

McKechnie Engineered Plastics Limited
Annual report
for the year ended 31 December 2007

Registered Number 3984537



McKechnie Engineered Plastics Limited

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McKechnie Engineered Plastics 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

Principal activities and review of business

The Company is a wholly owned subsidiary of Melrose PLC and operates as part of the Group's Plastic Components Segment

The Company's principal activities are the manufacture and sale of engineered plastic component products in the UK, US and Europe. The Directors are not aware, at the date of this report, of any further likely major changes in the Company's activities in the next year

As shown in the Company's profit and loss account on page 8, the Company's sales are £43,258,000 (2006 £46,114,000) and the loss after tax was £14,373,000 (2006 £532,000)

The balance sheet on page 10 of the financial statements shows that the Company's financial position at the year end is, in cash terms, consistent with the prior year. Net assets have decreased as a result of the loss incurred during the year. Details of amounts owed to and from Group companies are shown in notes 11 and 12

The Melrose Group manages its operations on a divisional basis. For this reason, the Company's Directors believe that further key performance indicators for the Company are not necessary or appropriate for an understanding of the development, performance or position of the business. The performance of the Plastic Components Segment of Melrose PLC, which includes the company, is discussed in the Group's Annual Report which does not form part of this Report

Principal risks and uncertainties

Competitive pressure in the UK is a continuing risk for the Company, which could result in it losing sales to its key competitors. The Company manages this risk by providing added value services to its customers, having fast response times not only in supplying products but in handling all customer queries, and by maintaining strong relationships with customers

The Company's sales in Europe are made in Euros and sales in US are made in US \$ and it is therefore exposed to the movement in the Euro and US \$ to pound exchange rate. The Group's treasury function takes out contracts to manage this risk at a group level

Group risks are discussed in the group's Annual Report which does not form part of this Report

McKechnie Engineered Plastics Limited

Directors' report for the year ended 31 December 2007 (continued)

Environment

The Company recognizes the importance of its environmental responsibilities, monitors its impact on the environment, and designs and implements policies to reduce any damage that might be caused by the Company's activities

The Company has implemented Environmental Management Systems, which resulted in accreditation to the international environmental standard ISO14001. The sites have continued to progress a number of initiatives targeted to improve the businesses environmental position. These have also enhanced the company's working conditions and competitive position.

Initiatives designed to minimize the company's impact on the environment include the move by the business into quieter, cleaner and more energy efficient electric machines, a number of "close loop" water-cooling systems targeted to provide a reduction in overall water usage and energy efficient lighting.

Generally recycling of packaging has improved, waste is managed and reused where possible and the Company transportation is planned on a full load basis where possible.

Employees

Details of the number of employees and related costs can be found in note 6 to the financial statements.

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the Company continues and that appropriate training is arranged. It is the policy of the Company that the training, career development and promotion of disabled persons should, as far as possible, be identical with that of other employees.

The Company participates in the Group's policies and practices to keep employees informed on matters relevant to them as employees through regular meetings and correspondence. Employees and their representatives are consulted regularly on a wide range of matters affecting their interests.

Creditors' payment policy and practice

It is the Company's policy that payments to suppliers are made in accordance with those terms and conditions agreed between the Company and its suppliers, providing that all trading terms and conditions have been complied with.

At 31 December 2007, the Company had an average of 49 days purchases outstanding in trade creditors.

Results and dividends

The loss for the year after taxation transferred to reserves amounted to £14,373,000 (year to 31 December 2006 loss of £532,000 transferred to reserves). The Directors do not recommend the payment of a dividend (2006 nil).

McKechnie Engineered Plastics Limited

Directors' report for the year ended 31 December 2007 (continued)

Directors and their interests

The Directors who held office during the year and subsequently were

G P Martin
G E Barnes
R Stark (resigned 30 04 07)
S A Peckham
A G Peart (appointed 29 02 08)
M J Richards (appointed 18 03 08)
R Keen (appointed 18 03 08)
B V Mann (appointed 18 03 08)

None of the Directors hold any beneficial interest in shares in the Company

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

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/she ought to have taken as a Director in order to make himself/herself 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 expressed their willingness to continue in office as auditors and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting

McKechnie Engineered Plastics Limited

Directors' report for the year ended 31 December 2007 (continued)

Statement of Directors' responsibilities

The Directors are responsible for preparing the financial statements in accordance with applicable law and regulations

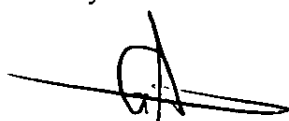
Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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, subject to any material departures disclosed and explained in the financial statements,
- 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.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

By order of the Board



GE Barnes

Director

5/9/2008

McKechnie Engineered Plastics Limited

Independent auditors' report to the members of McKechnie Engineered Plastics Limited

We have audited the financial statements of McKechnie Engineered Plastics Limited for the year ended 31 December 2007 which comprise the Profit and Loss Account, the Note of Historical Costs Profits and Losses, the Balance Sheet and the related notes 1 to 19. 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 Engineered Plastics Limited

Independent auditors' report to the members of McKechnie Engineered Plastics 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

Leeds

24 September 2008

McKechnie Engineered Plastics Limited

Profit and loss account for the year ended 31 December 2007

		Year ended 31 December 2007	Year ended 31 December 2006
	Note	£'000	£'000
Turnover	2	43,258	46,114
Cost of sales		(36,652)	(40,219)
Gross profit		<u>6,606</u>	<u>5,895</u>
Distribution expenses		(2,542)	(2,549)
Administrative expenses – other		(1,511)	(2,430)
Administrative expenses – Exceptional	3	(18,254)	(2,180)
		<u>(19,765)</u>	<u>(4,610)</u>
Operating loss	3	<u>(15,701)</u>	<u>(1,264)</u>
Profit on disposal of land and buildings		-	754
Group Interest receivable		1,339	-
Interest payable and similar charges	4	(11)	(22)
Loss on ordinary activities before taxation		<u>(14,373)</u>	<u>(532)</u>
Tax on loss on ordinary activities	7	-	-
Loss for the year transferred from reserves	16	<u>(14,373)</u>	<u>(532)</u>

There are no recognised gains or losses for either for 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 Engineered Plastics Limited

Note of historical cost profits and losses for the year ended 31 December 2007

	Year ended 31 December 2007 £'000	Year ended 31 December 2006 £'000
Reported loss on ordinary activities before taxation	(14,373)	(532)
Difference between a historical cost, depreciation charge and the actual depreciation charge calculated on the reduced amount	75	23
Historical cost loss on ordinary activities before taxation	<u>(14,298)</u>	<u>(509)</u>
Historical cost loss for the year retained after taxation	<u>(14,298)</u>	<u>(509)</u>

McKechnie Engineered Plastics Limited

Balance sheet as at 31 December 2007

	Note	2007 £'000	2006 £'000
Fixed assets			
Intangible assets	8	-	-
Tangible fixed assets	9	8,043	7,162
		<u>8,043</u>	<u>7,162</u>
Current assets			
Stocks	10	2,720	3,023
Debtors	11	22,522	39,467
Cash at bank and in hand		5,934	5,830
		<u>31,176</u>	<u>48,320</u>
Creditors amounts falling due within one year	12	(9,553)	(11,711)
Net current assets		<u>21,623</u>	<u>36,609</u>
Total assets less current liabilities		<u>29,666</u>	<u>43,771</u>
Creditors amounts falling due after one year	12	-	(40)
Provisions for liabilities	13	(595)	(287)
Net assets		<u>29,071</u>	<u>43,444</u>
Capital and reserves			
Called up share capital	15	10	10
Share premium account	16	62,400	62,400
Revaluation reserve	16	1,333	1,408
Profit and loss account	16	(34,672)	(20,374)
Equity shareholders' funds		<u>29,071</u>	<u>43,444</u>

The financial statements on pages 8 to 22 were approved by the Board of Directors on 5/9/08 and were signed on its behalf by



GE Barnes
Director

McKechnie Engineered Plastics 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 accounting standards.

Cash flow statement

The company is a wholly owned subsidiary of Melrose UK Holdings Limited 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".

Tangible fixed assets

Fixed assets are shown at cost less accumulated depreciation. Depreciation is provided at rates calculated to write off the cost, less estimated residual value, of each asset on a straight-line basis over its estimated useful life as follows:

Freehold land	Nil
Freehold buildings	Over 50 years
Plant and machinery, and office equipment	Between 3 and 12 years

Freehold land and buildings were revalued on 31 May 2005, with the revaluation surplus taken to the revaluation reserve. The revaluation took place following a change in the ultimate controlling party.

Stocks

Stocks and work in progress are valued at the lower of cost and net realisable value. Cost comprises materials, labour and appropriate overhead expenses. Provisions are made as necessary for slow moving and obsolete stock.

Leased assets

The cost of operating leases are charged to the profit and loss account on a straight-line basis over the lease term. Where assets are sold and leased back and the transaction is at fair value, any profit or loss is recognised immediately. Where the sale price is greater than fair value, the excess over fair value shall be deferred and amortised over the period for which the asset is expected to be used.

McKechnie Engineered Plastics Limited

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

1 Principal accounting policies (continued)

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

Pension costs

The Company operates a defined contribution pension scheme. Contributions are charged in the profit and loss account as they become payable in accordance with the rules of the scheme. In addition, the Company makes contributions to a closed scheme. These contributions are charged to the profit and loss account in accordance with a deed of guarantee (see note 17)

Foreign currency

Monetary assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the year end. Transactions in foreign currencies are translated into sterling at the exchange rate ruling at the date of the transaction. Profits and losses on exchange arising in the normal course of trading and realised exchange differences arising on the conversion of foreign currency assets and liabilities are dealt with in the profit and loss account.

Intangible assets

Intangible assets acquired separately from a business are capitalised at cost. Intangible assets, excluding development costs, created within the business are not capitalised and expenditure is charged against profits in the year in which it is incurred.

Intangible assets are amortised on a straight line basis over their estimated useful lives up to a maximum of 20 years. The carrying value of intangible assets is reviewed for impairment at the end of each period. An impairment loss is recognised as an expense immediately.

Turnover

Turnover, which excludes value added tax and trade discounts, represents the value of goods and services supplied.

McKechnie Engineered Plastics Limited

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

2 Turnover

Turnover, which is stated net of value added tax and trade discounts, represents amounts invoiced to third parties. Turnover is attributable to one continuing activity, the manufacture and distribution of engineered plastic components.

	2007	2006
	£'000	£'000
An analysis of turnover by geographical market is given below		
United Kingdom	37,248	39,041
Rest of Europe	4,595	6,781
United States of America	370	139
Pacific	1,045	153
	<u>43,258</u>	<u>46,114</u>

3 Operating loss

	2007	2006
	£'000	£'000
This is stated after charging / (crediting)		
Depreciation of owned fixed assets	1,167	1,609
Depreciation of assets held under finance leases	56	70
Profit on disposal of fixed assets	(17)	(35)
Operating lease rentals – land and buildings	144	120
Operating lease rentals – plant and machinery	100	86
Hire of plant and machinery	10	8
Auditors' remuneration – audit fees for statutory audit of the company including expenses	33	32

* There are no payments to the auditors for non-audit services.

Also included within operating loss are the following exceptional operating costs

	2007	2006
	£'000	£'000
Burnett closure costs	-	2,180
Lump sum pension contribution	18,254	-
	<u>18,254</u>	<u>2,180</u>

McKechnie Engineered Plastics Limited

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

4 Interest payable and similar charges

	2007	2006
	£'000	£'000
Finance lease interest	11	22
	<u>11</u>	<u>22</u>

5 Directors emoluments

None of the Directors received any remuneration in relation to their services to this Company during the current year or prior period. It is not possible to split out that part of the total remuneration paid which relates to McKechnie Engineered Plastics Limited.

6 Staff costs

	2007	2006
	£'000	£'000
Wages and salaries	9,511	10,073
Social security costs	795	862
Other pension costs (note 17)	18,362	761
	<u>28,668</u>	<u>11,696</u>

The average weekly number of employees during the current year and prior year was as follows

	2007	2006
Administration	85	97
Manufacturing	359	401
	<u>444</u>	<u>498</u>

McKechnie Engineered Plastics Limited

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

7 Taxation on loss on ordinary activities

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

(b) Factors affecting tax credit 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

	2007	2006
	£'000	£'000
Loss on ordinary activities before tax	(14,373)	(532)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2006 30%)	(4,312)	(160)
<i>Effects of</i>		
Disallowed expenses and non taxable income	15	136
Taxable income not in profit and loss account	-	764
Capital allowances for period in excess of depreciation	(800)	(755)
Effect of spreading of pension contribution	3,760	-
Other short term timing differences	66	-
Group relief surrendered/(claimed) (at nil tax rate)	1,271	15
Current tax credit for year (note a)	-	-

(c) Factors that may affect future tax charges

The amount of the deferred tax asset not recognised at 31 December 2007 at 28% is £5.4 million (2006 at 30% £2.8 million) due to the unpredictability of future profit streams

McKechnie Engineered Plastics Limited

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

8 Intangible assets

	Total
	£'000
Cost	
At 1 January 2007 and 31 December 2007	<u>15,652</u>
Amortisation	
At 1 January 2007 and 31 December 2007	<u>15,652</u>
Net book value	
At 1 January 2007 and 31 December 2007	<u>-</u>

9 Tangible fixed assets

	Land and buildings	Property, plant and machinery	Total
	£	£	£
Cost or valuation			
At 1 January 2007	4,225	35,008	39,233
Additions	148	1,975	2,123
Disposals	-	(1,491)	(1,491)
At 31 December 2007	<u>4,373</u>	<u>35,492</u>	<u>39,865</u>
Depreciation			
At 1 January 2007	(169)	(31,902)	(32,071)
Charge for the year	(110)	(1,113)	(1,223)
Disposals	-	1,472	1,472
At 31 December 2007	<u>(279)</u>	<u>(31,543)</u>	<u>(31,822)</u>
Net book value			
At 31 December 2007	<u>4,094</u>	<u>3,949</u>	<u>8,043</u>
At 31 December 2006	<u>4,056</u>	<u>3,106</u>	<u>7,162</u>

McKechnie Engineered Plastics Limited

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

9 Tangible fixed assets (continued)

The net book value of plant and machinery includes an amount of £118,000 (2006 £174,000) in respect of assets held under finance leases

Freehold land and buildings were valued externally on the basis of existing use value on 31 May 2005 by NAI Fuller Peiser, Chartered Surveyors. Included in cost or valuation of freehold land and buildings at 31 December 2007 is an amount of £959,000 in respect of this valuation. On the historical cost basis, freehold land and buildings would have been included as follows

	£'000
Cost	
At 1 January 2007	3,266
At 31 December 2007	<u>3,266</u>
Cumulative depreciation based on cost	
At 1 January 2007	707
At 31 December 2007	<u>816</u>

10 Stocks

	2007	2006
	£'000	£'000
Raw materials	1,006	1,428
Works in progress	588	690
Finished stocks	1,126	905
	<u>2,720</u>	<u>3,023</u>

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

McKechnie Engineered Plastics Limited

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

11 Debtors

	2007	2006
	£'000	£'000
Trade debtors	6,120	7,525
Amounts owed by fellow subsidiary undertakings	15,868	30,741
Other debtors	534	1,201
	<u>22,522</u>	<u>39,467</u>

12 Creditors

	2007	2006
	£'000	£'000
Amounts due in less than one year		
Trade creditors	4,919	6,496
Amounts owed to fellow subsidiary undertakings	173	335
Accruals	1,203	1,509
Other taxes and social security costs	1,100	1,085
Other creditors	2,105	2,194
Obligations under finance leases	53	92
	<u>9,553</u>	<u>11,711</u>

	2007	2006
	£'000	£'000
Amounts due in more than one year		
Obligations under finance leases	-	40
	<u>-</u>	<u>40</u>

McKechnie Engineered Plastics Limited

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

13 Provisions for liabilities

	£'000
At 1 January 2007	287
Profit and loss charge	308
At 31 December 2007	<u>595</u>

An amount of £308,000 has been recognised in the year in respect of environmental claims. These claims are expected to be settled within 2-5 years.

14 Obligations under leases and hire purchase contracts

	2007	2006
	£'000	£'000
Amounts payable		
Within one year	53	92
In two to five years	-	40
	<u>53</u>	<u>132</u>

Annual commitments under non-cancellable operating leases are as follows

	Land and buildings		Other	
	31 December 2007	31 December 2006	31 December 2007	31 December 2006
	£'000	£'000	£'000	£'000
Operating leases which expire				
Within one year	57	-	103	89
In two to five years	40	153	138	187
After five years	360	360	-	-
At 31 December 2007	<u>457</u>	<u>513</u>	<u>241</u>	<u>276</u>

McKechnie Engineered Plastics Limited

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

15 Share capital

Ordinary shares of £0.01 each	Authorised		Allotted, called up and fully paid	
	No of shares	£	No of shares	£
At 1 January 2007 and 31 December 2007	<u>1,000,000</u>	<u>10,000</u>	<u>1,000,000</u>	<u>10,000</u>

16 Reconciliation of shareholders' funds and movements on reserves

	Share capital	Share premium	Revaluation reserve	Profit and loss account	Total shareholders' funds
	£'000	£'000	£'000	£'000	£'000
At 1 January 2007	10	62,400	1,408	(20,374)	43,444
Loss transferred to reserves	-	-	-	(14,373)	(14,373)
Transfer in respect of depreciation on revalued buildings	-	-	(75)	75	-
At 31 December 2007	<u>10</u>	<u>62,400</u>	<u>1,333</u>	<u>(34,672)</u>	<u>29,071</u>

17 Pension costs

The Company is a participating employer in the McKechnie Pension Plan which is now closed. This is a defined benefit multi-employer scheme, the assets and liabilities of which are held independently from the Group. The Company is unable to identify its share of the underlying assets and liabilities of the scheme and accordingly accounts for the scheme as if it were a defined contribution scheme.

Contributions to the scheme for the year were £18,254,000 and the agreed contribution rate for period to December 2008 is £4,760,000.

As stated in the Melrose PLC financial statements for the year ended 31 December 2007, the full actuarial valuation at 31 December 2005 was updated to 31 December 2007 by a qualified actuary and showed that the market value of the scheme's assets was £114.7m and that the actuarial value of these assets represented 88% of the benefits that had accrued to members.

McKechnie Engineered Plastics Limited

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

17 Pension costs (continued)

The assets in the scheme and the expected rates of return at 31 December 2007 were

	2007 Long term rate of return expected %	2007 Value £m
Equities	7.4	29.8
Debt instrument	4.6	11.5
Other costs	6.8	73.4
Total market value of assets		114.7
Present value of scheme liabilities		130.7
Deficit in scheme		16.0

The figures shown above were calculated on the basis of the following assumptions

	2007 %
Discount rate	5.7
Rate of increase in salaries	3.8
Rate of increase in pensions in payment	3.3
Inflation assumption	3.3

On 10 May 2007, Melrose PLC entered into a deed of guarantee with McKechnie Pension Trust Limited, the trustee of the McKechnie Pension Plan, pursuant to which Melrose PLC guaranteed the obligations of the Participating Employers, to contribute £6.1 million to the McKechnie Pension Plan for each of the three Plan Years (as defined in the McKechnie Pension Plan) from 1 July 2007 until 1 April 2010 (the "Guaranteed Contributions") Melrose PLC has agreed to indemnify the trustee against all costs, losses or liabilities resulting from the failure by the Participating Employers to make the Guaranteed Contributions

In addition, the Company participates in the McKechnie 2005 Pension Scheme Contributions to this scheme in the year were £108,000 (2006 £26,000) The McKechnie 2005 Pension Scheme is a trust based defined contribution pension scheme established under the provisions of Chapter I, Part XIV of the Income and Corporation Taxes Act 1988 The scheme is administered and managed by Scottish Life The trustee of the scheme is McKechnie Pension Trust (Alcester) Limited

McKechnie Engineered Plastics Limited

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

18 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

19 Ultimate parent undertaking and controlling party

The immediate parent company is McKechnie EP Holdings Limited which is registered in England and Wales
The ultimate parent undertaking and controlling party is Melrose PLC which is incorporated in Great Britain and registered in England and Wales

The results of the Company are included in the Group accounts of Melrose PLC Copies of Group financial statements can be obtained from Precision House, Arden Road, Alcester, Warwickshire, B49 6HN