

COMPANY NUMBER: 977203

McKECHNIE OVERSEAS LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

YEAR ENDED 31 JULY 2004



McKECHNIE OVERSEAS LIMITED

DIRECTORS' REPORT

The directors present their report and financial statements for the year ended 31 July 2004.

Results and Dividends

The profit on ordinary activities for the year, after taxation, amounted to £4,908,214 (2003: £838,383). A dividend of £9,166,667 was paid during the year. An amount of £4,258,453 has been withdrawn from reserves (2003: £838,383 transferred to reserves).

Principal Activity and Review of the Business

The principal activity of the company during the year was that of an investment holding company and will continue to be so in the future.

Post Balance Sheet Events

On 26 May 2005 the company's ultimate parent undertaking Mozart Jersey Holdings No 1 Limited was acquired by Melrose PLC.

Ultimate Parent Undertaking

The ultimate parent undertaking is Mozart Jersey Holdings No.1 Limited (MJH No.1). Mozart Jersey Holdings No 2 Limited (MJH No.2) is associated to MJH No.1 and controls a substantial proportion of the company.

Directors

The names of the persons who were directors of the Company during the year were: -

R E McDonald

P D Shepherd

S G Moberley (resigned 26 May 2005)

Directors' Interests

The interests of the directors in the share capital of group companies are shown in Table 1. None of the directors maintain any options to subscribe for shares or debentures in any other group company.

McKECHNIE OVERSEAS LIMITED

DIRECTORS' REPORT

Table 1

	Ordinary £1 Shares
	Holding as at
	31 July 2004 and
	2 August 2003
	<u>No.</u>
MJH No.1	
Mr SG Moberley	11,671
Mr PD Shepherd	3,183
Mr RE McDonald	1,000
MJH No.2	
Mr SG Moberley	5,241
Mr PD Shepherd	1,430
Mr RE McDonald	500

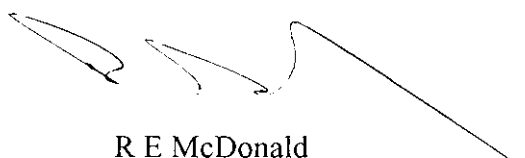
Auditors

Ernst & Young LLP are the auditors of the company.

Share Capital

The authorised share capital of the Company is £1,449,055 divided into 1,449,055 Ordinary shares of £1 each. The total issued share capital is £1,449,055 divided into 1,449,055 Ordinary shares of £1 held by McKechnie Limited.

On behalf of the Board



R E McDonald
Secretary

Precision House
Arden Road
Alcester
Warwickshire
B49 6HN

.....26 May.....2005

McKECHNIE OVERSEAS LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that year. In preparing those 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;
- 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 which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They 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

McKECHNIE OVERSEAS LIMITED

We have audited the McKechnie Overseas Limited Financial Statements for the year ended 31 July 2004, which comprise the Profit and Loss Account, Balance Sheet, Statement of Total Recognised Gains and Losses and the related notes 1 to 11. These Financial Statements have been prepared on the basis of 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

As described in the Statement of Directors' Responsibilities the Company's directors are responsible for the preparation of the Financial Statements in accordance with applicable United Kingdom law and accounting standards.

Our responsibility is to audit the Financial Statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the Financial Statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the Financial Statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with McKechnie Overseas Limited 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 United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the Financial Statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the Financial Statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Financial Statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the Financial Statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company as at 31 July 2004 and of its result for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Ernst & Young LLP
Registered Auditor
Birmingham

Ernst & Young LLP

26 May 2005

McKECHNIE OVERSEAS LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 JULY 2004

	<u>Note</u>	<u>2004</u> £	<u>2003</u> £
Interest receivable		813,328	748,359
Dividend received		5,666,667	107,818
Other operating income/(expenses)		(78,989)	23,737
Interest payable and similar charges	2	(1,486,295)	-
		<hr/>	<hr/>
Profit on ordinary activities before taxation		4,914,711	879,914
Taxation on profit on ordinary activities	3	(6,497)	(41,531)
		<hr/>	<hr/>
Profit on ordinary activities after taxation		4,908,214	838,383
Dividend paid		(9,166,667)	-
		<hr/>	<hr/>
Retained (loss)/profit for the year	8	(4,258,453)	838,383
		<hr/> <hr/>	<hr/> <hr/>

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

	<u>2004</u> £	<u>2003</u> £
Profit on ordinary activities after taxation	4,908,214	838,383
Foreign exchange adjustment	970,685	(1,843,691)
Revaluation of fixed asset investments	(970,685)	1,843,691
	<hr/>	<hr/>
Total recognised gains and losses	4,908,214	838,383
	<hr/> <hr/>	<hr/> <hr/>

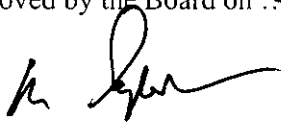
McKECHNIE OVERSEAS LIMITED

BALANCE SHEET AT 31 JULY 2004

	<u>NOTE</u>	<u>2004</u> £	<u>2003</u> £
FIXED ASSETS:			
Investments	4	199,980,926	202,868,619
		<hr/>	<hr/>
CURRENT ASSETS:			
Debtors	5	1,544,518	360,162
Cash at bank and in hand		90,471	90,471
		<hr/>	<hr/>
		1,643,989	450,633
CREDITORS: amounts falling due within one year	6	(80,496,553)	(77,941,437)
		<hr/>	<hr/>
Net current liabilities		(78,861,564)	(77,490,804)
		<hr/>	<hr/>
		121,119,362	125,377,815
		<hr/>	<hr/>
CAPITAL AND RESERVES:			
Called up share capital	7	1,449,055	1,449,055
Share premium account	8	120,020,634	120,020,634
Profit and loss account	8	(350,327)	3,908,126
		<hr/>	<hr/>
Equity shareholders' funds		121,119,362	125,377,815
		<hr/>	<hr/>

The notes on pages 8 to 11 form an integral part of these Financial Statements.

Approved by the Board on *26 May*.....2005



P D Shepherd
Director

McKECHNIE OVERSEAS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 JULY 2004

1. ACCOUNTING POLICIES

Accounting Convention

The financial statements have been prepared under the historical cost accounting rules, and comply with the Companies Act 1985 and with applicable accounting standards.

The company has taken the exemption under Financial Reporting standard 1 (Revised 1996) not to prepare a cash flow statement because 90% of the voting rights of the company are controlled within the McKechnie Group. The company has not prepared consolidated financial statements since the results are incorporated in the consolidated financial statements of McKechnie Holdings (UK) Limited. These accounts therefore only reflect the results of the company.

The accounts have been prepared on a going concern basis, as the parent company has agreed to provide financial assistance for the foreseeable future.

Foreign currencies

Transactions expressed in foreign currencies have been translated into sterling at the rates of exchange approximating to those ruling at the date of the transaction. Monetary assets and liabilities have been translated at rates ruling at the balance sheet date. Exchange differences have been included in operating profit, except where they represent a hedge against foreign currency denominated investments.

Deferred Taxation

In accordance with FRS 19, deferred taxation is provided at the rate ruling on the balance sheet date on timing differences that arise from the recognition of income and expenditure in differing periods for taxation and accounting purposes. Under this policy no provision has been made for the potential further liability to taxation that would arise in the event of the realisation of investment properties included at valuation in the accounts at the values attributed to them.

Investments in Subsidiaries

Investments in subsidiaries are stated at cost less provision for any permanent diminution in value.

2. INTEREST PAYABLE AND SIMILAR CHANGES

	<u>2004</u>	<u>2003</u>
	£	£
Interest payable to parent undertakings	<u>1,486,295</u>	<u>-</u>

McKECHNIE OVERSEAS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 JULY 2004

3. TAXATION ON PROFIT ON ORDINARY ACTIVITIES

(a) Analysis of Charge in Year

	<u>2004</u>	<u>2003</u>
	£	£
Based on the profit for the year:		
Corporation tax at 30% (2003: 30%)	-	226,600
Adjustment in respect of prior period	(74,836)	(259,905)
Withholding tax	<u>81,333</u>	<u>74,836</u>
Total current tax (note (b))	<u>6,497</u>	<u>41,531</u>
Tax on profit on ordinary activities	<u><u>6,497</u></u>	<u><u>41,531</u></u>

(b) Factors Affecting Tax Charge For Year

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

	<u>2004</u>	<u>2003</u>
	£	£
Profit on ordinary activities before tax	<u>4,914,711</u>	<u>879,914</u>
Profit on ordinary activities at standard rate of corporation tax in the UK of 30% (2003: 30%)	1,474,413	263,974
Disallowed expenses	14,125	(5,029)
Non taxable income	(1,700,000)	-
Grossing up of dividend receivable	-	13,862
Double tax relief	-	(46,207)
Excess losses	211,462	-
Adjustment in respect of previous period	(74,836)	(259,905)
Withholding tax	<u>81,333</u>	<u>74,836</u>
Current tax charge for year (note (a))	<u><u>6,497</u></u>	<u><u>41,531</u></u>

(c) Factors Affecting Future Tax Charges

The amount of deferred tax asset not recognised at 31 July 2004 at 30% is £211,462 (2003: £Nil).

McKECHNIE OVERSEAS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 JULY 2004

4. FIXED ASSET INVESTMENTS

	Shares in subsidiary undertakings £	Loans to subsidiary undertakings £	Total £
At 2 August 2003	193,223,766	9,644,853	202,868,619
Addition	5,006	-	5,006
Asset revaluation	(970,685)	-	(970,685)
Capital reduction	(2,164,474)	-	(2,164,474)
Net movement on loans	-	242,460	242,460
	<hr/>	<hr/>	<hr/>
At 31 July 2004	190,093,613	9,887,313	199,980,926
	<hr/>	<hr/>	<hr/>

Investments in shares is comprised of the following wholly owned subsidiaries (country of incorporation shown in brackets): -

PSM Fasteners International BV (Netherlands)
 McKechnie Holdings (Ireland) Limited (Ireland)
 McKechnie France SAS (France)
 McKechnie Deutschland GmbH (Germany)
 Fijaciones Industriales PSM SA (Spain)
 Eachairn Holdings (Singapore) PTE Limited (Singapore)
 PSM Fasteners (Wuxi) PTE Limited (China)
 PSM International S.R.O. (Czech Republic)

In the opinion of the directors, the aggregate value of the investments is not less than the amount at which it is stated in the balance sheet.

5. DEBTORS

	<u>2004</u> £	<u>2003</u> £
Amounts owed by fellow subsidiary undertakings	1,525,989	341,633
Other Debtors	18,529	18,529
	<hr/>	<hr/>
	1,544,518	360,162
	<hr/>	<hr/>

6. CREDITORS: Amounts falling due within one year

	<u>2004</u> £	<u>2003</u> £
Amounts due to fellow subsidiary undertakings	-	922,098
Amounts due to immediate parent undertaking	80,496,553	76,792,739
Corporation tax	-	226,600
	<hr/>	<hr/>
	80,496,553	77,941,437
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McKECHNIE OVERSEAS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR 31 JULY 2004

7. SHARE CAPITAL

	No of Shares	£
Authorised, allotted, called up and fully paid: £1 ordinary shares At 31 July 2004 & 2 August 2003	1,449,055	1,449,055
	=====	=====

8. RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENTS ON RESERVES

	Share capital £	Share premium £	Profit and loss Account £	Total £
At 2 August 2003	1,449,055	120,020,634	3,908,126	125,377,815
Loss for the year	-	-	(4,258,453)	(4,258,453)
Profit on exchange	-	-	970,685	970,685
Asset revaluation	-	-	(970,685)	(970,685)
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At 31 July 2004	1,449,055	120,020,634	(350,327)	121,119,362
	=====	=====	=====	=====

9. RELATED PARTY TRANSACTIONS

Interest payable relates to interest payable to immediate parent undertaking £1,469,390 and to fellow subsidiaries £16,905.

Interest receivable of £813,328, (2003: £748,359) relates to interest receivable from Eachaim Holdings (Singapore) PTE Limited, a subsidiary undertaking.

Amounts due from fellow subsidiaries are disclosed in Note 5.

Amounts due to McKechnie Limited, the immediate parent undertaking are disclosed in Note 6.

10. IMMEDIATE PARENT UNDERTAKING

The immediate parent undertaking is McKechnie Limited, which is registered in England and Wales.

The smallest group in which the results of the Company are included is the Group accounts of McKechnie Holdings (UK) Limited, a company incorporated in England and Wales.

The largest group in which the results of the Company are included is the Group accounts of Mozart Jersey Holdings No. 1 Limited, a company incorporated in Jersey.

11. POST BALANCE SHEET EVENTS

On 26 May 2005 the company's ultimate parent undertaking Mozart Jersey Holdings No 1 Limited was acquired by Melrose PLC.