 1985 to prepare accounts for each financial year which give a true and fair view of the state of affairs of the Company and the Group at the end of that financial year and of the Group's profit or loss for the year.

The directors consider that, in preparing the accounts, the Group has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates and confirm that all applicable accounting standards have been followed.

The directors have responsibility for ensuring that the Group keeps accounting records which disclose with reasonable accuracy at any time the financial position of the Group and which enable them to ensure that the accounts comply with the Companies Act 1985. The directors also have responsibility for taking such steps as are reasonably open to them for safeguarding the assets of the Group and for the prevention and detection of fraud and other irregularities.

After making appropriate enquiries, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the accounts.

McKechnie Group of Companies

Report of the auditors to the shareholders of McKechnie Limited (formerly McKechnie plc)

We have audited the accounts on pages 8 to 35 which have been prepared under the historical cost convention and on the basis of the accounting policies as modified by the revaluation of certain fixed assets set out on pages 12 and 13.

Respective responsibilities of directors and auditors

As described on page 6 the company's directors are responsible for the preparation of accounts in accordance with applicable United Kingdom law and accounting standards. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

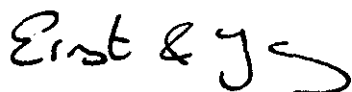
Basis of opinion

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 accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the group'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 accounts 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 accounts.

Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the company and of the group as at 31 July 2000 and of the profit of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Ernst & Young
Registered Auditor
Address

30 October 2000

McKechnie Group of Companies
Group profit and loss account
for the year ended 31 July 2000

	Note	2000 Total £m	1999 Total £m
Turnover			
Continuing operations		495.1	420.7
Discontinued operations		31.0	104.9
		<hr/>	<hr/>
	2	526.1	525.6
		<hr/>	<hr/>
Operating profit			
Continuing operations		48.7	59.1
Discontinued operations		0.5	3.2
		<hr/>	<hr/>
	3	49.2	62.3
		<hr/>	<hr/>
Income from interests in joint ventures		0.9	0.6
Exceptional items: net loss on disposal of businesses	4	(7.7)	-
		<hr/>	<hr/>
Profit before interest		42.4	62.9
Interest	7	(9.2)	(3.9)
		<hr/>	<hr/>
Profit on ordinary activities before tax	2	33.2	59.0
Taxation	8	(10.7)	(13.2)
		<hr/>	<hr/>
Profit on ordinary activities after tax		22.5	45.8
Dividends	9	(7.5)	(22.8)
		<hr/>	<hr/>
Retained profit	20	15.0	23.0
		<hr/>	<hr/>

McKechnie Group of Companies

Statement of total recognised gains and losses for the year ended 31 July 2000

	2000 £m	1999 £m
Profit for the financial year	22.5	45.8
Currency translation differences on foreign currency net investments	(0.7)	1.2
	<hr/>	<hr/>
Total recognised gains and losses relating to the year	21.8	47.0
	<hr/>	<hr/>

Reconciliation of movement in shareholders' funds for the year ended 31 July 2000

	2000 £m	1999 £m
Total recognised gains and losses for the year	21.8	47.0
Dividends	(7.5)	(22.8)
	<hr/>	<hr/>
	14.3	24.2
New share capital subscribed	1.0	1.6
Goodwill written off on acquisition	-	(2.1)
Goodwill reinstated on disposals and discontinued activities	49.5	13.2
	<hr/>	<hr/>
Net increase/(decrease) in shareholders' funds	64.8	36.9
Opening shareholders' funds	161.0	124.1
	<hr/>	<hr/>
Closing shareholders' funds	225.8	161.0
	<hr/>	<hr/>

Note of historical cost profits and losses for the year ended 31 July 2000

There is no material difference between the reported profit and the historical cost profit for either of the years 1999 and 2000.

McKechnie Group of Companies
Balance sheets - 31 July 2000

		Group		Company	
	Note	2000 £m	1999 £m	2000 £m	1999 £m
Fixed assets					
Intangible assets	10	143.7	151.4	-	-
Tangible assets	11	145.6	162.6	0.1	0.1
Investments	12	3.7	3.9	568.6	701.0
		<u>293.0</u>	<u>317.9</u>	<u>568.7</u>	<u>701.1</u>
Current assets					
Stocks	13	57.3	73.4	-	-
Debtors	14	87.6	100.7	5.7	16.3
Cash and short term deposits		25.5	36.2	26.1	32.4
		<u>170.4</u>	<u>210.3</u>	<u>31.8</u>	<u>48.7</u>
Creditors: amounts falling due within one year					
Short term borrowings	15	(38.6)	(7.9)	(45.3)	(9.5)
Other creditors	15	(107.7)	(139.1)	(74.1)	(186.1)
		<u>24.1</u>	<u>63.3</u>	<u>(87.6)</u>	<u>(146.9)</u>
Net current assets/(liabilities)					
		<u>317.1</u>	<u>381.2</u>	<u>481.1</u>	<u>554.2</u>
Total assets less current liabilities					
Creditors: amounts falling due after more than one year					
Loans and other borrowings	16	(89.5)	(219.8)	(89.3)	(219.8)
Other creditors	16	(0.2)	(0.4)	-	-
Provisions for liabilities and charges	18	(1.6)	-	-	-
		<u>225.8</u>	<u>161.0</u>	<u>391.8</u>	<u>334.4</u>
Net assets					
		<u>225.8</u>	<u>161.0</u>	<u>391.8</u>	<u>334.4</u>
Capital and reserves					
Called up share capital	19	26.8	26.7	26.8	26.7
Share premium account	20	62.9	62.0	62.9	62.0
Revaluation reserve	20	4.1	3.9	-	-
Other reserves	20	5.8	5.8	11.9	11.9
Profit and loss account	20	126.2	62.6	290.2	233.8
		<u>225.8</u>	<u>161.0</u>	<u>391.8</u>	<u>334.4</u>
Equity shareholders' funds					
		<u>225.8</u>	<u>161.0</u>	<u>391.8</u>	<u>334.4</u>

Approved by the Board of Directors on 30 October 2000

A J Walker

S G Moberley

Directors

McKechnie Group of Companies
Group cash flow statement for the year ended 31 July 2000

	Note	2000		1999	
		£m	£m	£m	£m
Operating activities	21		73.3		82.6
Dividends from joint ventures			0.3		0.4
Returns on investments and servicing of finance					
Interest received		0.4		1.7	
Interest paid		(9.9)		(6.4)	
			(9.5)		(4.7)
Taxation paid			(6.4)		(22.8)
Capital expenditure and financial investment					
Purchase of own shares and other investments		(0.5)		(0.4)	
Purchase of tangible fixed assets		(31.9)		(33.6)	
Sale of tangible fixed assets		2.3		2.8	
			(30.1)		(31.2)
Acquisitions and disposals					
Acquisition of businesses	12	-		(178.2)	
Cash acquired with subsidiary undertakings		-		1.8	
Sale of businesses	12	83.4		60.1	
			83.4		(116.3)
Equity dividends paid			(23.4)		(22.3)
Financing					
Issue of equity shares		1.0		1.6	
Repayment of finance leases	21	(0.2)		(0.2)	
(Decrease)/Increase in bank and other loans	21	(98.9)		122.9	
			(98.1)		124.3
Increase/(decrease) in cash in the year	21		(10.5)		10.0
Reconciliation of Movement in Cash to Movement in Net Debt					
Increase/(decrease) in cash in the year			(10.5)		10.0
Decrease/increase in bank and other loans			98.9		(122.9)
Repayment of finance leases			0.2		0.2
Finance leases acquired with subsidiary undertaking			-		(0.4)
Exchange differences			0.2		1.7
Reduction/(Increase) in net debt			88.8		(111.4)
Net debt at 1 August 1999			(191.5)		(80.1)
Net debt at 31 July 2000			(102.7)		(191.5)

1. Accounting Policies

a) **Basis of accounting**

The Financial Statements are prepared in accordance with the Companies Act 1985 and with applicable accounting standards and under the historical cost accounting rules except for certain fixed assets comprising a major part of the Group's land and buildings which are included at valuation. On adoption of FRS 15, the Group has followed the transitional provisions to retain the book value of land and buildings which were revalued in 1997, but not to adopt a policy of revaluation in the future. No separate profit and loss account is presented for McKechnie plc as permitted by Section 230 of the Companies Act 1985.

b) **Basis of consolidation**

The Group Financial Statements include the results of the parent undertaking, all its subsidiary undertakings and the Group's share of the results of joint ventures. The results of businesses acquired during the year are included from the effective date of acquisition and of those sold during the year to the effective date of disposal.

Where Group accounting policies are not adopted in the financial statements of subsidiary undertakings and joint ventures, appropriate adjustments are made in the Group Financial Statements. For acquisitions after 1 August 1999 goodwill arising on consolidation, being the difference between the purchase consideration paid for a business and the fair value of the net identifiable assets acquired, is capitalised and amortised through the profit and loss account over its expected useful life (up to a maximum of 20 years). Goodwill is reviewed for impairment at the end of the first full financial year following the acquisition and in other periods if events or changes in circumstances indicate that the carrying value may not be recoverable. The gain or loss on disposal of a business is calculated as the difference between the sale consideration and the book value of the assets sold at the date of disposal together with the goodwill previously set off against reserves (if appropriate) in respect of the business where it is possible to calculate such goodwill.

c) **Joint ventures**

These are companies which are not subsidiary undertakings but in which the interest of the Group is that of a partner in a joint venture. The Group Financial Statements include the appropriate share of these joint ventures' results and reserves.

d) **Foreign currencies**

The profit and loss account items of overseas subsidiary undertakings and joint ventures are translated into Sterling using average exchange rates. Assets and liabilities in foreign currencies are translated at the rates of exchange ruling at the balance sheet date unless matched by forward contracts. Where the translation of overseas subsidiary undertakings and joint ventures, and any foreign currency borrowings used to finance them, give rise to an exchange difference, this is taken direct to reserves. Other exchange differences are dealt with through the profit and loss account.

e) **Turnover**

Turnover represents the amounts derived from the provision of goods and services which fall within the Group's ordinary activities, stated net of sales taxes.

f) **Depreciation**

Depreciation is calculated on original cost, or on subsequent valuation, on a straight-line basis over the expected life of the asset so as to write the asset down to its estimated residual value. The rates of depreciation adopted are:

Freehold land	nil
Freehold buildings and long leasehold property	over expected economic life not exceeding 50 years
Short leasehold property	over the term of the lease
Plant and other equipment	4% to 33 1/3%

The carrying values of tangible fixed assets are reviewed for impairment in periods if events or changes in circumstances indicate the carrying value may not be recoverable.

Notes on the Financial Statements continued

g) **Stocks**

Stocks are valued at the lower of cost and net realisable value. Cost includes all direct expenditure and appropriate production overhead expenditure incurred in bringing goods to their current state under normal operating conditions. Net realisable value is based on estimated selling price less costs expected to be incurred to completion and disposal. Provision has been made for obsolescence or other losses where necessary.

h) **Taxation**

Corporation tax payable is provided on taxable profits at the current rate.

No provision is made for any potential taxation liability which may arise on the excess arising on the revaluation of property over its cost value, nor the distribution of the retained profits of overseas subsidiary undertakings and joint ventures.

Deferred taxation represents the amount required to allow for the effect of certain items of income and expense (primarily depreciation) being attributable for tax purposes to periods different from those in which credits or charges are recorded in the Financial Statements.

Deferred taxation is provided on the liability method on all timing differences, including pensions, to the extent that they are expected to reverse in the future, without being replaced, calculated at the rate at which it is estimated that tax will be payable.

i) **Research and development**

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

j) **Pension and life assurance costs**

The Group operates pension schemes for the benefit of its UK and overseas employees. Contributions to the Group pension schemes are based on percentages of members' pensionable remuneration as fixed by independent actuaries. The cost of these is charged against profits on a systematic basis over the service lives of the employees.

k) **Leasing**

Finance leases are capitalised at the estimated fair value at the date of inception of each lease. The total finance charges are allocated over the period of the lease so as to give an approximately constant annual rate of charge on the balance of each obligation.

Rentals paid under operating leases are charged to income evenly over the term of the lease.

McKechnie Group of Companies
Notes on the Financial Statements continued

2. Segmental analysis

Changes in Segmental analysis.

Following changes in the composition of the group the directors have changed the segmental analysis provided. The impact of this is to analyse Specialist Products into Aerospace and Proprietary Fasteners.

Area of Activity:

	2000				1999			
	Total sales £m	Inter-segment sales £m	Sales to third parties £m	Profit before interest £m	Total sales £m	Inter-segment sales £m	Sales to third parties £m	Profit before interest £m
Proprietary Fasteners	95.7	-	95.7	10.4	94.3	-	94.3	10.4
Aerospace	161.1	1.5	159.6	29.9	79.7	0.8	78.9	19.5
Engineered Plastics	240.5	0.7	239.8	17.0	248.3	0.8	247.5	30.9
Discontinued	31.0	-	31.0	0.5	104.9	-	104.9	3.2
	<hr/> 528.3	<hr/> 2.2	<hr/> 526.1	<hr/> 57.8	<hr/> 527.2	<hr/> 1.6	<hr/> 525.6	<hr/> 64.0
Goodwill amortisation (Aerospace)				(7.7)				(1.1)
Exceptional items (Note 4)				(7.7)				-
Net interest				(9.2)				(3.9)
				<hr/>				<hr/>
Profit before tax				33.2				59.0
				<hr/>				<hr/>

Profit before interest of Proprietary Fasteners includes £0.9m (1999: £0.6m) from joint ventures.

McKechnie Group of Companies
Notes on the Financial Statements continued

2. Segmental analysis continued

Net assets are analysed:

	2000 £m	1999 £m
Proprietary Fasteners	41.3	41.0
Aerospace	187.0*	196.4 *
Engineered Plastics	109.7	96.7
Discontinued	0.2	38.0
	<hr/>	<hr/>
Joint ventures	338.2	372.1
	2.0	2.0
	<hr/>	<hr/>
Interest bearing items	340.2	374.1
Taxation/dividends	(104.3)	(191.5)
	(10.1)	(21.6)
	<hr/>	<hr/>
Net assets	225.8	161.0
	<hr/>	<hr/>

* includes £143.7m (1999: £151.4m) of unamortised goodwill

Geographical Area:

	2000				1999			
	Total sales £m	Inter- segment sales £m	Sales to third parties £m	Profit before interest £m	Total sales £m	Inter- segment sales £m	Sales to third parties £m	Profit before interest £m
UK	223.5	18.3	205.2	16.6	241.7	19.7	222.0	33.0
USA	242.2	0.9	241.3	42.5	164.5	0.5	164.0	22.8
Mainland Europe	40.3	0.5	39.8	3.1	28.6	0.4	28.2	1.0
Pacific	9.2	0.4	8.8	2.8	6.9	0.4	6.5	4.0
Discontinued	31.0	-	31.0	8.2	104.9	-	104.9	3.2
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	546.2	20.1	526.1	73.2	546.6	21.0	525.6	64.0
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Goodwill amortisation (USA)				(7.7)				(1.1)
Exceptional items (Note 4)				(7.7)				-
Net interest				(9.2)				(3.9)
				<hr/>				<hr/>
Profit before tax				48.6				59.0
				<hr/>				<hr/>

McKechnie Group of Companies
Notes on the Financial Statements continued

2. Segmental analysis continued

Profit before interest includes the following contributions from joint ventures:

	2000 £m	1999 £m
USA	-	-
Mainland Europe	0.6	0.5
Pacific	0.3	0.1
	<hr/>	<hr/>
	0.9	0.6
Net assets are analysed:	<hr/>	<hr/>
	2000 £m	1999 £m
UK	90.5	120.7
USA	230.2*	228.0*
Mainland Europe	13.5	14.3
Pacific	4.0	9.0
Discontinued	-	-
	<hr/>	<hr/>
Joint ventures	338.2	372.0
	2.0	2.1
	<hr/>	<hr/>
Interest bearing items	340.2	374.1
Taxation/dividends	(104.3)	(191.5)
	(10.1)	(21.6)
	<hr/>	<hr/>
Net assets	225.8	161.0
	<hr/>	<hr/>

* includes £143.7m (1999: £151.4m) of unamortised goodwill

	2000 £m	1999 £m
Turnover by destination:		
UK	148.9	147.7
USA	212.5	150.3
Mainland Europe	111.1	104.8
Pacific	15.9	11.7
Other	6.7	6.2
	<hr/>	<hr/>
Continuing operations	495.1	420.7
Discontinued	31.0	104.9
	<hr/>	<hr/>
	526.1	525.6
	<hr/>	<hr/>

McKechnie Group of Companies
Notes on the Financial Statements continued

3. Operating profit

	2000 Continuing operations £m	2000 Discontinued operations £m	2000 Total operations £m
Turnover	495.1	31.0	526.1
Cost of sales	(367.3)**	(22.2)	(389.5)
	<hr/>	<hr/>	<hr/>
Gross profit	127.8	8.8	136.6
Distribution costs	(38.6)	(5.4)	(44.0)
Administrative expenses	(40.5)	(2.9)	(43.4)
	<hr/>	<hr/>	<hr/>
Operating profit	48.7	0.5	49.2
	<hr/>	<hr/>	<hr/>

** includes goodwill amortisation of £7.7m.

	1999 Continuing operations £m	1999 Discontinued operations £m	1999 Total £m
Turnover	420.7	104.9	525.6
Cost of sales	(295.3)*	(72.9)	(368.2)
	<hr/>	<hr/>	<hr/>
Gross profit	125.4	32.0	157.4
Distribution costs	(33.4)	(21.6)	(55.0)
Administrative expenses	(32.9)	(7.2)	(40.1)
	<hr/>	<hr/>	<hr/>
Operating profit	59.1	3.2	62.3
	<hr/>	<hr/>	<hr/>

* includes goodwill amortisation of £1.1m.

The UK, Europe and USA operations of the Consumer Products Division were sold on 29 October 1999. The Pacific operations were sold on 30 June 2000.

McKechnie Group of Companies
Notes on the Financial Statements continued

3. Operating profit continued

	2000 £m	1999 £m
Costs and expenses include the following:		
Depreciation of owned assets	25.1	25.1
Depreciation of assets held under finance leases	0.1	0.1
Amortisation of own shares	0.1	0.1
Goodwill amortisation	7.7	1.1
Hire of plant and machinery	0.3	0.4
Rentals payable under operating leases – land and buildings	2.6	2.7
– plant and machinery	0.6	1.8
Staff costs (Note 5)	145.3	139.1
Auditors' remuneration – audit fees	0.5	0.5
– non audit fees	0.3	0.4
Research and development expenditure	3.1	4.5

The UK element of non audit fees is £0.2m (1999: £0.1m).

4. Exceptional items

	2000 £m	1999 £m
Loss on disposal of discontinued Consumer businesses (note 12)	(7.7)	-
Loss on disposal of discontinued Pacific businesses	-	(9.5)
Less amount provided in prior year	-	9.5
	<hr/> (7.7) <hr/>	<hr/> - <hr/>

The effect on the taxation charge for the year of the exceptional items recognised below operating profit is disclosed in note 8.

5. Staff costs (including emoluments of Directors)

	2000 £m	1999 £m
Wages and salaries	124.4	120.2
Social security costs	15.5	12.1
Other pension costs (Note 25)	5.4	6.8
	<hr/> 145.3 <hr/>	<hr/> 139.1 <hr/>

Average number employed:

	2000 Number	1999 Number
Proprietary Fasteners	1,480	1,563
Aerospace	1,310	636
Engineered Plastics	2,309	2,956
Discontinued	105	1,346
	<hr/> 5,204 <hr/>	<hr/> 6,501 <hr/>

McKechnie Group of Companies
Notes on the Financial Statements continued

6. Directors' Remuneration

The total remuneration of the directors for each of the last two financial years is as follows:

	2000 £000	1999 £000
Total directors' remuneration excluding defined benefit pension contributions	1,297	1,703
Aggregate gains on the exercise of share options	-	-

Total Remuneration includes £247,000 (1999: £639,000) in respect of payments made to the directors' Funded Unapproved Retirement Benefit Scheme, and payable in respect of other pension related allowances.

	No.	No.
Number of directors who are members of the defined benefit scheme	3	3

Amounts in respect of the highest paid director are as follows:

	2000 £000	1999 £000
Total remuneration excluding defined benefit pension contributions	607	908
Accumulated total accrued pension	46	23

Total Remuneration for the highest paid director includes £242,000 (1999: £538,000) in respect of payments made to the director's Funded Unapproved Retirement Benefit Scheme, and payable in respect of other pension related allowances.

7. Interest

	2000 £m	1999 £m
On bank loans and overdrafts	(9.5)	(4.1)
On all other borrowings	(0.3)	(1.3)
	<hr/>	<hr/>
Interest receivable	(9.8) 0.6	(5.4) 1.5
	<hr/>	<hr/>
Net interest payable	(9.2)	(3.9)
	<hr/>	<hr/>

McKechnie Group of Companies
Notes on the Financial Statements continued

8. Taxation

	2000 £m	1999 £m
UK taxation:		
Corporation tax at 30% (1999: 30.67%)	4.6	10.5
Adjustments for previous years	(0.4)	(3.6)
Deferred tax	1.6	
	<hr/>	<hr/>
	5.8	6.9
Overseas taxation:		
Current tax	4.5	6.0
	<hr/>	<hr/>
	10.3	12.9
Share of taxation of joint ventures	0.4	0.3
	<hr/>	<hr/>
	10.7	13.2
	<hr/>	<hr/>

The tax effect in the profit and loss account relating to exceptional items recognised below operating profit is a charge of £2.0m.

9. Dividends

	2000		1999	
	Pence per share	£m	Pence per share	£m
Ordinary:				
Interim paid	7.0	7.5	7.0	7.4
Final proposed	-	-	14.4	15.4
	<hr/>	<hr/>	<hr/>	<hr/>
	7.0	7.5	21.4	22.8
	<hr/>	<hr/>	<hr/>	<hr/>

10. Intangible assets - goodwill

	Cost £m	Amortisation £m	Net book Value £m
At 1 August 1999	152.5	(1.1)	151.4
Amortisation for the year	-	(7.7)	(7.7)
	<hr/>	<hr/>	<hr/>
At 31 July 2000	152.5	(8.8)	143.7
	<hr/>	<hr/>	<hr/>

McKechnie Group of Companies
Notes on the Financial Statements continued

11. Tangible fixed assets

	Group			Company	
	Land and buildings £m	Plant and other equipment £m	Payments on account and assets in course of construction £m	Total £m	Plant and other equipment £m
Cost or valuation					
At 1 August 1999	48.1	220.0	10.1	278.2	0.3
Foreign exchange adjustments	1.6	4.2	0.5	6.3	
Acquisition of subsidiary undertakings					
Additions	2.8	22.5	3.1	28.4	0.1
Inter-category transfers	0.2	6.1	(6.3)	-	
Disposals	(5.4)	(64.2)	(0.3)	(69.9)	(0.1)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 July 2000	47.3	188.6	7.1	243.0	0.3
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Depreciation					
At 1 August 1999	2.5	113.1	-	115.6	0.2
Foreign exchange adjustments	0.4	2.9	-	3.3	
Provision for year	1.7	23.5	-	25.2	0.1
Disposals	(0.9)	(45.8)	-	(46.7)	(0.1)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 July 2000	3.7	93.7	-	97.4	0.2
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Net book value					
At 31 July 2000	43.6	94.9	7.1	145.6	0.1
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 1 August 1999	45.6	106.9	10.1	162.6	0.1
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

McKechnie Group of Companies
Notes on the Financial Statements continued

11. Tangible fixed assets continued

	2000 £m	1999 £m
a) Land and buildings:		
Freehold	42.8	40.7
Long leasehold	0.7	4.7
Short leasehold	0.1	0.2
	<hr/>	<hr/>
Net book value	43.6	45.6
	<hr/>	<hr/>

b) The land and buildings at 31 July 2000 include:

	Freehold £m	Long leasehold £m	Short leasehold £m	Total £m
1997 professional valuation on existing use basis	29.4	3.7	-	33.1
At cost	12.5	1.3	0.4	14.2
	<hr/>	<hr/>	<hr/>	<hr/>
	41.9	5.0	0.4	47.3
	<hr/>	<hr/>	<hr/>	<hr/>

c) Historical cost:

	2000 £m	1999 £m
Cost of revalued land and buildings	37.8	38.7
Accumulated depreciation	(7.8)	(7.7)
	<hr/>	<hr/>
Net book value	30.0	31.0
	<hr/>	<hr/>

d) The net book value of plant and other equipment includes £0.5m (1999: £1.0m) in respect of assets held under finance leases.

McKechnie Group of Companies
Notes on the Financial Statements continued

12. Fixed asset investments

Group	Shares in joint ventures £m	Loans to joint ventures £m	Own shares £m	Other investments £m	Total £m
Cost					
At 1 August 1999	2.0	0.1	2.2	0.5	4.8
Profit retained	0.1	-	-	-	0.1
(Disposals)/additions	-	-	0.6	(0.5)	0.1
Vesting of shares	-	-	(0.3)	-	(0.3)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 July 2000	2.1	0.1	2.5	-	4.7
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Amortisation					
At 1 August 1999	-	-	0.9	-	0.9
Provision for year	-	-	0.1	-	0.1
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 July 2000	-	-	1.0	-	1.0
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Net book value					
At 31 July 2000	2.1	0.1	1.5	-	3.7
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 1 August 1999	2.0	0.1	1.3	0.5	3.9
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

	2000 £m	1999 £m
Shares in joint ventures (unlisted) comprise:		
Cost	0.8	0.8
Share of post-acquisition reserves	1.3	1.2
	<hr/>	<hr/>
Share of net assets	2.1	2.0
	<hr/>	<hr/>
	2000 £m	1999 £m
Joint ventures		
Group share of:		
Turnover	6.1	5.9
Gross assets	4.1	4.0
Gross liabilities	(2.1)	(2.0)
	<hr/>	<hr/>
Net assets	2.0	2.0
	<hr/>	<hr/>

McKechnie Group of Companies
Notes on the Financial Statements continued

12. Fixed asset investments continued

Company	Shares in subsidiary undertakings £m	Loans to subsidiary undertakings at cost £m	Own shares £m	Other investments £m	Total £m
Cost					
At 1 August 1999	248.0	451.2	2.2	0.5	701.9
Additions	-	-	0.6	-	0.6
Capitalisation of loan	116.0	(116.0)	-	-	-
Vesting of shares	-	-	(0.3)	-	(0.3)
Disposals	(13.9)	(118.9)	-	(0.5)	(133.3)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 July 2000	350.1	216.3	2.5	-	568.9
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Amortisation					
At 1 August 1999	-	-	0.9	-	0.9
Provision for year	-	-	(0.6)	-	(0.6)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 July 2000	-	-	0.3	-	0.3
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Net book value					
At 31 July 2000	350.1	216.3	2.2	-	568.6
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 1 August 1999	248.0	451.2	1.3	0.5	701.0
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

The investment in own shares comprises Ordinary shares set aside in respect of the McKechnie Restricted Share Plan. At 31 July 2000 the number of Ordinary shares held was 713,196 (1999: 480,675). The cost of the investment in own shares is amortised over the relevant performance period set out in the rules of the Restricted Share Plan. Dividends on the restricted shares are re-invested for the benefit of participants.

The market value of the McKechnie plc shares at 31 July 2000 was 372.5p (1999 : 499.5p).

The market value of the other investments was £nil (1999: £0.4m).

McKechnie Group of Companies
Notes on the Financial Statements continued

12. Fixed asset investments continued

Disposals

The major disposal during the year was the UK, Europe and USA operations of the Consumer Products division on 29 October 1999:

	£m
Fixed assets	19.2
Stocks	14.2
Debtors	20.8
Creditors	(17.8)
Net cash	(3.4)
	<hr/>
Book value of assets disposed	33.0
Goodwill re-instated	49.5
	<hr/>
	82.5
	<hr/>
Proceeds:	
Cash (net of costs)	78.3
	<hr/>
Loss on disposal	4.2
	<hr/>

The other disposal was the Pacific Consumer Products businesses on 30 June 2000.

	£m
Fixed assets	1.3
Stocks	4.7
Debtors	2.7
Creditors	(3.5)
Net cash	(0.3)
	<hr/>
Book value of assets disposed	4.9
Goodwill re-instated	-
	<hr/>
	4.9
	<hr/>
Proceeds:	
Cash (net of costs)	1.4
	<hr/>
Loss on disposal	3.5
	<hr/>

12. Fixed asset investments continued

- a) Details of subsidiary undertakings and joint ventures at 31 July 2000 are shown in note 28.
- b) The Company's cost of investment in subsidiary undertakings is stated at the aggregate of the cash consideration and either the nominal value of the shares issued as consideration where Sections 131 and 133 of the Companies Act 1985 apply or in all other cases the market value of the Company's shares on the date they were issued as consideration.
- c) It is impracticable to calculate the amount of attributable goodwill written off on acquisitions made prior to 1 January 1989. The cumulative goodwill written off on acquisitions made since 1 January 1989 amounts to £145.1m. It is also impracticable to calculate the goodwill relating to the disposal of businesses acquired prior to 1 January 1989.

13. Stocks

	Group	
	2000	1999
	£m	£m
Raw materials	13.8	18.3
Work-in-progress	15.8	16.1
Finished stock	26.6	38.4
Consumable stores	1.1	0.6
	<hr/>	<hr/>
	57.3	73.4
	<hr/>	<hr/>

14. Debtors

	Group		Company	
	2000	1999	2000	1999
	£m	£m	£m	£m
Trade debtors	73.5	84.7	-	-
Amount owed by subsidiary undertakings	-	-	4.9	9.3
Amount owed by joint ventures	1.3	1.2	-	-
Other debtors	6.7	5.2	0.1	3.7
Prepayments	6.1	9.6	0.7	3.3
	<hr/>	<hr/>	<hr/>	<hr/>
	87.6	100.7	5.7	16.3
	<hr/>	<hr/>	<hr/>	<hr/>

15. Creditors: amounts falling due within one year

	Group		Company	
	2000	1999	2000	1999
	£m	£m	£m	£m
Bank loans and overdrafts (unsecured)	28.4	7.6	6.9	9.4
Borrowings (unsecured)	10.1	0.1	38.4	0.1
Obligations under finance leases	0.1	0.2	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Short term borrowings	38.6	7.9	45.3	9.5
	<hr/>	<hr/>	<hr/>	<hr/>
Current taxation	8.4	6.2	-	0.1
Trade creditors	57.7	66.5	-	-
Other creditors	16.4	20.9	1.0	1.3
Other taxes and social security	3.9	4.7	0.2	0.2
Amount owed to subsidiary undertakings	-	-	69.7	164.3
Amount owed to joint ventures	0.5	0.2	0.2	0.2
Accruals and deferred income	20.8	25.2	3.0	4.6
Ordinary dividend	-	15.4	-	15.4
	<hr/>	<hr/>	<hr/>	<hr/>
Other creditors	107.7	139.1	74.1	186.1
	<hr/>	<hr/>	<hr/>	<hr/>

16. Creditors: amounts falling due after more than one year

	Group		Company	
	2000	1999	2000	1999
	£m	£m	£m	£m
Bank loans	69.3	190.9	69.3	191.2
Borrowings	20.0	28.6	20.0	28.6
Obligations under finance leases	0.2	0.3	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Loans and other borrowings	89.5	219.8	89.3	219.8
	<hr/>	<hr/>	<hr/>	<hr/>
Other creditors	0.2	0.4	-	-
	<hr/>	<hr/>	<hr/>	<hr/>

McKechnie Group of Companies
Notes on the Financial Statements continued

17. Borrowings

Total borrowings comprise:

	Group		Company	
	2000	1999	2000	1999
	£m	£m	£m	£m
Unsecured bank loans and overdrafts	97.7	198.5	104.5	200.6
Finance lease obligations	0.3	0.5	-	-
Unsecured other loans	30.1	28.7	30.1	28.7
	—	—	—	—
Total borrowings	128.1	227.7	134.6	229.3
	—	—	—	—

Repayment of borrowings:

In one year or less	38.6	7.9	45.3	9.5
In more than one year but not more than two years	48.9	24.5	48.7	24.5
In more than two years but not more than five years	36.6	187.9	36.6	187.9
In more than five years	4.0	7.4	4.0	7.4
	—	—	—	—
Total borrowings	128.1	227.7	134.6	229.3
	—	—	—	—

Included within unsecured other loans in both years is a US\$30m (£20.0m) loan note at a fixed interest rate of 7.15% not wholly repayable within five years of the balance sheet date.

18. Provisions for liabilities and charges

Deferred taxation

	2000		1999	
	Amounts provided	Amounts not provided	Amounts provided	Amounts not provided
	£m	£m	£m	£m
Potential capital gains	-	8.8	-	6.4
Timing differences on depreciation	1.6	4.8	-	7.9
Other timing differences	-	0.6	-	(0.7)
	—	—	—	—
	1.6	14.2	-	13.6
	—	—	—	—

No provision for deferred taxation is required in the Company.

19. Share capital

	2000 £m	1999 £m
a) Authorised Ordinary shares of 25p each	43.8	43.8
	<hr/>	<hr/>
	Number	£m
b) Allotted, called up and fully paid Ordinary shares		
At 1 August 1999	106,957,455	26.7
Allotted during year: Issue of Ordinary shares under the Savings Related and Executive Share Option Schemes	276,072	0.1
	<hr/>	<hr/>
At 31 July 2000	107,233,527	26.8
	<hr/>	<hr/>

Share Option Schemes

Shareholders' approval has been given to the allocation of 10% of the issued Ordinary share capital, subject to a maximum of 25,000,000 Ordinary shares, to savings related and executive share option schemes.

UK and International Share Save Schemes

At 31 July 2000 share options outstanding were as follows:

Year of Issue	Subscription Price p	Exercisable up to	Number of shares 2000	1999
June 1992	282	December 1999	-	638
December 1992	268	June 2000	-	5,859
June 1993	334	December 2000	2,101	3,502
December 1993	348	June 2001	1,568	1,568
June 1994	404	December 2001	3,088	12,720
December 1994	337	June 2002	29,350	147,227
June 1995	341	December 2002	36,814	76,354
December 1995	358	June 2003	67,835	107,449
May 1996	388	November 2003	68,640	105,246
October 1996	454	April 2004	52,679	91,787
May 1997	430	November 2004	52,774	80,912
November 1997	399	May 2005	52,808	92,442
May 1998	384	November 2005	51,605	88,176
November 1998	249	May 2006	924,869	1,365,105
November 1999	361	May 2007	178,208	-
			<hr/>	<hr/>
			1,522,339	2,178,985
			<hr/>	<hr/>

19. Share capital continued

Executive Share Option Schemes

At 31 July 2000 share options outstanding were as follows:

Year of Issue	Subscription Price p	Exercisable up to	Number of shares	
			2000	1999
December 1989	256	December 1999	-	7,000
May 1990	225	May 2000	-	5,000
November 1990	191	November 2000	35,000	35,000
May 1991	277	May 2001	-	50,000
January 1992	278/237	January 2002	35,000	40,000
October 1992	318/271	October 2002	21,250	21,250
May 1993	411/350	May 2003	21,250	31,250
November 1993	412/351	November 2003	57,500	65,500
June 1994	455/387	June 2004	16,375	125,000
February 1995	396/337	February 2005	150,000	200,100
May 1995	423/360	May 2005	5,000	15,000
November 1995	426	November 2005	260,000	335,000
November 1996	485	November 2006	12,000	44,000
January 1999	371	January 2009	299,000	303,000
November 1999	371	November 2009	261,750	-
			<hr/>	<hr/>
			1,174,125	1,277,100
			<hr/>	<hr/>

Options on 571 Ordinary shares of McKechnie plc, granted to former employees of Savage Group PLC at a price of 273p per share on the date of original grant and exercisable under the rules of the Savage Group Executive Share Options Scheme up to 2001, remain outstanding.

20. Reserves

Group	Share premium account £m	Group revaluation reserve £m	Merger reserve £m	Special capital reserve £m	Profit & loss account £m
At 1 August 1999	62.0	3.9	5.6	0.2	62.6
Foreign exchange adjustments	-	0.2	-	-	(0.9)
Premium on issue of Ordinary shares	0.9	-	-	-	-
Retained profit	-	-	-	-	15.0
Goodwill re-instated	-	-	-	-	49.5
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 July 2000	<u>62.9</u>	<u>4.1</u>	<u>5.6</u>	<u>0.2</u>	<u>126.2</u>

Exchange gains on currency borrowings amounting to £1.7m (1999: £1.6m) have been taken directly to reserves.

Company	Share premium account £m	Merger reserve £m	Special capital reserve £m	Profit & loss account £m
At 1 August 1999	62.0	11.7	0.2	233.8
Premium on issue of Ordinary shares	0.9	-	-	-
Retained profit	-	-	-	56.4
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 July 2000	<u>62.9</u>	<u>11.7</u>	<u>0.2</u>	<u>290.2</u>

The profit attributable to the parent company was £63.9m (1999: £223.4m).

21. Notes to the cash flow statement

	2000 £m	1999 £m
a) Reconciliation of operating profit to cash flow from operating activities		
Operating profit excluding joint venture profit	49.2	62.3
Depreciation	25.2	25.2
Amortisation of intangible fixed assets	7.7	1.1
Amortisation and vesting of own shares	0.1	0.3
Decrease/(increase) in debtors	(10.4)	5.3
Decrease/(increase) in stock	(2.3)	(2.6)
(Decrease)/increase in creditors	3	(8.1)
Decrease in provisions	-	(0.2)
(Profit)/loss on disposal of fixed assets and investments	0.8	(0.7)
	<hr/>	<hr/>
Cash flow from operating activities	73.3	82.6
	<hr/>	<hr/>

b) Analysis of movement in net debt

	1 August 1999 £m	Cash flow £m	Exchange £m	31 July 2000 £m
Cash	36.2	(10.9)	0.2	25.5
Overdraft	(0.5)	0.4	-	(0.1)
Bank and other loans	(226.7)	98.9	-	(127.8)
Finance leases	(0.5)	0.2	-	(0.3)
	<hr/>	<hr/>	<hr/>	<hr/>
	(191.5)	88.6	0.2	(102.7)
	<hr/>	<hr/>	<hr/>	<hr/>

22. Capital commitments

	Group		Company	
	2000 £m	1999 £m	2000 £m	1999 £m
Capital commitments not provided for in the Financial Statements in respect of contracts placed and agreements made	4.8	9.0	-	-
	<hr/>	<hr/>	<hr/>	<hr/>

23. **Contingent liabilities**

Prior to its acquisition Hartwell Corporation, a subsidiary of Western Sky Industries, Inc, had been designated by the US Environmental Protection Agency (EPA) as a Potentially Responsible Party (PRP) at one "Superfund" site which is the subject of proceedings concerning alleged soil and/or groundwater contamination and appropriate provision has been made in the Financial Statements. Hartwell has been named as a party to several civil suits brought by individuals claiming adverse health effects relating to groundwater consumed from the "Superfund" site. Whilst it is difficult to reasonably estimate the ultimate outcome of these suits the Directors are of the opinion that the ultimate outcome of this matter will not have a material adverse effect on the Group's financial position.

24. **Operating lease commitments**

Annual commitments under non-cancellable operating leases:

Group	Land and buildings		Other	
	2000	1999	2000	1999
	£m	£m	£m	£m
Operating leases which expire:				
Within one year	0.5	1.2	0.1	0.5
In two to five years	1.3	1.5	0.4	1.2
In over five years	1.3	1.1	1.1	0.1
	<hr/>	<hr/>	<hr/>	<hr/>
	3.1	3.8	1.6	1.8
	<hr/>	<hr/>	<hr/>	<hr/>

There are no operating lease commitments in the Company.

25. **Pensions**

The Group operates a number of pension plans throughout the world. The principal scheme is the McKechnie Pension Plan in the UK ("the Plan") and provides defined benefit pensions for its members. The assets of the Plan are held in a fund administered by McKechnie Pension Trust Limited, an independent trustee company.

The latest actuarial valuation of the Plan, using the projected unit cost method, was carried out as at 6 April 1998. The principal assumptions used were a 6.5% pa return on investments pre-retirement with 6% pa post-retirement, 5% pa increase in members' earnings, 3% pa pension increases, published mortality rates, withdrawals and early retirements appropriate to the Plan. The market value of the Plan's assets was £170m and the actuarial value of the assets was sufficient to cover 104% of the benefits that had accrued to members, after allowing for expected future increases in earnings. On the recommendation of the actuary, employer contributions to the Plan have been continued at a rate of 11% of earnings with effect from 1 August 1999.

The Group's subsidiary undertakings in the USA, principally operate defined contribution schemes. In other locations pension schemes are operated in accordance with local custom. The contributions to these schemes are charged against profits as incurred, and the introduction of SSAP 24 in respect of these schemes would not result in any material change to the Group's pension charge.

The net pension charge for the Group was £5.4m (1999: £6.8m) of which a charge of £4.0m (1999: £5.0m) related to the Plan after amortising an actuarial surplus over the average remaining service lives of current active members. An accrual of £1.9m (1999: £1.7m) is included in creditors which represents the excess of the amounts charged in the profit and loss account over the amounts funded.

26. Related party transactions

The Group recharges the McKechnie Pension Plan with the costs of administration and independent advisors borne by the Group. The total amount recharged in the year to 31 July 2000 was £1.5m (1999: £0.4m).

Sales to and purchases from joint ventures amounted to £9.0m and £3.0m (1999: £6.4m and £0.9m) respectively during the year.

27. Post Balance Sheet Event

On 2 September 2000 recommended proposals for the acquisition, for cash, of the whole of the issued and to be issued share capital of the Company, to be implemented by way of a Scheme of Arrangement under section 425 of the Companies Act 1985, were announced. Following shareholder approval of the Scheme of Arrangement on 28 September 2000, the Scheme was sanctioned by the Court on 23 October 2000. The Scheme became effective upon registration of the Court Order with the Registrar of Companies on 26 October 2000. The Company de-listed from the London Stock Exchange Official List and re-registered as a private limited company, changing its name to McKechnie Limited, on 27 October 2000.

28. Subsidiary undertakings and joint ventures

The share capital of the subsidiary undertakings is designated, with minor exceptions, as ordinary shares.

The subsidiary undertakings operating in the UK are all registered in England. Other subsidiary undertakings are incorporated in the country of operation.

Particulars of minor or non-trading subsidiary undertakings and of joint ventures which do not materially affect the Group results have been excluded.

All shareholdings represent 100% of the equity and the voting rights except where indicated. The shares of subsidiary undertakings marked * are held by subsidiary undertakings.

The trading activities of the aerospace companies involve both airframe and engine fasteners, latches, rods, electromechanical systems and bearings for both new build and maintenance after market. Engineered plastics covers automotive and other plastic components. Proprietary fasteners includes fasteners and inserts for plastic and metal for the telecommunications and IT markets.

Operating in the UK

McKechnie Components Ltd (trading as McKechnie Vehicle Components (Pickering, Milton Keynes, Belfast) and McKechnie Plastic Components (Stamford Bridge, Beith, Wragby, Burnett Polymer Engineering and Paxton)
McKechnie Specialist Products Ltd (trading as Linread Automotive, PSM International and Dzus Fasteners)

Linread PLC (trading as Linread Northbridge)

Hawke Cable Glands Limited

McKechnie Management Services Limited - Property and Management Company

* Aero Quality Sales Limited

Operating in Mainland Europe

* Eachairn Investments SARL (Luxembourg) - Holding Company

* PSM Fixation SA (France)

* PSM Metall-und-Kunststoff Verbindungssysteme GmbH (Germany)

27. **Subsidiary undertakings and joint ventures continued**

Operating in Mainland Europe continued

- * Fijaciones Industriales PSM (Spain)
- * McKechnie Nederland BV (Netherlands) (trading as McKechnie Vehicle Components Enschede)
- * McKechnie Espana SA (Spain)
- * Dzus Fasteners GmbH (Germany)
- * Dzus France SA (France)
- * Technical Airborne Components SA (Belgium) (trading as TAC)

Operating in the USA

- * McKechnie Investments, Inc - Holding Company
- * McCourtney Plastics Components (MN), Inc (trading as McKechnie Tool & Engineering and MPC Minneapolis)
- * McKechnie Plastic Components, Inc (trading as MPC Easley)
- * McKechnie Vehicle Components USA, Inc (trading as MVC Troy, MVC Newberry and MVC Nicholasville)
- * PSM Fastener Corporation
- * Valley Todeco, Inc
- * DFS International, Inc
- * Arger Enterprises, Inc
- * Jesse Industries, Inc
- * McKechnie Aerospace, Inc (trading as PTM International)
- * Hawke Cable Glands LC
- * Western Sky Industries LLC (trading as Tyee Aircraft, Electromech, Welco and Aero Quality Sales)
- * Hartwell Corporation

Joint Ventures

- * PSM Fasteners AB (Sweden)
- * PSM Celada Fasteners srl (Italy)
- * Japan PSM Company Limited (Japan)