

McKechnie EP Holdings Limited
Annual report
for the year ended 31 December 2007

Registered Number 3985580



McKechnie EP Holdings Limited

Directors' report for the year ended 31 December 2007

The Directors present their annual report and the audited financial statements for the year ended 31 December 2007. 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 principal activity of the Company is to act as an investment holding company.

The Directors consider the financial position of the Company at the year end to be satisfactory. An impairment charge of £10,732,000 was recognised during the year with respect to the investment in McKechnie Engineered Plastics Ltd. The Company will continue to act as an investment holding company.

Results and dividends

The loss for the year after taxation transferred from reserves amounted to £11,622,000 (2006: £265,000). The Directors do not recommend the payment of a dividend (2006: £nil).

Directors

The Directors who held office during the year, except as noted, were:

G P Martin
S A Peckham
A G Peart
J C Miller (Alternate)
D A Roper (Alternate)
G E Barnes

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

McKechnie EP Holdings Limited

Directors' report for the year ended 31 December 2007 (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 judgments 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

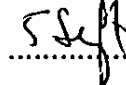
The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets 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

Director

.....2008

McKechnie EP Holdings Limited

Independent auditors' report to the members of McKechnie EP Holdings Limited

We have audited the financial statements of McKechnie EP Holdings Limited for the year ended 31 December 2007 which comprise the Profit and Loss Account, the Balance Sheet and the related notes 1 to 11. 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 if, 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 judgments 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.

McKechnie EP Holdings Limited

Independent auditors' report to the members of McKechnie EP Holdings 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 2007 and of its loss 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

Deloitte & Touche LLP

Deloitte & Touche LLP

Chartered Accountants and Registered Auditors
London, UK

5/9/ 2008

McKechnie EP Holdings Limited

Profit and loss account for the year ended 31 December 2007

		Year ended 31 December 2007	Year ended 31 December 2006
	Notes	£'000	£'000
Operating expenses – exceptional	3	(10,732)	-
Operating loss	2	(10,732)	-
Interest payable and similar charges	4	(890)	(265)
Loss on ordinary activities before taxation		(11,622)	(265)
Tax on loss on ordinary activities	5	-	-
Loss for the year transferred from reserves	9	(11,622)	(265)

There are no recognised gains or losses for either the current or preceding year 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 operations

McKechnie EP Holdings Limited

Balance sheet as at 31 December 2007

		31 December 2007 £'000	31 December 2006 £'000
	Notes		
Fixed assets			
Investments	6	22,250	32,982
		<u>22,250</u>	<u>32,982</u>
Creditors amounts falling due within one year	7	(15,192)	(14,302)
Net current liabilities		<u>(15,192)</u>	<u>(14,302)</u>
Total assets less current liabilities		<u>7,058</u>	<u>18,680</u>
Capital and reserves			
Called up share capital	8	110,018	110,018
Profit and loss account	9	(102,960)	(91,338)
Shareholders' funds	9	<u>7,058</u>	<u>18,680</u>

The financial statements on pages 5 to 10 were approved by the Board of Directors on

5/9/08

and were signed on its behalf by



GE Barnes
Director

McKechnie EP Holdings Limited

Notes to the financial statements for the year ended 31 December 2007

1 Principal accounting policies

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

Basis of preparation

These financial statements have been prepared under the historical cost convention and in accordance with applicable UK law and accounting standards. The Company has not prepared group accounts as it is exempt under section 228 of the Companies Act 1985.

Cash flow statement

The Company is a subsidiary of Melrose PLC 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.

2 Operating loss

The audit fee of £3,000 (2006, £3,000) was borne by a fellow Group company.

The Company has no employees and the Directors are remunerated by another Group company in the current and previous year.

McKechnie EP Holdings Limited

Notes to the financial statements for the year ended 31 December 2007

3 Operating expenses - exceptional

	Year ended 31 December 2007 £'000	Year ended 31 December 2006 £'000
Impairment of investment in McKechnie Engineered Plastics Limited	<u>10,732</u>	<u>-</u>

4 Interest payable and similar charges

	Year ended 31 December 2007 £'000	Year ended 31 December 2006 £'000
Group interest payable	<u>890</u>	<u>265</u>

5 Taxation on loss on ordinary activities

	31 December 2007 £'000	31 December 2006 £'000
(a) Analysis of charge in year		
<i>Current tax</i>		
UK corporation tax charge at 30% (2006 30%)	-	-
Total current tax (note b)	<u>-</u>	<u>-</u>

(b) Factors affecting tax (credit)/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

	31 December 2007 £'000	31 December 2006 £'000
Loss on ordinary activities before tax	<u>(11,622)</u>	<u>(265)</u>
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2006 30%)	(3,487)	(80)
<i>Effects of</i>		
Disallowable expenses	3,220	-
Group relief surrendered (at nil tax rate)	267	80
Current tax charge for year (note a)	<u>-</u>	<u>-</u>

McKechnie EP Holdings Limited

Notes to the financial statements for the year ended 31 December 2007

5 Taxation on loss on ordinary activities (continued)

(c) Factors that may affect future tax charges

The Company has an unprovided deferred tax asset in respect of excess tax losses at 28% (2006 30%) of £7.1 million (2006 £7.6 million). Based on current forecasts, it is not anticipated these will be recoverable in the foreseeable future.

6 Fixed asset investment

	Shares in subsidiary undertakings
	£'000
Cost	
At 1 January 2007 and 31 December 2007	47,435
Provision	
At 1 January 2007	(14,453)
Impairment during the year	(10,732)
At 31 December 2007	(25,185)
Net book value	
At 31 December 2006	32,982
At 31 December 2007	22,250

The investment relates to a 75% holding in McKechnie Engineered Plastics Limited, a company that is registered in the UK and operates as part of the Group's Plastic Components segment.

7 Creditors – amounts falling due within one year

	2007	2006
	£'000	£'000
Amounts due to fellow subsidiaries	15,192	14,302
	15,192	14,302

McKechnie EP Holdings Limited

Notes to the financial statements for the year ended 31 December 2007

8 Share capital

Ordinary shares of £1 each	Authorised		Allotted, called up and fully paid	
	No of shares	£	No of shares	£
At 1 January 2007 and 31 December 2007	<u>133,020,000</u>	<u>133,020,000</u>	<u>110,018,005</u>	<u>110,018,005</u>

9 Reconciliation of shareholders' funds and movements on reserves

	Share capital	Profit and loss account	Total shareholders' funds
	£'000	£'000	£'000
At 1 January 2007	110,018	(91,338)	18,680
Loss transferred from reserves	-	(11,622)	(11,622)
At 31 December 2007	<u>110,018</u>	<u>(102,960)</u>	<u>7,058</u>

10 Ultimate parent undertaking and controlling party

The immediate parent company and controlling party 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

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