

Teledyne TSS Limited

Report and Accounts

31 March 2008



Teledyne TSS Limited

Registered No: 1406067

Directors

H Barnshaw
A Pichelli
J Davis
D Schnittjer

Secretary

H Barnshaw

Auditors

Ernst & Young LLP
George House
50 George Square
Glasgow
G2 1RR

Bankers

Barclays Bank plc
PO Box 87
22/24 Upper Marlborough Road
St Albans
Hertfordshire
BX3 2BB

Solicitors

Kirkpatrick & Lockhart Nicholson Graham LLP
110 Cannon Street
London
EC4N 6AR

Registered Office

1 Garnett Close
Greycaine Industrial Estate
Watford
Hertfordshire
WD24 7GL

Directors' report

The directors present their report and accounts for the year ended 31 March 2008.

Principal activity and review of the business

On 31 January 2008, the entire share capital of the company's immediate parent company, SG Brown Limited (now renamed Teledyne SG Brown Limited), was acquired by Teledyne Limited, a UK registered company for a consideration of £29,145,050. The company name was changed from TSS (International) Limited to Teledyne TSS Limited on 1 February 2008.

The company's principal activity during the year was the design, manufacture and distribution of marine survey instruments and provision of related services

Results and dividends

The profit for the year, after taxation, amounted to £2,971,000. An interim dividend of £673,000 has been paid during the year.

Future developments

The company's strategy is to consolidate and grow its presence in the niche markets within which the company operates.

Key performance indicators

The company reports on a number of key performance indicators on a quarterly basis.

The company measures sales per employee and operating profit per employee. In 2008 these metrics were £218,820 (2007: £164,780) and £48,973 (2007: £31,260) respectively

Directors

The directors of the company at 31 March 2008 were as follows:

H Barnshaw (appointed 31/01/2008)
J Davis (appointed 31/01/2008)
A Pichelli (appointed 31/01/2008)
D Schnittjer (appointed 31/01/2008)

The following former directors of the company all resigned on 31/08/2008.

SJ Cows, JE Frost, TJ Madden, GA Roberson, AJ Suggate

Directors' statement as to disclosure of information to auditors

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow directors and the company's auditor, each director has taken all the steps that he/she is obliged to take as a director in order to make himself/herself aware of any relevant audit information and to establish that the auditor is aware of that information.

Directors' report

Financial risk management policy

The company's principal financial instruments comprise cash, cash equivalents and loans. Other financial assets and liabilities, such as trade debtors and trade creditors, arise directly from operating activities.

The main risks associated with the company's financial assets and liabilities are set out below:

Credit risk: The company's principal financial assets are cash and trade debtors. The principal credit risk is associated with trade debtors. In order to manage credit risk a credit limit is set for each customer based on a combination of payment history and third party credit references. In accordance with Corporate requirements, credit limits and overdue amounts are reviewed regularly by management.

Exchange rate risk: The company's foreign trading exposes it to foreign exchange risk, predominately translation risk. Translation exposures are hedged when known, principally using forward exchange contracts.

Auditors

A resolution to reappoint Ernst & Young LLP as auditors will be put to the members at the Annual General Meeting.

On behalf of the board



H Barnshaw
Secretary

27 JAN 2009

Statement of directors' responsibilities in respect of the accounts

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial accounts in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit for that period. In preparing those accounts, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent auditors' report to the members of Teledyne TSS Limited

We have audited the company's financial statements for the year ended 31 March 2008 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet, Statement of Cash Flows and the related notes 1 to 21. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the directors' report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

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

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 March 2008 and of its profit for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the directors' report is consistent with the financial statements.

Ernst & Young LLP

Ernst & Young LLP
Registered Auditor
Glasgow

27/1/ 2009

Profit & Loss Account

for the year ended 31 March 2008

	Notes	2008 £'000	2007 £'000
Turnover	2	16,412	12,029
Cost of sales		(9,597)	(6,149)
Gross profit		6,815	5,880
Administrative expenses		(1,693)	(2,358)
Selling and distribution expenses		(1,449)	(1,270)
Operating profit before exceptional items	3	3,673	2,282
Profit on sale of assets of US office		537	-
Operating profit after exceptional items		4,210	2,282
Interest receivable	4	20	12
Interest payable	5	(1)	(11)
Profit on ordinary activities before taxation	7(b)	4,229	2,283
Tax on profit on ordinary activities	7(a)	(1,258)	(661)
Profit retained for the financial period	17	2,971	1,622

Statement of total recognised gains and losses

for the period ended 31 March 2008

		2008 £'000	2007 £'000
Profit for the financial year		2,971	1,622
Currency translation difference re US branch		-	(61)
Profit retained for the financial period	17	2,971	1,561

Balance Sheet

for the year ended 31 March 2008

	Notes	2008 £'000	2007 £'000
Fixed assets			
Tangible assets	9	289	301
Investment	10	-	-
		<u>289</u>	<u>301</u>
Current assets			
Stocks	11	2,591	1,747
Debtors	12	4,148	3,195
Cash at bank and in hand		1,577	811
		<u>8,316</u>	<u>5,753</u>
Creditors: amounts falling due within one year	13	(2,904)	(2,737)
Net current assets		<u>5,412</u>	<u>3,016</u>
Total assets less current liabilities		<u>5,701</u>	<u>3,317</u>
Provisions for liabilities and charges	14	(277)	(191)
Net assets		<u>5,424</u>	<u>3,126</u>
Capital and reserves			
Called up share capital	16/17	102	102
Profit and loss account	17	5,322	3,024
Equity shareholders' funds		<u>5,424</u>	<u>3,126</u>



H Barnshaw
Director

27th JAN 2009

Statement of cash flows

at 31 March 2008

	Notes	2008 £'000	2007 £'000
Net cash inflow from operating activities	3(b)	2,713	1,718
Returns on investments and servicing of finance			
Interest paid		(1)	(11)
Interest received		20	12
		19	1
Taxation			
Corporation tax paid		(1,093)	(478)
Capital expenditure and financial investment			
Payments to acquire tangible fixed assets		(109)	(77)
Proceeds on sale of tangible fixed assets		9	1
		(100)	(76)
Equity dividends paid		(673)	(1,020)
Net cash inflow before financing		866	145
Financing			
Repayment of borrowings		(100)	(100)
Increase in cash		766	45
Reconciliation of net cash movement in net funds	15		
Increase in cash in the year		766	45
Repayment of long term loans		100	100
Movement in net funds		866	145
Net cash at 1 April		711	566
Net cash at 31 March		1,577	711

Notes to the accounts

at 31 March 2008

1. Accounting policies

Basis of preparation and change in accounting policy

The financial statements are prepared under the historical cost convention and are prepared in accordance with applicable accounting standards.

Depreciation

Depreciation is provided on all tangible fixed assets, at rates calculated to write off the cost, less estimated residual value based on prices prevailing at the date of acquisition or revaluation, of each asset evenly over its expected useful life, as follows:

Leasehold land and buildings	-	over the term of the lease
Plant and machinery	-	over 2 to 10 years
Fixtures and fittings	-	over 4 to 10 years
Motor vehicles	-	over 4 years

The carrying values of tangible fixed assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

Research and Development

Expenditure on research and development is written off against profits in the year in which it is incurred

Stocks

Stocks are stated at the lower of cost incurred in bringing each product to its present location and condition, and net realisable value.

Net realisable value is based on estimated selling price less any further costs expected to be incurred to completion and disposal.

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more tax, with the exception of deferred tax assets which are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Notes to the accounts

at 31 March 2008

1. Accounting policies (continued)

Foreign currencies

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date.

The exchange differences arising from the retranslation of the opening investment in the US branch are taken directly to reserves. All other differences are taken to the profit and loss account.

Leasing commitments

Rentals paid under operating leases are charged to income on a straight line basis over the lease term.

Pensions

The company operates a defined contribution group personal pension scheme. Contributions were charged to the profit and loss account as they became payable in accordance with the rules of the scheme.

2. Turnover

Turnover, which is stated net of value added tax, represents amounts derived from the provision of goods and services to third parties and relates to the continuing activity of the design, manufacture and distribution of marine survey instruments and provision of related services. An analysis of turnover by geographical market is given below:

	2008 £'000	2007 £'000
United Kingdom	7,140	5,239
Europe	3,447	2,062
Rest of the World	5,825	4,728
	<u>16,412</u>	<u>12,029</u>

3. Operating profit before exceptional items

(a) This is stated after charging/(crediting):

	2008 £'000	2007 £'000
Auditors' remuneration – audit	13	10
– tax	15	3
Depreciation of owned fixed assets	112	104
Research and development	964	875
Operating lease rentals – land and buildings	161	140
– other operating leases	49	30
Exchange gains	(69)	(45)
	<u></u>	<u></u>

Notes to the accounts

at 31 March 2008

3. Operating profit (continued)

(b) Net cash inflow from operating activities:

	2008 £'000	2007 £'000
Operating profit	4,210	2,282
Depreciation	112	104
Currency translation differences	-	(61)
Increase in stocks	(844)	(639)
Increase in debtors	(977)	(357)
Increase in creditors	126	396
Increase/(decrease) in provisions	86	(7)
Net cash inflow from operating activities	2,713	1,718

4. Interest receivable

	2008 £'000	2007 £'000
Bank interest	20	12

5. Interest payable

	2008 £'000	2007 £'000
Bank	1	11

6. Directors' emoluments and staff costs

	2008 £'000	2007 £'000
Directors' emoluments:		
Emoluments	450	465
Company contributions paid to money purchase pension scheme	14	14

During the year 4 directors (2007 – 4 directors) participated in a money purchase pension scheme

	2008 £'000	2007 £'000
Emoluments of the highest paid director:		
Emoluments	126	133
Company contributions paid to money purchase pension scheme	4	5

Notes to the accounts

at 31 March 2008

6. Directors' emoluments and staff costs (continued)

	2008 £'000	2007 £'000
Staff costs:		
Wages and salaries	3,089	2,482
Social security costs	320	261
Other pension costs	73	76
	<u>3,482</u>	<u>2,819</u>

The average weekly number of employees during the period was as follows:

	2008 No.	2007 No.
Selling and distribution	13	11
Administration	11	12
Production	51	50
	<u>75</u>	<u>73</u>

7. Taxation

(a) Tax on profit on ordinary activities

	Notes	2008 £'000	2007 £'000
<i>Current tax:</i>			
UK corporation tax		1,234	689
Tax under provided in previous periods		-	2
Total current tax	7(b)	<u>1,234</u>	<u>691</u>
<i>Deferred tax:</i>			
Origination and reversal of timing differences		24	(30)
Tax on profit on ordinary activities		<u>1,258</u>	<u>661</u>

Notes to the accounts

at 31 March 2008

7. Taxation (continued)

(b) Factors affecting current tax charge

The tax assessed on the profit on ordinary activities for the period is lower (2007 – higher) than the standard rate of corporation tax in the UK of 30%. The differences are reconciled below:

	2008	2007
Notes	£'000	£'000
Profit on ordinary activities before tax	4,229	2,283
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30%	1,269	685
Expenses not deductible for tax purposes	5	7
Accelerated capital allowances	1	(5)
Other timing differences	(23)	35
R&D tax credit	(18)	(33)
Tax under provided in previous periods	-	2
Total current tax	7(a) 1,234	691

(c) Factors that may affect future tax charges

At the balance sheet date, there are no future factors which may significantly affect future tax charges.

(d) Deferred tax

The deferred tax asset at 28% (2007: 30%) included in the balance sheet is as follows:

	2008	2007
Note	£'000	£'000
Accelerated capital allowances	(15)	(15)
Short term timing differences	(15)	(39)
Deferred tax asset	12 (30)	(54)
		£'000
At 1 April 2007		(54)
Profit and loss account		22
Change in rate of deferred tax		2
At 31 March 2008		(30)

Notes to the accounts

at 31 March 2008

8. Dividends

Equity dividends on ordinary shares paid during the year

	2008 £'000	2007 £'000
Dividends paid in the year at £6.60 per share (2007: £10 per share)	673	1,020

9. Tangible fixed assets

	<i>Leasehold land and buildings</i> £'000	<i>Plant and machinery</i> £'000	<i>Fixtures & fittings</i> £'000	<i>Motor vehicles</i> £'000	<i>Total</i> £'000
Cost:					
At 1 April 2007	242	1,187	380	6	1,815
Additions	43	64	2	-	109
Disposals	-	(20)	(34)	-	(54)
At 31 March 2008	285	1,231	348	6	1,870
Depreciation:					
At 1 April 2007	86	1,139	288	1	1,514
Provided during the year	30	43	37	2	112
Disposals	-	(18)	(27)	-	(45)
At 31 March 2008	116	1,164	298	3	1,581
Net book value:					
At 31 March 2008	169	67	50	3	289
At 1 April 2007	156	48	92	5	301

10. Investment

	2008 £	2007 £
Investment at cost	1	-

The company owns 100% of the ordinary share capital of TSS International Limited, a company registered on 1 February 2008 in England and Wales. This new company was dormant throughout the period to 31 March 2008.

The results of both TSS International Limited have not been consolidated into the group accounts as the directors are of the opinion that they are entitled to the exemption conferred by Section 248 of the Companies Act 2005.

Notes to the accounts

at 31 March 2008

11. Stocks

	2008	2007
	£'000	£'000
Raw materials	1,706	941
Work in progress	577	469
Finished goods and goods for resale	308	337
	<u>2,591</u>	<u>1,747</u>

12. Debtors

	2008	2007
	£'000	£'000
Trade debtors	1,958	1,608
Amounts owed by group undertakings	1,732	1,101
Other debtors	-	4
Prepayments and accrued income	418	428
Other taxes	10	-
Deferred tax	7(d) 30	54
	<u>4,148</u>	<u>3,195</u>

Included within amounts owed by group undertakings for the is an amount of £1,431,000 (2007 - £1,101,000) which is due after one year.

13. Creditors: amounts falling due within one year

	2008	2007
	£'000	£'000
Trade creditors	640	880
Amounts owed to group undertakings	105	-
Corporation tax	552	411
Other taxes and social security costs	79	83
Bank loans	-	100
Customer deposits	239	378
Other creditors	57	99
Accruals and deferred income	1,232	786
	<u>2,904</u>	<u>2,737</u>

Notes to the accounts

at 31 March 2008

14. Provisions for liabilities and charges

	<i>Warranty & sales provisions £'000</i>
At 1 April 2007	191
Provided during year	86
At 31 March 2008	<u>277</u>

15. Analysis of net funds

	<i>At 1 April 2007 £000</i>	<i>Cash flow £'000</i>	<i>At 31 March 2008 £000</i>
Cash at bank	811	766	1,577
Bank loans	(100)	100	-
	<u>711</u>	<u>866</u>	<u>1,577</u>

16. Equity share capital

	<i>Authorised 2008 and 2007 No.</i>	<i>Allotted, called up and fully paid 2008 and 2007 No.</i>
Ordinary shares of £1 each	500,000	101,816
	<u>£'000</u>	<u>£'000</u>
Ordinary shares of £1 each	500	102

Notes to the accounts

at 31 March 2008

17. Reconciliation of equity shareholders' funds and movements on reserves

	<i>Share capital £'000</i>	<i>Profit and loss account £'000</i>	<i>Total £'000</i>
At 1 April 2006	102	2,483	2,585
Profit for year	-	1,622	1,622
Currency translation difference re US branch	-	(61)	(61)
Equity dividends paid	-	(1,020)	(1,020)
At 1 April 2007	102	3,024	3,126
Profit for year	-	2,971	2,971
Equity dividends paid	-	(673)	(673)
At 31 March 2008	102	5,322	5,424

18. Pension commitments

The company operates defined contribution group personal pension schemes for its employees. The assets of the scheme are held separately from those of the company in an independently administered fund.

Contributions outstanding at the balance sheet date and included in accruals were £11,000 (2007 - £22,000).

19. Other financial commitments

At 31 March 2008 the company had annual commitments under non-cancellable operating leases as set out below:

	<i>2008 Land and buildings £'000</i>	<i>2008 Other operating leases £'000</i>	<i>2007 Land and buildings £'000</i>	<i>2007 Other operating leases £'000</i>
Operating leases which expire:				
Within one year	-	7	32	8
Within two to five years	33	30	-	30
Over five years	120	-	120	-
	153	37	152	38

20. Contingent liabilities

At March 2008 forward exchange contracts amounting to £nil (2007 - £668,000) were outstanding.

Notes to the accounts

at 31 March 2008

21. Ultimate parent undertaking and related parties

The company's immediate parent undertaking is SG Brown Limited. The company's ultimate parent undertaking and controlling party is Teledyne Technologies Incorporated. It has included the company's results in its group accounts, which is the smallest and largest group for which group accounts are available. Copies of the Teledyne Technologies Incorporated, a company incorporated in the United States of America, accounts are available from its registered office: 1049 Camino Dos Rios, Thousand Oaks, CA 91360.

The company has taken advantage of the exemption in Financial Reporting Standard No. 8 from disclosing transactions with related parties that are part of the Teledyne group or investees of the group.

During the year, purchases were made from AT Engine Controls Limited, a company which TJ Madden, a former director of TSS International Limited (now Teledyne TSS Limited) has a controlling interest, totalling £415,000 (2007 - £ 544,000). At the year-end, £5,000 (2007 - £ 59,000) was owed to AT Engine Controls Limited.