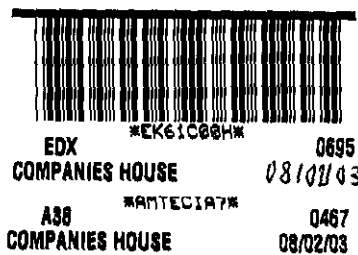


COMPANY NUMBER: 3979023

McKECHNIE HOLDINGS (UK) LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 3 AUGUST 2002



EDX	*EK61C08H*	0695
COMPANIES HOUSE		08101103
A38	*ANTECIA7*	0467
COMPANIES HOUSE		08/02/03

McKECHNIE HOLDINGS (UK) LIMITED

DIRECTORS' REPORT

The directors present their reports and financial statements for the year ended 3 August 2002.

Principal Activities and Review of the Business

The principal activity of the company is to act as an investment holding company.

Likely Future Developments

The Directors expect that the group will continue with the principal activity set out above.

Directors

The directors holding office during the year were as follows:-

Mr P A C Catterall
Mr R M Gibbon
Mr S G Moberley
Mr R J Munton
Mr M A Stacey
Mr D K W Hanratty (resigned 19 October 2001)
Mr A J Walker (resigned 13 September 2001)
Mr P D Shepherd (appointed 27 September 2001)

Dividend

The directors do not recommend the payment of a dividend in respect of this financial year.

Auditors

Ernst & Young LLP are the auditors of the company. Elective Resolutions pursuant to s379A of the Companies Act 1985 to dispense with the requirements to lay accounts before the company in general meetings, to hold annual general meetings and to appoint auditors annually were passed on 17 October 2001.

Share Capital

The authorised share capital of the Company is £605,000 divided into 605,000 Ordinary shares of £1 each. The total issued share capital of £605,000 is divided into 605,000 Ordinary shares of £1 each held by Mozart Jersey Holdings No. 1 Limited (417,499 Ordinary shares) and Mozart Jersey Holdings No. 2 Limited (187,501 Ordinary shares).

McKECHNIE HOLDINGS (UK) LIMITED

DIRECTORS' REPORT continued

Directors' Interests

The interests of the directors in the share capital of Mozart Jersey Holdings No.1 Limited and Mozart Jersey Holdings No.2 Limited shown in Table 1. None of the directors maintain any options to subscribe for shares or debentures in any group company.

Table 1

	Ordinary £1 Shares Holding as at 4 August 2001 <u>No.</u>	Repaid <u>No.</u>	Ordinary £1 Shares Holding as at 3 August 2002 <u>No.</u>
Mozart Jersey Holdings No.1 Limited			
Mr RM Gibbon	3,100		3,100
Mr SG Moberley	9,500		9,500
Mr MA Stacey	1,484		1,484
Mr RJ Munton	67		67
Mr PAC Catterall	34		34
Mr P D Shepherd	1,000		1,000
Mozart Jersey Holdings No.2 Limited			
Mr RM Gibbon	1,400		1,400
Mr SG Moberley	4,300		4,300
Mr MA Stacey	666		666
Mr RJ Munton	30		30
Mr PAC Catterall	15		15
Mr P D Shepherd	500		500

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.

On behalf of the Board

R E McDonald
Secretary
Precision House
Arden Road
Alcester
Warwickshire
B49 6HN

28 NOVEMBER 2002

McKECHNIE HOLDINGS (UK) 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 for that year. In preparing those 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; 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 which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the accounts comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
MCKECHNIE HOLDINGS (UK) LIMITED

We have audited the McKechnie Holdings (UK) Limited financial statements for the year ended 3 August 2002, which comprise the Profit and Loss Account, Balance Sheet, Statement of Total Recognised Gains and Losses and the related notes 1 to 12. 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 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 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 Holdings (UK) 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.

Adverse Opinion

The company has not prepared group financial statements, contrary to the provisions of Financial Reporting Standard No. 2 and of the Companies Act 1985. In view of the matter referred to above, in our opinion the accounts do not give a true and fair view of the state of affairs of the group at 3 August 2002 and of its profit or loss for the year then ended. In addition, the financial statements do not contain a statement of cash flows as required by financial Reporting Standard 1 (Revised 1996) (FRS 1). While the cash flows of the company are included in the consolidated cash flow statement prepared by its parent undertaking, that parent undertaking does not control 90% or more of the voting rights of the company. FRS 1 therefore requires the preparation of a cash flow statement. Net cash flows of the company for the year ended 3 August 2002 amount to £(18,381,668) and in our opinion information about the company's cash flow is necessary for a proper understanding of the company's state of affairs and loss. Except for the failure to provide information about the company's cashflows, in our opinion the financial statements give a true and fair view of the state of affairs of the company as at 3 August 2002 and of its loss for the year then ended.

Except for the failure to prepare group financial statements and the omission of the company's cash flow statement, in our opinion the accounts have been properly prepared in accordance with the Companies Act 1985.

Ernst & Young LLP
Ernst & Young LLP

Registered Auditor, Birmingham

13 December 2002.

McKECHNIE HOLDINGS (UK) LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 3 AUGUST 2002

	<u>Note</u>	<u>2002</u> £	<u>2001</u> £
Administrative expenses		(460,373)	(606,917)
Operating loss		(460,373)	(606,917)
Interest receivable		-	2,991,025
Interest payable	2	(12,780,043)	(9,389,619)
Loss on ordinary activities before tax		(13,240,416)	(7,005,511)
Tax on loss on ordinary activities	3	4,327,087	291,556
Loss withdrawn for the financial year	9	(8,913,329)	(6,713,955)

Statement of Recognised Gains and Losses

	<u>2002</u> £	<u>2001</u> £
Loss withdrawn for year	(8,913,329)	(6,713,955)
Foreign exchange profit/(loss)	27,909	(447,912)
Increase in share capital	-	605,000
Total gains and losses recognised since last annual report	(8,885,420)	(6,556,867)
Opening shareholders' funds	(6,556,867)	-
Closing shareholders' funds	9 (15,442,287)	(6,556,867)

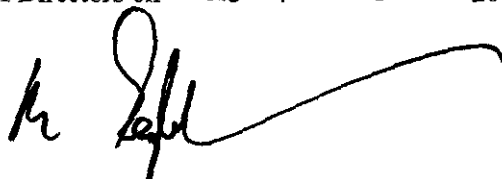
McKECHNIE HOLDINGS (UK) LIMITED

BALANCE SHEET AT 3 AUGUST 2002

	NOTE	<u>2002</u> £	<u>2001</u> £
FIXED ASSETS			
Investments	4	109,641,664	109,641,664
		<hr/>	<hr/>
CURRENT ASSETS			
Debtors	5	5,716,520	8,485,747
		<hr/>	<hr/>
		5,716,520	8,485,747
		<hr/>	<hr/>
CREDITORS: amounts falling due within one year	6	(31,017,092)	(13,904,071)
		<hr/>	<hr/>
Net current liabilities		(25,300,572)	(5,418,324)
		<hr/>	<hr/>
Total assets less current liabilities		84,341,092	104,223,340
		<hr/>	<hr/>
CREDITORS: amounts falling due after more than one year	7	(99,783,379)	(110,780,207)
		<hr/>	<hr/>
		(15,442,287)	(6,556,867)
		<hr/>	<hr/>
CAPITAL AND RESERVES			
Called up share capital	8	605,000	605,000
Profit and loss account	9	(16,047,287)	(7,161,867)
		<hr/>	<hr/>
Equity Shareholders' Funds		(15,442,287)	(6,556,867)
		<hr/>	<hr/>

The notes on pages 8 to 15 form an integral part of these Financial Statements.

Approved by the Board of Directors on 28 NOVEMBER 2002.



P D Shepherd
Director

McKECHNIE HOLDINGS (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 3 AUGUST 2002

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 not prepared consolidated financial statements and therefore these accounts 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

Monetary assets and liabilities have been translated at rates ruling at the balance sheet date.

Investments in Subsidiaries

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

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.

2. INTEREST PAYABLE

	<u>2002</u>	<u>2001</u>
	£	£
Bank loans and overdrafts	2,977,721	3,124,427
Other loans	<u>9,802,322</u>	<u>6,265,192</u>
	<u>12,780,043</u>	<u>9,389,619</u>

3. TAXATION ON LOSS ON ORDINARY ACTIVITIES

(a) Analysis of Charge in Year

	<u>2002</u>	<u>2001</u>
	£	£
Based on loss for the period:		
Corporation tax at 30% (2001: 30%)	(3,884,661)	(291,556)
Adjustment in respect of prior period	<u>(442,426)</u>	-
Current tax charge for year	<u>(4,327,087)</u>	<u>(291,556)</u>

McKECHNIE HOLDINGS (UK) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 3 AUGUST 2002

3. TAXATION ON LOSS ON ORDINARY ACTIVITIES (continued)

(b) Factors Affecting Tax Charge For Year

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

	<u>2002</u> £	<u>2001</u> £
Loss on ordinary activities before tax	(13,240,416)	(7,005,511)
Loss on ordinary activities at standard rate of corporation tax in the UK of 30% (2001 30%)	(3,972,125)	(2,101,653)
Disallowed expenses	14,111	182,075
Excess losses carried forward	84,030	1,628,022
Adjustment in respect of previous period	(442,426)	-
Under provision in period	(10,677)	-
Current tax charge for year	<u>(4,327,087)</u>	<u>(291,556)</u>

(c) Factors That May Affect Future Tax Charges

The amount of deferred tax asset not recognised at 3 August 2002 in respect of excess losses is £1,545,704 (2001: £1,628,022).

4. FIXED ASSET INVESTMENTS

	<u>2002</u> £	<u>2001</u> £
At beginning of period	109,641,664	-
Addition	-	109,641,664
At end of period	<u>109,641,664</u>	<u>109,641,664</u>

Investments represent 100% of the share capital of McKechnie Investment Holdings Limited

The subsidiaries of this company are disclosed in Note 12.

McKECHNIE HOLDINGS (UK) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 3 AUGUST 2002

5. DEBTORS

	<u>2002</u>	<u>2001</u>
	£	£
Amounts owed by fellow subsidiary undertakings	-	5,552,607
Prepayments and accrued income	1,831,859	2,641,584
Taxation	3,884,661	291,556
	<hr/>	<hr/>
	5,716,520	8,485,747
	<hr/> <hr/>	<hr/> <hr/>

6. CREDITORS: amounts falling due within one year

	<u>2002</u>	<u>2001</u>
	£	£
Current instalments due on loans	(3,220,816)	(2,595,431)
Amount owed to fellow subsidiary undertakings	(27,174,051)	(10,307,100)
Interest on bank loans	(622,225)	(936,971)
Accruals and deferred income	-	(64,569)
	<hr/>	<hr/>
	(31,017,092)	(13,904,071)
	<hr/> <hr/>	<hr/> <hr/>

McKECHNIE HOLDINGS (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 3 AUGUST 2002

7. CREDITORS: amounts falling due after more than one year

	<u>2002</u> £	<u>2001</u> £
Loans	86,115,255	105,122,308
Interest on loans	13,668,124	5,657,899
	<u>99,783,379</u>	<u>110,780,207</u>
Amounts falling due:		
In one year or less or on demand	3,843,040	2,611,565
In more than one year but not more than two years	5,599,096	5,614,654
In more than two years but not more than five years	20,770,840	27,681,551
In more than five years	73,413,444	77,484,002
	<u>103,626,420</u>	<u>113,391,772</u>
Less: included in creditors amounts falling due within one year (Note 6)	<u>(3,843,041)</u>	<u>(2,611,565)</u>
Loans falling due after more than one year	<u>99,783,379</u>	<u>110,780,207</u>
Details of loans not wholly repayable within five years are as follows:-		
Unsecured loan notes 2010 (Deep discounted bonds)	69,801,124	61,807,033
Secured term loan A	<u>33,825,296</u>	<u>51,584,739</u>
	<u>103,626,420</u>	<u>113,391,772</u>

Term loan A is repayable over 7 years from its drawing date on 1 November 2000 as follows:

Year following drawing	1	2	3	4	5	6	7
Term A repayment	2.5%	7.5%	14.0%	17.0%	19.0%	20.0%	20.0%

The rate of interest payable on the loan is 2.125% above LIBOR.

McKECHNIE HOLDINGS (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 3 AUGUST 2002

7. CREDITORS: amounts falling due after more than one year (continued)

Secured bank term loans accrue interest at variable interest rates linked to LIBOR or EURIBOR plus margins set by the loan agreements. The company has entered into interest rate swaps which result in the variable element of the interest charge being fixed.

Secured bank term loans are secured by multi-party debentures entered into or acceded to by all active subsidiaries. Within these debentures, security is provided by:

- a) Charges on shares
- b) Mortgage or first fixed charge on various assets of the Company and its subsidiary undertakings
- c) First floating charge on all its undertakings and assets subject to a) and b)

In addition, certain overseas subsidiaries holding shares in other subsidiaries have pledged these shares.

Certain subsidiaries have also provided guarantees of the obligations of the Company, McKechnie EP Holdings Limited and McKechnie Aerospace Holdings Limited under the secured bank term loans.

Unsecured loan notes 2010 (Deep Discounted Bonds)

The loan notes have a nominal value of £69.8m and were issued at a deep discount. The notes are due to be redeemed on 1 November 2010 at 100% of the nominal value. The notes can be redeemed at an earlier date subject to the approval of the majority note holders and the provisions of a priority agreement. The repayment is based on an annual compounding formula. Interest is accrued and not paid prior to redemption. The notes are neither secured nor guaranteed by any other group members. The rate of interest payable on the bonds is 13%.

8. SHARE CAPITAL

	No of <u>Shares</u>	<u>Authorised</u>		<u>Allotted, called up and fully paid</u>	
			£	No of <u>Shares</u>	£
Ordinary shares of £1 each:					
At 3 August 2002 and 4 August 2001	605,000	605,000		605,000	605,000
	=====	=====		=====	=====

McKECHNIE HOLDINGS (UK) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 3 AUGUST 2002

9. RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENTS ON RESERVES

	<u>Share capital</u> £	<u>Profit And loss Account</u> £	<u>Total Shareholders' Funds</u> £
At 4 August 2001	605,000	(7,161,867)	(6,556,867)
Foreign Exchange Gain	-	27,909	27,909
Loss withdrawn for year	-	(8,913,329)	(8,913,329)
	<hr/>	<hr/>	<hr/>
At 3 August 2002	605,000	(16,047,287)	(15,442,287)
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

10. RELATED PARTY TRANSACTIONS

Interest payable includes an amount of £982,372 due to fellow subsidiaries.

Amounts due to/from fellow subsidiaries are disclosed in Notes 5 and 6.

11. IMMEDIATE PARENT UNDERTAKING

The immediate parent undertaking is Mozart Jersey Holdings No. 1 Limited, which is registered in Jersey.

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

12. SUBSIDIARY UNDERTAKINGS AND JOINT VENTURES

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

Auditors remuneration is paid by the subsidiary undertakings.

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

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 of the company.

McKECHNIE HOLDINGS (UK) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 3 AUGUST 2002

12. SUBSIDIARY UNDERTAKINGS AND JOINT VENTURES (continued)

Operating in the UK

McKechnie Investment Holdings – Holding Company

- * Blue Azure Limited – Holding Company
- * McKechnie Limited- Holding Company
- * McKechnie Specialist Products Limited
- * McKechnie Management Services Limited – Property and Management Company
- * McKechnie Overseas Limited – Holding Company
- * Multi Automation Limited
- * McKechnie Components Limited
- * Brandhill Limited
- * McKechnie Europe Limited

Operating in Mainland Europe

- * PSM Fixation SA (France)
- * PSM Metall-und-Kunststoff Verbindungssysteme GmbH (Germany)
- * Fijaciones Industriales PSM (Spain)
- * Dzus Fasteners GmbH (Germany)
- * Dzus France SA (France)
- * McKechnie Investments BV (Netherlands)
- * Eachairn Investments BV (Netherlands)
- * Eachairn Insurance Limited (Guernsey)
- * McKechnie France EURL (France)
- * McKechnie Deutschland GmbH (Germany)
- * McKechnie Holdings (Ireland) Limited (Ireland)
- * PSM International BV (Netherlands)

McKECHNIE HOLDINGS (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 3 AUGUST 2002

12. SUBSIDIARY UNDERTAKINGS AND JOINT VENTURES (continued)

Operating elsewhere

- * PSM Fasteners (Wuxi) PTE Limited (Taiwan)
- * Eachaim Holdings (Singapore) PTE Limited (Singapore)
- * PSM International (Pacific) PTE Limited (Singapore)
- * PSM Fasteners Singapore PTE Limited (Singapore)
- * PSM Fasteners (Pty) Limited (South Africa)

Joint Ventures

- * PSM Fasteners AB (Sweden)
- * PSM Celada Fasteners srl (Italy)
- * Japan PSM Company Limited (Japan)
- * Japan Dzus (Japan)
- * McKechnie Exotech Industries (India)
- * PSM Fasteners (Pty) Limited (Australia)
- * Phoenix (McKechnie) Travel Limited
- * PSM Fasteners (Taiwan) Limited
- * PSM Fasteners (Asia) Limited