

COMPANY NUMBER: 3984537

McKECHNIE ENGINEERED PLASTICS LIMITED

(FORMERLY NEXTWEB LIMITED & MOZART EP1 LIMITED)

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE PERIOD 3 MAY 2000 TO 4 AUGUST 2001



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McKECHNIE ENGINEERED PLASTICS LIMITED

DIRECTORS' REPORT

The Directors present their report and Financial Statements for the period 3 May 2000 to 4 August 2001.

Results and Dividend

The loss for the period, after taxation, amounted to £5,672,145. This loss has been transferred from reserves. The Directors do not recommend the payment of a dividend in respect of this financial period.

Principal Activity and Review of the Period

The Company commenced trading on 4 February 2001. Its principal activity is the manufacture and distribution of engineered plastic components.

Likely Future Developments

No changes to the Company's present principal activity are envisaged.

Incorporation/Ultimate Parent Undertaking

The Company was incorporated on 3 May 2000 with the name Nextweb Limited. The name of the Company was changed on 14 August 2000 to Mozart EP1 Limited. The name of the Company was changed from Mozart EP1 Limited to McKechnie Engineered Plastics Limited on 31 October 2000. Prior to 2 August 2000 the ultimate parent undertaking was Jordans Limited. On 2 August 2000 the ownership of the entire issued share capital of the Company was transferred from Instant Companies Limited (a subsidiary of Jordans Limited) to McKechnie EP Holdings Limited. The ultimate parent undertaking from 2 August 2000 onwards 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 period and at the date of this report were as follows:-

P A C Catterall	appointed 24 May 2000
R M Gibbon	appointed 5 June 2001
S G Moberley	appointed 26 October 2000
R J Munton	appointed 24 May 2000
M A Stacey	appointed 1 March 2001
D K W Hanratty	appointed 7 November 2000 and resigned 19 October 2001
A J Walker	appointed 26 October 2000 and resigned 13 September 2001
Instant Companies Limited	resigned 24 May 2000

Mr PD Shepherd was appointed a Director of the Company on 27 September 2001.

McKECHNIE ENGINEERED PLASTICS LIMITED

DIRECTORS' REPORT

Directors' Interests

The interests of the Directors in the share capital of Group Companies is shown in Table 1. The interests of the Directors in the share capital of McKechnie plc is shown in full in Table 2 below. None of the Directors maintain any options to subscribe for shares or debentures in any other Group Company.

Table 1

	Acquired/ Granted/ Added/ Awarded in period	Holding As at 4 August 2001	Notes
MJH No.1			
Mr RM Gibbon	31	3,100	(1)
Mr SG Moberley	95	9,500	(1)
Mr AJ Walker	96	9,600	(1)
Mr MA Stacey	1,484	1,484	(1)
Mr RJ Munton	-	67	(1,2)
Mr PAC Catterall	-	34	(1,2)
MJH No.2			
Mr RM Gibbon	14	1,400	(1)
Mr SG Moberley	43	4,300	(1)
Mr AJ Walker	43	4,300	(1)
Mr MA Stacey	666	666	(1)
Mr RJ Munton	-	30	(1,2)
Mr PAC Catterall	-	15	(1,2)

Notes

- (1) The share capital in full was subdivided by Special Resolution of the each Company passed on 20 December 2000. The Jersey Financial Services Commission approved the subdivision of shares such that each Ordinary Share of £1.00 was divided into 100 Ordinary Shares of £0.01 on 21 December 2000. Shares held by Mr MA Stacey were allotted and issued after the subdivision of shares detailed above.
- (2) Held beneficially through a holding in Cinven Nominees Limited, itself having a holding in the ultimate parent undertakings. Cinven Nominees Limited acquired shares on 24/25 August 2000. Figures shown represent post subdivision shareholdings.

McKECHNIE ENGINEERED PLASTICS LIMITED

DIRECTORS' REPORT

The interests of the Directors in the shares of McKechnie plc, which re-registered as a private Company with the name McKechnie Limited on 27 October 2000 during the period were as follows:

Table 2

	Holding as at 3 May 2000	Acquired/ Granted/ Added/ Awarded In period	Exercised/ Vested In period	Disposed/ Lapsed in period	Holding As at 4 August 2001	Notes
Mr RM Gibbon						
Ordinary Shares	6,533	36,266	-	42,799	-	(2)
Share Options	6,777	-	2,266	4,511	-	(3)
Restricted Shares	72,460	1,348	34,000	39,808	-	(2)
Mr DKW Hanratty						
Ordinary Shares	46,035	114,713	-	160,748	-	(2)
Share Options	133,975	-	47,900	86,075	-	(3)
Restricted Shares	131,307	2,441	66,813	66,935	-	(2)
Mr SG Moberley						
Ordinary Shares	24,734	144,079	-	168,813	-	(2)
Share Options	156,777	-	77,266	79,511	-	(3)
Restricted Shares	131,307	2,441	66,813	66,935	-	(2)
Mr AJ Walker						
Ordinary Shares	61,898	69,384	-	131,282	-	(2)
Share Options	6,777	-	2,266	4,511	-	(3)
Restricted Shares	151,607	2,819	67,118	87,308	-	(2)

Notes

- (3) 6,533 Ordinary shares held by Mr RM Gibbon, 11,968 Ordinary shares held by Mr DKW Hanratty, 11,968 Ordinary shares held by Mr SG Moberley and 12,212 Ordinary Shares held by Mr AJ Walker were lodged under the terms of the McKechnie plc Restricted Share Plan. Upon the re-registration of McKechnie plc as a private limited Company with the name McKechnie Limited on 27 October 2000 the Restricted Shares held under the McKechnie plc Restricted Share Plan vested and the conditions under which the shares referred to above had been lodged were lifted.
- (4) Options exercisable between 1999 and 2006. Upon the re-registration of McKechnie plc as a private limited Company with the name McKechnie Limited on 27 October 2000 all options either lapsed or were exercised as set out in Table 2 above.

McKECHNIE ENGINEERED PLASTICS LIMITED

DIRECTORS' REPORT

Auditors

The Directors appointed Ernst & Young as the first auditors of the Company to hold office until the conclusion of the first general meeting of the Company. On 28 June 2001, Ernst & Young, the Company's auditor, transferred its entire business to Ernst & Young LLP, a limited liability partnership incorporated under the Limited Liability Partnership Act 2000. The Directors consented to treating the appointment of Ernst & Young as extending to Ernst & Young LLP with effect from 28 June 2001. 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 £10,000 divided into 1,000,000 Ordinary shares of £0.01 each. The total issued share capital is £10,000 divided into 1,000,000 Ordinary shares of £0.01 held by McKechnie EP Holdings Limited.

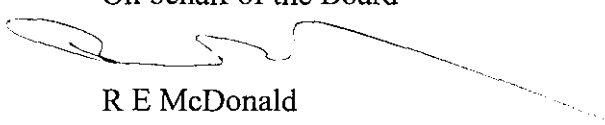
STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS

Company law requires the Directors to prepare Financial Statements for each financial period 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 period. 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 accounts 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. 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.

On behalf of the Board



R E McDonald
Secretary

Leighswood Road
Aldridge
Walsall
WS9 8DS

19 April 2002

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF

MCKECHNIE ENGINEERED PLASTICS LIMITED

We have audited the McKechnie Engineered Plastics Limited Financial Statements for the year ended 4 August 2001, 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 Engineered Plastics 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.

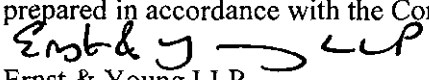
Basis of audit opinion

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 4 August 2001 and of the loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.


Ernst & Young LLP
Registered Auditor
Birmingham

19 April 2002

McKECHNIE ENGINEERED PLASTICS LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE PERIOD ENDED 4 AUGUST 2001

	<u>NOTE</u>	<u>2001</u> £
Turnover	2	45,032,192
Cost of Sales		(37,423,671)
		<hr/>
Gross Profit		7,608,521
Distribution Expenses		(2,156,434)
Administration Expenses (including goodwill amortisation of £391,301)		(2,244,096)
		<hr/>
Operating Profit	3	3,207,991
Exceptional items	4	(7,895,339)
Interest Payable	7	(522)
		<hr/>
Loss on ordinary activities before taxation		(4,687,870)
Taxation	8	(984,275)
		<hr/>
Loss on ordinary activities after taxation		(5,672,145)
		<hr/>
Loss withdrawn for the period	17	(5,672,145)
		<hr/> <hr/>

All turnover relates to acquisitions during the period.

The notes on pages 9 to 16 form an integral part of these Financial Statements.

McKECHNIE ENGINEERED PLASTICS LIMITED

BALANCE SHEET AT 4 AUGUST 2001

	<u>NOTE</u>	<u>2001</u> £
FIXED ASSETS:		
Intangible assets	9	15,260,745
Tangible fixed assets	10	20,965,147
Investments	11	-
		<hr/>
		36,225,892
CURRENT ASSETS:		
Stocks	12	4,058,721
Debtors	13	29,134,578
Cash at bank and in hand		15,246,791
		<hr/>
		48,440,090
CREDITORS: amounts falling due within one year	14	(27,928,127)
		<hr/>
Net current assets		20,511,963
		<hr/>
Total assets		<u>56,737,855</u>
CAPITAL AND RESERVES:		
Called up share capital	16	10,000
Share premium	17	62,400,000
Profit and loss account	17	(5,672,145)
		<hr/>
		<u>56,737,855</u>

The notes on pages 9 to 15 form an integral part of these Financial Statements.

Approved by the Board of Directors on 19 April 2002.



P D Shepherd
Director

McKECHNIE ENGINEERED PLASTICS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

PERIOD ENDED 4 AUGUST 2001

1. ACCOUNTING POLICIES

Basis of accounting

The Financial Statements have been prepared under the historical cost accounting rules and comply with the Companies Act 1985 and applicable accounting standards.

The Company is a subsidiary undertaking of McKechnie EP Holdings Limited, which is registered in England and Wales, and which has included a cashflow statement in its Group accounts.

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.

2. TURNOVER

	<u>2001</u> £
An analysis of turnover by geographical market is given below:-	
United Kingdom	32,635,230
Rest of Europe	11,454,103
United States of America	601,755
Pacific	69,934
Other	271,170
	<hr/> 45,032,192 <hr/> <hr/>

3. OPERATING PROFITS

	<u>2001</u> £
This is stated after charging/(crediting):-	
Depreciation of owned fixed assets	2,618,181
(Profit) on disposal of fixed assets	(32,322)
Goodwill amortisation	391,301
Operating lease rentals - plant and machinery	54,216
Operating lease rentals - land and buildings	200,624
Hire of plant and machinery	192,340
Auditors' remuneration - audit fees	41,603
Research and development expenditure	34,950
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Also included within operating profit are the following exceptional operating costs:

	<u>2001</u> £
Pickering restructuring	634,262
Other restructuring costs	546,087
	<hr/> 1,180,349 <hr/> <hr/>

McKECHNIE ENGINEERED PLASTICS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

PERIOD ENDED 4 AUGUST 2001

4. EXCEPTIONAL ITEMS

On 30th June 2001 the Fluid handling Division was disposed of as follows:

	<u>2001</u> £
Investments (note 11)	7,355,143
Tangible fixed assets	6,389,275
Stocks	1,530,863
Debtors	3,102,317
Creditors	(1,873,621)
	<hr/>
	16,503,977
Disposal fees	211,363
Disposal proceeds	(8,820,001)
	<hr/>
Loss on disposal	7,895,339
	<hr/> <hr/>

5. DIRECTOR'S EMOLUMENTS

	<u>2001</u> £
Aggregate emoluments (excluding pension contribution)	-
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6. STAFF COSTS

	<u>2001</u> £
Wages and salaries	11,219,117
Social security costs	849,850
Other pension costs (note 18)	558,298
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	12,627,265
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McKECHNIE ENGINEERED PLASTICS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

PERIOD ENDED 4 AUGUST 2001

6. STAFF COSTS (continued)

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

	<u>2001</u>
Administration	189
Manufacturing	664
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	853
	<hr/> <hr/>

7. INTEREST PAYABLE

	<u>2001</u> £
Bank loans and overdrafts	522
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8. TAXATION ON PROFIT ON ORDINARY ACTIVITIES

	<u>2001</u> £
Based on the profit for the period:	
Corporation tax at 30%	984,275
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9. INTANGIBLE ASSETS

	<u>2001</u> £
Costs:	
Addition during the period	15,652,046
Amortisation:	
Provided during the period	391,301
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At 4 August 2001	15,260,745
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McKECHNIE ENGINEERED PLASTICS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

PERIOD ENDED 4 AUGUST 2001

On 5th February 2001, McKechnie Engineered Plastics Limited acquired part of McKechnie Investment Holdings business for a total consideration of £62,400,000. Net assets taken over at the date of acquisition were as follows:

	<u>2001</u> £
Fixed assets	28,803,298
Investments	7,355,143
Stocks	7,597,077
Debtors	20,940,637
Creditors	(17,948,201)
	<hr/>
Net assets	46,747,954
	<hr/>
Goodwill arising on acquisition	15,652,046
	<hr/>
Total consideration	<u><u>62,400,000</u></u>

10. TANGIBLE FIXED ASSETS

	<u>Land and Buildings</u> £'000	<u>Plant and Machinery</u> £'000	<u>Fixtures And fittings</u> £'000	<u>Total</u> £'000
COST				
Additions	-	661,494	424,294	1,085,788
Disposals	(2,296,594)	(8,474,634)	(2,153,597)	(12,924,825)
Group transfer	9,850,954	52,446,147	7,985,021	70,282,122
	<hr/>	<hr/>	<hr/>	<hr/>
At 4 August 2001	7,554,360	44,633,007	6,255,718	58,443,085
	<hr/>	<hr/>	<hr/>	<hr/>
DEPRECIATION				
Provided during the period	(183,020)	(2,008,571)	(426,590)	(2,618,181)
Disposals	48,497	4,970,686	1,469,075	6,488,258
Group transfer	(89,803)	(35,427,207)	(5,831,005)	(41,348,015)
	<hr/>	<hr/>	<hr/>	<hr/>
At 4 August 2001	(224,326)	(32,465,092)	(4,788,520)	(37,477,938)
	<hr/>	<hr/>	<hr/>	<hr/>
NET BOOK VALUE				
At 4 August 2001	<u><u>7,330,034</u></u>	<u><u>12,167,915</u></u>	<u><u>1,497,198</u></u>	<u><u>20,965,147</u></u>

McKECHNIE ENGINEERED PLASTICS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

PERIOD ENDED 4 AUGUST 2001

11. INVESTMENTS

	<u>2001</u> £
Cost:	
Additions	7,355,143
Disposals (note 4)	(7,355,143)
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At 4 August 2001	-
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On 5th February, McKechnie Engineered Plastics acquired the following investments, together with net assets, from McKechnie Investment Holdings Limited:

	<u>2001</u> £
McKechnie Espana SA	2,942,057
McKechnie Nederlands BV	4,413,086
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	7,355,143
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On 30th June 2001 these were disposed of as part of the disposal of Fluid Handling business.

12. STOCKS

	<u>2001</u> £
Raw materials	1,403,698
Works in progress	1,022,762
Finished stocks	1,632,261
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	4,058,721
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McKECHNIE ENGINEERED PLASTICS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

PERIOD ENDED 4 AUGUST 2001

13. DEBTORS

	<u>2001</u> £
Trade debtors	8,663,849
Other debtors	167,252
Prepayment	2,012,880
Amounts owed by fellow subsidiary undertakings	18,290,597
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	29,134,578
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14. CREDITORS

	<u>2001</u> £
Bank overdraft	7,452,779
Trade creditors	9,739,394
Other creditors	605,266
Accruals	1,525,384
Current tax	984,275
Other tax and social security	1,138,816
Amounts owed to fellow subsidiary undertakings	6,477,721
Amount owed to associate Companies	4,492
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	27,928,127
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15. OBLIGATIONS UNDER LEASES AND HIRE PURCHASE CONTRACT

There are no commitments under finance leases and hire purchase contracts.

Annual commitments under non-cancellable operating leases are as follows:

	Land and Buildings <u>2001</u> £	Other <u>2001</u> £	Total <u>2001</u> £
Operating leases which expire:			
Within one year	12,000	26,277	38,277
In two to five years	162,500	54,708	217,208
	<hr/>	<hr/>	<hr/>
	174,500	80,985	255,485
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McKECHNIE ENGINEERED PLASTICS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

PERIOD ENDED 4 AUGUST 2001

16. SHARE CAPITAL

	No. of <u>Shares</u>	<u>Authorised</u> £	Allotted called up and fully paid £
Ordinary Shares of £0.01 each			
Allotted during the period and at 4 August 2001	1,000,000	10,000	10,000
	<u>=====</u>	<u>=====</u>	<u>=====</u>

On 3rd May 2000, a £1 share was issued to the nominee shareholders, which was transferred to McKechnie EP Holdings Limited on 2nd August 2000.

On 31st January 2001, the entire share capital of the company was sub-divided such that each of the 10,000 ordinary shares of £1 each became 100 ordinary shares of £0.01 each.

On 31st January 2001, 999,899 shares were issued and allotted to McKechnie EP Holdings Limited.

On 5th February 2001, 1 share was issued and allotted to McKechnie EP Holdings Limited.

All share issued on or after 31st January 2001 carried a premium of £62.40 a share.

17. 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> £
Issue of share capital	10,000	62,400,000	-	62,410,000
Loss withdrawn for period	-	-	(5,672,145)	(5,672,145)
	<u>=====</u>	<u>=====</u>	<u>=====</u>	<u>=====</u>
At 4 August 2001	10,000	62,400,000	(5,672,145)	56,737,855
	<u>=====</u>	<u>=====</u>	<u>=====</u>	<u>=====</u>

18. PENSIONS COSTS

McKechnie Engineered Plastics 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 at 6 April 2001, details of which have been disclosed in the annual Financial Statements of McKechnie Limited for the year ended 4 August 2001.

The charge to the profit and loss account for pension costs for the period is £558,298.

McKECHNIE ENGINEERED PLASTICS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

PERIOD ENDED 4 AUGUST 2001

19. RELATED PARTY TRANSACTIONS

The Company trades with certain joint ventures of the McKechnie Group. Purchases from the joint ventures of the Group during the period were £63,339. As at 4 August 2001, there was £4,492 owed to the joint ventures of the Group.

The Company has entered into transactions with related parties and the balances outstanding as at 4 August 2001 were as follows:-

Due from:

McKechnie Limited	14,083,954
McKechnie Components Limited	4,126,507
Hawke Cable Glands Limited	57,905
McKechnie Plastic Components Limited	11,765
MVC USA Incorporated	8,054
CG Paxton Limited	2,412
	<hr/>
	18,290,597
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Due to:

McKechnie Investment Holdings	(4,302,317)
McKechnie Management Services Limited	(1,093,479)
Plastic Engineers (Holdings) Limited	(1,005,585)
McKechnie Specialist Products Limited	(76,340)
	<hr/>
	(6,477,721)
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The Company has taken advantage of the exception in FRS8, Related Party Transactions from disclosing transactions with related parties between member of the McKechnie EP Holdings Group of Companies.

20. PARENT UNDERTAKING

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

The results of the Company are included in the Group accounts of McKechnie EP Holdings Limited. Copies of the Group accounts can be obtained from the following address:-

Leighswood Road, Aldridge, Walsall, West Midlands WS9 8DS.

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