

PIHER INTERNATIONAL LIMITED

Report and Financial Statements

31 December 2001



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REPORT AND FINANCIAL STATEMENTS 2001

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NOTICE OF MEETING

Notice is hereby given that the Annual General Meeting of the members of Piher International Limited will be held at Farris House, Cowgrove, Wimborne, Dorset at 3.45 pm on 9 July 2002 to transact the following business:

1. To receive and approve the report of the directors and the audited financial statements for the year ended 31 December 2001.
2. To re-elect Mr P E Green a director of the company retiring by rotation.
3. To reappoint Messrs Deloitte & Touche as auditors of the company and to authorise the directors to fix the auditors' remuneration.
4. 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 a horizontal line.

D H Clark
Secretary

Note: A member entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and vote on his behalf. A proxy need not also be a member.

OFFICERS AND COMPANY INFORMATION

DIRECTORS

D H Clark
P E Green

SECRETARY

D H Clark

REGISTERED OFFICE

Farrs House
Cowgrove
Wimborne
Dorset
BH21 4EL

AUDITORS

Deloitte & Touche
Queen Anne House
69-71 Queen Square
Bristol
BS1 4JP

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 31 December 2001.

ACTIVITIES

The principal activity of the company is the sale and distribution of potentiometer and resistor stocks within the United Kingdom, Ireland and Scandinavia.

REVIEW OF DEVELOPMENTS AND FUTURE PROSPECTS

The loss on ordinary activities before taxation amounted to £6,000 (2000: profit £27,000). Further details are given in the profit and loss account on page 7 and the notes on pages 9 and 10.

The position of the company at the end of the year is set out in the balance sheet on page 8 and the notes on pages 11 to 13.

The company's future prospects are based on expansion resulting from the distribution of existing and newly developed products.

DIVIDENDS

The directors do not propose the payment of a dividend (2000: Nil).

DIRECTORS AND THEIR INTERESTS

The directors of the company during the year were as follows:

D H Clark
P E Green

Mr P E Green retires by rotation and, being eligible, offers himself for re-election.

The directors held no interest in the shares of the company at 1 January 2001 and 31 December 2001.

Mr P E Green is also a director of Meggitt PLC and his 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 share options (i)		Ordinary share options (ii)		Ordinary share options (iii)		Ordinary share options (iv)		Ordinary shares fully paid	
	31.12.01	1.1.01	31.12.01	1.1.01	31.12.01	1.1.01	31.12.01	1.1.01	31.12.01	1.1.01
D H Clark	5,166	5,166	20,581	20,581	106,585	86,585	6,520	11,478	28,625	23,529

- (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.

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

The directors do not hold any shares beneficially in any other group company.

DIRECTORS' REPORT (continued)

AUDITORS

Deloitte & Touche have expressed their willingness to continue in office as auditors and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

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

United Kingdom 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; 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 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.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF PIHER INTERNATIONAL LIMITED

We have audited the financial statements of Piher International Limited for the year ended 31 December 2001 which comprise the profit and loss account, the balance sheet, and the related notes 1 to 13. 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 United Kingdom law and accounting standards. Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and auditing standards.

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 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 transactions with the company is not disclosed.

We read the directors' report for the above year and consider the implications for our report if we become aware of any apparent misstatements.

Basis of audit opinion

We conducted our audit in accordance with United Kingdom auditing standards 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.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 December 2001 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche

Deloitte & Touche
Chartered Accountants and Registered Auditors
Queen Anne House
69-71 Queen Square
Bristol
BS1 4JP

17 June 2002

PROFIT AND LOSS ACCOUNT
Year ended 31 December 2001

	Note	2001 £'000	2000 £'000
TURNOVER - continuing operations	2	1,468	1,678
Cost of sales		(1,181)	(1,363)
GROSS PROFIT		287	315
Administration expenses		(5)	(12)
Distribution costs		(290)	(279)
OPERATING (LOSS)/PROFIT - continuing operations	4	(8)	24
Group interest receivable and similar income		2	3
(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		(6)	27
Tax on loss/profit on ordinary activities		-	-
(LOSS)/PROFIT FOR THE FINANCIAL YEAR		(6)	27
Profit and loss account brought forward		(966)	(993)
Profit and loss account carried forward		(972)	(966)


The company has no recognised gains and losses other than the loss for the financial year and the profit for the preceding financial year. Accordingly no statement of total recognised gains and losses has been prepared. There have been no movements in shareholders' funds other than the retained loss for the financial year and the profit for the preceding financial year, and accordingly no reconciliation of movements in shareholders' funds is included in these financial statements.

BALANCE SHEET
31 December 2001

	Note	2001 £'000	2000 £'000
FIXED ASSETS			
Tangible assets	5	27	25
CURRENT ASSETS			
Stocks	6	147	123
Debtors	7	369	400
		516	523
CREDITORS: amounts falling due within one year	8	(230)	(229)
NET CURRENT ASSETS		286	294
TOTAL ASSETS LESS CURRENT LIABILITIES		313	319
CAPITAL AND RESERVES			
Called up share capital	9	1,285	1,285
Profit and loss account		(972)	(966)
TOTAL EQUITY SHAREHOLDERS' FUNDS		313	319

These financial statements were approved by the Board of Directors on 3 April 2002.

Signed on behalf of the Board of Directors


 P E Green
 Director

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2001

1. ACCOUNTING POLICIES

The financial statements are prepared in accordance with applicable accounting standards. The particular accounting policies adopted are described below.

Accounting convention

The financial statements are prepared under the historical cost convention.

Tangible fixed assets

Depreciation is provided on the cost of fixed on a straight line basis at the following rates:

Fixtures and fittings	25% per annum
Machinery and equipment	25% per annum
Computers	33% per annum
Motor vehicles	20% per annum

Stocks

Stocks are stated at the lower of cost and net realisable value.

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.

Leases

Assets held under finance leases and hire purchase contracts are capitalised at their fair value on the inception of the leases and depreciated over their estimated useful lives. The finance charges are allocated over the period of the lease in proportion to the capital amount outstanding.

Rentals under operating leases are charged to the profit and loss account in equal annual amounts over the lease term.

Pensions

The expected cost of providing pensions, as calculated periodically by professionally qualified actuaries, is charged to the profit and loss account so as to spread the cost over the service lives of employees in the scheme in such a way that the pension cost is a substantially level percentage of current and expected future pensionable payroll.

2. TURNOVER

Turnover represents the value of goods invoiced, excluding value added tax, and is derived from the company's principal activity.

	2001 £'000	2000 £'000
Geographical analysis of turnover by destination:		
United Kingdom	900	885
Rest of Europe	488	728
Rest of the World	80	65
	<hr/> 1,468	<hr/> 1,678

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2001

3. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

All the directors who served during the year were employees of the ultimate parent company, Meggitt PLC, and were remunerated by that company for their services to the group as a whole. It is not practicable to apportion their remuneration between the companies of which they are directors.

Both of the directors exercised options in the shares of the ultimate holding company, Meggitt PLC, during the year (2000 - none).

	2001	2000
	£'000	£'000
Employee costs during the year:		
Wages and salaries	123	117
Social security costs	11	11
Other pension costs	9	9
	<hr/>	<hr/>
	143	137
	<hr/>	<hr/>

	No.	No.
Average weekly number of persons employed:		
Sales and administration	5	5
	<hr/>	<hr/>

4. OPERATING PROFIT

Operating profit is stated after (crediting)/charging:

	2001	2000
	£'000	£'000
Auditors' remuneration	5	5
Fees paid to auditors for other services	1	2
Depreciation and other amounts written off owned tangible fixed assets	13	12
Rentals under operating leases	16	15
Profit on sale of fixed assets	(1)	-
	<hr/>	<hr/>

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2001

5. TANGIBLE FIXED ASSETS

	Plant, equipment and vehicles £'000
Cost	
At 1 January 2001	120
Additions	17
Disposals	(13)
At 31 December 2001	<u>124</u>
Depreciation	
At 1 January 2001	95
Charge for the year	13
Disposals	(11)
At 31 December 2001	<u>97</u>
Net book value	
At 31 December 2001	<u>27</u>
At 31 December 2000	<u>25</u>

6. STOCKS

	2001 £'000	2000 £'000
Goods for resale	<u>147</u>	<u>123</u>

7. DEBTORS

	2001 £'000	2000 £'000
Trade debtors	221	290
Amounts owed by group companies	146	92
Prepayments and accrued income	2	18
	<u>369</u>	<u>400</u>

The bank account of Piher International Limited is in the name Meggitt PLC - re Piher 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 intercompany trading balance.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2001

8. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2001 £'000	2000 £'000
Trade creditors	32	12
Amounts owed to group companies	150	158
Other creditors including taxation and social security	37	53
Accruals and deferred income	11	6
	<u>230</u>	<u>229</u>

9. CALLED UP SHARE CAPITAL

	2001 £'000	2000 £'000
Authorised 1,500,000 ordinary shares of £1 each	<u>1,500</u>	<u>1,500</u>
Called up, allotted and fully paid 1,285,638 ordinary shares of £1 each	<u>1,285</u>	<u>1,285</u>

10. OPERATING LEASE COMMITMENTS

At 31 December 2001 the company was committed to making the following payments during the next year in respect of operating leases for land and buildings:

	2001 £'000	2000 £'000
Leases which expire within one to two years	<u>6</u>	<u>1</u>

11. PENSION COSTS

The company is a subsidiary of Meggitt PLC and certain employees of the company are members of group pension schemes. These schemes are of the defined benefit type and particulars of the most recent actuarial valuation are disclosed in the financial statements of Meggitt PLC for the year ended 31 December 2001.

The pension cost charged to the profit and loss account consists of employer's contributions payable which are similar across the group as a whole as a percentage of pensionable earnings. Based on advice from a qualified actuary, the company contribution for the year was £9,000 (2000: £9,000).

For the purposes of FRS17, the company has been unable to identify its share of the underlying assets and liabilities in the main group schemes, on a consistent and reasonable basis. Therefore, following full implementation of FRS17, the company will account for contributions to the scheme as if it were a defined contribution scheme. At 31 December 2001 the valuation of the scheme for the purposes of FRS 17 showed a net pension liability as set out in the report and accounts of Meggitt PLC.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2001

12. CASH FLOW STATEMENT

As a wholly owned subsidiary of a UK registered company, Piher International Limited has taken advantage of the exemption from the requirement to produce a cash flow statement. A consolidated cash flow statement is included in the Meggitt PLC group accounts.

13. ULTIMATE PARENT COMPANY AND CONTROLLING PARTY

The company's 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.