

Company Registration No. 02762956 (England and Wales)

**MEGGITT INTERNATIONAL LIMITED**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2018**

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# MEGGITT INTERNATIONAL LIMITED

## COMPANY INFORMATION

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<b>Directors</b>	M L Thomas P E Green L Burdett A Wood
<b>Secretary</b>	S R Grant
<b>Company number</b>	02762956
<b>Registered office</b>	Atlantic House Aviation Park West Bournemouth International Airport Christchurch Dorset England BH23 6EW
<b>Independent auditors</b>	PricewaterhouseCoopers LLP 3 Forbury Place 23 Forbury Road Reading Berkshire RG1 3JH

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# MEGGITT INTERNATIONAL LIMITED

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# MEGGITT INTERNATIONAL LIMITED

## STRATEGIC REPORT

### FOR THE YEAR ENDED 31 DECEMBER 2018

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The directors present their strategic report and audited financial statements for the year ended 31 December 2018.

#### **Results for the year**

The company made a loss of £26,669,000 for the financial year (2017: profit of £92,176,000) and has net assets of £362,359,000 as at 31 December 2018 (2017: £389,028,000).

#### **Principal activities and business review**

The principal activity of the company is an intermediate parent company owing shares in certain subsidiaries of Meggitt PLC, as 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.

#### **Key performance indicators**

The company's directors believe that analysis using key performance indicators is not necessary or appropriate for an understanding of the development, performance or position of the business.

#### **Principal risks and uncertainties**

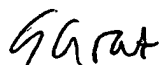
The management of the business and the execution of the company's strategy are subject to minimal risks. The key business risks, both external and internal, are fully discussed, in the context of the Meggitt PLC group as a whole, on pages 48 to 53 of the group's 2018 annual report which does not form part of this report.

#### **Future prospects**

Due to the continued financial support of the intermediate holding company the directors consider that the company is well placed to continue its activities during 2019.

Approved by the Board of Directors on 30 September 2019.

Signed by order of the Board:



S R Grant

**Secretary**

30 September 2019

# MEGGITT INTERNATIONAL LIMITED

## DIRECTORS' REPORT

### *FOR THE YEAR ENDED 31 DECEMBER 2018*

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The directors present their annual report and audited financial statements for the year ended 31 December 2018.

#### **Results and dividends**

The results for the year are set out on page 6. The directors do not recommend the payment of a dividend (2017: nil).

#### **Directors**

The directors who held office during the year and up to the date of approval of the financial statements were as follows:

M L Thomas  
D R Webb (resigned on 31 December 2018)  
P E Green  
L Burdett (appointed on 1 January 2019)  
A Wood (appointed on 1 January 2018)

#### **Directors' indemnities**

The directors have the benefit of qualifying third-party indemnity provisions for the purposes of Section 234 of the Companies Act 2006. This remained in force during the financial year and also at the date of approval of these financial statements.

#### **Financial risk management objectives and policies**

The company's exposure to financial risks is considered to be limited to credit risk. The amounts subject to credit risk is in respect of amounts due from fellow group undertakings (see note 11). These amounts are repayable on demand. As the counterparties are within the Meggitt PLC group, the credit risk is considered to be low.

#### **Independent auditors**

PricewaterhouseCoopers LLP act as independent auditors and have indicated their willingness to continue in office.

# MEGGITT INTERNATIONAL LIMITED

## DIRECTORS' REPORT (CONTINUED)

**FOR THE YEAR ENDED 31 DECEMBER 2018**

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### Statement of directors' responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", 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 the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; 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 are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for 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.

### Directors' confirmations

In the case of each director in office at the date the Directors' Report is approved:

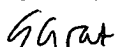
- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

### Strategic report

Certain laws and regulations require that specific information should be included in the Directors' report. The principal activities and business review, principal risks and uncertainties and future prospects are set out in the Strategic Report on page 1.

Approved by the Board of Directors on 30 September 2019.

Signed by order of the Board:



S R Grant

**Secretary**

30 September 2019

# MEGGITT INTERNATIONAL LIMITED

## INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MEGGITT INTERNATIONAL LIMITED

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### Report on the audit of the financial statements

#### Opinion

In our opinion, Meggitt International Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2018 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the statement of financial position as at 31 December 2018; the income statement, the statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

#### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

#### Conclusions relating to going concern

ISAs (UK) require us to report to you when:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of the above matters.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern. For example, the terms on which the United Kingdom may withdraw from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the company's trade, customers, suppliers and the wider economy.

#### Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

# MEGGITT INTERNATIONAL LIMITED

## INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MEGGITT INTERNATIONAL LIMITED (CONTINUED)

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Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

### *Strategic Report and Directors' Report*

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2018 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

### **Responsibilities for the financial statements and the audit**

#### *Responsibilities of the directors for the financial statements*

As explained more fully in the Statement of directors' responsibilities set out on page 3, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

#### *Auditors' responsibilities for the audit of the financial statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditors' report.

#### *Use of this report*

This report, including the opinions, has been prepared for and only for the company's members 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.

### **Other required reporting**

#### **Companies Act 2006 exception reporting**

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility.



John Ellis (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Reading  
30 September 2019



# MEGGITT INTERNATIONAL LIMITED

## INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	2018 £000	2017 £000
Other (losses)/gains		(35,418)	32,583
Other operating income		87	88
(Loss)/gain on disposal of subsidiary		(2,462)	44,046
Income from shares in group undertakings		31,405	29,278
<b>Operating (loss)/profit</b>	<b>3</b>	<b>(6,388)</b>	<b>105,995</b>
Interest receivable from group undertakings		12,678	4,911
Finance costs	<b>6</b>	(37,861)	(21,719)
Finance costs - net		(25,183)	(16,808)
<b>(Loss)/profit before taxation</b>		<b>(31,571)</b>	<b>89,187</b>
Tax on (loss)/profit	<b>7</b>	4,902	2,989
<b>(Loss)/profit for the financial year</b>		<b>(26,669)</b>	<b>92,176</b>

The income statement has been prepared on the basis that all operations are continuing operations.

The company has no other comprehensive income or expenses other than the results for the years as set out above, and therefore no separate statement of comprehensive income has been presented.

# MEGGITT INTERNATIONAL LIMITED

## STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2018

	Note	2018 £000	2017 £000
<b>Fixed assets</b>			
Intangible assets	8	9,612	9,082
Investments	9	1,542,609	1,239,641
		<u>1,552,221</u>	<u>1,248,723</u>
<b>Current assets</b>			
Deferred tax asset	13	4,401	-
Other receivables	11	354,788	9,327
		<u>359,189</u>	<u>9,327</u>
<b>Creditors: amounts falling due within one year</b>			
Other payables	12	(1,549,051)	(868,489)
<b>Net current liabilities</b>		<u>(1,189,862)</u>	<u>(859,162)</u>
<b>Total assets less current liabilities</b>		<u>362,359</u>	<u>389,561</u>
<b>Provisions for liabilities</b>			
Deferred tax liabilities	13	-	(533)
<b>Net assets</b>		<u>362,359</u>	<u>389,028</u>
<b>Capital and reserves</b>			
Share capital	14	860	860
Share premium account		93,451	93,451
Revaluation reserve		116,698	116,698
Other reserves		113,520	113,520
Retained earnings		37,830	64,499
<b>Total equity</b>		<u>362,359</u>	<u>389,028</u>

The notes on pages 9 to 20 are an integral part of these financial statements.

The financial statements on pages 6 to 20 were approved by the Board of Directors and authorised for issue on 30 September 2019.

Signed on behalf of the directors:



M Thomas

Director

30 September 2019

Company Registration No. 02762956

# MEGGITT INTERNATIONAL LIMITED

## STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2018

	Share capital	Share premium account	*Revaluation reserve	**Other reserves	Retained Earnings	Total equity
	£000	£000	£000	£000	£000	£000
Balance at 1 January 2017	860	93,451	116,698	113,520	(27,677)	296,852
Profit for the financial year	-	-	-	-	92,176	92,176
Total comprehensive income for the year	-	-	-	-	92,176	92,176
Balance at 31 December 2017	860	93,451	116,698	113,520	64,499	389,028
Loss for the financial year	-	-	-	-	(26,669)	(26,669)
Total comprehensive expense for the year	-	-	-	-	(26,669)	(26,669)
Balance at 31 December 2018	860	93,451	116,698	113,520	37,830	362,359

\* Relates to 2007 revaluation of foreign currency hedged assets/liabilities.

\*\* Relates to sale of preference share capital in Meggitt Holdings USA Inc.

# MEGGITT INTERNATIONAL LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

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### 1 Accounting policies

#### General Information

The company is an intermediate company, holding shares in certain Meggitt PLC group companies. The company is private, limited by shares, incorporated and domiciled in the United Kingdom. The address of its registered office is Atlantic House, Aviation Park West, Bournemouth International Airport, Christchurch, Dorset, BH23 6EW.

#### 1.1 Accounting convention

The financial statements have been prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101). The financial statements have been prepared on the historical cost basis and in accordance with the Companies Act 2006.

The company has taken advantage of the following disclosure exemptions under FRS 101:

- the requirements of IFRS 7 'Financial Instruments: Disclosures';
- the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of: (i) paragraph 79(a) (iv) of IAS 1 'Presentation of Financial Statements' and (ii) paragraph 118 (e) of IAS 38 'Intangible Assets';
- the requirements of paragraphs 10(d), 16 and 134-136 of IAS 1 'Presentation of Financial Statements';
- the requirements of IAS 7 'Statement of Cash Flows';
- the requirements of paragraph 17 of IAS 24 'Related Party Disclosures';
- the requirements in IAS 24 'Related Party Disclosures' to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member;
- the requirements of paragraphs 134(d)-134(f) and 135(c)-135(e) of IAS 36 'Impairment of Assets'; and
- the requirements of paragraphs 30 and 31 of IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors'.

The company has taken advantage of the exemption under section 400 of the Companies Act 2006 not to prepare consolidated financial statements. The financial statements present information about the company as an individual entity and not about its group.

Meggitt International Limited is a wholly owned subsidiary of Meggitt PLC and the results of Meggitt International Limited are included in the consolidated financial statements of Meggitt PLC which are publicly available, as set out in note 15.

#### 1.2 Going concern

The directors have formed a judgement, at the time of approving the financial statements, that there is a reasonable expectation that the company has adequate resources to continue in operational existence for a period of at least 12 months from the date of this report. For this reason, the directors continue to adopt the going concern basis in preparing the company financial statements.

In reaching this conclusion, the directors have considered:

- the financial position of the company as set out in this report and additional information provided in the financial statements;
- the resources available to the company, including the continued support of its immediate parent company, Meggitt International Holdings Limited; and
- the principal risks and uncertainties to which the Meggitt PLC group is exposed, as set out on pages 46 to 53 of the Meggitt PLC Annual Report & Accounts 2018 (which do not form part of these financial statements), the likelihood of them arising and the mitigating actions available.

# MEGGITT INTERNATIONAL LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

### 1 Accounting policies

(Continued)

#### 1.3 New standards, amendments and IFRIC interpretations

IFRS 9 'Financial instruments' is a new accounting standard that has been adopted during the financial year. IFRS 9 became effective for periods beginning on or after 1 January 2018 and required retrospective application. The adoption of IFRS 9 has not resulted in a restatement of comparative financial information. There are no other amendments to accounting standards or IFRIC interpretations that are effective for the year ended 31 December 2018 that have had a material impact on the company.

#### 1.4 Investments in subsidiaries

Investments held as fixed assets are stated at cost less provision for impairment in value arising from an annual review.

#### 1.5 Intangible assets

##### Goodwill

The purchased goodwill of the Company is regarded as having an indefinite useful economic life and in accordance with FRS 101, is not amortised but is subject to annual tests for impairment.

In the opinion of the directors, it is not possible to determine a finite useful economic life for goodwill, due to the inherent durability of the corporate profile and the continued position of market leadership. This is supported by the high profitability of the business. Since it is not possible to identify any finite useful economic life, it is not possible to quantify any amortisation which would be charged. In reviewing the carrying value of goodwill of the business, the Board has considered the separate plans and cash flows of these businesses consistent with the requirements of FRS 101, and is satisfied that these demonstrate that no impairment has occurred. Accordingly no charge for impairment is required.

Goodwill arising on acquisitions before the date of transition to FRS 101 has been retained at the previous UK GAAP amounts subject to being tested for impairment at that date.

#### 1.6 Impairment of fixed, non-financial assets

At each reporting end date, the company reviews the carrying amounts of its fixed, non-financial assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future pre-tax cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in the income statement.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in the income statement.

# MEGGITT INTERNATIONAL LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

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### 1 Accounting policies

(Continued)

#### 1.7 Other receivables

Other receivables are initially recognised at fair value and subsequently measured at amortised cost less any impairment losses. The company applied the IFRS 9 simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, other receivables have been grouped based on shared credit risk characteristics. Expected credit losses are based on the assumption that repayment of the loan is demanded at the reporting date. The borrowers access to sufficient accessible highly liquid assets in order to repay the loan if demanded at the reporting date is assessed to consider the expected manner of recovery to measure expected credit losses. If the recovery strategies indicate that the lender would fully recover the outstanding balance of the loan, the expected credit loss will be limited to the effect of discounting the amount due on the loan at the loan's effective interest rate, over the period until cash is realised.

#### 1.8 Other payables

Other payables are initially recognised at fair value and subsequently measured at amortised cost. Interest payable is recognised in the income statement within finance costs as incurred.

#### 1.9 Current tax

Current tax is based on taxable profit for the period, calculated using tax rates enacted or substantively enacted at the balance sheet date. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Current tax is recognised in the income statement, other comprehensive income or directly in equity depending on where the item to which they relate has been recognised.

#### *Deferred tax*

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when the company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

#### 1.10 Foreign exchange

The financial statements are presented in 'pounds sterling' (£), which is also the company's functional currency. Transactions in currencies other than pounds sterling are recorded at the rates of exchange prevailing at the dates of the transactions. At each reporting end date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting end date. Gains and losses arising on translation are included in the income statement for the period.

# MEGGITT INTERNATIONAL LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

### 1 Accounting policies

(Continued)

#### 1.11 Dividend recognition and distribution

Dividend income is recognised when the right to receive payment is established. No dividends were approved or paid during the financial year.

Dividend distributions to the company's shareholders are recognised as a liability in the company's financial statements in the period in which the dividends are approved by the company's shareholders.

### 2 Critical accounting estimates and judgements

In applying the company's accounting policies set out in note 1, the company is required to make certain estimates and judgements concerning the future. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The actual results may differ from these estimates.

#### Significant accounting estimates

Determining the carrying amounts of some assets and liabilities requires estimation of the effects of uncertain future events on those assets and liabilities at the end of the reporting period. Through the process of applying the company's accounting policies the directors have not identified assumptions made about the future, and other major sources of estimation uncertainty at the end of the reporting period, that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

#### Significant accounting judgements

In the process of applying the company's accounting policies, the directors have not made judgements that significantly affect the amounts it has recognised in the financial statements.

3 Operating (loss)/profit	2018 £000	2017 £000
Operating (loss)/profit for the year is stated after charging/(crediting):		
Net foreign exchange losses/(gains)	35,418	(32,583)
Loss/(gain) on disposal of subsidiary	2,462	(44,046)

The loss on disposal of subsidiary relates to residual costs associated with 2017's disposal of Piher Sensors & Controls SA & Piher International GmbH.

In the prior year the gain on disposal of subsidiary related to the Company's disposal of 100% of the ordinary shares of Piher Sensors & Controls SA and Piher International GmbH on 16 June 2017 for consideration of £46,928,000 less the carrying value of the investment £2,882,000.

### 4 Auditor's remuneration

Audit fees for the year were borne by the ultimate parent company, Meggitt PLC. The following allocation is made, but has not been recharged to the company:

	2018 £	2017 £
Audit fees payable to the company's auditor	4,300	4,300

# MEGGITT INTERNATIONAL LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

### 5 Employees and directors

The company has no employees (2017: none).

All of the directors as at the year end 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 did not receive any remuneration in their capacity as directors of Meggitt International Limited (2017: £nil), as their services to the company were incidental to their services to the group.

Three of the directors exercised options in the shares of the ultimate holding company, Meggitt PLC, during the year (2017: Three). No options were issued in regards to services for Meggitt International Limited.

### 6 Finance costs

	2018 £000	2017 £000
Interest on bank overdrafts and loans	-	2
Interest payable to group undertakings	37,861	21,717
	<u>37,861</u>	<u>21,719</u>

### 7 Tax on (loss)/profit

	2018 £000	2017 £000
<b>Current tax</b>		
Current year taxation	(1)	(3,165)
Adjustments in respect of prior periods	33	12
	<u>32</u>	<u>(3,153)</u>
<b>Deferred tax</b>		
Origination and reversal of temporary differences	(4,783)	100
Adjustment in respect of prior periods	(151)	64
	<u>(4,934)</u>	<u>164</u>
Total tax credit for the year	<u>(4,902)</u>	<u>(2,989)</u>



# MEGGITT INTERNATIONAL LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2018

#### 7 Tax on (loss)/profit

(Continued)

Tax credit for the year is lower (2017: lower) than the standard rate of corporation tax in the UK for the year ended 31 December 2018 of 19.00% (2017: 19.25%). The difference is explained below:

	2018 £000	2017 £000
(Loss)/profit before taxation	(31,571)	89,187
Effects of:		
Loss/(profit) before taxation multiplied by the standard rate of tax in the UK of 19.00% (2017: 19.25%)	(5,998)	17,168
Income not subject to tax	(5,968)	(14,115)
Adjustments in respect of prior periods	(118)	76
Overseas tax written off	-	172
Permanent differences	7,192	(6,260)
Impact of change in tax rate	(10)	(30)
Tax credit for the year	(4,902)	(2,989)

#### Factors that may affect future tax charges

Changes to the UK corporation tax rates were substantively enacted as part of Finance Bill 2017 (on 6 September 2017). These include reductions to the main rate, to reduce the rate to 17% from 1 April 2020. Deferred taxes at the balance sheet date have been measured using these enacted tax rates and reflected in these financial statements.

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.

# MEGGITT INTERNATIONAL LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

### 8 Intangible assets

	<b>Goodwill £000</b>
<b>Cost or valuation</b>	
At 1 January 2018	20,180
Foreign currency adjustments	1,180
	<u>21,360</u>
At 31 December 2018	<u>21,360</u>
<b>Accumulated impairment</b>	
At 1 January 2018	11,098
Foreign currency adjustments	650
	<u>11,748</u>
At 31 December 2018	<u>11,748</u>
<b>Carrying amount</b>	
At 31 December 2018	<u>9,612</u>
At 31 December 2017	<u>9,082</u>

### 9 Investments

	<b>2018 £000</b>	<b>2017 £000</b>
Investments in subsidiaries	1,542,609	1,239,641
	<u>1,542,609</u>	<u>1,239,641</u>
<b>Movements in investments</b>		
	<b>2018 £000</b>	<b>2017 £000</b>
<b>Cost or valuation</b>		
At 1 January	1,240,309	1,154,114
Additions	302,968	89,077
Disposals	-	(2,882)
	<u>1,543,277</u>	<u>1,240,309</u>
At 31 December	<u>1,543,277</u>	<u>1,240,309</u>
<b>Impairment</b>		
At 1 January	(668)	(668)
	<u>(668)</u>	<u>(668)</u>
At 31 December	<u>(668)</u>	<u>(668)</u>
<b>Carrying amount</b>		
At 31 December	<u>1,542,609</u>	<u>1,239,641</u>

During the year the company increased its ordinary share holding in Meggitt Holdings (USA) Inc. by £302,968,000 (2017: £89,077,000).

# MEGGITT INTERNATIONAL LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

### 10 Subsidiaries

Details of the company's subsidiaries at 31 December 2018 are as follows:

	Country of incorporation (or residence)	Proportion of ownership interest (%)	Proportion of voting power held (%)	Nature of business
Endevco Vertriebs GmbH *	Germany	100	100	Dormant
Meggitt (France) SAS *	France	100	100	Manufacturer
Meggitt (Xiamen) Sensors & Control Co Limited * 1	China	100	100	Manufacturer
Meggitt A/S *	Denmark	100	100	Manufacturer
Meggitt Asia Pacific Pte Limited *	Singapore	100	100	Manufacturer
Meggitt Brazil (Solúceos de Engenharia) Ltds * 1	Brazil	100	100	Salse office
Meggitt Holdings (France) SNC *	France	100	100	IHC
Meggitt India Pvt Limited * 3	India	100	100	Sales office
Meggitt SA * 4	Switzerland	100	100	Manufacturer
Europeenne de Conception D'Etudes Technologiques SAS **	France	100	100	Manufacturer
Meggitt (Sensorex) SAS **	France	100	100	Manufacturer
Meggitt Acquisition (France) SAS **	France	100	100	Manufacturer
Meggitt GmbH **	Germany	100	100	Manufacturer
Vibro-Meter Limited **	United Kingdom	100	100	Dormant
Vibro-Meter S.A.R.L. **	Switzerland	100	100	Dormant
Alston Properties LLC ** 5	USA	100	100	Dormant
Artus SAS **	France	100	100	Manufacturer
Meggitt (Vietnam) Limited ** 7	Vietnam	100	100	Manufacturer
Erlanger Acquisition Corporation ** 2	USA	100	100	IHC
GB Aero Engine LLC ** 5	USA	100	100	Dormant
Meggitt (Baltimore) Inc ** 2	USA	100	100	Manufacturer
Meggitt (Erlanger) LLC ** 5	USA	100	100	Manufacturer
Meggitt (North Hollywood) Inc ** 2	USA	100	100	Manufacturer
Meggitt (Orange County) LLC ** 2	USA	100	100	Manufacturer
Meggitt (Rockmart) Inc ** 2	USA	100	100	Manufacturer
Meggitt (San Diego) Inc ** 2	USA	100	100	Manufacturer
Meggitt (Simi Valley) Inc ** 2	USA	100	100	Manufacturer
Meggitt (Troy) Inc ** 2	USA	100	100	Manufacturer
Meggitt Acquisition (Erlanger) Inc ** 8	USA	100	100	IHC
Meggitt Aircraft Braking Systems Corp ** 2	USA	100	100	Manufacturer
Meggitt Aircraft Braking Systems Kentucky Corp ** 2	USA	100	100	Manufacturer
Meggitt Aircraft Braking Systems Queretaro S de RL de C ** 9	Mexico	100	100	Manufacturer
Meggitt Defense Systems Inc ** 2	USA	100	100	Manufacturer
Meggitt Oregon Inc ** 2	USA	100	100	Manufacturer
Meggitt Queretaro LLC ** 5	USA	100	100	Manufacturer
Meggitt Safety Systems Inc ** 2	USA	100	100	Manufacturer
Meggitt Training Systems (Quebec) Inc ** 2	Canada	100	100	Manufacturer
Meggitt Training Systems Australia Pty Limited **	Australia	100	100	Manufacturer
Meggitt Training Systems Europe BV **	Holland	100	100	Manufacturer
Meggitt Training Systems Inc ** 2	USA	100	100	Training provider
Meggitt Training Systems Pte Limited **	Singapore	100	100	Manufacturer

# MEGGITT INTERNATIONAL LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

### 10 Subsidiaries

(Continued)

	Country of incorporation (or residence)	Proportion of ownership interest (%)	Proportion of voting power held (%)	Nature of business
Meggitt USA Services Inc ** 2	USA	100	100	IHC
Meggitt USA Inc ** 2	USA	100	100	IHC
Nasco Aircraft Brake Inc ** 2	USA	100	100	Manufacturer
OECO LLC ** 5	USA	100	100	Manufacturer
Pacific Scientific Company ** 2	USA	100	100	Manufacturer
Park Chemical Company ** 2	USA	100	100	Dormant
Parkway-Hamilton Sundstrand Mexico S. de Mexico R.L de CV ** 10		100	100	Manufacturer
Precision Engine Controls Corp ** 2	USA	100	100	Manufacturer
Securaplane Technologies Inc **	USA	100	100	Manufacturer
Techniques et Fabrications Electroniques SAS **	France	100	100	Manufacturer
Valley Association Corporation ** 11	USA	70	33	Dormant
Whittaker Aerospace ** 12	USA	100	100	Dormant
Whittaker Corporation ** 2	USA	100	100	IHC
Whittaker Development Co ** 2	USA	100	100	Dormant
Whittaker Ordnance Inc ** 2	USA	100	100	Dormant
Whittaker Technical Products Inc ** 2	USA	100	100	Dormant
Meggitt UTC Aerospace Systems LLC ** 13	USA	70	70	Manufacturer
Meggitt Finance (Beta) *	United Kingdom	100	100	Dormant
Mikroma SA **	Poland	10	10	Manufacturer
Aircraft Braking Systems Europe Limited **	United Kingdom	100	100	Dormant
Aircraft Braking Systems Services Limited *8	United Kingdom	100	100	Dormant
ABL Systems ** 6	USA	50	50	Dormant
Aero-Tech Composites de Mexco, S de RL CV **	Mexico	100	100	Manufacturer

\* Directly held \*\* Indirectly held

Abbreviation used - IHC: Intermediate holding company

Unless otherwise stated, ownership comprises ordinary shares representing 100% of the issued share capital.

1. Ownership held as registered capital (100%)
2. Ownership held as common stock (100%)
3. Ownership held as equity shares (100%)
4. Ownership held as bearer shares (100%)
5. Ownership held as membership interest (100%)
6. Ownership held as ordinary shares (50%)
7. Ownership held as owner's capital (100%)
8. Ownership held as class A shares (67.5%), class B shares (12.5%) and class C shares (20%)
9. Ownership held as quota interest (100%)
10. Subsidiary of Parkway-HS, LLC - ownership held as quota interest (99.97%)
11. Ownership held as ordinary shares (33%)
12. Private unlimited company
13. Joint venture with UTC Aerospace Systems - ownership held as membership interest (70%)

The registered office address for all subsidiaries incorporated in the United Kingdom is Atlantic House, Aviation Park West, Bournemouth International Airport, Christchurch, Dorset, BH23 6EW. For subsidiaries not incorporated in the United Kingdom, the registered office address details are as follows

# MEGGITT INTERNATIONAL LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

### 10 Subsidiaries

(Continued)

ABL Systems – 1204 Massillon Road, Akron, OH 44306, USA  
Aero-Tech Composites de Mexico, S de RL de CV Carretera a Zacatecas 5570-1, Saltillo, COA, Mexico 25070  
Alston Properties LLC – 14600 Myford Road, Irvine, CA 92606  
Artus SAS - Chemin de Champs des Martyrs, 49240 Avrille, France  
Artus Vietnam Co Ltd - Bien Hoa Industrial Zone 27 St. 16, Bien Hoa City, Dong Nai, Vietnam  
Cavehurst (Finance) Ireland Unlimited Company – Gorse Valley, Tipperkevin, Ballymore Eustace, Co Kildare, Republic of Ireland  
Endevco Vertriebs GmbH - Kaiserleistr. 51, 63067 Offenbach, Main, Germany  
Erlanger Acquisition Corporation - 1955 N. Surveyor Avenue, Simi Valley, CA 93063  
Europenne de Conception d'Etudes Technologiques SAS - Chemin de bois Renaud, 16730, Fleac, France  
GB Aero Engine LLC - 1955 N. Surveyor Avenue, Simi Valley, CA 93063  
Meggitt A/S – Portusvej4, DK-3490 Kvistgaard, Denmark  
Meggitt (Baltimore) Inc - 3310 Carlins Park Drive, Baltimore, MD 21215, USA  
Meggitt (Erlanger) LLC - 1400 Jamiue Avenue Erlanger, Kentucky 41018, USA  
Meggitt (France) SAS - 10 Rue Mercœur, 75011 Paris, France  
Meggitt (North Hollywood) Inc - 2616 Research Drive, Unit A, Corona, CA 92882, USA  
Meggitt (Orange County) Inc - 136 Harvey Road, Suite A9, Londonderry, NH 03053, USA  
Meggitt (Rockmart) Inc – 669 Goodyear Street, Rockmart, GA, GA 30153, USA  
Meggitt (San Diego) Inc - 10540 Heater Court, San Diego, CA 92121, USA  
Meggitt (Sensorex) SAS - 196 rue Louis Rustin, PO Box 63103, Archamps, Technopole, F-74166, Archamps Cedex, France  
Meggitt (Simi Valley) Inc - 1915 N. Surveyor Avenue, Simi Valley, CA 93063  
Meggitt (Troy) Inc - 2495 Directors Row, Suite F, Indianapolis IN 46241-4907, USA  
Meggitt (Xiamen) Sensors & Controls Co Ltd - 230 South 5, Gao Qi Road, Xiamen 361006, People's Republic of China  
Meggitt Acquisition (Erlanger) Inc - 1955 N. Surveyor Avenue, Simi Valley, CA 93063  
Meggitt Aircraft Braking Systems Corporation - 1204 Massillon Road, Akron, Ohio 44306-4186, USA  
Meggitt Aircraft Braking Systems Kentucky Corp - 190 Corporate Drive, Danville, KY 40422, USA  
Meggitt Aircraft Braking Systems Queretaro SdeRLdeC - Carretera Estatal 200, Queretaro-Tequisquiapan, Colon, Mexico  
Meggitt Acquisition (France) SAS – Chemin du Champ des Martyrs, 49240 Avrille, France  
Meggitt Asia Pacific Pte Limited - 1A Seletar Aerospace Link, Seletar Aerospace Park, Singapore, 797552  
Meggitt Brasil Solucoes de Engenharia Ltda - Av Cassiano Ricardo, 601 Sls 122-128, The One Office Tower, São José dos Campos, CEP 12246-870, Brasil  
Meggitt Defense Systems Inc - 9801 Muirlands Boulevard, Irvine, California 92618-2521, USA  
Meggitt Finance (Beta) – Atlantic House, Aviation Park West, Bournemouth International Airport, Christchurch, BH23 6EW  
Meggitt Finance S.A.R.L – 20 Rue des Peupliers, L-2328 Luxembourg, Grand Duchy of Luxembourg  
Meggitt GmbH - Kaiserleistr. 51, 63067 Offenbach, Main, Germany  
Meggitt Holdings (France) SNC - Chemin de Champs des Martyrs, 49240 Avrille, France  
Meggitt India Pvt Ltd (India) 901, Brigade Rubix, No 20, HMT Main Road, HMT Township, North Bangalore 56022, India  
Meggitt Oregon Inc - 2010 Lafayette Avenue, PO Box 887, McMinnville, OR 97128, USA  
Meggitt Queretaro LLC - Carretera Estatal 200, Queretaro-Tequisquiapan, Colon, Mexico  
Meggitt SA - Rte de Moncor 4, PO Box 1616, CH-1701, Fribourg, Switzerland  
Meggitt Safety Systems Inc - 1785 Voyager Avenue, Simi Valley CA 93063, USA  
Meggitt Training Systems (Quebec) Inc - 6140 Henri Bourassa West, Ville Saint Laurent, Quebec, H4R 3A6, Canada  
Meggitt Training Systems Australia Pty Ltd - Unit 2 48 Conrad Place, Lavington NSW 2641, Australia  
Meggitt Training Systems Europe BV - Ringweistraat 7, 4181CL Waardenburg, The Netherlands  
Meggitt Training Systems Inc - 296 Brogdon Road, Suwanee, Georgia 30024, USA  
Meggitt Training Systems Pte Ltd - 1A Seletar Aerospace Link, Seletar Aerospace Park, Singapore 797552  
Meggitt USA Services Inc - 1955 N. Surveyor Avenue, Simi Valley, CA 93063, USA  
Meggitt-USA Inc - 1955 N. Surveyor Avenue, 1955 N. Surveyor Avenue, USA  
Nasco Aircraft Brake Inc - 13330 Estrella Avenue, Gardena, CA 90248, USA  
Oeco LLC - 4607 SE International Way, Milwaukie, OR 97222  
Pacific Scientific Company - 6200 Poplar Tree Court, Louisville KY 40228, USA  
Park Chemical Company - 1955 N. Surveyor Avenue, Simi Valley, CA 93063  
Parkway-Hamilton Sundstrand Mexico S. De. R. L. De CV - Carretera a Zacatecas 5570-1, Saltillo, COA, Mexico 25070  
Precision UTC Aerospace Systems LLC - 51 Cavalier Boulevard, Suite 200, Florence, KY 41042  
Precision Engine Controls Corp - 11661 Sorrento Valley Road, San Diego, CA 92121, USA  
Securaplane Technologies Inc - 12350 N Vistoso Park Road, Oro Valley, AZ 85755, USA  
Techniques et Fabrications Electroniques SAS - Actisud ZI du Chapitre, 18 rue Jean Perrin, 31100 Toulouse, France  
Valley Association Corporation - 1204 Massillon Road, Akron, OH 44306, USA  
Vibro-Meter SARL – Route de Moncor 4, 1752 Villars-sur-Glane, Switzerland  
Wallaby Grip Australia Pty Limited – Bradley Tonks, PKF Sydney, Level 8, 1 O'Connell Street, Sydney, NSW 2000  
Wallaby Grip Industries Australia Pty Limited - Bradley Tonks, PKF Sydney, Level 8, 1 O'Connell Street, Sydney, NSW 2000  
Wallaby Grip B.A.E Pty Limited - Bradley Tonks, PKF Sydney, Level 8, 1 O'Connell Street, Sydney, NSW 2000  
Wallaby Grip (NSW) Pty Limited - Bradley Tonks, PKF Sydney, Level 8, 1 O'Connell Street, Sydney, NSW 2000  
Whittaker Aerospace - Atlantic House, Aviation Park West, Bournemouth International Airport, Christchurch, BH23 6EW  
Whittaker Development Co - 1955 N. Surveyor Avenue, Simi Valley, CA 93063  
Whittaker Ordnance Inc - 1955 N. Surveyor Avenue, Simi Valley, CA 93063  
Whittaker Technical Products Inc - 1955 N. Surveyor Avenue, Simi Valley, CA 93063  
Zambra Legal Pty Limited – Suite 2, Level 11, 60 Castlereagh Street, Sydney, NSW 2000, Australia

# MEGGITT INTERNATIONAL LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

### 11 Other receivables

	2018 £000	2017 £000
Corporation tax recoverable	-	3,101
Amounts due from fellow group undertakings	354,788	6,226
	<u>354,788</u>	<u>9,327</u>

Amounts due from fellow group undertakings totalling £346,020,000 (2017: nil) are interest bearing, unsecured, have no fixed date for repayment and are repayable on demand. Interest accrues at 2%.

The remaining amounts due from fellow group undertakings totalling £8,768,000 (2017: £6,226,000) are non interest bearing, unsecured and are repayable on demand.

The bank account of Meggitt International Limited is in the name of 'Meggitt PLC - Re Meggitt International Limited'. The legal title to this account rests with Meggitt PLC and it is recorded as an amount due from fellow group undertakings.

### 12 Other payables

	2018 £000	2017 £000
Amounts due to fellow group undertakings	1,548,735	868,489
Social security and other taxation	316	-
	<u>1,549,051</u>	<u>868,489</u>

Amounts due to fellow group undertakings totalling £1,544,051,000 (2017: £867,718,000) are interest bearing, unsecured and are repayable on demand. Interest accrues at 2%.

The remaining amounts due to fellow group undertakings totalling £4,684,000 (2017: £771,000) are interest free, unsecured and are repayable on demand.

# MEGGITT INTERNATIONAL LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

### 13 Deferred taxation

	Accelerated capital allowances £000
Deferred tax liability at 1 January 2017	(369)
<b>Deferred tax movements in prior year</b>	
Charge to profit or loss	(164)
Deferred tax liability at 31 December 2017	(533)
<b>Deferred tax movements in current year</b>	
Credit to profit or loss	4,934
Deferred tax asset at 31 December 2018	4,401

Deferred tax assets and liabilities are offset where the company has a legally enforceable right to do so. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

	2018 £000	2017 £000
Deferred tax asset/(liabilities)	4,401	(533)

14 Share capital	2018 No.	2017 No.	2018 £000	2017 £000
<b>Ordinary share capital</b>				
<b>Authorised, issued and fully paid</b>				
Ordinary shares of £1 each	860,290	860,290	860	860

### 15 Ultimate parent undertaking and controlling party

The immediate parent undertaking is Meggitt International Holdings Limited. 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 2018. The consolidated financial statements of Meggitt PLC are available from its registered office; Atlantic House, Aviation Park West, Bournemouth International Airport, Christchurch, Dorset, BH23 6EW.