

MEGGITT INTERNATIONAL LIMITED

Directors' Report and Financial Statements

For the year ended 31 December 2005



DIRECTORS' REPORT AND FINANCIAL STATEMENTS for the year ended 31 December 2005

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OFFICERS AND COMPANY INFORMATION

DIRECTORS

D H Clark
P E Green
T Twigger
M L Young
S G Young

SECRETARY

M L Thomas

REGISTERED OFFICE

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

INDEPENDENT AUDITORS

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

DIRECTORS' REPORT**For the year ended 31 December 2005**

The directors present their annual report and the audited financial statements for the year ended 31 December 2005.

PRINCIPAL ACTIVITIES, REVIEW OF BUSINESS AND FUTURE DEVELOPMENTS

The company is an intermediate parent company owning shares in certain subsidiaries of Meggitt PLC, its ultimate parent company. In addition to its activity as an intermediate parent company, it receives royalty income from a fellow subsidiary of Meggitt PLC. The directors are hopeful that 2006 will prove to be another successful year for the company's subsidiaries.

RESULTS AND DIVIDENDS

The profit attributable to the shareholders for the year amounted to £11,864,000 (2004: £34,676,000). The reduction in performance for the year was primarily caused by a fall in dividends received from subsidiary companies.

On 22 December 2005 the directors approved the payment of an interim dividend of £50,000,000 (2004: £nil).

DIRECTORS AND THEIR INTERESTS

The directors of the company during the year and up to the signing of the accounts were as follows:

D H Clark
P E Green
T Twigger
M L Young (Appointed 26 July 2006)
S G Young (Appointed 15 August 2005)

The company is a wholly owned subsidiary of Meggitt PLC.

Mr P E Green, Mr T Twigger and Mr S G Young are also directors of Meggitt PLC and their interests in the shares of that company are disclosed in its financial statements.

The interests of the other director in office at the end of the year in the shares of Meggitt PLC was as follows:

Meggitt PLC Ordinary 5 pence shares

Ordinary shares fully paid		At 31.12.05	At 1.1.05
D H Clark		33,987	30,778
Ordinary share options		At 1.1.05	At 31.12.05
D H Clark	Meggitt 1996 No 1 Executive Share Option Scheme	25,370	-
	Meggitt 1996 No 2 Executive Share Option Scheme	113,127	22,972
	Meggitt 1998 Sharesave Scheme	10,441	2,912

Further details of the Meggitt PLC Share Schemes are given in the accounts of that company.

The market price of the shares at 31 December 2005 was 362.00p (2004: 261.75p) and the range during the year was 252.00p to 362.00p (2004: 208.00p to 268.00p).

The directors do not hold any shares in any other group company that are required to be disclosed under Schedule 7 of the Companies Act 1985.

DIRECTORS' REPORT (continued)
For the year ended 31 December 2005

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company as at the end of the financial year 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 with the exception of the changes arising on the adoption of new accounting standards in the year, as explained on page 8 under Note 1 'Accounting Policies';
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed subject to any material departures disclosed and explained in the notes to the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors confirm that they have complied with the above requirements in preparing the financial statements, with the exception of the changes arising on the adoption of new accounting standards in the year as explained on page 8 under Note 1 'Accounting Policies'.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

ELECTIVE RESOLUTIONS

On 8 June 2006, the Company passed the following Elective Resolutions under the Companies Act 1985 ("the Act"):

- (i) to dispense with the laying of reports and accounts at Annual General Meeting ("AGM") under Section 252 of the Act;
- (ii) to dispense with holding an AGM under Section 366(A) of the Act; and
- (iii) to dispense with the obligation to appoint auditors annually under Section 386 of the Act.

Approved by the Board of Directors on 18 October 2006 and signed on its behalf by:



M L Thomas
Secretary

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MEGGITT INTERNATIONAL LIMITED

We have audited the financial statements of Meggitt International Limited which comprise the Profit and Loss Account, the Balance Sheet, the Statement of Recognised Gains and Losses and the related notes. These financial statements have been prepared under 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 law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, 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.

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 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.

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 2005 and of its profit for the year then ended; and
- have been properly prepared in accordance with the Companies Act 1985



PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Reading

12/10/06

PROFIT AND LOSS ACCOUNT
For the year ended 31 December 2005

		2005	2004
	Note	£'000	Restated £'000
Administration expenses		(528)	(624)
Other operating income – royalty income		2,671	2,657
OPERATING PROFIT	3	2,143	2,033
Amounts written (off)/back to intercompany balances		(18)	2,809
Income from shares in group undertakings		461	23,424
Interest receivable - group interest		15,076	8,367
Amounts written (off)/back to investments		(1,269)	1,082
Interest payable – group interest		(4,589)	(2,224)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		11,804	35,491
Tax credit/(charge) on profit on ordinary activities	4	60	(815)
PROFIT FOR THE FINANCIAL YEAR	11	11,864	34,676
Dividends	5	(50,000)	(10,000)
RETAINED PROFIT FOR THE FINANCIAL YEAR		(38,136)	24,676

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

The company's operations are continuing.

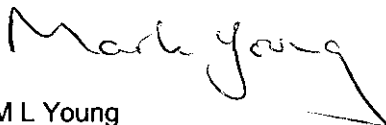
STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
For the year ended 31 December 2005

	2005 £'000	2004 £'000
Profit for the financial year	11,864	34,676
Currency translation differences on foreign currency investments	<u>(21,885)</u>	<u>10,423</u>
Total recognised gains and losses relating to the year	<u>(10,021)</u>	<u>45,099</u>

BALANCE SHEET
31 December 2005

	Note	2005		2004	
		£'000	£'000	£'000	£'000
FIXED ASSETS					
Intangible assets	6		13,499		12,734
Investments	7		<u>236,790</u>		<u>215,254</u>
			250,289		227,988
CURRENT ASSETS					
Debtors	8	137,135		182,846	
CREDITORS: amounts falling due within one year	9	<u>(15,945)</u>		<u>(2,000)</u>	
NET CURRENT ASSETS			<u>121,190</u>		<u>180,846</u>
NET ASSETS			<u>371,479</u>		<u>408,834</u>
CAPITAL AND RESERVES					
Called up share capital	10		860		860
Share premium account	11		93,451		93,451
Revaluation reserve	11		149,827		127,161
Other reserves	11		113,520		113,520
Profit and loss account	11		<u>13,821</u>		<u>73,842</u>
TOTAL EQUITY SHAREHOLDERS' FUNDS	11		<u>371,479</u>		<u>408,834</u>

These financial statements on pages 5 to 13 were approved by the Board of Directors on 18 October 2006 and signed on its behalf by:


M L Young
Director

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2005

1. ACCOUNTING POLICIES

The financial statements are prepared on the going concern basis, under the historical cost convention and in accordance with the Companies Act 1985 and applicable United Kingdom accounting standards. The principal accounting policies adopted have been consistently applied except for any changes arising on adoption of the new accounting standards as set out below.

Changes in accounting policies

The company has adopted FRS 21 "Events after the balance sheet date". The adoption of this standard represents a change in accounting policy and the comparative figures have been restated accordingly. The effect of the change in accounting policy to adopt FRS 21 on dividends payable was to recognise the final proposed dividend for the year ended 31 December 2003 of £10,000,000 in the prior year as it had yet to be approved at 31 December 2003.

The company has also adopted FRS17, "Retirement benefits", and FRS25, "Financial instruments: Disclosure and presentation" in these financial statements. The adoption of these standards has had no impact on the current or prior year figures.

Royalty Income

Royalty income is included on a receivable basis calculated on sales of valves arising during each accounting period as reported by the licensee.

Investments

Investments held as fixed assets are stated at cost or valuation less provision for impairment in value arising from an annual review. Consolidated accounts have not been produced as the company is a wholly owned subsidiary of Meggitt PLC and is included in the consolidated financial statements of Meggitt PLC which are publically available. Accordingly the information presented in the financial statements relates to the company as an individual entity.

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.

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.

Foreign exchange

Transactions denominated in foreign currencies are translated into sterling and recorded at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in a foreign currency are translated into sterling at the exchange rates ruling at the balance sheet date. All differences are dealt with through the profit and loss account. Exchange differences arising on the translation of foreign currency borrowings, to the extent that they hedge the company's investment in foreign operations are reported in the Statement of Total Recognised Gains and Losses.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2005

2. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

The company paid no directors' emoluments during the financial year (2004: £Nil). All of the directors are employees of 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 International Limited. The company had no employees during the year (2004: Nil). Three of the directors exercised options in the shares of the ultimate holding company, Meggitt PLC, during the year (2004: two).

3. OPERATING PROFIT

	2005 £'000	2004 £'000
Operating profit is stated after charging/(crediting):		
Foreign exchange gains	(225)	14
Amortisation of intangible assets, including goodwill	752	637

Audit fees are borne by Meggitt PLC who makes no recharge to the company, as it is not possible to make an accurate apportionment of the fees in respect of each of the subsidiaries.

4. TAX ON PROFIT ON ORDINARY ACTIVITIES

	2005 £'000	2004 £'000
Current tax:		
United Kingdom Corporation tax at 30% (2004: 30%)	637	10,849
Double taxation relief	(197)	(10,034)
Adjustment in respect of prior years	3	-
Total current tax charge	443	815
Deferred tax:		
Origination and reversal of timing differences	437	-
Adjustment in respect of prior years	(940)	-
Total deferred tax credit	(503)	-
Total (credit)/ charge on profit on ordinary activities	(60)	815

The tax assessed for the period is lower (2004: lower) than the standard rate of corporation tax in the UK (30%).

	2005 £'000	2004 £'000
Reconciliation of the current tax charge:		
Profit on ordinary activities before taxation	11,804	35,491
Profit on ordinary activities before taxation at 30% (2004: 30%)	3,541	10,647
Permanent differences	446	1,875
Double tax relief	(197)	(10,034)
Timing differences	(439)	(54)
Utilisation of losses	(2,911)	(1,619)
Prior year tax adjustment – current tax	3	-
Total current tax charge	443	815

The deferred tax asset provided of £503,000 (2004: nil) represents amortisation in advance of tax allowances.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2005

Factors that may affect future tax charges

No provision has been made for taxation that would arise in the event of overseas subsidiaries distributing their reserves unless the dividends have been accrued as receivable or there is a binding agreement to distribute them. Owing to the availability of foreign tax credits, it is currently estimated that no additional tax would arise if any such amounts were to be distributed.

No deferred tax assets have been provided in respect of unutilised losses amounting to £8,000,000 as these are unlikely to be recovered in the future.

5. DIVIDENDS

	2005	2004
	£'000	Restated £'000
Dividends paid:		
Interim - £58.12 (2004: £Nil) per £1 ordinary share	50,000,000	-
Final In respect of 2003 - £11.83 per £1 ordinary share	-	10,000,000
	<u>50,000,000</u>	<u>10,000,000</u>

6. INTANGIBLE FIXED ASSETS

	Goodwill £'000
Cost	
At 1 January 2005	14,233
Exchange rate adjustments	1,517
	<u>15,750</u>
At 31 December 2005	15,750
Accumulated amortisation	
At 1 January 2005	1,499
Charge for the year	752
	<u>2,251</u>
At 31 December 2005	2,251
Net book amount	
At 31 December 2005	13,499
At 31 December 2004	<u>12,734</u>

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2005

7. INVESTMENTS

	£'000
Shares in subsidiary companies:	
Cost	
At 1 January 2005	240,967
Exchange rate adjustments	22,667
Additions	138
	<hr/>
At 31 December 2005	263,772
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Provisions for impairment	
At 1 January 2005	25,713
Increase in provision during the year	1,269
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At 31 December 2005	26,982
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Net book amount	
At 31 December 2005	236,790
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At 31 December 2004	215,254
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In November 2005 the company purchased the entire issued share capital of Vibro Meter France SAS at a price of £138,000 (CHF 312,943).

The provision for impairment has been increased to write the investments in subsidiaries back to their recoverable amounts.

The following is a listing of direct subsidiary companies at 31 December 2005:

Bestobell Mobrey Pte Limited - Singapore	Meggitt Holdings Canada Inc – Canada
Endevco France SA - France	Navarra de Componentes Electronicos SA – Spain
Endevco Vertriebs GmbH – Germany	Piher International GmbH – Germany
Meggitt BV - Netherlands	Piher International Nederland BV – Netherlands
Meggitt Holdings (USA) Inc - USA	Piher International SA – France
Vibro Meter France SAS – France	

The ordinary shares of all subsidiaries are wholly owned by Meggitt International Limited except as indicated below. Companies are incorporated in the countries shown. Details of the activities of the principal subsidiaries are set out in the Report and Accounts of Meggitt PLC.

The company owns 100% of the common stock of Meggitt Holdings (USA) Inc and 25.36% of the Series A preferred stock.

In the opinion of the directors, the aggregate value of the investments in subsidiary undertakings is not less than the amounts at which these investments are carried on the balance sheet.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2005

8. DEBTORS

	2005 £'000	2004 £'000
Amounts owed by group undertakings	136,632	182,846
Deferred tax asset – due after one year (see Note 4)	503	-
	<u>137,135</u>	<u>182,846</u>

The bank account of Meggitt International Limited is in the name Meggitt PLC - Re Meggitt International Limited. The legal title to this account 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 companies are interest bearing, unsecured and have no fixed date for repayment

9. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2005 £'000	2004 £'000
Amounts owed to group undertakings	15,469	1,149
Accruals	36	36
Group relief payable	440	815
	<u>15,945</u>	<u>2,000</u>

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

10. CALLED UP SHARE CAPITAL

	2005 £'000	2004 £'000
Authorised		
250,000,000 ordinary shares of £1 each	<u>250,000</u>	<u>250,000</u>
Allotted and fully paid		
860,290 ordinary shares of £1 each	<u>860</u>	<u>860</u>

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2005

11. COMBINED RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS AND STATEMENT OF MOVEMENTS ON RESERVES

	Issued Share Capital £'000	Share Premium Account £'000	Revaluation Reserve £'000	Other Reserves £'000	Profit and loss Account £'000	Total 2005 £'000	Total 2004 Restated £'000
At 1 January as previously reported	860	93,451	127,161	113,520	73,842	408,834	371,257
Dividend	-	-	-	-	-	-	10,000
At 1 January as restated	860	93,451	127,161	113,520	73,842	408,834	381,257
Retained profit for the financial year	-	-	-	-	11,864	11,864	34,676
Dividends	-	-	-	-	(50,000)	(50,000)	(10,000)
Issue of shares	-	-	-	-	-	-	9,746
Revaluation of investment	-	-	-	-	-	-	3,241
Exchange translation differences on revaluation reserve	-	-	22,666	-	-	22,666	(20,509)
Other recognised gains/(losses) relating to the financial year	-	-	-	-	(21,885)	(21,885)	10,423
At 31 December	860	93,451	149,827	113,520	13,821	371,479	408,834

12. CASH FLOW STATEMENT

As a wholly owned subsidiary of a UK registered company, Meggitt International 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.

13. ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY

The company's immediate and ultimate parent undertaking and controlling party is Meggitt PLC a company registered in England and Wales. Copies of the group financial statements of Meggitt PLC are available from Meggitt PLC, Atlantic House, Aviation Park West, Bournemouth International Airport, Christchurch, Dorset BH23 6EW.

14. 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.