

**MEGGITT INTERNATIONAL LIMITED
DIRECTORS' REPORT AND FINANCIAL
STATEMENTS**

31 DECEMBER 2006

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MEGGITT INTERNATIONAL LIMITED
DIRECTORS' REPORT & FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2006

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MEGGITT INTERNATIONAL LIMITED
OFFICERS AND PROFESSIONAL ADVISERS

Directors	T Twigger 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
Auditor	PricewaterhouseCoopers LLP Chartered Accountants & Registered Auditors 9 Greyfriars Road Reading Berkshire RG1 1JG

MEGGITT INTERNATIONAL LIMITED

DIRECTORS' REPORT

YEAR ENDED 31 DECEMBER 2006

The directors have pleasure in presenting their report and the financial statements of the company for the year ended 31 December 2006

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

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 2007 will prove to be another successful year for the company's subsidiaries.

RESULTS AND DIVIDENDS

The profit for the year amounted to £52,090,000 (2005 profit £11,864,000). The directors have not recommended a dividend (2005 £50,000,000).

DIRECTORS

The directors who served the company during the year were as follows

T Twigger

D H Clark

P E Green

S G Young

M L Young

(Appointed 26 July 2006)

D H Clark resigned as a director on 31 May 2007

The company is a wholly owned subsidiary of Meggitt PLC

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, with the exception of the changes arising on the adoption of new accounting standards in the year as explained on page 9 under note 1 Accounting Policies,
- 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.

MEGGITT INTERNATIONAL LIMITED

DIRECTORS' REPORT *(continued)*

YEAR ENDED 31 DECEMBER 2006

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.

AUDITORS AND DISCLOSURE OF INFORMATION TO AUDITORS

The Company has dispensed with the requirement to appoint auditors annually under s386 of the Companies Act 1985.

In so far as the directors are aware

- there is no relevant audit information of which the company's auditor is unaware, and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

Approved by the Board of Directors on 25 October 2007 and signed on its behalf by



M L Thomas
Secretary

MEGGITT INTERNATIONAL LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDER OF MEGGITT INTERNATIONAL LIMITED

YEAR ENDED 31 DECEMBER 2006

We have audited the financial statements of Meggitt International Limited for the year ended 31 December 2006 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet and the related notes. These financial statements have been prepared on the basis of the accounting policies set out therein.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITOR

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). 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 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 judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

MEGGITT INTERNATIONAL LIMITED

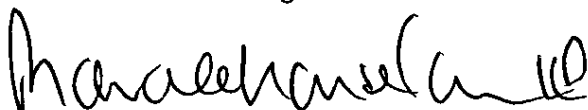
INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDER OF MEGGITT INTERNATIONAL LIMITED *(continued)*

YEAR ENDED 31 DECEMBER 2006

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 2006 and of its profit 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



PricewaterhouseCoopers LLP
Chartered Accountants & Registered Auditors
Reading

26/10/07

MEGGITT INTERNATIONAL LIMITED

PROFIT AND LOSS ACCOUNT

YEAR ENDED 31 DECEMBER 2006

	Note	2006 £000	2005 £000
Administrative expenses		(751)	(528)
Other operating income	2	2,618	2,671
OPERATING PROFIT	3	1,867	2,143
Income from shares in group undertakings	5	39,804	461
Interest receivable and similar income	6	20,066	15,076
Amounts written back to/(off) group balances	7	650	(1,287)
Interest payable and similar charges	8	(12,225)	(4,589)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		50,162	11,804
Tax on profit on ordinary activities	9	1,928	60
PROFIT FOR THE FINANCIAL YEAR	18	52,090	11,864

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

All of the activities of the company are classed as continuing

The notes on pages 9 to 18 form part of these financial statements.

MEGGITT INTERNATIONAL LIMITED
STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
YEAR ENDED 31 DECEMBER 2006

	2006 £000	2005 £000
Profit for the financial year attributable to the shareholder	52,090	11,864
Currency translation differences on foreign currency net investments	23,913	(21,885)
Deferred tax credit on exchange differences charged to reserves	482	—
Total gains and losses recognised since the last annual report	<u>76,485</u>	<u>(10,021)</u>

The notes on pages 9 to 18 form part of these financial statements.

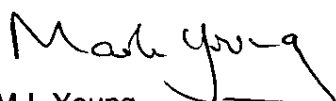
MEGGITT INTERNATIONAL LIMITED

BALANCE SHEET

31 DECEMBER 2006

	Note	2006 £000	2005 £000
FIXED ASSETS			
Intangible assets	11	11,150	13,499
Investments	12	211,102	236,790
		<u>222,252</u>	<u>250,289</u>
CURRENT ASSETS			
Debtors	13	212,547	137,135
CREDITORS: Amounts falling due within one year	15	(13,154)	(15,945)
NET CURRENT ASSETS		<u>199,393</u>	<u>121,190</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>421,645</u>	<u>371,479</u>
CAPITAL AND RESERVES			
Called-up share capital	17	860	860
Share premium account	18	93,451	93,451
Revaluation reserve	18	123,508	149,827
Other reserves	18	113,520	113,520
Profit and loss account	18	90,306	13,821
TOTAL SHAREHOLDERS FUNDS	19	<u>421,645</u>	<u>371,479</u>

These financial statements on pages 6 to 18 were approved by the Board of Directors on 25 October 2007 and are signed on its behalf by


 M L Young
 Director

The notes on pages 9 to 18 form part of these financial statements

MEGGITT INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2006

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 1985 and applicable United Kingdom accounting standards. The principal accounting policies which have been consistently applied except for any changes arising on adoption of the new accounting standards as set out below.

Changes in accounting policy

The company has adopted FRS 20 'Share-based payment' in these financial statements. The adoption of this standard has had no impact on either 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.

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.

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.

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)

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 publicly available. Accordingly the information presented in the financial statements relates to the company as an individual entity.

MEGGITT INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2006

1. ACCOUNTING POLICIES *(continued)*

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

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.

2. OTHER OPERATING INCOME

	2006 £000	2005 £000
Other operating income - royalty income	<u>2,618</u>	<u>2,671</u>

3. OPERATING PROFIT

Operating profit is stated after charging/(crediting)

	2006 £000	2005 £000
Goodwill amortisation	742	752
Net loss/(profit) on foreign currency translation	<u>44</u>	<u>(225)</u>

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.

MEGGITT INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2006

4. PARTICULARS OF EMPLOYEES

The company paid no directors' emoluments during the financial year (2005 £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 (2005 Nil). Three of the directors exercised options in the shares of the ultimate holding company, Meggitt PLC, during the year (2005 three).

5. INCOME FROM SHARES IN GROUP UNDERTAKINGS

	2006 £000	2005 £000
Income from group undertakings	<u>39,804</u>	<u>461</u>

6. INTEREST RECEIVABLE

	2006 £000	2005 £000
Interest from group undertakings	<u>20,066</u>	<u>15,076</u>

7. AMOUNTS WRITTEN BACK TO/(OFF) GROUP BALANCES

	2006 £000	2005 £000
Amount written back to/(off) to intercompany balances	12	(18)
Amount written back to/(off) investments	<u>638</u>	<u>(1,269)</u>
	<u>650</u>	<u>(1,287)</u>

8. INTEREST PAYABLE AND SIMILAR CHARGES

	2006 £000	2005 £000
Loans from group undertakings	<u>12,225</u>	<u>4,589</u>

MEGGITT INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2006

9. TAXATION ON ORDINARY ACTIVITIES

(a) Analysis of charge in the year

	2006 £000	2005 £000
Current tax		
In respect of the year		
UK Corporation tax based on the results for the year at 30% (2005 - 30%)	17,456	637
Over/under provision in prior year	-	3
	<u>17,456</u>	<u>640</u>
Double taxation relief	(17,059)	(197)
Total current tax	<u>397</u>	<u>443</u>
Deferred tax		
Origination and reversal of timing differences	(16)	437
Adjustment in respect of previous years		
Deferred tax	(2,309)	(940)
Total deferred tax (note 14)	<u>(2,325)</u>	<u>(503)</u>
Tax on profit on ordinary activities	<u>(1,928)</u>	<u>(60)</u>

(b) Tax included in statement of total recognised gains and losses

During the year £482,000 (2005 £nil) deferred tax was credited direct to the Statement of Total Recognised Gains and Losses. This relates to the revaluation of items qualifying for tax relief which is also taken to reserves.

MEGGITT INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2006

9. TAXATION ON ORDINARY ACTIVITIES *(continued)*

(c) Factors affecting current tax charge

The tax assessed on the profit on ordinary activities for the year is lower (2005 lower) than the standard rate of corporation tax in the UK of 30% (2005 - 30%) The differences are explained below

	2006 £000	2005 £000
Profit on ordinary activities before taxation	<u>50,162</u>	<u>11,804</u>
Profit on ordinary activities multiplied by standard rate in the UK 30% (2005 30%)	15,049	3,541
Permanent differences	4,935	446
Timing differences	16	(439)
Utilisation of tax losses	(2,544)	(2,911)
Adjustments to tax charge in respect of previous periods	-	3
Double tax relief	<u>(17,059)</u>	<u>(197)</u>
Total current tax (note 9(a))	<u>397</u>	<u>443</u>

(d) 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.

At 31 December 2006 there were no unprovided deferred tax assets in respect of unutilised losses (2005 £8,000,000)

10. DIVIDENDS

Equity dividends

	2006 £000	2005 £000
Paid during the year		
Equity dividends on ordinary shares	<u>-</u>	<u>50,000</u>

On 22 December 2005 the directors approved the payment of an interim dividend of £58.12 per £1 ordinary share totalling £50,000,000

MEGGITT INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2006

11. INTANGIBLE FIXED ASSETS

	Goodwill £000
COST	
At 1 January 2006	15,750
Exchange rate adjustment	(1,811)
At 31 December 2006	<u>13,939</u>
AMORTISATION	
At 1 January 2006	2,251
Charge for the year	742
Exchange rate adjustment	(204)
At 31 December 2006	<u>2,789</u>
NET BOOK VALUE	
At 31 December 2006	<u>11,150</u>
At 31 December 2005	<u>13,499</u>

12. INVESTMENTS

	Shares in subsidiary companies £000
COST	
Balance brought forward	263,772
Exchange adjustment	(26,326)
Balance carried forward	<u>237,446</u>
AMOUNTS PROVIDED	
Balance brought forward	26,982
written off for the year	(638)
Balance carried forward	<u>26,344</u>
NET BOOK VALUE	
At 31 December 2006	<u>211,102</u>
At 31 December 2005	<u>236,790</u>

MEGGITT INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2006

12. INVESTMENTS *(continued)*

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

The following is a listing of direct subsidiary companies at 31 December 2006

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

13. DEBTORS

	2006	2005
	£000	£000
Amounts owed by group undertakings	207,083	136,632
Group relief receivable	2,154	—
Deferred taxation (note 14)	3,310	503
	<u>212,547</u>	<u>137,135</u>

MEGGITT INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2006

13. DEBTORS *(continued)*

The debtors above include the following amounts falling due after more than one year

	2006	2005
	£000	£000
Deferred taxation	<u>1,001</u>	<u>503</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.

14. DEFERRED TAXATION

The deferred tax included in the Balance sheet is as follows

	2006	2005
	£000	£000
Included in debtors (note 13)	<u>3,310</u>	<u>503</u>

The movement in the deferred taxation account during the year was

	2006	2005
	£000	£000
Balance brought forward	503	-
Profit and loss account movement arising during the year	2,325	503
Statement of total recognised gains and losses movement arising during the year	<u>482</u>	<u>-</u>
Balance carried forward	<u>3,310</u>	<u>503</u>

The balance of the deferred taxation account consists of the tax effect of timing differences in respect of

	2006	2005
	£000	£000
Excess of taxation allowances over depreciation on fixed assets	1,000	503
Tax losses available	<u>2,310</u>	<u>-</u>
	<u>3,310</u>	<u>503</u>

MEGGITT INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2006

15. CREDITORS: Amounts falling due within one year

	2006 £000	2005 £000
Amounts owed to group undertakings	13,154	15,469
Group relief payable	—	440
Accruals and deferred income	—	36
	<u>13,154</u>	<u>15,945</u>

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

16. RELATED PARTY TRANSACTIONS

The company has taken advantage of the exemption under paragraph 3(c) from the provisions of FRS 8, 'Related Party Disclosures', on the grounds that it is a wholly owned subsidiary of a group headed by Meggit PLC, whose accounts are publicly available

17. SHARE CAPITAL

Authorised share capital:

	2006 £000	2005 £000
250,000,000 Ordinary shares of £1 each	<u>250,000</u>	<u>250,000</u>

Allotted, called up and fully paid:

	2006 £000	2005 £000
860,290 Ordinary shares of £1 each	<u>860</u>	<u>860</u>

18. RESERVES

	Share premium account £000	Revaluation reserve £000	Other reserves £000	Profit and loss account £000
Balance at 1 January 2006	93,451	149,827	113,520	13,821
Profit for the year	—	—	—	52,090
Other gains relating to the financial year	—	—	—	24,395
Exchange translation differences on revaluation reserve	—	(26,319)	—	—
Balance at 31 December 2006	<u>93,451</u>	<u>123,508</u>	<u>113,520</u>	<u>90,306</u>

MEGGITT INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2006

19. RECONCILIATION OF MOVEMENTS IN SHAREHOLDER'S FUNDS

	2006	2005
	£000	£000
Profit for the financial year	52,090	11,864
Equity dividends paid	—	(50,000)
Other gains/(losses) relating to the financial year	24,395	(21,885)
Exchange translation differences on revaluation reserve	(26,319)	22,666
Net addition/(reduction) to shareholder's funds	50,166	(37,355)
Opening shareholder's funds	371,479	408,834
Closing shareholder's funds	<u>421,645</u>	<u>371,479</u>

20. 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

21. POST BALANCE SHEET EVENTS

A number of changes to the UK Corporation tax system were announced in the March 2007 Budget Statement and are expected to be enacted in the 2007 and 2008 Finance Acts. The changes had not been substantively enacted at the balance sheet date and, therefore, are not included in these financial statements.

The effect of the changes to be enacted in the Finance Act 2007 would be to reduce the deferred tax asset provided at 31 December 2006 by £221,000 in 2007. This £221,000 decrease in deferred tax would reduce profit for the year by £221,000. This decrease in deferred tax is due to the reduction in the corporation tax rate from 30 per cent to 28 per cent with effect from 1 April 2008 and to the abolition of balancing adjustments for industrial buildings allowances.

The other changes to be enacted would have no further effects on the deferred tax provided at 31 December 2006.