

COMPANY NUMBER: 3724689

McKECHNIE SPECIALIST PRODUCTS LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

YEAR ENDED 3 AUGUST 2002



McKECHNIE SPECIALIST PRODUCTS LIMITED

DIRECTORS' REPORT

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

Results and Dividends

The loss for the year, after taxation, amounted to £41,438 (2001 restated: £6,074,063). No dividend (2001: Nil) was paid in the year. An amount of £41,438 (2001 restated: £6,074,063) has been transferred from reserves. The directors do not recommend the payment of a dividend.

Principal Activity and Review of the Business

The principal activities of the company during the year were the manufacture of industrial components.

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

Research and Development

The company 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.

Employee Involvement

The directors attach great importance to the maintenance and development of good labour relations and employee involvement and training. Employees everywhere are encouraged to be aware of the performance of their company. The responsibility for such matter lies with local management who keep employees informed in a manner appropriate to the particular circumstances of each division.

Employees

The company recognises its responsibilities for the employment of disabled persons. Having regard to their aptitudes and abilities the company gives full and fair consideration to applications for employment received from disabled persons, and so far as particular disabilities permit, will give employees disabled during their period of employment continued employment in the same job or, if this is not practicable, a suitable alternative job. Equal opportunities for appropriate training, career development and promotion are available for all employees regardless of any physical disability, their sex, religion, colour or nationality.

McKECHNIE SPECIALIST PRODUCTS LIMITED

DIRECTORS' REPORT

Likely Future Developments

None other than to continue with the present principal activities.

Ultimate Parent Undertakings

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 directors holding office during the year were as follows: -

R E McDonald
S G Moberley
P D Shepherd (appointed 19 February 2002)
D K W Hanratty (resigned 19 October 2001)
A J Walker (resigned 13 September 2001)

Directors' Interests

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

Table 1

	Ordinary £1 Shares Holding As at <u>4 August 2001</u>	<u>Repaid</u>	Ordinary £1 Shares Holding As at <u>3 August 2002</u>
MJH No.1			
Mr SG Moberley	9,500	-	9,500
Mr RE McDonald	1,000	-	1,000
Mr PD Shepherd	1,000	-	1,000
MJH No.2			
Mr SG Moberley	4,300	-	4,300
Mr RE McDonald	500	-	500
Mr PD Shepherd	500	-	500

McKECHNIE SPECIALIST PRODUCTS LIMITED

DIRECTORS' REPORT

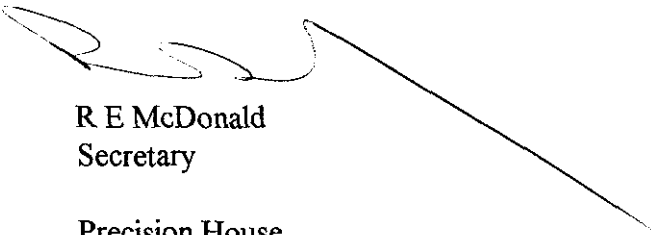
Auditors

Ernst & Young 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 21 December 2000.

Share Capital

The authorised share capital of the company is £25,000,000 divided into 25,000,000 Ordinary shares of £1 each. In February 2002 the loan account with McKechnie Limited of £24,990,000 was capitalised resulting in the issue of 24,990,000 shares of £1 each. The total issued share capital at 3 August 2002 is therefore £25,000,000 divided into 25,000,000 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

28 NOVEMBER 2002

McKECHNIE SPECIALIST PRODUCTS 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 SPECIALIST PRODUCTS LIMITED

We have audited the McKechnie Specialist Products 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 20. These financial statements have been prepared on the basis of the accounting policies set out therein.

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 Specialist Products 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 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.

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. Except for the failure to prepare group financial statements, in our opinion the accounts have been properly prepared in accordance with the Companies Act 1985.


Ernst & Young LLP
Registered Auditor
Birmingham

28 November 2002

McKECHNIE SPECIALIST PRODUCTS LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 3 AUGUST 2002

	<u>NOTE</u>	<u>2002</u> £	<u>2001</u> <u>(restated)</u> £
Turnover	2	41,188,579	48,004,714
Cost of sales		(32,140,036)	(39,044,530)
		<hr/>	<hr/>
Gross profit		9,048,543	8,960,184
Distribution expenses		(3,847,786)	(5,498,080)
Administration expenses		(4,142,680)	(6,069,209)
		<hr/>	<hr/>
Trading profit/(loss)		1,058,077	(2,607,105)
Operating exceptional items	3	-	(4,617,512)
Goodwill amortisation		(784,150)	(784,150)
		<hr/>	<hr/>
Operating profit/(loss)		273,927	(8,008,767)
Income from investments		204,893	-
Interest receivable		387	11,682
Interest payable and similar charges	6	(83)	(403,344)
		<hr/>	<hr/>
Profit/(loss) on ordinary activities before taxation		479,124	(8,400,429)
Taxation	7	(520,562)	2,326,366
		<hr/>	<hr/>
Loss after tax		(41,438)	(6,074,063)
		<hr/>	<hr/>
Loss withdrawn for the financial year	16	(41,438)	(6,074,063)
		<hr/> <hr/>	<hr/> <hr/>

McKECHNIE SPECIALIST PRODUCTS LIMITED

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

FOR THE YEAR ENDED 3 AUGUST 2002

	<u>2002</u>	<u>2001</u> <u>(restated)</u>
	<u>£</u>	<u>£</u>
Loss for the financial year	(41,438)	(6,074,063)
Total recognised gains and losses relating to the year	<hr/> (41,438)	<hr/> (6,074,063)
Prior year adjustment (as explained below)	<hr/> (575,732)	
Total gains and losses recognised since last annual report	<hr/> (617,170)	

The prior year adjustment relates to the provision of deferred tax amounting to £575,732 in 2001 following the introduction of FRS 19, which requires full provision of deferred tax liabilities.

McKECHNIE SPECIALIST PRODUCTS LIMITED

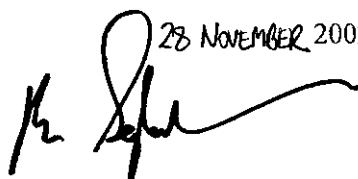
BALANCE SHEET AT 3 AUGUST 2002

	<u>NOTE</u>	<u>2002</u> £	<u>2001</u> (Restated) £
FIXED ASSETS			
Intangible assets	8	12,998,794	13,782,944
Tangible assets	9	16,160,800	17,281,423
Investments	10	<u>18,378,550</u>	<u>4,078,550</u>
		47,538,144	35,142,917
CURRENT ASSETS			
Stocks	11	4,608,147	5,084,123
Debtors	12	7,423,651	9,744,937
Cash at bank and in hand		<u>6,625,309</u>	<u>2,471,172</u>
		18,657,107	17,300,232
CREDITORS: amounts falling due within one year	13	<u>(42,298,549)</u>	<u>(53,763,054)</u>
Net current liabilities		(23,641,442)	(36,462,822)
Total assets less current liabilities		23,896,702	(1,319,905)
Provisions for liabilities and charges	14	<u>(843,777)</u>	<u>(575,732)</u>
		<u>23,052,925</u>	<u>(1,895,637)</u>
CAPITAL AND RESERVES:			
Called up share capital	15	25,000,000	10,000
Share premium account	16	4,950,000	4,950,000
Profit and loss account	16	<u>(6,897,075)</u>	<u>(6,855,637)</u>
Equity shareholders' funds		<u>23,052,925</u>	<u>(1,895,637)</u>

The notes on pages 9 to 19 form an integral part of these financial statements.

Approved by the Board of Directors on 28 NOVEMBER 2002.

S G Moberley
Director



McKECHNIE SPECIALIST PRODUCTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 3 AUGUST 2002

1. ACCOUNTING POLICIES

Accounting Convention

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

Goodwill

Goodwill, 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.

Fixed Assets

All fixed assets are recorded at cost and are depreciated on a straight line basis at the following annual rates:

Freehold buildings and long leasehold property	- over the expected economic life not exceeding 50 years.
Plant and machinery	- 4% to 50%
Fixtures and fittings	- 6.66% to 50%
Payments on account	- nil

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

Stocks

Stocks are stated at the lower of cost and net realisable value. Cost includes all direct expenditure and appropriate production overhead 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.

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.

McKECHNIE SPECIALIST PRODUCTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 3 AUGUST 2002

1. ACCOUNTING POLICIES (Continued)

Pension Costs

The company participates in the pension schemes operated by McKechnie Limited for the benefit of its UK employees. Contributions to the schemes are paid in accordance with the group's funding policy and are charged to the profit and loss account as incurred.

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 the profit and loss account on a straight line basis over the term of the lease.

Investments in Subsidiaries

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

Foreign Currencies

Transactions expressed in foreign currencies have been translated into sterling at rates of exchange approximating to those ruling at the date of the transaction. Monetary assets and liabilities have been translated at rates ruling on 3 August 2002 contracted rates.

2. TURNOVER

Turnover, which is stated net of value added tax, represents amounts invoiced and is attributable to one continuing activity, the manufacture of industrial components.

An analysis of turnover by geographical market is given below: -	<u>2002</u> £	<u>2001</u> £
United Kingdom	23,025,030	26,472,767
Rest of Europe	14,713,278	18,337,514
United States of America	1,094,560	1,182,640
Pacific	1,692,759	1,548,483
Other	662,952	463,310
	<u>41,188,579</u>	<u>48,004,714</u>

McKECHNIE SPECIALIST PRODUCTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 3 AUGUST 2002

3. OPERATING LOSS

	<u>2002</u>	<u>2001</u>
	£	£
This is stated after charging/(crediting): -		
Depreciation of owned fixed assets	2,920,675	3,648,885
Profit on disposal of fixed assets	(96,616)	(39,743)
Depreciation of assets held under finance leases	-	-
Operating lease rentals - land and buildings	297,250	297,250
Operating lease rentals - plant and machinery	53,538	54,402
Hire of plant and machinery	6,456	11,404
Auditors' remuneration - audit fees	70,311	68,649
Research & Development expenses	33,363	36,428
Goodwill amortisation	784,150	784,150
Foreign Exchange Differences	664	2,099
	=====	=====

Also included in the Operating loss were the following exceptional costs:-

	<u>2002</u>	<u>2001</u>
Accelerated depreciation of fixed assets due to impairment*	-	2,997,000
Restructuring costs	-	1,620,512
	-----	-----
	-	4,617,512
	=====	=====

* Arising from directors' review of useful life of assets.

4. DIRECTORS' EMOLUMENTS

	<u>2002</u>	<u>2001</u>
	£	£
Aggregate emoluments (excluding pension contributions)	-	-
	=====	=====

McKECHNIE SPECIALIST PRODUCTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 3 AUGUST 2002

5. STAFF COSTS

	<u>2002</u>	<u>2001</u>
	£	£
Wages and salaries	12,555,488	15,100,708
Social security costs	990,192	1,257,855
Other pension costs (note 18)	1,030,979	1,296,088
	<hr/>	<hr/>
	14,576,659	17,654,651
	<hr/> <hr/>	<hr/> <hr/>

The average weekly number of employees during the year was as follows: -

	<u>2002</u>	<u>2001</u>
Administration	187	208
Manufacturing	351	430
	<hr/>	<hr/>
	538	638
	<hr/> <hr/>	<hr/> <hr/>

6. INTEREST PAYABLE

	<u>2002</u>	<u>2001</u>
	£	£
Bank loans and overdrafts	-	259,620
Other loans	-	142,792
Finance leases	-	932
Other interest	83	-
	<hr/>	<hr/>
	83	403,344
	<hr/> <hr/>	<hr/> <hr/>

McKECHNIE SPECIALIST PRODUCTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 3 AUGUST 2002

7. TAXATION ON PROFIT/(LOSS) ON ORDINARY ACTIVITIES

(a) Analysis of Charge in Year

	<u>2002</u>	<u>2001</u>
	£	(restated) £
Based on the profit/(loss) for the year:		
Corporation tax at 30% (2001: 30%)	34,084	(1,497,342)
Adjustment in respect of prior period	125,393	(57,046)
Withholding tax suffered	93,040	57,410
	<hr/>	<hr/>
Total current tax (note (b))	252,517	(1,496,978)
Deferred tax –		
The origination and reversal of timing differences	268,045	(829,388)
	<hr/>	<hr/>
Tax on profit on ordinary activities	<u>520,562</u>	<u>(2,326,366)</u>

(b) Factors Affecting Tax Charge For Year

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

	<u>2002</u>	<u>2001</u>
	£	(restated) £
Profit/(loss) on ordinary activities before tax	479,124	(8,400,429)
	<hr/>	<hr/>
Profit/(loss) on ordinary activities at standard rate of corporation tax in the UK of 30% (2001 30%)	143,737	(2,520,129)
Disallowed expenses and non taxable income	363,377	138,153
Capital allowances for period in excess of depreciation	(203,825)	796,821
Short term timing differences	(21,369)	87,813
Excess losses brought forward	(165,474)	-
Adjustment to tax charge in respect of previous period	125,393	(57,046)
Withholding tax – written off	-	57,410
Overprovision in period	10,678	
	<hr/>	<hr/>
Current tax charge for year (note (a))	<u>252,517</u>	<u>(1,496,978)</u>

McKECHNIE SPECIALIST PRODUCTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 3 AUGUST 2002

8. INTANGIBLE ASSETS

	Goodwill <u>2002</u> £
Cost:	
At 4 August 2001 & 3 August 2002	15,683,000
Amortisation:	
At 4 August 2001	(1,900,056)
Provided during the year	(784,150)
At 3 August 2002	(2,684,206)
Net book value:	
At 3 August 2002	12,998,794
At 4 August 2001	13,782,944

9. TANGIBLE FIXED ASSETS

	<u>Land and Buildings</u> £	<u>Plant and Machinery</u> £	<u>Fixtures And fittings</u> £	<u>Payment on Account</u> £	<u>Total</u> £
COST					
At 4 August 2001	4,268,185	29,422,052	12,263,715	1,043,221	46,997,173
Additions	-	101,076	203,380	1,492,237	1,796,693
Disposals	-	(381,723)	(256,618)	-	(638,341)
Inter-category transfer	-	496,843	534,420	(1,031,263)	-
Group transfer	-	(84,895)	(3,798)	-	(88,693)
At 3 August 2002	4,268,185	29,553,353	12,741,099	1,504,195	48,066,832
DEPRECIATION					
At 4 August 2001	(723,307)	(18,877,983)	(10,114,460)	-	(29,715,750)
Provided during the year	(116,756)	(2,079,396)	(724,523)	-	(2,920,675)
Disposals	-	356,077	296,869	-	652,946
Inter-category transfer	-	-	-	-	-
Group transfer	-	75,714	1,733	-	77,447
At 3 August 2002	(840,063)	(20,525,588)	(10,540,381)	-	(31,906,032)
NET BOOK VALUE					
At 3 August 2002	3,428,122	9,027,765	2,200,718	1,504,195	16,160,800
At 4 August 2001	3,544,878	10,544,069	2,149,255	1,043,221	17,281,423

McKECHNIE SPECIALIST PRODUCTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 3 AUGUST 2002

10. INVESTMENTS

Shares in Group Companies	£
Cost:	
At 4 August 2001	4,078,550
Additions	14,300,000
	<hr/>
At 3 August 2002	18,378,550
	<hr/> <hr/>

The additions relate to the entire share capital of PSM Fasteners (Asia) Pty Ltd (£9.1m) and PSM Fasteners (Taiwan) Pty Ltd (£5.2m), both incorporated in Taiwan.
The opening balance relates to the investment in Dzus Fasteners Europe Limited (UK, 100%).

11. STOCKS

	<u>2002</u>	<u>2001</u>
	£	£
Raw materials and consumables	642,939	903,104
Work in progress	1,165,616	1,485,687
Finished Goods	2,799,592	2,695,332
	<hr/>	<hr/>
	4,608,147	5,084,123
	<hr/> <hr/>	<hr/> <hr/>

The difference between purchase price or production cost of stocks and their replacement cost is not material.

12. DEBTORS

	<u>2002</u>	<u>2001</u>
	£	£
Trade debtors	5,052,496	5,630,013
Amounts owed by fellow subsidiary undertakings	1,175,822	2,029,569
Other debtors	188,233	206,122
Prepayments and accrued income	360,444	381,409
Corporation Tax	646,656	1,497,824
	<hr/>	<hr/>
	7,423,651	9,744,937
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McKECHNIE SPECIALIST PRODUCTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 3 AUGUST 2002

13. CREDITORS: amounts falling due within one year

	<u>2002</u>	<u>2001</u>
	£	£
Bank loans and overdrafts	188,648	9,307,730
Trade creditors	5,043,319	5,460,175
Amounts owed to fellow subsidiary undertakings	14,724,799	491,169
Amounts owed to immediate parent undertaking	20,307,676	35,473,441
Other taxes and social security	492,977	449,943
Other creditors	426,962	1,447,421
Accruals and deferred income	1,114,168	1,133,175
	<u>42,298,549</u>	<u>53,763,054</u>

14. PROVISION FOR LIABILITIES AND CHARGES

The amount provided in respect of deferred tax at 30% (2001: 30%) is:

	<u>2002</u>	<u>2001</u>
	£	(Restated) £
Taxation allowances in excess of depreciation	978,081	772,762
Other timing differences	(134,304)	(197,030)
	<u>843,777</u>	<u>575,732</u>

15. SHARE CAPITAL

	No. of <u>Shares</u>	<u>Authorised</u>	Allotted called up and fully paid
	£	£	£
Ordinary shares of £1 each			
At 4 August 2001	10,000	10,000	10,000
Issued during the year	24,990,000	24,990,000	24,990,000
	<u>25,000,000</u>	<u>25,000,000</u>	<u>25,000,000</u>
At 3 August 2002	25,000,000	25,000,000	25,000,000

In February 2002, 24,990,000 ordinary shares were issued to McKechnie Ltd for a consideration of £24,990,000, payable by the cancellation and extinguishing of the equivalent value of its loan to the company.

McKECHNIE SPECIALIST PRODUCTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 3 AUGUST 2002

16. RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENTS ON RESERVES

	<u>Share capital</u> £	<u>Share premium</u> £	<u>Profit and loss account</u> £	<u>Total Shareholders' funds</u> £
At 31 July 2000	100	-	623,546	623,646
Prior year adjustment	-	-	(1,405,120)	(1,405,120)
At 31 July 2000 (restated)	100	-	(781,574)	(781,474)
Loss for the year (restated)	-	-	(6,074,063)	(6,074,063)
Issue of shares	9,900	4,950,000	-	4,959,900
At 4 August 2001 (restated)	10,000	4,950,000	(6,855,637)	(1,895,637)
Loss for the year	-	-	(41,438)	(41,438)
Issue of shares	24,990,000	-	-	24,990,000
At 3 August 2002	25,000,000	4,950,000	(6,897,075)	23,052,925

17. OTHER FINANCIAL COMMITMENTS

At 3 August 2002 the company had annual commitments under non-cancellable operating leases as set out below:

	<u>Land and buildings</u> 2002 £	<u>Other</u> 2002 £	<u>Land and buildings</u> 2001 £	<u>Other</u> 2001 £
Operating leases which expire:				
Within one year	-	-	-	-
Within two to five years	-	53,225	-	53,225
In over five years	297,250	-	297,250	-
	297,250	53,225	297,250	53,225

18. PENSIONS COSTS

McKechnie Limited operates funded pension schemes, which provide final pay defined benefits for employees who apply for membership. The group pension costs relating to these schemes have been assessed in accordance with the advice of qualified actuaries. The most recent actuarial reviews of the main UK schemes took place on 6 April 2001, details of which have been disclosed in the annual financial statements of Mozart Jersey Holdings No. 1 Limited for the year ended 3 August 2002.

It is not possible to identify the company's share of the underlying assets and liabilities of the pension scheme. The net deficit in the group scheme as at 31 July 2002 is 22.3m.

The charge to the profit and loss account for pension costs for the period is £1,030,979 (2001: £1,296,088).

McKECHNIE SPECIALIST PRODUCTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 3 AUGUST 2002

19. RELATED PARTY TRANSACTIONS

The company trades with certain joint ventures of the McKechnie Group. Sales to and purchases from the joint ventures of the group were £2,066,474 and £61,849 (2001: £2,874,489 and £305,112) respectively. At 3 August 2002 the company was owed £2,507 (2001: £2,507) by the joint ventures of the group, which is included within trade debtors and owed £1,213 (2001: £8,855) to the joint ventures of the group, which is included within trade creditors.

Sales to fellow subsidiaries amounted to £8,899,344

Purchases from fellow subsidiaries amounted to £142,090.

Balances due to/from fellow subsidiary undertakings are disclosed in notes 12 and 13.

20. IMMEDIATE PARENT UNDERTAKING

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

The company is included in the group accounts of Mozart Jersey Holdings No 1. Limited, a company incorporated in Jersey.