

WOODWARD GOVERNOR CO

Form 10-K/A

April 01, 2005

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**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-K/A
AMENDMENT NO. 1**

(Mark One)

Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the fiscal year ended September 30, 2004

or

Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the transition period from _____ to _____

Commission file number 0-8408

WOODWARD GOVERNOR COMPANY

(Exact name of registrant specified in its charter)

Delaware

36-1984010

(State or other jurisdiction of
incorporation or organization)

(I.R.S. Employer Identification No.)

5001 North Second Street, Rockford, Illinois

61125-7001

(Address of principal executive offices)

(Zip Code)

Registrant's telephone number, including area code (815) 877-7441

Securities registered pursuant to Section 12(b) of the Act: None

Securities registered pursuant to Section 12(g) of the Act:

Common stock, par value \$.00875 per share

(Title of Class)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Act). Yes No

There were 11,323,955 shares of common stock with a par value of \$.00875 per share outstanding at November 29, 2004.

The aggregate market value of the voting and non-voting common equity stock held by non-affiliates computed by reference to the price at which the common equity was last sold, or the average bid and asked price of such common equity, as of the last business day of our most recently completed second fiscal quarter, was \$570,855,440 (such aggregate market value does not include voting stock beneficially owned by directors, officers, the Woodward Governor Company Profit Sharing Trust, Woodward Governor Company Deferred Shares Trust, or the Woodward Governor Company Charitable Trust).

DOCUMENTS INCORPORATED BY REFERENCE

Portions of our annual report to shareholders for the fiscal year ended September 30, 2004 (2004 Annual Report), are incorporated by reference into Parts I, II and IV of this filing, to the extent indicated.

Portions of our proxy statement dated December 8, 2004, are incorporated by reference into Part III of this filing, to the extent indicated.

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Description of Annual Report Charts

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Part I

Item 1. Business

Woodward Governor Company was established in 1870 and incorporated in 1902. Headquartered in Rockford, Illinois and serving global markets from locations worldwide, we design, manufacture, and service energy control systems and components for aircraft and industrial engines, turbines, and other power equipment. Leading OEMs (original equipment manufacturers) throughout the world use our products and services in the power generation, process industries, transportation, and aerospace markets.

Our operations are organized based on the nature of products and related services provided and consist of two reportable segments - Industrial Controls and Aircraft Engine Systems. Industrial Controls provides energy control systems and components primarily to OEMs of industrial engines, turbines, and other power equipment. Aircraft Engine Systems provides energy control systems and components primarily to OEMs of aircraft turbines.

Information about our operations in 2004 and outlook for the future, including certain segment information, is included in Management's Discussion and Analysis on pages 14 through 33 of our 2004 Annual Report, incorporated here by reference. Additional segment information and certain geographical information is included in Note 20 to the Consolidated Financial Statements, on pages 56 through 58 of our 2004 Annual Report, incorporated here by reference. Other information about our business follows.

Industrial Controls

We provide energy control systems and components through Industrial Controls, primarily to OEMs of industrial engines, turbines, and other power equipment. We also sell components as spares or replacements, and provide other related services to these customers and other customers. In 2004, our two largest customers were General Electric Company, which accounted for approximately 21% of Industrial Controls sales, and Caterpillar, Inc., which accounted for approximately 19% of Industrial Controls sales.

We generally sell Industrial Controls products and services directly to our customers, although we also generate sales through distributors, dealers, and independent service facilities. We carry certain finished goods and component parts inventory to meet rapid delivery requirements of customers, primarily for aftermarket needs. We do not believe Industrial Controls sales are subject to significant seasonal variation.

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We believe Industrial Controls has a significant competitive position within the market for energy control systems and components for industrial engines, turbines, and other power equipment. We compete with as many as 10 other independent manufacturers and with the in-house control operations of OEMs. While published information is not available in sufficient detail to enable an accurate assessment, we believe we hold a strong position among the independent manufacturers for power generation, transportation, and process industries markets. Companies compete principally on price, quality, and customer service. We also see increasing demand for products that result in lower environmental emissions, particularly in gas turbine applications. In our opinion, our prices are generally competitive and our quality, customer service, and technology used in products to reduce emissions are favorable competitive factors.

Industrial Controls backlog orders were approximately \$112 million at October 31, 2004, approximately 98% of which we expect to fill by September 30, 2005. Last year, Industrial Controls backlog orders were \$88 million at October 31, 2003, approximately 98% of which we expected to fill by September 30, 2004. Backlog orders are not necessarily an indicator of future billing levels because of variations in lead times.

Industrial Controls products make use of several patents and trademarks of various durations that we believe are collectively important. However, we do not consider our business dependent upon any one patent or trademark. Our products consist of mechanical, electronic, and electromagnetic components. Mechanical components are machined primarily from aluminum, iron, and steel. Generally there are numerous sources for the raw materials and components used in our products, and they are believed to be sufficiently available to meet all Industrial Controls requirements.

Aircraft Engine Systems

We provide energy control systems and components through Aircraft Engine Systems, primarily to OEMs of aircraft engines for use in those engines. We also sell components as spares or replacements, and provide repair and overhaul services to these customers and other customers. In 2004, our largest customer was General Electric Company, which accounted for approximately 23% of Aircraft Engine Systems sales.

We generally sell Aircraft Engine Systems products and services directly to our customers, although we also generate aftermarket sales through distributors, dealers, and independent service facilities. We carry certain finished goods and component parts inventory to meet rapid delivery requirements of customers, primarily for aftermarket needs. We do not believe Aircraft Engine Systems sales are subject to significant seasonal variation.

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We believe Aircraft Engine Systems has a significant competitive position within the market for energy control systems and components for aircraft engines. We compete with several other manufacturers, including divisions of OEMs of aircraft engines. While published information is not available in sufficient detail to enable an accurate assessment, we do not believe any company holds a dominant competitive position. Companies compete principally on price, quality, and customer service. In our opinion, our prices are generally competitive, and our quality and customer service are favorable competitive factors.

Aircraft Engine Systems backlog orders were approximately \$148 million at October 31, 2004, approximately 84% of which we expect to fill by September 30, 2005. Last year, Aircraft Engine Systems backlog orders were \$136 million at October 31, 2003, approximately 79% of which we expected to fill by September 30, 2004. Backlog orders are not necessarily an indicator of future billing levels because of variations in lead times.

Aircraft Engine Systems products make use of several patents and trademarks of various durations that we believe are collectively important. However, we do not consider our business dependent upon any one patent or trademark. Our products consist of mechanical, electronic, and electromagnetic components. Mechanical components are machined primarily from aluminum, iron, and steel. Generally there are numerous sources for the raw materials and components used in our products, and they are believed to be sufficiently available to meet all Aircraft Engine Systems requirements.

Other Matters

We spent approximately \$40.1 million for company-sponsored research and development activities in 2004, \$41.6 million in 2003, and \$36.7 million in 2002. These expenses were incurred by both Industrial Controls and Aircraft Engine Systems.

We do not believe that compliance with current Federal, State or local provisions regulating the discharge of materials into the environment, or otherwise relating to the protection of the environment, will have any material effect on our capital expenditures, earnings, or competitive position. We are also not intending to incur material capital expenditures for environmental control facilities through September 30, 2005.

We employed about 3,384 people at October 31, 2004.

This report and the 2004 Annual Report, sections of which have been incorporated by reference, contain forward-looking statements and should be read with Factors That May Affect Future Results on pages 15 through 16 of the 2004 Annual Report, incorporated here by reference.

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Shareholders may obtain, without charge, a single copy of Woodward's 2004 annual report on Securities and Exchange Commission Form 10-K upon written request to the Corporate Secretary, Woodward Governor Company, 5001 North Second Street, P.O. Box 7001, Rockford, Illinois, 61125-7001. In addition, Securities and Exchange Commission filings are also available on our website at www.woodward.com, including annual reports on Form 10-K, quarterly reports on Form 10-Q, current-event reports on Form 8-K, and amendments to those reports. These filings are available on our website as soon as reasonably practicable after they are filed electronically with, or furnished to, the Securities and Exchange Commission.

Item 2. Properties

Our principal plants are as follows:

United States

Fort Collins, Colorado Industrial Controls manufacturing
Loveland, Colorado Industrial Controls manufacturing and partially leased to a third party
Niles, Illinois Industrial Controls manufacturing
Rockford, Illinois Aircraft Engine Systems manufacturing and corporate offices
Rockton, Illinois Aircraft Engine Systems manufacturing and repair and overhaul
Zeeland, Michigan Aircraft Engine Systems manufacturing
Greenville, South Carolina (leased) Industrial Controls manufacturing

Other Countries

Suzhou, Peoples Republic of China (leased) Industrial Controls manufacturing
Aken, Germany (leased) Industrial Controls manufacturing
Stuttgart, Germany (leased) Industrial Controls manufacturing
Tomisato, Chiba, Japan Industrial Controls manufacturing
Hoofddorp, The Netherlands Industrial Controls manufacturing
Cheltenham, England, United Kingdom Industrial Controls manufacturing
Prestwick, Scotland, United Kingdom (leased) Aircraft Engine Systems repair and overhaul

Our principal plants are suitable and adequate for the manufacturing and other activities performed at those plants, and we believe our utilization levels are generally high. With continuing advancements in manufacturing technology and operational improvements, we believe we can continue to increase production without additional plants.

During 2005 and the first half of 2006, we intend to consolidate manufacturing operations in The Netherlands, United Kingdom, and Japan with existing operations in the United States, Germany, and China to gain production cost efficiencies. The facilities located in The Netherlands, United Kingdom, and Japan will continue to be used after the consolidation is complete for sales and service activities. In addition, the facility in the United Kingdom will remain a key development site for diesel fuel injection products.

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In addition to the principal plants listed above, we lease several facilities in locations worldwide, used primarily for sales and service activities.

Item 3. Legal Proceedings

We are currently involved in pending or threatened litigation or other legal proceedings regarding employment, product liability, and contractual matters arising from the normal course of business. These matters are discussed in Note 18 to the Consolidated Financial Statements on pages 55 through 56 of our 2004 Annual Report, incorporated here by reference. We currently do not have any administrative or judicial proceedings arising under any Federal, State, or local provisions regulating the discharge of materials into the environment or primarily for the purpose of protecting the environment.

Item 4. Submission of Matters to a Vote of Security Holders

There were no matters submitted to a vote of security holders during the fourth quarter of the year ended September 30, 2004.

Part II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

(a) Our common stock is listed on The NASDAQ National Market and at November 29, 2004, there were 1,531 holders of record. Cash dividends were declared quarterly during 2004 and 2003. The amount of cash dividends per share and the high and low sales price per share for our common stock for each fiscal quarter in 2004 and 2003 are included in the Selected Quarterly Financial Data on page 59 of the 2004 Annual Report, incorporated here by reference.

Table of Contents**(c) Issuer Purchases of Equity Securities**

Period	(a) Total number of shares purchased	(b) Average price paid per share	(c) Total number of shares purchased as part of publicly announced plans or programs	(d) Approximate dollar value of shares that may yet be purchased under the plans or programs
July 1, 2004 through July 31, 2004				\$ 8,950,000
August 1, 2004 through August 31, 2004				\$ 8,950,000
September 1, 2004 through September 30, 2004	501	\$ 59.88		\$ 8,950,000
Total	501	\$ 59.88		

On November 26, 2002, we announced in a news release a plan to purchase up to \$20 million of our outstanding shares of common stock over a two-year period. We did not purchase any shares as part of this plan during the fourth quarter of the year ended September 30, 2004. The plan expired on November 26, 2004.

Item 6. Selected Financial Data

Selected Financial Data is included on pages 60 through 61 of our 2004 Annual Report, incorporated here by reference.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

Management's Discussion and Analysis is included on pages 14 through 33 of our 2004 Annual Report, incorporated here by reference. This discussion should be read with the consolidated financial statements on pages 34 through 58 of our 2004 Annual Report.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

Disclosures about market risk are included under the caption Market Risks on page 19 of our 2004 Annual Report, incorporated here by reference.

Item 8. Financial Statements and Supplementary Data

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Consolidated financial statements and schedules, as listed in Item 15(a)(1) and (a)(2) and excluding the two items listed under the caption Other Financial Statement Schedules , are incorporated here by reference.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

There have been no changes in or disagreements on accounting principles and financial disclosure. PricewaterhouseCoopers LLP, or its predecessors, have been our independent accountants since 1940.

Item 9A. Controls and Procedures

We have established disclosure controls and procedures, which are designed to ensure that information required to be disclosed in reports filed or submitted under the Securities Exchange Act of 1934 is recorded, processed, summarized, and reported, within the time periods specified in the Securities and Exchange Commission's rules and forms. These disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed in the reports that we file or submit under the Act is accumulated and communicated to management, including our principal executive officer (John A. Halbrook, chairman of the board and chief executive officer) and principal financial officer (Stephen P. Carter, executive vice president, chief financial officer and treasurer), as appropriate to allow timely decisions regarding required disclosures.

John A. Halbrook, our chairman of the board and chief executive officer, and Stephen P. Carter, our executive vice president, chief financial officer and treasurer, evaluated the effectiveness of our disclosure controls and procedures as of the end of the period covered by this Form 10-K/A Amendment No. 1. Based on their evaluation, they concluded that our disclosure controls and procedures were effective in achieving the objectives for which they were designed as described in the preceding paragraph.

Furthermore, there have been no changes in our internal control over financial reporting during the fourth quarter covered by this Form 10-K/A Amendment No. 1 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Item 9B. Other Information

There is no information required to be disclosed in a report on Form 8-K during the fourth quarter of the year ended September 30, 2004, that was not reported on Form 8-K.

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Part III

Item 10. Directors and Executive Officers of the Registrant

Executive Officers:

John A. Halbrook, age 59 chairman and chief executive officer since January 1995; chief executive officer and president November 1993 through January 1995; president November 1991 through November 1993.

Thomas A. Gendron, age 43 president and chief operating officer since September 2002; vice president and general manager of Industrial Controls June 2001 through September 2002; vice president of Industrial Controls April 2000 through May 2001; director of global marketing and Industrial Controls business development February 1999 through March 2000.

Stephen P. Carter, age 53 executive vice president, chief financial officer and treasurer since January 2003; vice president, chief financial officer and treasurer since January 1997 through December 2002; vice president and treasurer September 1996 through January 1997; and assistant treasurer January 1994 through September 1996.

Carol J. Manning, age 54 secretary since June 1991.

All executive officers were elected to their current positions at the January 28, 2004, Board of Directors meeting to serve until the January 26, 2005, Board of Directors meeting, or until their successors have been elected. On November 18, 2004, we announced the upcoming retirement of Stephen P. Carter. Under the terms of a Retirement Transition Agreement, as listed in Item 15(a)(3) as Exhibit 10(i), Mr. Carter will continue to serve as Executive Vice President, Chief Financial Officer and Treasurer until his successor is appointed or the Company determines that the transition of responsibilities has been accomplished, in no event later than October 14, 2006.

We have adopted a code of ethics for senior financial officers and other finance members that applies to John A. Halbrook, our principal executive officer, and Stephen P. Carter, our principal financial and accounting officer. This code of ethics, as listed in Item 15(b) as Exhibit 14, is incorporated here by reference.

Other information regarding our directors and executive officers is under the captions Board of Directors on pages 4 through 6, Board Meetings and Committees Audit Committee on page 8, (including information with respect to audit committee financial experts) Share Ownership of Management on pages 10 through 11, and Section 16(a) Beneficial Ownership Reporting Compliance on page 11 of our proxy statement dated December 8, 2004, incorporated here by reference.

Table of Contents**Item 11. Executive Compensation**

Executive compensation is under the captions Board Meetings and Committees Director Compensation on pages 9 through 10, Executive Compensation on pages 14 through 16, Stock Options on page 16, and Long-Term Management Incentive Compensation Plan Awards on page 17 of our proxy statement dated December 8, 2004, incorporated here by reference.

Item 12. Security Ownership of Certain Beneficial Owners and Management

Security ownership of certain beneficial owners and management and related stockholder matters is under the tables captioned Share Ownership of Management on pages 10 through 11 and Persons Owning More than Five Percent of Woodward Stock on pages 11 through 12 of our proxy statement dated December 8, 2004, incorporated here by reference.

Securities authorized for issuance under equity compensation plans were as follows:

Plan category	Number of securities to be issued upon exercise of outstanding options, warrants, and rights	Weighted-average exercise price of outstanding options, warrants, and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in the first column)
Equity compensation plans approved by security holders (1)	1,084,264	\$ 36.11	764,539
Equity compensation plans not approved by security holders			
Total	1,084,264	\$ 36.11	764,539

(1) Consists of the 2002 Stock Option Plan.

Item 13. Certain Relationships and Related Transactions

Information regarding certain relationships and related transactions is under the caption Board Meetings

and Committees Director Compensation on pages 9 through 10 of our proxy statement dated December 8, 2004, incorporated here by reference.

Table of Contents**Item 14 Principal Accounting Fees and Services**

Principal accounting fees and services are under the captions Audit Committee Report to Shareholders Audit Committee's Policy on Pre-Approval of Services Provided by Independent Registered Public Accounting Firm and Fees Paid to PricewaterhouseCoopers LLP on pages 17 through 18 of our proxy statement dated December 8, 2004, incorporated here by reference.

Part IV**Item 15. Exhibits and Financial Statement Schedules****(a) (1) and (a) (2) Index to Consolidated Financial Statements and Schedules**

	Reference
	Form 10-K Annual Report Page
	Annual Report to Shareholders Page
Annual report to shareholders for the fiscal year ended September 30, 2004, filed as Exhibit 13 to this Form 10-K and incorporated by reference:	
Management's Responsibility for Financial Statements	13
Statements of Consolidated Earnings for the years ended September 30, 2004, 2003, and 2002	34
Consolidated Balance Sheets at September 30, 2004 and 2003	35
Statements of Consolidated Cash Flows for the years ended September 30, 2004, 2003, and 2002	36
Statements of Consolidated Shareholders' Equity for the years ended September 30, 2004, 2003, and 2002	36-37
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	Form 10-K Annual Report Page	Reference Annual Report to Shareholders Page
Other Financial Statement Schedules, included with this filing:		
Report of Independent Registered Public Accounting Firm on Financial Statement Schedule	S-1	
Valuation and Qualifying Accounts	S-2	
Financial statements and schedules other than those listed above are omitted for the reason that they are not applicable, are not required, or the information is included in the financial statements or the footnotes.		

With the exception of the consolidated financial statements and the reports of independent registered public accounting firm listed in the above index, and the information referred to in Items 1, 3, 5A, 6, 7, 7a, and 8, all of which is included in the 2004 Annual Report to Shareholders of Woodward Governor Company and incorporated by reference into this Form 10-K Annual Report, the 2004 Annual Report to Shareholders is not to be deemed filed as part of this report.

(a) (3) Exhibits Filed as Part of This Report

- | | |
|---|---|
| (3) (i) Articles of Incorporation | Filed as Exhibit 3 (i) to Form 10-K for the year ended September 30, 1999, incorporated here by reference. |
| (ii) By-laws | Filed as an exhibit. |
| (4) Instruments defining the rights of security holders, including indentures | (a) Note Purchase Agreement dated October 15, 2001, filed as Exhibit 4 to Form 10-Q for the three months ended December 31, 2001, incorporated here by reference.

(b) Credit Agreement dated March 4, 2003, filed as Exhibit 4 to Form 10-Q for the three months ended March 31, 2003, incorporated here by reference. |
| (10) Material contracts | (a) Long-Term Management Incentive Compensation Plan, filed as Exhibit 10 (c) to Form 10-K for the year ended September 30, 2000, incorporated here by reference. |

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(b) Annual Management Incentive Compensation Plan, filed as Exhibit 10 (d) to Form 10-K for the year ended September 30, 2000, incorporated here by reference.

(c) Form of Outside Director Stock Purchase Agreement with Michael H. Joyce, filed as Exhibit 10 (g) to Form 10-K for the year ended September 30, 2000, incorporated here by reference.

(d) Form of Outside Director Stock Purchase Agreement with Paul Donovan, filed as Exhibit 10 (h) to Form 10-K for the year ended September 30, 2001, incorporated here by reference.

(e) 2002 Stock Option Plan, effective January 1, 2002 filed as Exhibit 10 (iii) to Form 10-Q for the three months ended March 31, 2002, incorporated here by reference

(f) Executive Benefit Plan (non-qualified deferred compensation plan), filed as Exhibit 10 (e) to Form 10-K for the year ended September 30, 2002, incorporated here by reference.

(g) Form of Outside Director Stock Purchase Agreement with James L. Rulseh, filed as Exhibit 10 (j) to Form 10-K for the year ended September 30, 2002, incorporated here by reference.

(h) Form of Transitional Compensation Agreement with John A. Halbhook, Thomas A. Gendron, and Stephen P. Carter, filed as Exhibit 10 to Form 10-Q for the three months ended December 31, 2002, incorporated here by reference.

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	(i) Retirement Transition Agreement with Stephen P. Carter, filed as Exhibit 99.2 to Form 8-K dated November 23, 2004, incorporated here by reference.
	(j) Summary of non-employee director meeting fees and compensation, filed as an exhibit.
(11) Statement on computation of Statements, included in 2004	Included in Note 5 of Notes earnings per share to Consolidated Financial Annual Report, incorporated here by reference.
(13) Annual report to shareholders for the fiscal year ended information of the	Except as specifically incorporated by reference, September 30, 2004 report is furnished solely for the Commission and is not deemed filed as part of this report.
(14) Code of Ethics	Filed as Exhibit 14 to Form 10-K for the year ended September 30, 2003, incorporated here by reference.
(21) Subsidiaries	Filed as an exhibit.
(23) Consent of Independent Registered Public Accounting Firm	Filed as an exhibit.
(31) (i) Certification of John A. Halbrook pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.	Filed as an exhibit.
(ii) Certification of Stephen P. Carter pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.	Filed as an exhibit.
(32) (i) Certification pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.	Filed as an exhibit.

- (99) (i) Additional exhibit Filed as an exhibit.
description of annual
report charts

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

WOODWARD
GOVERNOR
COMPANY

/s/ John A. Halbrook Director, Chairman the
 John A. Halbrook Board and Chief of
 Date: March 31, Executive Officer
 2005 (Principal Executive
 Officer)

/s/ Stephen P. Carter Executive Vice President,
 Stephen P. Carter Chief Financial Officer
 Date: March 31, and Treasurer (Principal
 2005 Financial Officer and
 Principal Accounting
 Officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature	Title	Date
/s/ John D. Cohn John D. Cohn	Director	March 31, 2005
/s/ Paul Donovan Paul Donovan	Director	March 31, 2005
Michael H. Joyce	Director	
Mary L. Petrovich	Director	
/s/ Larry E. Rittenberg Larry E. Rittenberg	Director	March 31, 2005
/s/ James R. Rulseh James R. Rulseh	Director	March 31, 2005
Michael T. Yonker	Director	

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Report of Independent Registered Public Accounting Firm
on
Financial Statement Schedule

To the Board of Directors of Woodward Governor Company

Our audits of the consolidated financial statements referred to in our report dated November 1, 2004 appearing in the 2004 Annual Report to Shareholders of Woodward Governor Company (which report and consolidated financial statements are incorporated by reference in this Annual Report on Form 10-K) also included an audit of the other financial statement schedule listed in Item 15(a)(1) and (a)(2) of this Form 10-K. In our opinion, the financial statement schedule presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements.

PricewaterhouseCoopers LLP

Chicago, Illinois
November 1, 2004

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WOODWARD GOVERNOR COMPANY AND SUBSIDIARIES
SCHEDULE II - VALUATION AND QUALIFYING ACCOUNTS
for the years ended September 30, 2004, 2003, and 2002
(In thousands of dollars)

Col. A	Col. B	Col. C Additions		Col. D	Col. E
DESCRIPTION	Balance at Beginning of Year	Charged to Costs and Expenses	Charged to Other Accounts (B)	Deductions (A)	Balance at End of Year
2004: Allowance for doubtful accounts	\$ 2,601	\$ 462	\$ 718	\$ (945)	\$ 2,836
2003: Allowance for doubtful accounts	\$ 2,717	\$ 672	\$ 68	\$ (856)	\$ 2,601
2002: Allowance for doubtful accounts	\$ 4,720	\$ (1,535)	\$ 27	\$ (495)	\$ 2,717

NOTE:

(A) Represents accounts written off during the year and also overseas currency translation adjustments that increased the reserve by \$45 in 2004, \$186 in 2003 and \$53 in 2002.

(B) Includes recoveries of previous write-offs and certain reclassifications.

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