

COMPANY REGISTRATION NUMBER 00629814

MEGGITT (UK) LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
31 DECEMBER 2011

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MEGGITT (UK) LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2011

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MEGGITT (UK) LIMITED
OFFICERS AND PROFESSIONAL ADVISERS

The board of directors

T Twigger
C J Andrews
D J O'Neill
I K Pargeter
M L Young
P E Green
S G Young

Company secretary

M L Thomas

Registered office

Atlantic House
Aviation Park West
Bournemouth International Airport
Christchurch
Dorset
BH23 6EW

Independent auditor

PricewaterhouseCoopers LLP
Chartered Accountants
and Statutory Auditors
9 Greyfriars Road
Reading
Berkshire
RG1 1JG

MEGGITT (UK) LIMITED

THE DIRECTORS' REPORT

YEAR ENDED 31 DECEMBER 2011

The directors have pleasure in presenting their annual report and the financial statements of the company for the year ended 31 December 2011

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activities of the company are carried out by its operating divisions as follows

MEGGITT CONTROL SYSTEMS	are manufacturers specialising in rigid and flexible metallic ducting systems and components for aerospace, space vehicle, marine, nuclear and industrial applications
HEATRIC	are designers and manufacturers of compact printed circuit heat exchangers
MEGGITT AVIONICS	carry out in service support for, and are designers and manufacturers of avionics, life support equipment, marine navigation instrumentation systems and related test equipment
MEGGITT SENSING SYSTEMS	are designers, developers and manufacturers of ignition products and temperature, speed, rotation, pressure and proximity/position sensors primarily for gas turbine engines and airframes
AVIATION SERVICES UK	specialises in all aspects of repair and overhaul of aircraft fire extinguishers, pressure vessels, oxygen bottles, crew oxygen masks and crew seat restraints
THOMSON A&D UK	specialises in linear motion management components and systems

FINANCIAL POSITION

The position of the company at the end of the year is set out in the balance sheet on page 9 and the notes on pages 10 to 24

FUTURE PROSPECTS

The directors consider that the company is well placed to continue progress during 2012

RESULTS AND DIVIDENDS

The profit for the year, after taxation, amounted to £24,703,000 (2010 profit £16,372,000) Particulars of dividends paid are detailed in note 8 to the financial statements

On 8 December 2011 the directors approved the payment of an interim dividend of 68 52p per £1 ordinary share totalling £15,553,000 (2010 46 83p per £1 ordinary share totalling £10,630,000)

PRINCIPAL RISKS AND UNCERTAINTIES

The management of the business and the execution of the company's strategy are subject to a number of risks

The key business risks and uncertainties which the business is subject to, both external and internal, are fully discussed, in the context of the Meggitt PLC group as a whole, on pages 33 to 36 of the group's annual report which does not form part of this report. The key financial risk management objectives and policies are discussed further below

MEGGITT (UK) LIMITED
THE DIRECTORS' REPORT *(continued)*
YEAR ENDED 31 DECEMBER 2011

KEY PERFORMANCE INDICATORS "KPIs"

The directors of Meggitt PLC manage the group's operations on a divisional basis. For this reason, the company's directors believe that analysis using key performance indicators for the company is not necessary or appropriate for an understanding of the development, performance or position of the business of Meggitt (UK) Limited. The development, performance and position of the Control Systems, Sensing Systems and Equipment Group divisions of Meggitt PLC, which include the business operating units of the company, are discussed on pages 6 to 9 of the group's annual report which does not form part of this report.

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The company's operations expose it to a variety of financial risks including foreign currency risk and credit risk. As the company's operations are principally funded through group loan arrangements it is not exposed directly to external risk factors such as liquidity risk. As these group loan arrangements carry interest on a floating rate basis there is an element of interest rate risk. However any impact will be offset by an equal and opposite amount at the group level. These risks are managed on a group-wide basis by the company's ultimate parent undertaking, Meggitt PLC.

Foreign exchange risk

The company operates internationally and is subject to foreign exchange risks on future commercial transactions with the principal exposure being in respect to the Euro and US Dollar against the Pound Sterling. To mitigate risks associated with future commercial transactions the policy is to hedge known and certain forecast transaction exposures based on historical experience and projections. These hedges are taken out centrally by Meggitt PLC and then amounts are allocated to individual business operations. The overall aim of hedging is to achieve, on a group-wide basis, at least 70% of the next 12 months anticipated exposure with additional cover to hedge up to five years ahead. The amount of hedging cover achieved per business unit will therefore not necessarily always be 70% as it may fluctuate as circumstances necessitate within the overall group-wide policy parameters.

Credit risk

The company is not subject to significant concentration of credit risk with exposure spread across a large number of companies across the world. Policies are maintained to ensure the company makes sales to customers with an appropriate credit history. Letters of credit or other appropriate instruments are put in place to reduce credit risk where considered necessary.

RESEARCH AND DEVELOPMENT

The directors recognise the importance of investing in research and development programmes which bring innovative improvements to the company both in the products supplied to the consumer and in production techniques. Expenditure in 2011 on research and development amounted to £3,501,000 (2010 £4,284,000), of which £1,522,000 (2010 £2,340,000) was capitalised in accordance with the Group's accounting policy.

MEGGITT (UK) LIMITED
THE DIRECTORS' REPORT *(continued)*
YEAR ENDED 31 DECEMBER 2011

DIRECTORS

The directors who served the company during the year and up to the date of signing the financial statements were as follows

T Twigger
C J Andrews
D J O'Neill
I K Pargeter
M L Young
P E Green
S G Young

The directors have the benefit of qualifying third-party indemnity provisions for the purposes of Section 236 of the Companies Act 2006 pursuant to the Articles of Association of the Company approved by the shareholders on 4 June 2010

POLICY ON THE PAYMENT OF CREDITORS

It is the company's policy to comply with the terms of payment agreed with a supplier. Where terms are not negotiated the company endeavours to adhere to the supplier's standard terms. Creditor days at 31 December 2011 were 102 days (2010 101 days)

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Directors' Report and 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). Under company law the directors must not approve the financial statements unless they are satisfied that they 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 judgements 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 adequate accounting records that are sufficient to show and explain the company's transactions and 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 2006. 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

MEGGITT (UK) LIMITED
THE DIRECTORS' REPORT *(continued)*
YEAR ENDED 31 DECEMBER 2011

DISABLED EMPLOYEES

It is the company's policy to give full and fair consideration to applications for employment made by disabled people, to continue wherever possible the employment of staff who become disabled and to provide opportunities for the training and career development of disabled employees

EMPLOYEE INVOLVEMENT

It is the company's policy to ensure that all employees are kept informed of the progress of their business. During the year employees were provided with information regarding the financial and economic factors affecting the performance of the company and on other matters of concern to them as employees. In addition employees receive on a regular basis copies of the Meggitt Review, a newsletter providing details of notable events and achievements across the Meggitt Group

DISCLOSURE OF INFORMATION TO AUDITORS

Each of the persons who is a director at the date of approval of these financial statements confirms that in so far as the directors are aware, there is no relevant audit information of which the company's auditors are unaware and they have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information

Approved by the Board of directors on 12 September 2012 and signed by order of the board



M L Thomas
Company Secretary

MEGGITT (UK) LIMITED
INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF MEGGITT
(UK) LIMITED
YEAR ENDED 31 DECEMBER 2011

We have audited the financial statements of Meggitt (UK) Limited for the year ended 31 December 2011 which comprise the Profit and Loss Account, Balance Sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As explained more fully in the Directors' Responsibilities Statement set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's member as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

OPINION ON FINANCIAL STATEMENTS

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2011 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the Companies Act 2006.

OPINION ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

MEGGITT (UK) LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF MEGGITT (UK) LIMITED *(continued)*

YEAR ENDED 31 DECEMBER 2011

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit



John Maitland (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Reading

13 September 2012

MEGGITT (UK) LIMITED
PROFIT AND LOSS ACCOUNT
YEAR ENDED 31 DECEMBER 2011

		2011		Total	2010
		Existing operations	Acquisitions		Total
	Note	£000	£000	£000	£000
Turnover	2	132,680	9,050	141,730	106,095
Cost of sales		(73,346)	(5,992)	(79,338)	(59,586)
GROSS PROFIT		59,334	3,058	62,392	46,509
Administrative expenses		(26,993)	(702)	(27,695)	(23,505)
Other operating income		83	—	83	83
OPERATING PROFIT	4	32,424	2,356	34,780	23,087
Interest payable and similar charges			6	(1,282)	(600)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION				33,498	22,487
Tax on profit on ordinary activities			7	(8,795)	(6,115)
PROFIT FOR THE FINANCIAL YEAR				24,703	16,372

The company has no recognised gains or losses other than the results for the years as set out above, and therefore no separate statement of total recognised gains and losses has been presented

All of the activities of the company are classed as continuing

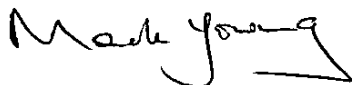
There is no material difference between the profit on ordinary activities before tax and the profit for the year stated above and their historic cost equivalents

The notes on pages 10 to 24 form part of these financial statements

MEGGITT (UK) LIMITED**BALANCE SHEET****AS AT 31 DECEMBER 2011**

	Note	2011 £000	2010 £000
FIXED ASSETS			
Intangible assets	9	80,991	57,987
Tangible assets	10	12,448	8,368
		<u>93,439</u>	<u>66,355</u>
CURRENT ASSETS			
Stocks	11	17,493	16,914
Debtors	12	52,585	40,681
Cash in hand		4	5
		<u>70,082</u>	<u>57,600</u>
CREDITORS: Amounts falling due within one year	13	<u>(57,339)</u>	<u>(54,614)</u>
NET CURRENT ASSETS		<u>12,743</u>	<u>2,986</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>106,182</u>	<u>69,341</u>
CREDITORS: Amounts falling due after more than one year	14	(27,550)	–
PROVISIONS FOR LIABILITIES			
Other provisions	16	(3,486)	(4,092)
NET ASSETS		<u>75,146</u>	<u>65,249</u>
CAPITAL AND RESERVES			
Called-up equity share capital	20	22,700	22,700
Share options reserve	21	3,435	2,688
Profit and loss account	21	49,011	39,861
TOTAL SHAREHOLDER'S FUNDS	22	<u>75,146</u>	<u>65,249</u>

These financial statements on pages 8 to 24 were approved by the board of directors on 12 September 2012, and are signed on its behalf by.



M L Young
Director

Company Registration Number 00629814

The notes on pages 10 to 24 form part of these financial statements.

MEGGITT (UK) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2011

1. ACCOUNTING POLICIES

Basis of accounting

The financial statements are prepared on the going concern basis, under the historical cost convention and in accordance with the Companies Act 2006 and applicable United Kingdom accounting standards. The principal accounting policies, which have been consistently applied throughout the year, are set out below.

Cash flow statement

As a wholly owned subsidiary of a UK registered company, Meggitt (UK) Limited has taken advantage of the exemption under the terms of FRS 1 (Revised 1996) from the requirement to produce a cash flow statement. A consolidated cash flow statement is included in the Meggitt PLC group accounts which are publicly available.

Turnover

Turnover represents amounts receivable for goods and services provided in the normal course of business, net of trade discounts, VAT and other sales related taxes. For non long-term contract activities, revenue is recognised when the earnings process is complete which occurs when the products are shipped to the customer, title and risk of loss have been transferred and collection is probable.

For long-term contracts, an appropriate proportion of total contract value is included in turnover and a prudent level of profit is taken based on estimated percentage completion if the final outcome can be reliably assessed. This results in significant balances in debtors and creditors relating to amounts recoverable on contracts and payments received on account.

Research and development

Research and development expenditure is expensed as incurred, with the exception of development expenditure on projects that are undertaken where the related expenditure is separately identifiable and management are satisfied as to the ultimate commercial viability of the project based on all relevant available information. In such cases, the expenditure is capitalised as development costs within intangible fixed assets and written off on a straight line basis over the periods expected to benefit, typically up to 10 years, commencing with the launch of the product. Development expenditure is reviewed annually for impairment.

Goodwill

Under the accounting standard FRS10 goodwill arising on the acquisition of subsidiaries after 1 January 1998 has been capitalised and is being amortised over its useful life with a maximum of 20 years. Provision is made for any impairment. In accordance with the Group's accounting policy prior to FRS10, goodwill arising on acquisitions prior to 1 January 1998 has been written off to reserves, and is not significant. Such goodwill will be charged to the profit and loss account on any subsequent disposals of the businesses to which it relates.

MEGGITT (UK) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2011

1. ACCOUNTING POLICIES *(continued)*

Intangible assets

The costs of licences, patents and trademarks are being written off over the periods of the agreements which is their estimated useful life

Amortisation

Amortisation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows

- | | | |
|-------------------|---|---|
| Goodwill | - | over useful life (max 20 years) |
| Development costs | - | over period expected to benefit, typically up to 10 years |

Fixed assets

Tangible fixed assets are stated at cost or valuation, net of depreciation and any provision for impairment. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use.

Computer software costs are capitalised only to the extent that they relate to new and proven projects, the costs of which exceed £10,000.

Depreciation

Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows

- | | | |
|--------------------|---|---|
| Leasehold Property | - | over the term of the lease on a straight line basis |
| Plant & Machinery | - | 10-20% on a straight line basis |

Stocks

Stocks and work in progress are stated at the lower of cost and net realisable value. Cost represents materials, direct labour and production overheads. Net realisable value is based on estimated selling price, less further costs expected to be incurred to completion and disposal. Provision is made for obsolete, slow moving or defective items where appropriate.

Long-term contracts are dealt with in accordance with SSAP 9 (revised). Provision is made for the full amount of foreseeable losses on contracts.

Work in progress

Work in progress is valued on the basis of direct costs plus attributable overheads based on normal level of activity. Provision is made for any foreseeable losses where appropriate. No element of profit is included in the valuation of work in progress.

MEGGITT (UK) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2011

1. ACCOUNTING POLICIES *(continued)*

Operating lease agreements

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profits on a straight line basis over the period of the lease

Pension costs

The company's employees are covered by both defined contribution and defined benefit pension schemes

The Meggitt PLC group defined benefit pension scheme is funded by both employer's and employees' contributions. More than one employer participates in the Meggitt PLC group pension schemes and because each company is unable to identify its share of the underlying assets and liabilities in the scheme on a consistent and reasonable basis, the company is accounting for its contributions to the schemes as if they were defined contribution schemes. Accordingly, the cost of the company's contributions to the schemes are equal to the contributions payable to the schemes during the year, and this cost has been recognised within operating profit in the profit and loss account. The overall position of the schemes is disclosed in the accounts of Meggitt PLC on pages 89 to 91.

Warranty provisions

In accordance with FRS12 the Company provides for the cost of making good under warranty products sold prior to the balance sheet date.

Deferred taxation

Deferred taxation is provided in full without discounting on timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements. Deferred taxation assets are recognised to the extent that it is regarded as more likely than not that they will be recovered.

Deferred taxation is not provided on timing differences arising from the sale or revaluation of fixed assets unless, at the balance sheet date, a binding commitment to sell the asset has been entered into and it is unlikely that any gain will qualify for rollover relief.

Foreign currencies

Monetary assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the transaction. Exchange differences are taken into account in arriving at the operating profit.

MEGGITT (UK) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2011

1. ACCOUNTING POLICIES *(continued)*

Share-based payments

The Company operates a number of equity-settled share-based compensation schemes. The fair value of an award is measured at the date of grant and reflects any market-based vesting conditions. Non market-based vesting conditions are excluded from the fair value of the award. At the date of grant the Company estimates the number of awards expected to vest as a result of non market-based vesting conditions and the fair value of this estimated number of awards is recognised as an expense in the income statement on a straight-line basis over the period for which services are received. At each balance sheet date the Company revises its estimate of the number of awards expected to vest as a result of non market-based vesting conditions and adjusts the amount recognised cumulatively in the income statement to reflect the revised estimate.

Intercompany

Intercompany balances are initially recognised at historical cost. Intercompany balances are reviewed for recoverability on an annual basis with impairment recognised where the recoverability of an intercompany balance is deemed unlikely.

2. TURNOVER

The turnover and profit before tax are attributable to the principal activities of the company as detailed in the Directors' Report on page 2. A geographical analysis of turnover is given below.

	2011 £000	2010 £000
United Kingdom	23,619	21,733
Rest of Europe	56,760	45,761
North America	21,724	16,085
Rest of World	39,627	22,516
	<u>141,730</u>	<u>106,095</u>

3. OTHER OPERATING INCOME

	2011 £000	2010 £000
Rent receivable	<u>83</u>	<u>83</u>

MEGGITT (UK) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2011

4. OPERATING PROFIT

Operating profit is stated after charging/(crediting)

	2011	2010
	£000	£000
Amortisation of intangible assets (note 9)	641	502
Research and development expenditure written off	1,979	1,944
Amortisation of deferred research and development expenditure (note 9)	1,771	1,578
Depreciation of owned fixed assets (note 10)	2,414	2,360
Profit on disposal of fixed assets	(14)	(10)
Amortisation of goodwill (note 9)	4,680	3,728
Services provided by the company's auditor		
- Fees payable for the audit	96	100
Operating lease costs		
- Plant and equipment	43	19
- Other	1,500	1,385
Net loss/(gain) on foreign currency translation	63	(225)

5. EMPLOYEE INFORMATION

The monthly average number of staff employed by the company (excluding directors) during the financial year amounted to

	2011	2010
	No	No
Manufacturing	491	443
Sales and distribution	52	48
Administration	58	53
	601	544

The aggregate payroll costs of the above were

	2011	2010
	£000	£000
Wages and salaries	22,894	19,202
Social security costs	2,420	1,922
Other pension costs	2,290	2,253
Equity-settled share-based payments	747	633
	28,351	24,010

All of the directors are employees of the ultimate parent company, Meggitt PLC, and are remunerated by that company for their services to the group as a whole. The directors do not receive any remuneration in their capacity as directors of Meggitt (UK) Limited.

All of the directors exercised options in the shares of the ultimate holding company, Meggitt PLC, during the year (2010 four)

MEGGITT (UK) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2011

6. INTEREST PAYABLE AND SIMILAR CHARGES

	2011 £000	2010 £000
Interest payable on loans from group undertakings	<u>1,282</u>	<u>600</u>

7. TAXATION ON ORDINARY ACTIVITIES

(a) Analysis of tax charge in the year

	2011 £000	2010 £000
Current tax:		
UK Taxation		
In respect of the year		
UK Corporation tax based on the results for the year at 26 50% (2010 28%)	9,216	6,627
Foreign tax		
Current tax on income for the year	<u>15</u>	<u>17</u>
Total current tax	<u>9,231</u>	<u>6,644</u>
Deferred tax:		
Origination and reversal of timing differences	(399)	(527)
Rate reduction	(170)	(86)
Adjustment in respect of previous years		
Deferred tax	<u>133</u>	<u>84</u>
Total deferred tax (note 15)	<u>(436)</u>	<u>(529)</u>
Tax on profit on ordinary activities	<u>8,795</u>	<u>6,115</u>

MEGGITT (UK) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2011

7 TAXATION ON ORDINARY ACTIVITIES *(continued)*

(b) Factors affecting current tax charge

The tax assessed on the profit on ordinary activities for the year is higher than (2010 higher than) the standard rate of corporation tax in the UK for the year ended 31 December 2011 of 26.50% (2010 28%)

	2011 £000	2010 £000
Profit on ordinary activities before taxation	<u>33,498</u>	<u>22,487</u>
Profit on ordinary activities multiplied by the standard rate in the UK of 26.50% (2010 28%)	8,877	6,296
Permanent differences	(342)	(493)
Timing differences	398	526
Goodwill amortisation	298	315
Total current tax (note 7(a))	<u>9,231</u>	<u>6,644</u>

(c) Factors that may affect future tax charges

During the year, it was substantively enacted that the UK main corporation tax rate would change from 26% to 25%, with effect from 1 April 2012. This change has been appropriately reflected in the financial statements.

Further reductions to the UK main corporation tax rate have been proposed, which are expected to be enacted separately each year, to reduce the rate by 1% per annum to 23% by 1 April 2014. As the further reductions in the main UK tax rate have not been substantially enacted at the balance sheet date, their impact is not reflected in these financial statements.

8. DIVIDENDS

	2011 £000	2010 £000
Paid during the year		
Dividends on ordinary shares	<u>15,553</u>	<u>10,630</u>

On 8 December 2011 the directors approved the payment of an interim dividend of 68.52p per £1 ordinary share totalling £15,553,000 (2010 46.83p per £1 ordinary share totalling £10,630,000).

MEGGITT (UK) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2011

9 INTANGIBLE FIXED ASSETS

	Development expenditure £000	Goodwill £000	Licences, patents and trademarks £000	Total £000
COST				
At 1 January 2011	20,078	74,555	10,128	104,761
Additions	1,522	28,551	23	30,096
At 31 December 2011	21,600	103,106	10,151	134,857
AMORTISATION				
At 1 January 2011	(4,980)	(35,584)	(6,210)	(46,774)
Charge for the year	(1,771)	(4,680)	(641)	(7,092)
At 31 December 2011	(6,751)	(40,264)	(6,851)	(53,866)
NET BOOK VALUE				
At 31 December 2011	14,849	62,842	3,300	80,991
At 31 December 2010	15,098	38,971	3,918	57,987

10 TANGIBLE FIXED ASSETS

	Long leases £000	Short Leases £000	Plant, equipment and vehicles £000	Total £000
COST				
At 1 January 2011	4,306	3,442	23,762	31,510
Additions	—	26	6,171	6,197
Disposals	—	(7)	(1,608)	(1,615)
Businesses acquired	—	282	1,103	1,385
At 31 December 2011	4,306	3,743	29,428	37,477
ACCUMULATED DEPRECIATION				
At 1 January 2011	1,652	2,604	18,886	23,142
Charge for the year	429	301	1,684	2,414
On disposals	—	—	(1,593)	(1,593)
Businesses acquired	—	250	816	1,066
At 31 December 2011	2,081	3,155	19,793	25,029
NET BOOK VALUE				
At 31 December 2011	2,225	588	9,635	12,448
At 31 December 2010	2,654	838	4,876	8,368

MEGGITT (UK) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2011

11. STOCKS

	2011	2010
	£000	£000
Raw materials	6,311	10,397
Work in progress	2,875	2,632
Finished goods	8,307	3,885
	<u>17,493</u>	<u>16,914</u>

12. DEBTORS

	2011	2010
	£000	£000
Trade debtors	32,398	23,705
Amounts owed by group undertakings	—	548
Amounts recoverable on contracts	7,736	3,869
Other debtors	10,121	10,151
Prepayments and accrued income	2,330	2,408
	<u>52,585</u>	<u>40,681</u>

Amounts owed by group undertakings are unsecured, interest bearing and have no fixed date for repayment

The bank accounts of Meggitt (UK) Limited are in the name of Meggitt PLC - Re Meggitt (UK) Limited. The legal title of these accounts rests with Meggitt PLC and thus rather than show a cash or overdraft balance at the year end it is shown as an inter company trading balance. Amounts owed by group undertakings are unsecured, bear no interest and have no fixed date for repayment.

13. CREDITORS: Amounts falling due within one year

	2011	2010
	£000	£000
Payments received on account	23,503	22,153
Trade creditors	17,115	11,765
Amounts owed to group undertakings	3,287	7,854
Corporation tax	5,095	4,124
PAYE and social security	547	469
Other creditors	4,823	5,836
Accruals and deferred income	2,969	2,413
	<u>57,339</u>	<u>54,614</u>

Amounts owed to group undertakings are unsecured, interest bearing and have no fixed date for repayment

MEGGITT (UK) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
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14 CREDITORS: Amounts falling due after more than one year

	2011	2010
	£000	£000
Amounts owed to group undertakings	<u>27,550</u>	<u>—</u>

Amounts owed to group undertakings are unsecured, interest bearing and have no fixed date for repayment

15. PENSION COSTS

The company is a subsidiary of Meggitt PLC and certain employees of the company are members of group pension schemes, which are both defined benefit and defined contribution schemes. Particulars of the defined benefit scheme's most recent actuarial valuations are disclosed in the financial statements of Meggitt PLC for the year ended 31 December 2011.

For the defined contributions scheme, the pension cost charged to the profit and loss account, representing employer's contributions, was £714,000 (2010 £533,000).

For the defined benefit scheme, the pension cost charged to the profit and loss account consists of employer's contributions payable which are similar across the group as a whole as a percentage of pensionable earnings. Based on advice from a qualified actuary, the company contribution for the year was £1,576,000 (2010 £1,720,000).

For the purposes of FRS17, the company has been unable to identify its share of the underlying assets and liabilities in the main group schemes, on a consistent and reasonable basis. Therefore, following full implementation of FRS17, the company will account for contributions to the scheme as if it were a defined contribution scheme. At 31 December 2011 the valuation of the scheme for the purposes of FRS17 showed a net pension liability as set out in the report and accounts of Meggitt PLC.

16. OTHER PROVISIONS

	Warranty Costs £000	Deferred taxation £000	Total £000
Balance at 1 January 2011	1,575	2,517	4,092
Profit and Loss Account movement arising during the year	722	(436)	286
Utilised during the year	<u>(892)</u>	<u>-</u>	<u>(892)</u>
Balance at 31 December 2011	<u>1,405</u>	<u>2,081</u>	<u>3,486</u>

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16. OTHER PROVISIONS continued

The provision for deferred taxation consists of the tax effect of timing differences in respect of

	2011	2010
	£000	£000
Excess of taxation allowances over depreciation on fixed assets	2,214	3,243
Other timing differences	(133)	(726)
	<u>2,081</u>	<u>2,517</u>

17. SHARE-BASED PAYMENTS

The Meggitt Group operates a number of equity settled share schemes for the benefit of its employees. The total expense recorded in the profit and loss account for the year in respect of such schemes was £747,000 (2010 £633,000). The nature of each scheme which has a significant impact on the expense recorded in the income statement is set out below.

Executive Share Option Scheme 2005 ("ESOS 2005")

Share options are granted under the ESOS 2005 scheme to certain senior executives at an exercise price equal to the mid-market value of a share on the first dealing day prior to the grant date. The options are generally exercisable at the earliest three years after the grant is made. Options can only be exercised if the Group meets an earnings per share performance condition. There is no obligation, legal or constructive, to settle the options in cash. Awards under Part A of the schemes provide for the executive on exercise to be entitled, on payment of the option price, to the number of shares under option. Awards under Part B of the schemes are in the form of equity-settled share appreciation rights (SAR's) and provide for the executive on exercise to be entitled to receive equity equivalent to the gain in value between the option price and the market price on the date of exercise. An expense of £282,000 (2010 £384,000) was recorded in the year. Movements in the number of outstanding share options and their weighted average exercise prices ('WAEP') are as follows:

	2011		2010	
	No	WAEP Pence	No	WAEP Pence
Balance at 1 January	2,197,868	248.63	2,478,046	241.43
Granted	373,868	351.59	423,896	286.10
Lapsed	(38,587)	276.40	(39,532)	196.32
Transferred out	(75,299)	231.16	(337,955)	244.31
Exercised	(359,115)	231.16	(326,587)	253.48
Balance at 31 December	<u>2,098,735</u>	<u>275.23</u>	<u>2,197,868</u>	<u>248.63</u>

The fair value of the options was determined using the Black-Scholes option pricing model. The fair value of options granted during the year was 92.98 pence for the award in March 2011 and 86.40 pence for the award in August 2011 (March 2010 74.74 pence).

MEGGITT (UK) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
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17. SHARE-BASED PAYMENTS *(continued)*

The significant assumptions used in the model were

	2011	2010
	Award in	Award in
	March	April
Share price at date of grant(pence)	351 70	286 10
Exercise price (pence)	351 70	286 10
Vesting period (years)	3	3
Expected volatility	38%	36%
Expected life of option (years)	5	5
Risk free rate	2.45%	2 75%
Expected dividend yield	3.29%	3 10%

Expected volatility figures are based on historical volatility over the last five years measured using a statistical analysis of daily share prices. The share option may be exercised at any point up to ten years after the date the award was made.

Meggitt Equity Participation Plan 2005

Under the Meggitt Equity Participation Plan 2005, an annual award of shares may be made to certain senior executives under this plan. For awards made in 2011, the number of shares, if any that an executive ultimately receives, depends on three performance conditions:

- An earnings per share (EPS) measure (50% of the award),
- A cash flow measure (25% of the award), and
- Total Shareholder Return (TSR) achieved by the Group as measured against a comparator group selected by the Remuneration Committee (25% of the award)

Each of the conditions is measured over a three year performance period. For awards made between 2008 and 2010, 50% of the award was based on an EPS measure and 50% on a TSR condition. For awards made in 2007, vesting depended solely on a TSR condition. An expense of £322,000 (2010: £137,000) was recorded in the year. Movements in the number of outstanding shares that may potentially be released to employees are as follows:

	2011	2010
	No. of	No. of
	shares	shares
	under award	under award
	outstanding	outstanding
Balance at 1 January	365,607	288,264
Granted	307,524	-
Lapsed	(76,188)	(164,869)
Exercised	(76,186)	-
Transferred in	38,268	242,212
Balance at 31 December	559,025	365,607

The fair value of the award is measured using a Monte Carlo model. No award was made in 2010. The fair value of the awards made in 2011 were 345.00 pence and 351.50 pence respectively.

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17. SHARE-BASED PAYMENTS *(continued)*

The significant assumptions used in the model were

	2011 Award in August	2011 Award in April
Share price at date of grant (pence)	345.00	351.50
Vesting period (years)	3	2.3
Expected volatility	41%	36%
Expected life of award (years)	3	3
Risk free rate	0.82%	1.30%
Fair value at date of award (pence)	241.00	217.00

Expected volatility figures are based on historical volatility over the last three years measured using a statistical analysis of weekly share prices

Meggitt Sharesave Schemes (SAYE)

The expense recorded in respect of Meggitt Sharesave Schemes (SAYE) was £143,000 (2010 £112,000)

18 COMMITMENTS UNDER OPERATING LEASES

At 31 December 2011 the company had annual commitments under non-cancellable operating leases as set out below

	2011		2010	
	Land and buildings £000	Other Items £000	Land and buildings £000	Other Items £000
Operating leases which expire				
Within 1 year	81	6	-	5
Within 2 to 5 years	827	49	716	15
After more than 5 years	372	-	275	-
	<u>1,280</u>	<u>55</u>	<u>991</u>	<u>20</u>

19. RELATED PARTY TRANSACTIONS

The company has taken advantage of the exemption under paragraph 3(c) from the provisions of FRS8, 'Related Party Disclosures', on the grounds that it is a wholly owned subsidiary of a group headed by Meggitt PLC, whose accounts are publicly available

MEGGITT (UK) LIMITED
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20. SHARE CAPITAL

Allotted, called up and fully paid:

	2011 No	£000	2010 No	£000
Ordinary shares of £1 each	<u>22,700,000</u>	<u>22,700</u>	<u>22,700,000</u>	<u>22,700</u>

From 1 October 2009, the Companies Act 2006 abolished the requirement for a company to have an authorised share capital. On 4 June 2010 the Company adopted new Articles of Association by special resolution, which had the effect of removing the authorised share capital of the Company.

21. RESERVES

	Share options reserve £000	Profit and loss account £000
Balance at 1 January 2011	2,688	39,861
Profit for the year	–	24,703
Equity dividends	–	(15,553)
Recognition of equity-settled share-based payments in the year	<u>747</u>	<u>–</u>
Balance at 31 December 2011	<u>3,435</u>	<u>49,011</u>

22. RECONCILIATION OF MOVEMENTS IN SHAREHOLDER'S FUNDS

	2011 £000	2010 £000
Profit for the financial year	24,703	16,372
Equity dividends	(15,553)	(10,630)
Recognition of equity-settled share-based payments in the year	<u>747</u>	<u>633</u>
Net addition to shareholder's funds	<u>9,897</u>	<u>6,375</u>
Opening shareholder's funds	65,249	58,874
Closing shareholder's funds	<u>75,146</u>	<u>65,249</u>

MEGGITT (UK) LIMITED
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23. BUSINESS COMBINATIONS

On 21 April 2011 Meggitt (UK) Limited acquired in the UK certain assets and liabilities in connection with the Pacific Scientific Aerospace ('PacSci') businesses from Danaher Corporation

The assets and liabilities of the PacSci businesses on 21 April 2011, including goodwill arising on consolidation, were as follows

	Book value	Fair value
	£'000	£'000
Goodwill	28,551	28,551
Tangible fixed assets	319	319
Stock	1,313	1,313
Trade debtors	1,218	1,218
Other debtors	1,066	1,066
Trade creditors	(301)	(301)
Other creditors	(429)	(429)
Total consideration payable	31,737	31,737

PacSci earned a profit after taxation of £1,732,000 in the year ended 31 December 2011, of which £781,000 arose in the period from 1 January 2011 to 20 April 2011

24. POST BALANCE SHEET EVENTS

On 4 July 2012, the Group acquired 100% of the voting rights of Fotomechanix Limited for a cash consideration of £12.0 million, subject to an adjustment for working capital in the business. Fotomechanix Limited is a key technology provider to Heatric, our printed circuit heat exchanger business.

25. CAPITAL COMMITMENTS

Amounts contracted for but not provided in the financial statements amounted to £2,026,000 (2010 - £592,000)

26. ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY

The immediate parent undertaking is Meggitt Properties PLC. The ultimate parent undertaking and controlling party is Meggitt PLC, a company incorporated in the United Kingdom. Meggitt PLC is the parent undertaking of the smallest and largest group of undertakings to consolidate these financial statements at 31 December 2011. The consolidated financial statements of Meggitt PLC are available from Atlantic House, Aviation Park West, Bournemouth International Airport, Christchurch, Dorset, BH23 6EW.