

MEGGITT INVESTMENTS LIMITED

Report and Financial Statements

31 December 1998



REPORT AND FINANCIAL STATEMENTS 1998

CONTENTS	Page
Notice of meeting	1
Officers and company information	2
Directors' report	3
Statement of directors' responsibilities	5
Auditors' report	6
Profit and loss account	7
Balance sheet	8
Notes to the accounts	9

NOTICE OF MEETING

Notice is hereby given that the Annual General Meeting of the members of Meggitt Investments Limited will be held at Farris House, Cowgrove, Wimborne, Dorset at 5.35 pm on 14 September 1999 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 1998.
2. To re-elect Mr D H Clark a director of the company.
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 in a cursive style.

D H Clark
Secretary

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 audited financial statements for the year ended 31 December 1998.

ACTIVITIES

The company is an intermediate parent company owning property and shares in certain subsidiaries of Meggitt PLC, its ultimate parent company.

REVIEW OF DEVELOPMENTS AND FUTURE PROSPECTS

The loss attributable to the shareholders for the year amounted to £703,000 (1997 - loss £937,000). The directors are hopeful that 1999 will show an improvement in the company's performance.

DIVIDENDS

The directors do not recommend payment of a dividend (1997: nil).

DIRECTORS AND THEIR INTERESTS

The following directors of the company served during the year:

P E Green
D H Clark

Mr D H Clark retires by rotation at the forthcoming annual general meeting and being eligible offers himself for re-election.

No directors hold or have held shares in the company during the year, the company being a wholly owned subsidiary of Meggitt PLC. The interests of the directors in office at the end of the year in the shares of 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)

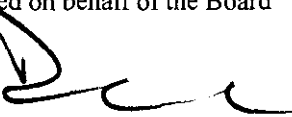
YEAR 2000

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

AUDITORS

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', with a large, sweeping initial 'D'.

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.

MEGGITT INVESTMENTS LIMITED

AUDITORS' REPORT TO THE MEMBERS

We have audited the financial statements on pages 7 to 11 which have been prepared under the accounting policies on page 9.

Respective responsibilities of directors and auditors

As described on page 5 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

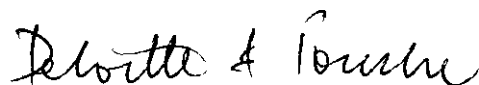
Basis of opinion

We conducted our audit in accordance with 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 1998 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



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

26 July 1999

PROFIT AND LOSS ACCOUNT
Year ended 31 December 1998

	Note	1998 £'000	1997 £'000
Administration and other expenses – exchange gain/(loss)		68	(429)
OPERATING PROFIT/(LOSS) - continuing operations	3	68	(429)
Decrease in amounts written off intercompany balances		285	-
Interest receivable – group interest		74	191
Amounts written off investments		(987)	(585)
Interest payable – group interest		(143)	(275)
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(703)	(1,098)
Tax credit on loss on ordinary activities	4	-	161
LOSS ON ORDINARY ACTIVITIES AFTER TAXATION		(703)	(937)
Profit and loss account brought forward – (deficit)		(2,716)	(1,779)
Profit and loss account carried forward – (deficit)		(3,419)	(2,716)

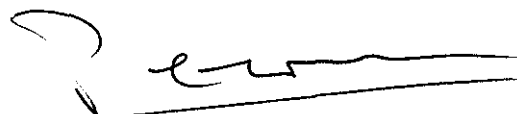
The company has no recognised gains and losses other than the loss for the financial year and the preceding year. Accordingly no statement of total recognised gains and losses has been prepared. There have been no movements in shareholders' funds other than the retained loss for the year and the preceding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

BALANCE SHEET
31 December 1998

	Notes	1998 £'000	1997 £'000
FIXED ASSETS			
Investments	5	3,475	4,462
CURRENT ASSETS			
Debtors	6	809	3,600
CREDITORS: amounts falling due within one year	7	-	(3,075)
NET CURRENT ASSETS		809	525
TOTAL ASSETS LESS CURRENT LIABILITIES		4,284	4,987
CAPITAL AND RESERVES			
Called up share capital	8	7,703	7,703
Profit and loss account		(3,419)	(2,716)
EQUITY SHAREHOLDERS' FUNDS		4,284	4,987

These financial statements were 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 ACCOUNTS
Year ended 31 December 1998

1. ACCOUNTING POLICIES

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

On confirmation from the parent company regarding long term funding, the directors have formed a judgement at the time of approving the financial statements that with the parent company's continued support it is appropriate to prepare the financial statements on the going concern basis. The financial statements do not include any adjustments that would result from a withdrawal of support by the parent company.

Accounting convention

The financial statements are prepared under the historical cost convention.

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.

Investments

Investments held as fixed assets are stated at cost less provision for permanent diminution in value. Consolidated accounts have not been produced as the company is a wholly owned subsidiary of Meggitt PLC. Accordingly the information presented in the financial statements relates to the company as an individual entity.

2. 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).

3. OPERATING PROFIT

Operating profit is stated after charging:

	1998 £'000	1997 £'000
Auditors' remuneration	-	-

Audit fees are borne by another group company.

NOTES TO THE ACCOUNTS
Year ended 31 December 1998

4. TAX CREDIT ON LOSS ON ORDINARY ACTIVITIES

	1998 £'000	1997 £'000
United Kingdom corporation tax at 31% (1997 – 31.5%) Based on the loss for the year	-	161

No tax credit arises primarily since amounts written off investments and intercompany balances are not allowable for tax purposes.

5. INVESTMENTS

	£'000
Shares in group companies:	
Cost	
At 1 January 1998 and 31 December 1998	7,703
Provision for losses	
At 1 January 1998	3,241
Amounts provided during year	987
At 31 December 1998	4,228
Net book value	
At 31 December 1998	3,475
At 31 December 1997	4,462

The following is a listing of direct subsidiary companies at 31 December 1998:

Analytical Instruments (UK) Limited	Meggitt (Shapwick) Limited
Bestobell Malaysia Limited	Micrelec PLC
King Tool International Limited	Wallaby Grip Limited

The ordinary shares of all subsidiaries are wholly owned by Meggitt Investments Limited. All companies are incorporated in Great Britain. Details of the activities of the principal subsidiaries are set out in the Report and Accounts of Meggitt PLC.

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.

6. DEBTORS

	1998 £'000	1997 £'000
UK Corporation tax recoverable	-	161
Amounts due from group companies	809	3,439
	809	3,600

NOTES TO THE ACCOUNTS
Year ended 31 December 1998

7. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	1998 £'000	1997 £'000
Amounts due to group companies	-	3,075

8. CALLED UP SHARE CAPITAL

	1998 £'000	1997 £'000
Authorised 100,000,000 ordinary shares of £1 each	100,000	100,000
Called up, allotted and fully paid 7,703,000 ordinary shares of £1 each	7,703	7,703

9. CASH FLOW STATEMENT

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

10. ULTIMATE PARENT COMPANY

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.