

NEGRETTI & ZAMBRA LIMITED

Report and Balance Sheet

31 December 1998



NOTICE OF MEETING

Notice is hereby given that the Annual General Meeting of the members of Negretti & Zambra Limited will be held at Farris House, Cowgrove, Wimborne, Dorset at 9.15 am on 16 July 1999 to transact the following business:

1. To receive and approve the report of the directors and the balance sheet for the year ended 31 December 1998.
2. To transact the other business of an Annual General Meeting.

By Order of the Board

A handwritten signature in black ink, appearing to be 'D H Clark', written over the text 'By Order of the Board'.

D H Clark
Secretary

DIRECTORS' REPORT

The directors present their annual report and the balance sheet for the year ended 31 December 1998.

PRINCIPAL ACTIVITY

The company no longer trades.

REVIEW OF THE BUSINESS

The company did not trade during the year to 31 December 1998.

The company has been dormant as defined in Section 250 of the Companies Act 1985 since 31 December 1997, being the end of the previous financial year. Accordingly, on 22 December 1998 the company duly passed a special resolution exempting itself from the requirement to appoint auditors.

DIRECTORS AND THEIR INTERESTS

The following were directors of the company during the year:

D H Clark
P E Green

No directors hold or have held shares in the company during the year. The directors' interests in the shares of the ultimate parent company, Meggitt PLC, were as follows:

Meggitt PLC Ordinary 5 pence shares

| | Ordinary share options (i) | | Ordinary share options (ii) | | Ordinary share options (iii) | | Ordinary share options (iv) | | Ordinary shares fully paid | |
|-----------|----------------------------|--------|-----------------------------|--------|------------------------------|---------|-----------------------------|--------|----------------------------|--------|
| | 31.12.98 | 1.1.98 | 31.12.98 | 1.1.98 | 31.12.98 | 1.1.98 | 31.12.98 | 1.1.98 | 31.12.98 | 1.1.98 |
| D H Clark | 5,000 | 10,311 | 19,917 | 14,670 | 45,083 | 30,330 | 9,729 | 7,274 | 17,841 | 17,753 |
| P E Green | - | 30,000 | 18,963 | 6,846 | 212,982 | 179,194 | 7,253 | 4,798 | 13,380 | 1,748 |

- (i) Options granted under the terms of the Meggitt PLC 1984 Share Option Scheme.
- (ii) Options granted under the terms of the Meggitt 1996 No 1 Executive Share Option Scheme.
- (iii) Options granted under the terms of the Meggitt 1996 No 2 Executive Share Option Scheme.
- (iv) Options granted under the terms of the Meggitt PLC Savings Related Share Option Schemes.

In addition, directors' interests in share schemes, the shares for which are held in the Meggitt Employees Share Ownership Trust, were as follows:

| <u>Restricted Share Scheme</u> | <u>Date of Award</u> | <u>Number of Shares</u> |
|------------------------------------|---------------------------|-------------------------|
| P E Green | 29.4.96 | 15,435 |
| <u>Equity Participation Scheme</u> | <u>Date of Allocation</u> | <u>Number of Shares</u> |
| P E Green | 27.3.97 | 19,917 |
| | 20.4.98 | 22,888 |

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

DIRECTORS' REPORT (continued)

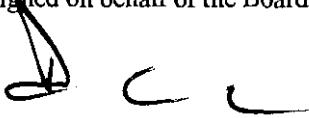
YEAR 2000

The directors consider that the advent of the Year 2000 will have no impact on the company.

AUDITORS

Pursuant to the special resolution duly passed on 22 December 1998 auditors will not be appointed.

Approved by the Board of Directors
and signed on behalf of the Board

A handwritten signature in black ink, appearing to be 'D H Clark', written over a horizontal line.

D H Clark
Secretary

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;*
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

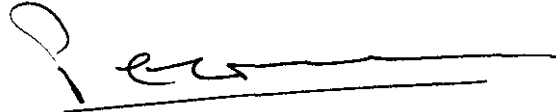
The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets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

NEGRETTI & ZAMBRA LIMITED**BALANCE SHEET**
31 December 1998

| | Note | 1998 £ | 1997 £ |
|------------------------------------------|------|-----------|-----------|
| CURRENT ASSETS | | | |
| Debtors - amounts owed by parent company | | 9,000 | 9,000 |
| | | <hr/> | <hr/> |
| NET CURRENT ASSETS | | 9,000 | 9,000 |
| | | <hr/> | <hr/> |
| CAPITAL AND RESERVES | | | |
| Called up share capital | 4 | 9,000 | 9,000 |
| | | <hr/> | <hr/> |
| TOTAL EQUITY SHAREHOLDERS' FUNDS | | 9,000 | 9,000 |
| | | <hr/> | <hr/> |

The company was dormant as defined in Section 250 of the Companies Act 1998 throughout the year ended 31 December 1998.

The balance sheet was approved by the Board of Directors on 9 April 1999.
Signed on behalf of the Board of Directors



P E Green
Director

NOTES TO THE BALANCE SHEET
Year ended 31 December 1998

1. ACCOUNTING POLICY

The balance sheet has been prepared in accordance with applicable accounting standards and under the historical cost convention.

2. PROFIT AND LOSS ACCOUNT

The company did not trade during the current or preceding financial year and consequently made neither profit nor loss. There are no recognised gains and losses for the current financial year and preceding financial year. Accordingly no statement of gains and losses has been produced.

3. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

The company paid no directors' emoluments during the financial year. All of the directors are employees of Meggitt PLC and are remunerated by that company for their services to the group as a whole. It is not practicable to apportion their remuneration between the individual companies of which they are directors.

The company had no employees during the year.

Both of the directors exercised options in the shares of the ultimate holding company, Meggitt PLC, during the year (1997 - none).

4. CALLED UP SHARE CAPITAL

| | 1998 £ | 1997 £ |
|-------------------------------------------------------------------------------|-----------|-----------|
| Authorised, called up, allotted and fully paid 9,000 ordinary shares of £1 | 9,000 | 9,000 |
| | <hr/> | <hr/> |

5. ULTIMATE PARENT COMPANY

The ultimate parent company 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, Farris House, Cowgrove, Wimborne, Dorset, BH21 4EL.

The company has taken advantage of the exemption contained in Financial Reporting Standard No 8 from the requirement to disclose related party transactions within the group.