Press information

MEGGITT

6 August 2013

Meggitt PLC
2013 Interim results

Delivering growth and continuous improvement

Meggitt PLC ("Meggitt" or "the Group"), a leading international engineering company specialising in high performance components and sub-systems for the aerospace, defence and energy markets, today announces unaudited interim results for the six months ended 30 June 2013.

Group Highlights

£m	**H1 2013**	H1 2012[(1)]	% change
Revenue	**810.1**	776.0	+4%
Underlying[(2)]:			
EBITDA	**233.1**	220.3	+6%
Operating profit	**193.3**	184.4	+5%
Profit before tax	**182.4**	170.1	+7%
Earnings per share (p)	**18.1**	16.6	+9%
Statutory:			
Operating profit	**139.2**	143.1	-3%
Profit before tax	**122.4**	121.8	0%
Earnings per share (p)	**13.0**	12.7	+2%
Net debt	**700.9**	792.9	-12%
Dividend (p)	**3.95**	3.60	+10%

- The Group achieved good growth in the first six months of 2013:
  - Revenues increased 4% on a reported basis, and 5% on a proforma[(3)] basis.
  - Underlying profit before tax increased 7% to £182.4m.
  - Underlying earnings per share increased 9% to 18.1p.
- Strong balance sheet: net debt at 1.3x EBITDA.
- The *raising the bar* initiative is delivering measurable improvements in product quality and on-time delivery.
- Ongoing high levels of investment in capex and R&D to support site consolidations and recent contract wins.
- Full year 2013 guidance of mid-single-digit revenue growth reaffirmed.
- Interim dividend increased by 10%, reflecting ongoing confidence in our end markets.

1. 2012 numbers have been restated to reflect the impact of IAS 19 Revised (pension costs) and the reclassification of net pension finance costs, as set out in note 24.
2. Underlying profit and EPS are used by the Board to measure the trading performance of the Group and exclude the amortisation of acquired intangibles, exceptional operating items, net pension finance costs and the marking to market of financial instruments, as set out in notes 4 and 10.
3. Proforma growth excludes acquisitions and disposals.

Stephen Young, Chief Executive, commented:

"The business delivered top line growth in line with our expectations in the first half, with particularly strong performances in the civil OE and energy markets. Military held up well given the challenging budgetary environment, and we have seen a modest recovery in the civil aftermarket in the second quarter. The work we are undertaking as part of the raising the bar *programme, focusing the Group on achieving world-class operations and programme management, underpins our confidence in delivering further strong growth.*

As a sign of our continuing confidence in the prospects for the Group, the interim dividend has been increased by 10% to 3.95 pence."

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GROUP OVERVIEW

Meggitt is a global engineering company specialising in high-performance components and sub-systems for the aerospace, defence and energy markets. We have a broad-based and well balanced portfolio, with equipment on over 60,000 aircraft and numerous ground vehicles and energy applications worldwide. This significant and expanding installed base provides us with a stable aftermarket revenue stream stretching out for many years. Our high levels of embedded intellectual property and strong customer relationships are enabling us to continue to win positions on new more fuel efficient platforms, often on a sole source basis, strengthening our future original equipment and aftermarket growth.

Our capability-based Group structure is tailored to the requirements of our customers. This, combined with our ongoing commitment to invest in the technologies and people needed to achieve world-class standards across our businesses, gives us continued confidence in the 6-7% medium-term organic revenue growth target we set in 2010. An increased focus on driving operational efficiency and programme management excellence, as part of the *raising the bar* programme, will make us ever more responsive to the changing needs of our customers. Our customers have already started to notice the improvements, and we have received a number of awards over the last few months from customers including Safran and Rolls-Royce. These operational improvements should help us deliver increased organic growth in the longer term.

The PacSci acquisition, which completed in April 2011, is now fully integrated into the Group. The last major milestone for attainment of the $25m synergy run rate – the co-location of the acquired fire suppression business and the existing Meggitt fire detection business onto one campus in California - is set to complete in the second half of 2013.

The Group continues to identify and capitalise on opportunities to improve operating efficiencies. Examples of this include strategic procurement, which has seen us increase our procurement activity in emerging markets by 800% over the last five years, and manufacturing optimisation activities which have resulted in our emerging market manufacturing footprint increasing from 2 facilities and 168 people at the end of 2008 to 5 facilities across Mexico, China and Vietnam employing over 1,000 people today. We also seek to streamline our operating infrastructure where practical, and we have recently completed the integration of two avionics design, assembly and test facilities into one building in the UK. The next step in the optimisation of our manufacturing footprint will see our US East coast and West coast sensor design and manufacturing centres in Sensing Systems co-located onto a new purpose-built site in California by the end of 2013. In addition to driving organic growth and efficiencies, the Group has the capacity to strengthen its position in its core markets with acquisitions when opportunities arise.

MARKET BACKGROUND

Civil aerospace

Meggitt operates in three main segments of the civil aerospace market: large jets, regional aircraft and business jets. The large jet fleet includes over 19,000 aircraft, the regional aircraft fleet about 6,000 and business jets about 16,000. The Group has products on virtually all these platforms and hence a very large, and growing, installed base. The split of civil revenues, which account for 45% of the Group total, is 58% aftermarket and 42% original equipment (OE).

Military

Our military business accounts for 38% of the Group's revenues. We have equipment on an installed base of over 19,000 fixed wing and rotary aircraft and a significant number of ground vehicles and training applications. The US accounts for 63% of military sales, with 23% to Europe and 14% to the rest of the world.

Energy and other

Other revenues (17% of Group total) come from a variety of end markets, of which the most significant is energy (10% of Group total). Our energy capabilities centre on providing valves and condition-monitoring equipment for power generation installations, including ground-based gas and wind turbines, and printed circuit heat exchangers used primarily in the oil and gas market. Other markets (7% of Group total) include the automotive, test, consumer goods and medical sectors.

TRADING SUMMARY

Group revenue increased 4% to £810.1m (2012: £776.0m). During the last 12 months, the Group has made two small disposals and one bolt-on acquisition. On a “proforma” basis (excluding the effects of these transactions), Group revenue increased by 5%, with the anticipated softness in civil aftermarket and military being more than offset by stronger civil OE and energy revenues, once again demonstrating the strength of our balanced portfolio.

The Board's preferred measure of the Group’s trading performance is underlying profit. The adjustments between underlying profit and statutory profit are described in notes 4 and 10. Underlying operating profit for the first six months grew 5% to £193.3m (2012[(1)]: £184.4m). Within this overall profit improvement, the cost of the *raising the bar* programme and the impact of mix and net disposals were offset by additional PacSci synergies, currency and ongoing operational improvements.

Underlying net finance costs decreased to £10.9m (2012[(1)]: £14.3m) as a result of lower average debt and lower interest rates.

Underlying profit before tax increased by 7% to £182.4m (2012[(1)]: £170.1m).

The underlying tax rate in the period was 22% (2012: 24%). After taking account of new shares issued for share schemes and the scrip dividend, underlying earnings per share increased by 9% to 18.1 pence (2012[(1)]: 16.6 pence).

On a statutory basis, profit before tax was £122.4m (2012[(1)]: £121.8m) and earnings per share increased by 2% to 13.0p (2012[(1)]: 12.7p).

Reflecting our ongoing confidence in the outlook for the Group, the interim dividend is increased by 10% to 3.95p (2012: 3.60p).

The Group’s cash flow each year is significantly second-half weighted. Cash inflow from operations before exceptional operating items remained healthy at £147.2m, which was 76% of underlying operating profit (2012[(1)]: £160.8m and 87%). Free cash flow in the period of £11.5m (2012: £38.3m) reflects the continued inventory build for site consolidations due to complete in the second half of 2013 and the timing of invoicing milestones in two of our contracting businesses, both of which are expected to substantially reverse in the second half.

Net cash flow was impacted by a £9.7m increase in cash dividend payments as a result of a lower take-up of the scrip dividend option.

There are two main financial covenants in our banking agreements. The net debt/EBITDA ratio, which must not exceed 3.5x, improved to 1.3x at 30 June 2013 (2012: 1.6x) and interest cover, which must be not less than 3.0x, was a very strong 19.1x (2012: 13.4x). The Group has, therefore, significant headroom against both key covenant ratios. Strong cash generation over the last 18 months has enabled us to repay from existing bank facilities a $180m US private placement which matured in June.

The Group has £461m of undrawn headroom against committed bank facilities, with no refinancing required before 2016.

Trading summary by end market:

	H1 2013 Revenues £m	Total growth	Proforma[3] growth
Civil OE	152.5	10%	15%
Civil AM	212.5	0%	1%
Total civil aerospace	365.0	4%	6%
Military	305.4	-1%	-1%
Energy	83.6	22%	22%
Other	56.1	17%	8%
Total	810.1	4%	5%

Civil aerospace
Total civil aerospace revenues grew 6% on a proforma basis, with particularly strong growth in large jets delivering proforma OE growth of 15%. Aftermarket growth was, as anticipated, weak in the first quarter reflecting both the tough comparator from 2012 and continued destocking by some of our end customers, but grew modestly in the second quarter. We have been awarded some notable contracts in the first half of 2013, including the full fuel containment system on the Sikorsky S-92 commercial helicopter and the full ATA-26 fire protection system for the Irkut MC-21 aircraft, which is a further endorsement of our integrated fire protection capability following the PacSci acquisition in April 2011.

Deliveries of large jets by Airbus and Boeing are underpinned by a firm order backlog stretching out for a number of years, which gives us confidence in the continued growth outlook for OE. Deliveries are expected to continue to grow strongly for the remainder of 2013 and 2014, trending upwards over the medium term. Deliveries of regional aircraft and business jets should return to growth in 2013, and this trend is expected to continue over the medium term, driven mainly by demand for 70 to 90 seat regionals and large cabin business jets.

Available seat kilometres (ASKs), a good proxy for air traffic, which is a key driver of the demand from airlines for spares and repairs on large and regional aircraft, grew at around 3.5% in 2012, with year to date trends indicating a likely outturn for the full year 2013 of around 4%, close to the long term trend rate of 5%. We anticipate a return to the long-run average 5% growth from 2014 assuming global GDP growth of 3%. Business jet utilisation in the US and Europe has remained flat versus 2012 so far in 2013, though our higher value content and growing market share should see revenues continue to grow over the medium term.

The medium term outlook for civil revenues, both OE and aftermarket, remains healthy.

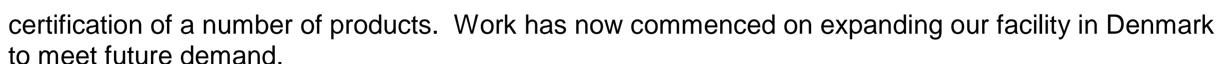
Military
Military revenues declined by 1% on a proforma basis, a robust performance given the ongoing troop drawdowns and the well publicised fiscal pressures facing a number of our customers. Within the overall military performance, strong aftermarket growth was offset by lower OE sales, particularly in Training Systems which benefitted from a large contract in the first half of 2012.

Our OE revenues are generated from a broad range of platforms and applications, with good positions on a number of key platforms such as Typhoon, JSF, Rafale, E/F-18 Hornet and BlackHawk.

The outlook for defence expenditure in the US, our single most important military market, remains uncertain. During the first half of this year, sequestration formally came into effect, which is expected to result in overall US military expenditure declining by around 10% over a two year period. We have estimated that this is likely to result in a 2% per annum reduction in military revenues over the 2013-2014 timeframe, although much of the capability shortfall as a result of lower expenditure on new equipment may be compensated for by using existing fleets for longer than was initially anticipated. This could benefit our revenue streams from the aftermarket and from retrofit and upgrade programmes.

Energy & Other
Energy revenues increased by 22% on a proforma basis in the six months to June 2013, with strong demand for our printed circuit heat exchanger products being a significant driver of this growth. Our condition monitoring businesses also continued to perform well following our investment in product upgrades and new sales and support facilities in India, China and Brazil. Our energy businesses grew by 45% in 2012, much of which was achieved in the second half, and we therefore anticipate that growth will be more muted in the second half of 2013 before picking up again in 2014.

Other markets delivered 8% proforma growth, with particular strength in the space and automotive markets. We continue to see exciting growth opportunities in medical, supporting our partners in the



certification of a number of products. Work has now commenced on expanding our facility in Denmark to meet future demand.

INVESTING FOR THE FUTURE

Developing and owning intellectual property is fundamental to Meggitt's successful strategy. Total research and development expenditure in the six months to June 2013 was £67.3m or 8.3% of revenues (2012: £59.8m, 7.7%), of which 14% (2012: 18%) was funded by customers.

Targeted investment in technology development remains critical to our long-term organic growth. This adds new capabilities to our portfolio in response to customer requirements. R&D has increased primarily as a result of our impressive win rate on new programmes, including a number of new business and regional jet platforms and the re-engined narrowbodies, as well as further development of our energy products which will enable us to offer our customers unrivalled capabilities in energy plant condition monitoring.

Meggitt invested £19.7m (2012: £17.2m) in supplying equipment free of charge to new aircraft and making programme participation contributions, mostly in the Aircraft Braking Systems business. This increased investment reflects our strong win rate on new programmes, which drives future aftermarket growth.

Capital expenditure on property, plant and equipment and intangible assets remained steady at £31.2m (2012: £31.0m). Expenditure on site consolidations and expansions in Sensing Systems and Equipment Group increased ahead of the programme completions later this year, offset by a reduction in costs related to the ongoing roll-out of a group-wide common ERP platform.

DRIVING ORGANIC GROWTH

The *raising the bar* programme, launched this time last year, was initiated to identify and implement improvements across our manufacturing businesses which would enable us to consistently achieve industry-leading standards of quality, delivery and programme management over the medium term. As a part of this programme, we have recruited 80 manufacturing experts who are assisting the businesses in implementing a common toolkit of processes and procedures which will achieve these aims. As detailed in our full year presentation in March 2013, the total cost (net of savings) will be £8m by the end of 2013, and we are already seeing significant benefits in terms of improved delivery and quality performance across the seven sites where these toolkits have been deployed. We continue to believe that these improved metrics will serve to underpin the strong relationships we have with our customers, which will in turn drive organic growth in excess of our target 6-7% range over the long term.

CORPORATE ACTIVITY

The Group has continued to optimise its business portfolio over the course of the first half, with the disposal for £26.4m of Meggitt (Addison), Inc, a business specialising in air conditioning systems for light aircraft. The transaction completed in May and the £14.0m profit on disposal is included in exceptional operating items.

RETIREMENT BENEFIT SCHEMES

Scheme deficits reduced in the period from £299.7m (at December 31, 2012) to £271.4m. A recovery in global equity markets and an increase in AA corporate bond yields, which are used to discount scheme liabilities, both contributed to the reduction.

The Group made deficit reduction payments of £11.9m (2012: £11.0m). During the period, the triennial valuation of the UK scheme was completed under which the Group has agreed to increase payments by £8.0m per annum, rising with inflation over the next 11 years. These additional monthly payments commenced in May.

In 2013, a new accounting standard on retirement benefit schemes has become effective. This standard changes the way in which certain items of pension expense are measured although it has not impacted the value at which the deficit is reported on the balance sheet. The Group has, as previously announced, also decided to exclude net pension finance costs from the underlying profit measures it uses to report trading performance. These changes have resulted in the restatement of previously reported information. Further details on these changes are provided in note 24 to the financial statements.

OPERATIONAL HIGHLIGHTS

The financial performance of the individual capability divisions at reported exchange rates is highlighted in the table below. The impact of foreign currency is shown separately:

Revenue				Underlying Operating Profit			Operating margin	
2013	2012			2013	2012[(1)]		2013	2012[(1)]
£m	£m			£m	£m			
159.2	148.6	*+7%*	Aircraft Braking Systems	56.2	54.7	*+3%*	35.3%	36.8%
110.8	107.2	*+3%*	Control Systems	30.1	27.2	*+11%*	27.2%	25.4%
93.0	93.5	*-1%*	Polymers & Composites	16.6	17.7	*-6%*	17.8%	18.9%
120.8	118.9	*+2%*	Sensing Systems	18.9	19.2	*-2%*	15.6%	16.1%
326.3	307.8	*+6%*	Equipment Group	71.5	65.6	*+9%*	21.9%	21.3%
810.1	**776.0**	*+4%*	**Total**	**193.3**	**184.4**	*+5%*	**23.9%**	**23.8%**
19.8			*of which foreign exchange*	*7.3*				

Meggitt Aircraft Braking Systems (MABS) provides wheels, brakes and brake control systems for over 30,000 in-service aircraft and continues to develop innovative technology for new programmes as demonstrated by the recent award of safety of flight approval from Bombardier for the all-electric braking system on their new C-Series aircraft. The division targets sole-source programmes and is particularly strong in regional aircraft, business jets and military aircraft. The division represents 20% of total Group revenue, generating 86% of its revenues from the aftermarket and 14% from OE sales.

MABS' total revenues grew by 7% in the first half, with good growth in military and modest growth in civil aftermarket revenues. Military growth was driven by strong F-16 and Chinook demand in addition to a large order from KAI for FA50 equipment. Within the civil aftermarket, regional aftermarket improved as US domestic air traffic returned to growth, more than offsetting the one-off effect of one of our major business jet customers reducing their stockholding target. The medium term prospects for the business jet aftermarket remain very strong, driven by market share gains and the gradual conversion to carbon brakes. Operating margins moved from 36.8% to 35.3% with adverse mix partially offset by improved operating efficiencies.

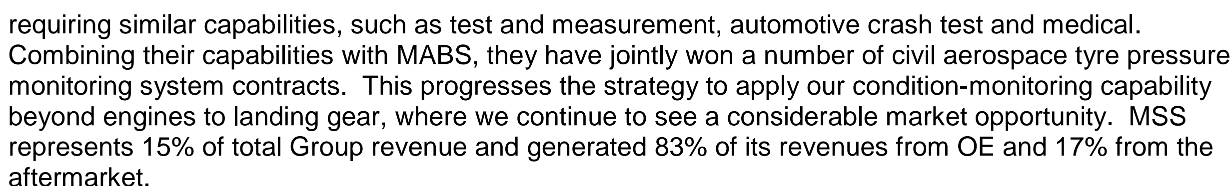
Meggitt Control Systems (MCS) designs and manufactures products which manage the flow of liquids and gases around turbine engines (both aerospace and industrial), and control the temperature of oil, fuel and air in aircraft engines. Its valve business also supplies airport ground fuelling products. The division represents 14% of total Group revenue and generated 51% of its revenues from OE and 49% from the aftermarket.

For MCS, revenues grew 3% in the half-year, with civil aftermarket and military sales growth offsetting a modest decline in civil OE following the disposals of the cabin air conditioning business and, in the second half of 2012, a ducting business. The resulting mix improvement saw margins increase from 25.4% to 27.2%.

Meggitt Polymers & Composites (MPC) has a strong military focus, representing 60% of its sales. It supplies flexible bladder fuel tanks, ice protection products and composite assemblies for a range of fixed wing and rotorcraft platforms and complex seals packages for civil and military platforms. These markets are linked by their dependence on similar materials technology and manufacturing processes. We supply over 80% of the US military requirements for fuel bladders and ballistically-resistant and crashworthy fuel tanks. MPC represents 11% of total Group revenue and generated 54% of its revenues from OE and 46% from the aftermarket.

Modest revenue decline in MPC in the half-year was driven by good growth in civil aerospace (with large jets driving most of the demand growth) being more than offset by the peaking of the major KC-135 and Bradley refit programmes in 2012. Operating margins moved from 18.9% to 17.8% as a result of the relative strength of the lower margin civil OE business.

Meggitt Sensing Systems (MSS) designs and manufactures highly engineered sensors to measure a variety of parameters such as vibration, temperature, pressure, fluid level and flow. Its products are designed to operate effectively in the extreme conditions of temperature, vibration and contamination that exist in an aircraft or ground-based turbine engine. Sensors are combined into broader electronics packages, providing condition data to operators and maintainers of engines, contributing to improved safety and lower operating costs. MSS has migrated these products into other specialist markets



requiring similar capabilities, such as test and measurement, automotive crash test and medical. Combining their capabilities with MABS, they have jointly won a number of civil aerospace tyre pressure monitoring system contracts. This progresses the strategy to apply our condition-monitoring capability beyond engines to landing gear, where we continue to see a considerable market opportunity. MSS represents 15% of total Group revenue and generated 83% of its revenues from OE and 17% from the aftermarket.

MSS revenue was up 2% in the half-year, with strong growth in civil OE driven by continued growth in aircraft deliveries offsetting a decline in civil aftermarket. Energy and other segments continued to grow, reflecting good market positions in medical and the continued market share gain in energy condition monitoring. Operating margins moved from 16.1% to 15.6% reflecting the strong growth in the relatively lower margin civil OE revenue stream.

Meggitt Equipment Group (MEG) comprises a technologically diverse range of businesses, each of which has differentiated capabilities and a specific focus, ranging from fire protection systems and high speed electro-mechanical devices through to sophisticated electronics and electro-mechanical components and sub-systems. The division represents 40% of total Group revenue and generates 68% of its revenues from OE and 32% from the aftermarket.

Revenues in MEG were up 6% on last year, with good growth in civil aerospace and another very strong period for Heatric, our printed circuit heat exchanger business, more than offsetting a modest decline in military. Operating margins increased from 21.3% to 21.9%, driven largely by incremental synergies from the PacSci acquisition in 2011.

BOARD OF DIRECTORS

During the first half of 2013, Terry Twigger retired from the Group following 20 years of service on the Board, initially as Group Finance Director and, since 2000, Group Chief Executive (CEO). Stephen Young replaced Terry as CEO, and Doug Webb joined the Board as Chief Financial Officer (CFO). Doug has a wealth of management experience, having been CFO of QinetiQ Group plc and, latterly, London Stock Exchange Group plc.

GROUP OUTLOOK

The outlook for our civil markets remains very encouraging. Production of large jets is expected to continue to grow in the medium term, and we anticipate a return to growth in both regional aircraft and large-cabin business jet deliveries this year. Available seat kilometres, the key driver of our large and regional jet aftermarket, continue to grow at close to the long term trend rate of 5%. After a period of destocking and consolidation by our aftermarket customers, we have seen early signs of a return to growth in the second quarter of 2013 in some businesses, and we anticipate this will gain momentum in the second half. We continue to expect sustained growth in our business jet revenues over the medium term driven by an increase in our market share and the increased ship set values resulting from the gradual transition from steel to carbon brakes. We therefore maintain our view that civil OE revenues will grow at an average of 7-8% and civil aftermarket revenues at an average of 8-9% over the medium term, in line with prior guidance.

In the military market, uncertainties around US DoD spending persist. Sequestration came into effect during the first half of 2013, although it is still too early to quantify the effect this will have on our business. In the absence of further information, we are maintaining our guidance of a modest decline in military revenues in 2013 and 2014 before a return to growth in the medium term, underpinned by strong sole source positions on a broad range of workhorse platforms and a growing installed base.

Our energy businesses, driven by heightened demand for our printed circuit heat exchangers and increasing market share in condition-monitoring equipment, should continue to deliver revenue growth averaging greater than 10% over the medium term, although as previously indicated we anticipate slower growth in the second half of 2013 as a result of exceptionally tough comparators from the same period last year. Other markets should continue to see modest growth.

On the basis of the above, the Group expects to make further good progress in 2013, delivering mid-single-digit revenue growth in line with the guidance issued in March.

CONDENSED CONSOLIDATED UNAUDITED INCOME STATEMENT
For the six months ended 30 June 2013

	Notes	**Six months ended 30 June 2013 £m**	Six months ended 30 June 2012 Restated £m
Revenue	3	**810.1**	776.0
Cost of sales		**(470.2)**	(454.7)
Gross profit		**339.9**	321.3
Net operating costs		**(200.7)**	(178.2)
Operating profit[1]	4	**139.2**	143.1
Finance income	7	**14.0**	13.8
Finance costs	8	**(30.8)**	(35.1)
Net finance costs		**(16.8)**	(21.3)
Profit before tax[2]		**122.4**	121.8
Tax	9	**(20.1)**	(22.4)
Profit for the period attributable to owners of the parent		**102.3**	99.4
Earnings per share:			
Basic[3]	10	**13.0p**	12.7p
Diluted[4]	10	**12.8p**	12.6p

		Notes	2013	2012
1	Underlying operating profit	4	**193.3**	184.4
2	Underlying profit before tax	4	**182.4**	170.1
3	Underlying basic earnings per share	10	**18.1p**	16.6p
4	Underlying diluted earnings per share	10	**17.8p**	16.4p

CONDENSED CONSOLIDATED UNAUDITED STATEMENT OF COMPREHENSIVE INCOME
For the six months ended 30 June 2013

	Notes	**Six months ended 30 June 2013 £m**	Six months ended 30 June 2012 Restated £m
Profit for the period		**102.3**	99.4
Items that may be reclassified to profit or loss in subsequent periods:			
Currency translation differences	26	**86.9**	(8.7)
Cash flow hedge movements	26	**2.6**	(4.4)
Income tax effect		**(0.6)**	1.0
		88.9	(12.1)
Items that will not be reclassified to profit or loss in subsequent periods:			
Actuarial gains/(losses)		**34.4**	(1.5)
Income tax effect		**(12.3)**	-
		22.1	(1.5)
Other comprehensive income/(expense) for the period		**111.0**	(13.6)
Total comprehensive income for the period attributable to owners of the parent		**213.3**	85.8

CONDENSED CONSOLIDATED UNAUDITED BALANCE SHEET
As at 30 June 2013

	Notes	**30 June 2013 £m**	31 December 2012 £m
Non-current assets			
Goodwill	13	**1,566.9**	1,494.2
Development costs	13	**261.8**	221.5
Programme participation costs	13	**221.4**	203.6
Other intangible assets	13	**779.4**	778.9
Property, plant and equipment	14	**248.8**	232.2
Trade and other receivables		**104.1**	98.8
Derivative financial instruments	25	**28.9**	49.8
Deferred tax assets		**93.2**	100.2
		3,304.5	3,179.2
Current assets			
Inventories		**335.1**	291.2
Trade and other receivables		**345.8**	304.2
Derivative financial instruments	25	**0.4**	5.0
Current tax recoverable		**1.8**	0.2
Cash and cash equivalents	22	**87.1**	104.9
		770.2	705.5
Total assets	3	**4,074.7**	3,884.7
Current liabilities			
Trade and other payables		**(357.6)**	(351.9)
Derivative financial instruments	25	**(4.6)**	(4.0)
Current tax liabilities		**(68.6)**	(57.0)
Obligations under finance leases	22	**(2.9)**	(3.1)
Bank and other borrowings	15	**(11.0)**	(127.0)
Provisions	16	**(39.4)**	(44.8)
		(484.1)	(587.8)
Net current assets		**286.1**	117.7
Non-current liabilities			
Trade and other payables		**(6.9)**	(6.3)
Derivative financial instruments	25	**(2.4)**	(0.2)
Deferred tax liabilities		**(286.2)**	(289.5)
Obligations under finance leases	22	**(5.3)**	(5.0)
Bank and other borrowings	15	**(768.8)**	(612.3)
Provisions	16	**(178.3)**	(178.5)
Retirement benefit obligations	17	**(271.4)**	(299.7)
		(1,519.3)	(1,391.5)
Total liabilities		**(2,003.4)**	(1,979.3)
Net assets		**2,071.3**	1,905.4
Equity			
Share capital		**39.5**	39.3
Share premium		**1,146.2**	1,143.9
Other reserves		**14.1**	14.1
Hedging and translation reserves		**206.8**	117.9
Retained earnings		**664.7**	590.2
Total equity attributable to owners of the parent		**2,071.3**	1,905.4

CONDENSED CONSOLIDATED UNAUDITED STATEMENT OF CHANGES IN EQUITY
For the six months ended 30 June 2013

	Share capital £m	Share premium £m	Other reserves £m	Hedging and translation reserves £m	Retained earnings £m	Total equity £m
At 1 January 2012	38.9	1,130.1	14.1	177.8	432.4	1,793.3
Profit for the period (as restated)	-	-	-	-	99.4	99.4
Other comprehensive expense (as restated)	-	-	-	(12.1)	(1.5)	(13.6)
Total comprehensive (expense)/income for the period (as restated)	-	-	-	(12.1)	97.9	85.8
Employee share option schemes:						
Value of services provided	-	-	-	-	7.2	7.2
Shares issued	0.1	0.5	-	-	-	0.6
Dividends (note 11)	0.1	10.2	-	-	(56.9)	(46.6)
At 30 June 2012	39.1	1,140.8	14.1	165.7	480.6	1,840.3
At 1 January 2013	**39.3**	**1,143.9**	**14.1**	**117.9**	**590.2**	**1,905.4**
Profit for the period	**-**	**-**	**-**	**-**	**102.3**	**102.3**
Other comprehensive income	-	-	-	88.9	22.1	111.0
Total comprehensive income for the period	**-**	**-**	**-**	**88.9**	**124.4**	**213.3**
Employee share option schemes:						
Value of services provided	-	-	-	-	14.7	14.7
Shares issued	0.2	0.4	-	-	(0.2)	0.4
Dividends (note 11)	-	1.9	-	-	(64.4)	(62.5)
At 30 June 2013	**39.5**	**1,146.2**	**14.1**	**206.8**	**664.7**	**2,071.3**

CONDENSED CONSOLIDATED UNAUDITED CASH FLOW STATEMENT
For the six months ended 30 June 2013

	Notes	**Six months ended 30 June 2013 £m**	Six months ended 30 June 2012 £m
Cash inflow from operations before exceptional operating items		**147.2**	160.8
Cash outflow from exceptional operating items	5	**(5.0)**	(7.7)
Cash inflow from operations	21	**142.2**	153.1
Interest received		**0.1**	0.1
Interest paid		**(11.4)**	(15.8)
Tax paid		**(28.5)**	(25.1)
Cash inflow from operating activities	22	**102.4**	112.3
Business acquired		**-**	2.5
Business disposed	23	**26.4**	-
Capitalised development costs	13	**(35.3)**	(24.3)
Capitalised programme participation costs		**(19.3)**	(17.5)
Purchase of other intangible assets		**(10.5)**	(16.1)
Purchase of property, plant and equipment		**(25.8)**	(16.2)
Proceeds from disposal of property, plant and equipment		**-**	0.1
Cash outflow from investing activities		**(64.5)**	(71.5)
Dividends paid to Company's shareholders	11	**(62.5)**	(46.6)
Issue of equity share capital	22	**0.4**	0.6
Proceeds from borrowings		**160.7**	42.0
Repayments of borrowings		**(154.7)**	(67.2)
Cash outflow from financing activities		**(56.1)**	(71.2)
Net decrease in cash and cash equivalents		**(18.2)**	(30.4)
Cash and cash equivalents at start of period		**104.9**	94.6
Exchange gains/(losses) on cash and cash equivalents		**0.4**	(2.7)
Cash and cash equivalents at end of period	22	**87.1**	61.5

1. General information

The condensed consolidated financial statements presented in this document have not been audited or reviewed and do not constitute Group statutory accounts as defined in section 434 of the Companies Act 2006. Group statutory accounts for the year ended 31 December 2012 were approved by the Board of Directors on 4 March 2013 and delivered to the Registrar of Companies. The auditors' report on those accounts was unqualified, did not draw attention to any matters by way of emphasis and did not contain a statement under section 498(2) or (3) of the Companies Act 2006.

2. Accounting policies

Basis of preparation
The condensed consolidated financial statements for the six months ended 30 June 2013 have been prepared in accordance with IAS 34, 'Interim Financial Reporting' as adopted by the European Union. They should be read in conjunction with the Group's financial statements for the year ended 31 December 2012. The directors continue to adopt the going concern basis in these condensed consolidated financial statements.

Changes in accounting policies
Except as disclosed below, the condensed consolidated financial statements have been prepared using the same accounting policies adopted in the Group's financial statements for the year ended 31 December 2012.

The tax charge for the period has been calculated using the expected effective tax rates for each tax jurisdiction for the year ended 31 December 2013. These rates have been applied to the pre-tax profits made in each jurisdiction for the six months ended 30 June 2013.

During the period, the amendment to IAS 19 (revised 2011), 'Employee benefits' became effective. The impact of this amendment on the Group's financial statements is set out in note 24.

IAS 1 (Amended), 'Presentation of Items of Other Comprehensive Income' became effective during the period. Items in the Statement of Comprehensive Income that may be reclassified to profit or loss in subsequent periods are now presented separately from items that will not be reclassified to profit or loss in subsequent periods.

IFRS 13, 'Fair value measurement' became effective during the period. The standard requires specific disclosures on fair values, some of which replace existing disclosure requirements in IFRS 7, 'Financial instruments: Disclosures'. These additional disclosures are provided in note 25.

3. Segmental analysis

The Group manages its business under the five key segments of Aircraft Braking Systems, Control Systems, Polymers & Composites, Sensing Systems and the Equipment Group.

The key performance measure reviewed by the Chief Operating Decision Maker is underlying operating profit.

Six months ended 30 June 2013:

	Aircraft Braking Systems £m	**Control Systems £m**	**Polymers & Composites £m**	**Sensing Systems £m**	**Equipment Group £m**	**Total £m**
Gross segmental revenue	159.2	111.3	94.0	121.7	327.0	813.2
Inter-segment revenue	-	(0.5)	(1.0)	(0.9)	(0.7)	(3.1)
Revenue	**159.2**	**110.8**	**93.0**	**120.8**	**326.3**	**810.1**
Underlying operating profit*	**56.2**	**30.1**	**16.6**	**18.9**	**71.5**	**193.3**

Six months ended 30 June 2012 (as restated):

	Aircraft Braking Systems £m	Control Systems £m	Polymers & Composites £m	Sensing Systems £m	Equipment Group £m	Total £m
Gross segmental revenue	148.6	107.6	94.8	119.3	307.9	778.2
Inter-segment revenue	-	(0.4)	(1.3)	(0.4)	(0.1)	(2.2)
Revenue	148.6	107.2	93.5	118.9	307.8	776.0
Underlying operating profit*	54.7	27.2	17.7	19.2	65.6	184.4

* A reconciliation of underlying operating profit to operating profit and profit before tax is shown in note 4. Prior period underlying operating profit comparatives have been restated (note 24).

Segment assets	**30 June 2013 £m**	31 December 2012 £m
Aircraft Braking Systems	**531.2**	479.5
Control Systems	**162.9**	145.0
Polymers & Composites	**88.2**	79.3
Sensing Systems	**228.7**	190.2
Equipment Group	**374.6**	314.2
Total segmental trading assets	**1,385.6**	1,208.2
Centrally managed trading assets*	**131.4**	143.3
Goodwill (note 13)	**1,566.9**	1,494.2
Other intangible assets (note 13)	**779.4**	778.9
Derivative financial instruments – non-current (note 25)	**28.9**	49.8
Deferred tax assets	**93.2**	100.2
Derivative financial instruments – current (note 25)	**0.4**	5.0
Current tax recoverable	**1.8**	0.2
Cash and cash equivalents (note 22)	**87.1**	104.9
Total assets	**4,074.7**	3,884.7

* Centrally managed trading assets principally include amounts recoverable from insurers in respect of environmental issues relating to former sites, other receivables, and property, plant and equipment of central companies.

4. Reconciliations between profit and underlying profit

Underlying profit is used by the Board to monitor and measure the underlying trading performance of the Group. It excludes certain items as described below:

	Six months ended 30 June 2013 £m	Six months ended 30 June 2012 Restated £m
Operating profit	**139.2**	143.1
Exceptional operating items (note 5)	**(6.4)**	7.3
Amortisation of intangible assets acquired in business combinations	**39.2**	37.8
Financial instruments (note 6)	**21.3**	(3.8)
Adjustments to operating profit*	**54.1**	41.3
Underlying operating profit	**193.3**	184.4
Profit before tax	**122.4**	121.8
Adjustments to operating profit per above	**54.1**	41.3
Expected return on retirement benefit scheme assets (note 24)	**(12.6)**	(12.4)
Unwinding of interest on retirement benefit schemes liabilities (note 24)	**18.5**	19.4
Adjustments to profit before tax	**60.0**	48.3
Underlying profit before tax	**182.4**	170.1
Profit for the period	**102.3**	99.4
Adjustments to profit before tax per above	**60.0**	48.3
Tax effect of adjustments to profit before tax	**(20.0)**	(18.4)
Adjustments to profit for the period	**40.0**	29.9
Underlying profit for the period	**142.3**	129.3

Underlying earnings per ordinary share ('EPS') for the period is 18.1p (2012: 16.6p as restated). See note 10 for the definition of underlying EPS and its reconciliation to basic EPS.

* Of the adjustments to operating profit, £3.7 million (2012: £2.9 million) relating to exceptional operating items has been charged to cost of sales with the balance of £50.4 million (2012: £38.4 million) included within net operating costs.

5. Exceptional operating items

Items which are significant by virtue of their size or nature and which are considered non-recurring are classified as exceptional operating items.

		Six months ended 30 June 2013 £m	Six months ended 30 June 2012 £m
Site consolidations	a	**4.9**	4.6
Integration of Pacific Scientific Aerospace		**2.2**	2.4
Profit on disposal of business	b	**(14.0)**	-
Other		**0.5**	0.3
Exceptional operating items - (gain)/loss		**(6.4)**	7.3

a. This principally relates to the consolidation of Sensing Systems' New Hampshire and San Juan Capistrano facilities into a single new location in Southern California, which was announced in June 2011. This consolidation will be substantially completed in the second half of the year.

b. On 23 May 2013, the Group disposed of the shares of Meggitt (Addison), Inc, and realised a profit of £14.0 million (note 23).

Excluding the proceeds from disposal of Meggitt (Addison), Inc, total cash spend in the period on exceptional operating items was £5.0 million (2012: £7.7 million).

6. Financial instruments

Although the Group uses foreign currency forward contracts to hedge against foreign currency exposures, it has decided that the costs of meeting the extensive documentation requirements to be able to apply hedge accounting under IAS 39 ('Financial Instruments: Recognition and Measurement') are not merited. The Group's underlying profit figures exclude amounts which would not have been recorded if hedge accounting had been applied.

Where interest rate derivatives do not qualify to be hedge accounted, movements in the fair value of the derivatives are excluded from underlying profit. Where interest rate derivatives do qualify to be hedge accounted, any difference between the movement in the fair value of the derivatives and in the fair value of fixed rate borrowings is excluded from underlying profit (note 4).

	Six months ended 30 June 2013 £m	Six months ended 30 June 2012 £m
Movement in the fair value of foreign currency forward contracts	**18.2**	(8.4)
Impact of retranslating net foreign currency assets and liabilities at spot rates	**(0.3)**	(0.8)
Movement in the fair value of interest rate derivatives	**12.7**	(6.9)
Movement in the fair value of fixed rate borrowings (note 25)	**(9.3)**	12.3
Financial instruments – loss/(gain)	**21.3**	(3.8)

7. Finance income

	Six months ended 30 June 2013 £m	Six months ended 30 June 2012 Restated £m
Interest on bank deposits	**0.1**	0.1
Unwinding of interest on other receivables	**1.3**	1.3
Expected return on retirement benefit scheme assets	**12.6**	12.4
Finance income	**14.0**	13.8

8. Finance costs

	Six months ended 30 June 2013 £m	Six months ended 30 June 2012 £m
Interest on bank borrowings	**1.3**	4.4
Interest on senior notes	**9.4**	9.5
Interest on finance lease obligations	**0.6**	0.6
Unwinding of interest on provisions	**1.3**	1.3
Unwinding of interest on retirement benefit scheme liabilities	**18.5**	19.4
Amortisation of debt issue costs	**0.6**	0.8
Less: amounts capitalised in the cost of qualifying assets (note 13)	**(0.9)**	(0.9)
Finance costs	**30.8**	35.1

9. Tax

The Finance Act 2013 included legislation to reduce the main rate of corporation tax in the UK from 23% to 21%. As the Act was not substantively enacted at the balance sheet date, the impact has not been reflected in these condensed consolidated financial statements. If the change in the UK rate had been substantively enacted at the balance sheet date, the impact on net deferred tax liabilities at 30 June 2013, profit for the period (underlying and statutory) and comprehensive income for the period would not have been significant.

10. Earnings per ordinary share

Earnings per ordinary share ('EPS') is calculated by dividing the profit attributable to owners of the parent of £102.3 million (2012: £99.4 million as restated) by the weighted average number of shares in issue during the period of 787.5 million (2012: 779.8 million).

The calculation of diluted EPS is based on the same profit used in the calculation of basic EPS. The weighted average number of shares of 801.3 million (2012: 786.7 million) used in the calculation of diluted EPS is based on the number used in the calculation of basic EPS adjusted to reflect the assumption that all potentially dilutive ordinary shares convert. For the Group this means assuming all share awards in issue are exercised.

Underlying EPS is based on underlying profit (note 4) and is calculated below:

	Six months ended 30 June 2013 pence	Six months ended 30 June 2012 Restated pence
Basic EPS	**13.0**	12.7
Adjust for the effects of:		
Exceptional operating items	**(0.7)**	0.6
Amortisation of intangible assets acquired in business combinations	**3.2**	3.1
Financial instruments	**2.1**	(0.4)
Net pension finance costs	**0.5**	0.6
Underlying EPS	**18.1**	16.6

Diluted underlying EPS for the period is 17.8p (2012: 16.4p as restated). The calculation of diluted underlying EPS is based on underlying profit (note 4) and the same weighted average number of shares used in the calculation of diluted EPS.

11. Dividends

The Directors have declared an interim dividend of 3.95p per ordinary share (2012: 3.60p) which will be paid on 4 October 2013 to shareholders on the register on 16 August 2013. A scrip dividend will be available for shareholders who wish to take the dividend in the form of shares rather than cash and the last date for receipt of forms of election for the scrip dividend will be 20 September 2013. As the dividend was approved by the Directors after 30 June 2013 the dividend cost of £31.2 million (2012: £28.2 million) is not recorded as a liability at the balance sheet date.

During the period, the final dividend of 8.20p per ordinary share in respect of the year ended 31 December 2012 was paid (2012: 7.30p final dividend in respect of the year ended 31 December 2011). The total cost of the dividend was £64.4 million (2012: £56.9 million). Cash paid during the period in respect of the dividend, after taking account of the scrip element, was £62.5 million (2012: £46.6 million).

12. Related party transactions

Transactions between the Company and its subsidiaries have been eliminated on consolidation. The remuneration of the key management personnel of the Group (who are defined as members of the Management Board), including executive directors, is set out below:

	Six months ended 30 June 2013 £m	Six months ended 30 June 2012 £m
Salaries and other short-term employee benefits	**2.6**	2.6
Retirement benefit costs	**0.2**	0.2
Share-based payment expense	**2.3**	2.3
Total	**5.1**	5.1

13. Intangible assets

	Goodwill £m	Development costs £m	Programme participation costs £m	Other intangible assets £m
At 1 January 2013	1,494.2	221.5	203.6	778.9
Exchange rate adjustments	80.7	10.5	10.5	43.1
Additions	-	35.3	19.7	6.6
Interest capitalised (note 8)	-	0.8	-	0.1
Business disposed	(8.0)	-	-	(5.6)
Amortisation	-	(6.3)	(12.4)	(43.7)
At 30 June 2013	**1,566.9**	**261.8**	**221.4**	**779.4**

Goodwill is tested for impairment annually or more frequently if there is any indication of impairment. A full impairment review was conducted for the year ended 31 December 2012 and no impairment charge was required.

14. Property, plant and equipment

	30 June 2013 £m	31 December 2012 £m
Land and buildings	**128.9**	114.2
Plant, equipment and vehicles	**119.9**	118.0
Net book amount	**248.8**	232.2

During the period, capital expenditure of £24.6 million was incurred and the net book value of disposals was £0.1 million.

15. Bank and other borrowings

	Current £m	Non-current £m	Total £m
At 1 January 2013	127.0	612.3	739.3
Exchange rate adjustments	7.7	35.1	42.8
Proceeds from bank and other borrowings	3.2	157.5	160.7
Repayments of bank and other borrowings	(126.9)	(27.4)	(154.3)
Other non-cash movements	-	(8.7)	(8.7)
At 30 June 2013	**11.0**	**768.8**	**779.8**

Disclosed as:

	30 June 2013 £m	31 December 2012 £m
Bank loans	**7.2**	12.2
Other loans	**3.8**	114.8
Total current	**11.0**	127.0
Bank loans	**309.2**	170.1
Other loans	**459.6**	442.2
Total non-current	**768.8**	612.3

16. Provisions

	30 June 2013 £m	31 December 2012 £m
Environmental, legal and regulatory	**165.4**	163.7
Onerous contracts	**37.9**	41.1
Warranty costs	**14.4**	18.5
Total	**217.7**	223.3
Disclosed as:		
Current	**39.4**	44.8
Non-current	**178.3**	178.5
Total	**217.7**	223.3

17. Retirement benefit obligations

	30 June 2013 £m	31 December 2012 £m
Amounts recognised in the balance sheet:		
Present value of scheme liabilities	**938.3**	934.4
Fair value of scheme assets	**(666.9)**	(634.7)
Total	**271.4**	299.7
Analysis of retirement benefit obligations:		
Pension schemes	**212.6**	241.2
Healthcare schemes	**58.8**	58.5
Total	**271.4**	299.7

Key financial assumptions:

	30 June 2013	31 December 2012
UK Schemes:		
Discount rate	**4.75%**	4.50%
Inflation rate	**3.40%**	3.00%
Salary increases	**4.40%**	4.00%
Current life expectancy – Male aged 65 (years)	**21.8 to 23.6**	21.7 to 23.5
Overseas Schemes:		
Discount rate	**4.45%**	3.80%
Salary increases	**4.76%**	4.00%
Current life expectancy – Male aged 65 (years)	**19.2**	19.2

Employer cash contributions paid during the period were £19.7 million including deficit reduction payments of £11.9 million.

18. Issued share capital

	30 June 2013 No. m	31 December 2012 No. m
Allotted and fully paid	**789.4**	785.0

19. Contingent liabilities

The Company has given guarantees in respect of credit facilities for certain of its subsidiaries, some property leases, other leasing arrangements and the performance by some current and former subsidiaries of certain contracts. Also, there are similar guarantees given by certain other Group companies. The directors do not believe that the effect of giving these guarantees will have a material adverse effect upon the Group's financial position.

The Company and various of its subsidiaries are, from time to time, parties to legal proceedings and claims which arise in the ordinary course of business. The directors do not anticipate that the outcome of these proceedings, actions and claims, either individually or in aggregate, will have a material adverse effect upon the Group's financial position.

20. Capital commitments

	30 June 2013 £m	31 December 2012 £m
Contracted but not incurred:		
Intangible assets	**0.9**	1.1
Property, plant and equipment	**9.3**	8.4
Total	**10.2**	9.5

21. Cash inflow from operations

	Six months ended 30 June 2013 £m	Six months ended 30 June 2012 Restated £m
Profit for the period	**102.3**	99.4
Adjustments for:		
Tax	**20.1**	22.4
Depreciation	**16.6**	16.1
Amortisation (note 13)	**62.4**	57.6
Loss on disposal of property, plant and equipment	**-**	0.5
Profit on disposal of business (note 5)	**(14.0)**	-
Finance income (note 7)	**(14.0)**	(13.8)
Finance costs (note 8)	**30.8**	35.1
Financial instruments (note 6)	**21.3**	(3.8)
Retirement benefit obligation deficit payments (note 17)	**(11.9)**	(11.0)
Share-based payment expense	**7.7**	6.1
Changes in working capital	**(79.1)**	(55.5)
Cash inflow from operations	**142.2**	153.1

22. Movements in net debt

	Six months ended 30 June 2013 £m	Six months ended 30 June 2012 £m
At 1 January	**642.5**	788.4
Cash inflow from operating activities	**(102.4)**	(112.3)
Cash outflow from investing activities excluding businesses acquired and disposed	**90.9**	74.0
Free cash inflow	**(11.5)**	(38.3)
Business acquired	**-**	(2.5)
Business disposed (note 23)	**(26.4)**	-
Dividends paid to Company's shareholders (note 11)	**62.5**	46.6
Issue of equity share capital	**(0.4)**	(0.6)
Net cash outflow	**24.2**	5.2
Exchange rate adjustments	**42.9**	(14.1)
Other non-cash movements (note 15)	**(8.7)**	13.4
At 30 June	**700.9**	792.9
Disclosed as:		
Bank and other borrowings – current (note 15)	**11.0**	128.6
Bank and other borrowings – non-current (note 15)	**768.8**	717.2
Obligations under finance leases – current	**2.9**	0.7
Obligations under finance leases – non-current	**5.3**	7.9
Cash and cash equivalents	**(87.1)**	(61.5)
Total	**700.9**	792.9

23. Disposals

On 23 May 2013, 100% of the ordinary shares of Meggitt (Addison), Inc were sold for a total cash consideration of £26.4 million, which is subject to an adjustment for working capital in the business. The profit on disposal of the business was £14.0 million and has been treated as an exceptional operating item (note 5). The business, which was no longer considered core to the Group's operations, was engaged in vapour cycle air conditioning systems providing cooling, heating and ventilation for fixed wing light aircraft. The impact of the disposal on the Group's results for the period was not significant.

24. Restatement of prior period comparatives

IAS 19 (revised 2011), 'Employee benefits' makes changes to the recognition and measurement of defined benefit pension expense. Scheme administration expenses borne directly by defined benefit plans are now recorded as an operating expense and not as a reduction in the expected return on scheme assets. The expected return on scheme assets is now calculated using the same rate used to discount scheme liabilities and no longer includes any allowance for equity-like out-performance or deduction for scheme administration expenses. The adverse impact on net operating costs and net finance costs of these changes is offset by an equal reduction in actuarial losses. As the Group has always recognised actuarial gains and losses immediately there has been no impact on the value at which retirement benefit obligations are recorded in the balance sheet. As the revised net pension finance cost calculated under IAS 19 (revised 2011), 'Employee benefits' is a non-cash, non-trading item, the Board has in 2013, as previously announced, excluded it from the underlying profit measures (as defined in note 4) it uses to monitor and measure the underlying performance of the Group. The prior period comparatives have been restated accordingly.

For the current period, operating profit is £1.0 million lower, profit before tax is £4.9 million lower and other comprehensive income before tax is £4.9 million higher than it would have been prior to the adoption of IAS 19 (revised 2011), 'Employee benefits'. For the comparative period, restated operating profit is £1.0 million lower, profit before tax is £5.4 million lower and other comprehensive expense before tax is £5.4 million lower than previously reported.

For the current period, underlying operating profit is £1.0 million lower and underlying profit before tax £1.0 million higher than it would have been prior to the adoption of IAS 19 (revised 2011), 'Employee benefits' and the reclassification of net pension finance cost. For the comparative period, restated underlying operating profit is £1.0 million lower and underlying profit before tax £1.6 million higher than previously reported.

25. Financial Instruments - fair value measurement

IAS 34 requires interim financial statements include disclosures on the fair value of financial instruments as set out in IFRS 13 'Fair value measurement' and IFRS 7 'Financial instruments: Disclosures'. These disclosures include the classification of fair values using a hierarchy that reflects the significance of the inputs used in making the fair value measurement.

For cash and cash equivalents, trade and other receivables, trade and other payables, obligations under finance leases and the current element of bank and other borrowings, fair values approximate to their book values due to the short maturity periods of these financial instruments. For trade and other receivables, allowances are made within the book value for credit risk. For other financial instruments a comparison of book values and fair values is provided below:

	Book value		**Fair value**	
	30 June 2013 £m	31 December 2012 £m	**30 June 2013 £m**	31 December 2012 £m
Financial assets:				
Derivative financial instruments – non-current	**28.9**	49.8	**28.9**	49.8
Derivative financial instruments – current	**0.4**	5.0	**0.4**	5.0
Total assets	**29.3**	54.8	**29.3**	54.8
Financial liabilities:				
Derivative financial instruments – current	**(4.6)**	(4.0)	**(4.6)**	(4.0)
Derivative financial instruments – non-current	**(2.4)**	(0.2)	**(2.4)**	(0.2)
Bank and other borrowings – non-current	**(768.8)**	(612.3)	**(781.2)**	(628.4)
Total liabilities	**(775.8)**	(616.5)	**(788.2)**	(632.6)
Total	**(746.5)**	(561.7)	**(758.9)**	(577.8)

The fair values of financial instruments shown in the table above are based on market values, or where not available on discounting future cash flows at prevailing market rates, and by applying period end exchange rates.

25. Financial Instruments - fair value measurement continued

Derivative financial instruments measured at fair value are classified as level 2 in the fair value measurement hierarchy, as they have been determined using significant inputs based on observable market data. The fair value of the non-current portion of bank and other borrowings has been determined using significant inputs which are a mixture of those based on observable market data (interest rate risk) and those not based on observable market data for which the Group takes advice from a third party (credit risk). Included within the book value of non-current bank and other borrowings is £282.1 million held at fair value which is classified as level 3 in the fair value measurement hierarchy. A 5% movement in the current 1.75% estimate of the credit risk input would impact profit before tax by approximately £1.4 million. There were no transfers of assets or liabilities between levels of the fair value hierarchy during the period.

The following table presents the changes in financial instruments held at fair value and classified as level 3 during the period:

	Fair value £m
Bank and other borrowings at fair value through profit and loss:	
At 1 January 2013	274.9
Exchange rate adjustments	16.5
Gain recognised in net operating costs (note 6)	(9.3)
At 30 June 2013	**282.1**

26. Components of other comprehensive income

	Six months ended 30 June 2013 £m	Six months ended 30 June 2012 £m
Arising in the period	**91.9**	(8.7)
Transferred to income statement	**(5.0)**	-
Currency translation differences – gain/(loss)	**86.9**	(8.7)
Movement in fair value	**2.6**	(5.8)
Transferred to income statement	**-**	1.4
Cash flow hedge movements – gain/(loss)	**2.6**	(4.4)

27. Approval of interim management report

The interim management report was approved by the Board of Directors on 5 August 2013.

28. Availability of interim management report

The interim management report will be available on the Group's website www.meggitt.com from 6 August 2013. Paper copies of the report will be available to the public from the Company's registered office at Atlantic House, Aviation Park West, Bournemouth International Airport, Christchurch, Dorset, BH23 6EW.

Risks and uncertainties

The Group disclosed in its 2012 Annual Report the principal risks and uncertainties which the Group is exposed to. These risks have not changed significantly over the period and are expected to continue to be relevant for the remaining six months of the year.

The risks include those arising from market competition, reduced demand for the Group's products, IT security, acquisitions, fixed price contracts, contract violations, equipment fault, supply chain management, credit risk, exchange rate movements, renewal of debt facilities, retirement benefit plan funding, environmental obligations, legal and regulatory matters and the retention of key employees. Further details can be found in the 'Principal Risks and Uncertainties' section of the Annual Report and Accounts 2012 on pages 37 to 41 together with details of strategies adopted to mitigate any exposures.

Going concern

After making enquiries, the directors have formed a judgement that there is a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason, the directors continue to adopt the going concern basis in preparing these condensed financial statements.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors confirm that to the best of their knowledge:

- this condensed set of consolidated interim financial statements has been prepared in accordance with IAS 34 'Interim Financial Reporting' as adopted by the European Union;

- the interim management report includes a fair review of the information required by DTR 4.2.7R and DTR 4.2.8R, namely:

  - An indication of important events that have occurred during the six months ended 30 June 2013 and their impact on the condensed set of financial statements, and a description of the principal risks and uncertainties for the remaining six months of the financial year; and

  - Material related party transactions in the six months ended 30 June 2013 and any material changes to the related party transactions described in the last annual report.

By order of the Board:

S G Young
Chief Executive
5 August 2013

D Webb
Chief Financial Officer
5 August 2013

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