

From: Phil Underwood (VP)
Sent: 09 July 2007 10:13
To: Shawn Smith; 'John Dekker'
Subject: RE: 2005 Stats

Shawn

Blimey!! (no wonder we pay so much) we should be in the audit business.

As regards the attached I have no further comments to add

Regards

Phil

From: Shawn Smith
Sent: 06 July 2007 11:41
To: John Dekker; Phil Underwood (VP)
Subject: 2005 Stats

John/Phil,

Following my meeting with EY this morning there are a few things we need to complete prior to the final signing of the accounts. The aim is to get the accounts signed by Barbara (EY) Wednesday morning at the latest, with the signed copies being e-mailed and couriered to Companies House on or by Wednesday.

The items we need to cover off are:

- Please review the attached audit letter. This is from EY to Magellan, it is a little more detailed than it might ordinarily be, for obvious reasons. Please let me have any comments on this by Monday.
- Letter of Representation – EY are going to send me an electronic copy of this later today. I will then e-mail to you both, please read, sign and e-mail me with the signed letter, sending me the original which I will then forward to EY. Under the circumstances EY feel it would be best if we all sign, I think this is a good idea and is in keeping with what we discussed at the board meeting yesterday. EY will accept three letters with different signatures.
- The accounts themselves – there are a couple of suggested changes to the words, and a slight change to one of the notes (it doesn't alter the numbers). I will re-circulate the accounts highlighting the changes for comment. I will do this in a separate e-mail due to the size of the attachment.
- Contingent Liabilities – we need to get an update from Pinsent with regard to the likely outcome of the BL case. This was done at the end of 2006, and simply needs to be updated. I have spoken to Pinsent on this and they will get something to me today/Monday.

Shawn

Shawn Smith
Chief Financial Officer
Magellan Aerospace (UK) Ltd
1 West Point Row
Great Park Road

3959

From: Shawn Smith
Sent: 09 July 2007 11:46
To: John Dekker; Phil Underwood (VP)
Subject: 2005 Statutory Accounts - Rep letter

John/Phil,

Can you please read through the attached letter of representation and if you are ok with it can you please sign and e-mail me a copy of the signed document. Please then post the original signed copy to me.

Rather than having one letter with 3 signatures, we will have 3 letters each with a different signature; this is acceptable to EY, and overcomes the obvious logistical issues.

Thanks

Shawn

Shawn Smith
Chief Financial Officer
Magellan Aerospace (UK) Ltd
1 West Point Row
Great Park Road
Bradley Stoke
Bristol
BS32 4QG

Tel: 01454 453559
Fax: 01454 453599
Mobile: 07843 215785

This email has been scanned by the MessageLabs Email Security System.
For more information please visit <http://www.messagelabs.com/email>

If you consider this email spam, please forward to spam@emailsistemas.com

From: Joyce Pachkowsky [mailto:joyce.pachkowsky@magellan.aero]
Sent: 09 July 2007 17:58
To: Shawn Smith
Cc: John Dekker
Subject: RE: E-mail

The letter has been signed by John Dekker.

Joyce Pachkowsky
Executive Office
Bristol Aerospace Limited
Phone: (204) 788-2988
Fax: (204) 783-2091
E-Mail: joyce.pachkowsky@magellan.ca

From: Shawn Smith [mailto:Shawn.Smith@magellanuk.aero]
Sent: Monday, July 09, 2007 9:53 AM
To: John Dekker
Cc: Joyce Pachkowsky
Subject: RE: E-mail

John,

Please sign and send back but please leave undated.

Thanks

Shawn

Shawn Smith
Chief Financial Officer
Magellan Aerospace (UK) Ltd
1 West Point Row
Great Park Road
Bradley Stoke
Bristol
BS32 4QG

Tel: 01454 453559
Fax: 01454 453599
Mobile: 07843 215785

From: John Dekker [mailto:john.dekker@magellan.aero]
Sent: 09 July 2007 15:38
To: Shawn Smith
Cc: Joyce Pachkowsky
Subject: E-mail

3966



MAGELLAN

AEROSPACE CORPORATION

MAGELLAN AEROSPACE FILTON
A DIVISION OF MAGELLAN AEROSPACE (UK) LIMITED
1 West Point Row, Great Park Road, Bradley Stoke, Bristol, BS32 4GG

Tel: (+44) (0) 1454 453550 Fax: (+44) (0) 1454 453599

Ernst & Young LLP
One, Bridewell Street
Bristol
BS1 2AA

Dear Sirs

MAGELLAN AEROSPACE UK LIMITED

This representation letter is provided in connection with your audit of the financial statements of the above company for the year ended 31 December 2005 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view of the financial position of the company as of 31 December 2005 and of the results of its operations for the year then ended in accordance with United Kingdom accounting standards.

The financial statements have been considered and approved at a duly convened meeting of the Board of Directors at which the attention of the Board was drawn to their responsibilities in connection therewith. The undersigned were authorised to sign the balance sheet on behalf of the Board and to give you the assurances below. We acknowledge our responsibility for the fair presentation of the financial statements in accordance with United Kingdom accounting standards.

We confirm to the best of our knowledge and belief, the following representations:

(a) Availability of information

All the accounting records have been made available to you for the purpose of your audit and all the transactions undertaken by the company have been properly reflected and recorded in the accounting records. All other records and related information have been made available to you, including the minutes of all directors' and shareholders' meetings which are a complete and authentic record of the proceedings at those meetings.

(b) Transactions with directors (or persons connected with them)

At no time during the year has the company or any company in the group had any arrangement, transaction or agreement to provide credit facilities (including loans, quasi-loans or credit transactions) for directors of the company (or persons connected with them) or to guarantee or provide security for such matters.

(c) Related parties and related party transactions

We have identified and disclosed to you all related parties. During the year the directors have identified and approved related party transactions and provided the information for disclosure of all transactions relevant to the company in the company financial statements. They are not aware of any other matters which require to be disclosed

(d) Events after the balance sheet date



3967



MAGELLAN

AEROSPACE CORPORATION

MAGELLAN AEROSPACE FILTON
A DIVISION OF MAGELLAN AEROSPACE (UK) LIMITED
1 West Point Row, Great Park Road, Bradley Stoke, Bristol. BS32 4QG

Tel: (+44) (0) 1454 453550 Fax: (+44) (0) 1454 453599

There have been no events since the balance sheet date which necessitate revision of the figures included in the financial statements or the inclusion of a note thereto. Should any such material events occur before the date of the AGM, we will advise you accordingly.

(e) Going concern

The financial statements have been prepared on the going concern basis. In assessing the appropriateness of the going concern basis, we have taken account of all relevant information covering a period of at least twelve months from the date of approval of the financial statements.

(f) Fair Value measurements and disclosures

The measurement methods, including the significant assumptions used, in determining fair values under United Kingdom accounting standards are reasonable in the circumstances, and appropriately reflect our intention and ability to carry out specific courses of action on behalf of the company where relevant to the fair value measurements or disclosures made in the financial statements.

(g) Compliance with law or regulations

We have disclosed to you all known actual or possible non-compliance with law or regulations, including the actual or contingent consequences which may arise from the non-compliance, whose effects should be considered when preparing the financial statements.

(h) Fraud and error

We acknowledge our responsibility for the design and implementation of internal control systems to prevent and detect fraud and error. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud. We have disclosed to you all significant facts relating to any frauds or suspected frauds known to management that may have affected the entity.

(i) Uncorrected misstatements

We believe that the effects of any unadjusted audit differences, summarised in the accompanying schedule, accumulated by you during the current audit and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

(j) Contingent liabilities

Provision has been made where a material loss is expected to result from any litigation or claims against the company. Other contingent liabilities at the balance sheet date, none of which is expected to result in a material loss to the company or in commitments which it cannot meet, have been disclosed in the financial statements.

All significant matters which have been referred to solicitors have been disclosed to you.

(k) Brian Little whistle-blowing allegations



3968



MAGELLAN

AEROSPACE CORPORATION

MAGELLAN AEROSPACE FILTON
A DIVISION OF MAGELLAN AEROSPACE (UK) LIMITED
 1 West Point Row, Great Park Road, Bradley Stoke, Bristol. BS32 4QG

Tel: (+44) (0) 1454 453550 Fax: (+44) (0) 1454 453599

With regard to the whistle-blowing allegations made by Brian Little, we are confident that the position taken by the company is fully supported and not materially misstated with regard to the following matters.

- A380 provision has been correctly released in 2005
- 2005 Head Office and Engineering bonus accruals have been correctly released in 2005 being a 2006 discretionary cost.
- The overhead rate applied to Bournemouth inventory is appropriate.
- It is appropriate to absorb direct overheads in engineering inventory and that only appropriate overheads have been included within this calculation.
- The level of inventory provisions is appropriate.

(1) Non-recurring costs on A380

We are confident that the amounts recorded on the balance sheet are fully recoverable, based on the current projected build plans and expectations of order levels.

We confirm that the above representations are made on the basis of enquires of management and staff with relevant knowledge and experience (and, where appropriate, inspection of evidence) sufficient to satisfy ourselves that we can properly make each of the above representations to you.

Yours faithfully

Sign & Date _____ Shawn Smith (Director)

Sign & Date  _____ John Dekker (Director)

Sign & Date _____ Phil Underwood (Director)



3969



MAGELLAN

AEROSPACE CORPORATION

MAGELLAN AEROSPACE FILTON
A DIVISION OF MAGELLAN AEROSPACE (UK) LIMITED
1 West Point Row, Great Park Road, Bradley Stoke, Bristol. BS32 4QG

Tel: (+44) (0) 1454 453550 Fax: (+44) (0) 1454 453599

Unadjusted Audit Differences:

1) Adjustment to Bournemouth Inventory Valuation due to variance in calculation of hourly rate.

Dr Cost of Sales	£106k	
		Cr Inventory
		£106k

2) Adjustment to Structures Inventory Valuation due to variance in calculation of hourly rate.

Dr Inventory	£20k	
		Cr Cost of Sales
		£20k

3) Adjustment to final Inventory provision

Dr Cost of Sales	£27k	
		Cr Inventory Provision
		£27k

