Registered No 1564040

Teledyne CML Group Limited

Report and Financial Statements

31 December 2012

Registered No 1564040

Directors
G D Stewart
A Pichelli
R Mehrabian
H T Barnshaw

Secretary
H T Barnshaw

Auditors
Ernst & Young LLP
G1
5 George Square
Glasgow G2 1DY

Bankers
Barclays Bank Plc
Park House
Stroke Gifford
Bristol BS34 8TN

JP Morgan Chase Bank
125 London Wall
London
EC2 5AJ

Solicitors
K&L Gates LLP
One New Change
London
EC4M 9AF

Registered Office
Aviation House The Lodge
Harmondsworth Lane
West Drayton
Middlesex
VB7 6QL

Directors' report

The directors present their report and financial statements for the year ended 31 December 2012

Results and dividends

The loss for the year after taxation amounted to £1,750,636 (2011 loss – £1,241,558) The directors do not recommend the payment of a dividend

Principal activities and review of the business and future developments

The company's principal activities are precision engineering and manufacturing of sub-assemblies and components for the aerospace and transportation industries

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 main key performance indicators are profit before tax as a % of turnover, with profit measured in accordance with US parent guidelines under US GAAP principles The actual result was -24 0%, which was lower than the original budget target for the year (-12 1%) Managed working capital as % of sales is measured throughout the year with the year-end budget target being 26 1 % This result was achieved at the year end, with the actual result being 29 5%

Principal risks and uncertainties

Financial risk management policy

The company's operations expose it to a variety of financial risks including the effects of changes in interest rates, foreign currency exchange rates, credit risk and liquidity risk

The company's principal financial instruments comprise cash and bank deposits, bank overdrafts and obligations under finance leases together with trade debtors and trade creditors that arise directly from its operations

The main risks arising from the company's financial instruments can be analysed as follows

Foreign currency risk

The company is exposed in its trading operations to the risk of changes in foreign currency exchange rates The main foreign currencies in which the company operates are the euro and the US dollar Hedging against this currency risk is carried out on a consolidated group basis by one of Teledyne CML Limited's affiliated companies

Directors' report (continued)

Principal risks and uncertainties (continued)

Credit risk

The company's principal financial assets are bank balances, cash and trade debtors, which represents the company's maximum exposure to credit risk in relation to financial assets

The company's credit risk is primarily attributable to its trade debtors Credit risk is managed by monitoring the aggregate amount and duration of exposure to any one customer depending upon their credit rating

The amounts presented in the balance sheet are net of allowances for doubtful debts, estimated by the company's management based on prior experience and their assessment of the current economic environment

Despite the company having a significant concentration of credit risk, with the majority of its sales coming from a small number of customers, these are large multi-national companies of strong financial standing, with an established and reliable payment record

The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies

Liquidity risk

The company's policy has been to ensure continuity of funding through acquiring an element of the company's fixed assets under finance leases and hire purchase agreements, and arranging funding for operations via additional credit facilities to aid short-term flexibility

Going concern

In line with the FRC guidance on Going Concern issued in November 2009, the directors have undertaken an exercise to review the appropriateness of the continued use of the going concern basis The company's business activities, together with factors likely to affect its future development, its financial position, financial risk management objectives and exposure to foreign currency, credit and liquidity risk are described above The company's ultimate parent, Teledyne Technologies Inc, has confirmed its intention to support the activities of the company over the next twelve months from the date of signing these financial statements

After making suitable enquiries, the directors have a reasonable expectation that the company has adequate resources to remain in operation for the foreseeable future and have therefore continued to adopt the going concern basis of accounting in preparing the annual financial statements

Directors

The directors who served the company during the year were as follows

G D Stewart
A Pichelli
R Mehrabian
H T Barnshaw

Directors' report (continued)

Disclosure of information to the 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 is obliged to take as a director in order to make himself aware of any relevant audit information and to establish that the auditor is aware of that information

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 T Barnshaw
Director
4 July 2013

Statement of directors' responsibilities

The directors are responsible for preparing the Directors' 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 statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- 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 that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006 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 CML Group Limited

We have audited the financial statements of Teledyne CML Group Limited (formerly CML Group Limited) for the year ended 31 December 2012 which comprises the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet and related notes 1 to 21 The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice)

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 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 auditor's 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

As explained more fully in the Directors' Responsibilities Statement set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements In addition, we read all the financial and non-financial information in the Report and Financial Statements to identify material inconsistencies with the audited financial statements If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report

Opinion on the financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2012 and of its loss for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements

Independent auditors' report

to the members of Teledyne CML Group Limited

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit

Ernst & Young LLP

Walter Campbell (Senior Statutory Auditor)
For and on behalf of Ernst & Young LLP, Statutory Auditor
Glasgow

4 July 2013

Profit and loss account

for the year ended 31 December 2012

	Notes	2012 £	2011 £
Turnover	3	6,472,582	7,813,886
Cost of sales		(6,648,554)	(7,645,897)
Gross (loss)/profit		(175,972)	167,989
Distribution costs		(129,003)	(118,943)
Administrative expenses		(1,175,610)	(966,219)
Operating loss on ordinary activities before interest and taxation	4	(1,480,585)	(917,173)
Interest payable and similar charges	7	(68,020)	(73,586)
Loss on ordinary activities before taxation		(1,548,605)	(990,759)
Tax	8	(202,031)	(250,799)
Loss for the financial year	16	(1,750,636)	(1,241,558)

Statement of total recognised gains and losses

for the year ended 31 December 2012

There are no recognised gains or losses other than the loss attributable to the shareholders of the company of £1,750,636 in the year ended 31 December 2012 (2011 – loss of £1,241,558)

Balance sheet

As at 31 December 2012

	Notes	2012 £	2011 £
Fixed assets			
Tangible assets	9	2,108,347	2,521,963
Current assets			
Stocks	10	749,920	656,381
Debtors	11	1,307,134	2,171,223
Cash at bank and in hand		67,410	441,217
		2,124,464	3,268,821
Creditors: amounts falling due within one year	12	(4,099,966)	(5,515,705)
Net current liabilities		(1,975,502)	(2,246,884)
Total assets less current liabilities		132,845	275,079
Creditors: amounts falling due after more than one year	13	(37,551)	(123,052)
Accruals and deferred income	14	(141,534)	(162,837)
Net liabilities		(46,240)	(10,810)
Capital and reserves			
Called up share capital	15	100,000	100,000
Profit and loss account	16	(4,061,446)	(2,310,810)
Capital contribution reserve	16	3,915,206	2,200,000
Shareholders' deficit	17	(46,240)	(10,810)

These financial statements were approved by the directors and authorised for issue on 4 July 2013, and are signed on their behalf by

H T Barnshaw
Director

Notes to the financial statements

at 31 December 2012

1. Fundamental accounting concept

The financial statements have been prepared under the going concern concept because the ultimate parent company, Teledyne Technologies Inc, has confirmed its intention to support the activities of the company over the next twelve months from the date of signing these financial statements or, if shorter, for so long as the company remains a wholly owned subsidiary of the parent company

2. Accounting policies

Basis of preparation

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

Turnover

Turnover is the amount receivable for goods and services supplied, excluding value added tax Turnover is recognised either on delivery, or on long term contracts as these progress and comprises the sales value of work performed in the year

Statement of cash flows

The company has taken advantage of the exemption not to prepare a statement of cash flows on the basis that it is a wholly-owned subsidiary of Teledyne Technologies Inc for which group financial statements have been prepared

Tangible fixed assets

Depreciation is provided to write-down the cost of tangible fixed assets over their estimated useful lives No depreciation is provided on assets in the course of construction The principal annual rates used are

Plant and fixtures	–	8% and 20% straight line
Motor vehicles	–	25% straight line

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

Stocks

Stock and work in progress is stated at the lower of cost and net realisable value Cost comprises direct material and labour and, where appropriate, includes attributable overheads Net realisable value is based on estimated sales price after allowing for all further costs of completion and disposal

Deferred taxation

Deferred taxation 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 right to pay less or to receive more, tax, with the following exception

- Deferred tax assets 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 financial statements

at 31 December 2012

2. 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

All differences are taken to the profit and loss account

Leasing and Hire Purchase Contracts

Fixed assets subject to finance leases are capitalised and depreciated in accordance with the depreciation policy stated above The corresponding liability for the capital element is included in creditors, and the interest calculated on the basis of the amount outstanding, is charged against profits over the period of the lease

The rental costs of assets subject to operating lease are charged against the profit and loss account, as incurred

Pensions

Certain employees are members of a defined benefit pension scheme operated by the company The scheme requires contributions to be made to an independently administered fund Contributions to this fund are charged to the profit and loss account on a defined contribution basis

In respect of the defined contribution section of the Intelek pension scheme, pension contributions are charged to the profit and loss account as incurred

Deferred income

Grants in respect of fixed assets are credited to the profit and loss account in equal annual instalments over the useful lives of the assets concerned Other grants are credited to the profit and loss account in the same year as the expenditure to which they contribute

3. Turnover

An analysis of turnover by geographical market is given below

	2012	*2011*
	£	*£*
UK	6,095,108	7,461,460
Rest of Europe	185,619	83,157
America	191,855	269,269
	6,472,582	7,813,886

Notes to the financial statements
at 31 December 2012

4. Operating loss prior to non-operating exceptional items

This is stated after charging/(crediting)

	2012	*2011*
	£	*£*
Depreciation of owned fixed assets	229,300	272,881
Depreciation of assets held under finance lease	222,190	228,294
Amortisation of government grants	(21,303)	(21,304)
Operating lease rentals – land and buildings	233,846	233,846
Realised foreign exchange loss	9,811	741
Exceptional administrative expenses	-	85,500
Exceptional restructuring costs	9,821	82,603

Auditors' remuneration of £11,330 (2011 - £11,000) is borne by one of the company's associated undertakings

5. Directors' remuneration

	2012	*2011*
	£	*£*
Remuneration	82,104	103,826
Pension contributions	25,421	7,010
	107,525	110,836
	No	*No*
Directors who accrue benefits under a money purchase scheme	1	1

One director is also a director of associated group undertakings, from which he received remuneration for qualifying services, amounting to £168,926 (2011 - £155,685) The directors do not believe that it is practicable to apportion this amount over the other Teledyne group companies

Two other directors do not perform any qualifying services to the company, therefore their emoluments are £nil (2011 - £nil)

The emoluments of the highest paid director, who was paid by another group company, were £168,926 (2011 - £155,685)

Notes to the financial statements

at 31 December 2012

6. Staff costs

	2012	2011
	£	£
Wages and salaries	2,842,876	2,904,221
Social security costs	280,941	285,373
Other pension costs	182,592	107,447
	3,306,409	3,297,041

The average monthly number of employees during the year was made up as follows

	No	*No*
Production	100	99
Administration and distribution	11	12
	111	111

7. Interest payable and similar charges

	2012	2011
	£	£
On amounts due to group undertakings	55,746	46,655
Finance leases	12,274	26,931
	68,020	73,586

Notes to the financial statements

at 31 December 2012

8. Tax

(a) Tax on loss on ordinary activities

The tax charge is made up as follows

	2012 £	2011 £
Current tax		
UK corporation tax on the loss for the period	-	-
Deferred tax		
Origination and reversal of timing differences	177,858	214,713
Effect of changes in tax rate	24,173	36,086
Total deferred tax (note 8(d))	202,031	250,799
Tax on loss on ordinary activities	202,031	250,799

(b) Factors affecting tax charge for the period

The tax assessed for the year differs from the standard rate of corporation tax in the UK of 24 5% (2011 - 26 5%) The differences are explained below

	2012 £	2011 £
Loss on ordinary activities before tax	(1,548,605)	(990,759)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 24 5% (2011 – 26 5%)	(379,409)	(262,551)
Effects of		
Expenditure that is not tax deductible	2,695	7,072
Capital allowances in excess of depreciation	(8,972)	(22,191)
Short term timing differences	(167,631)	(223,747)
Group relief surrendered	553,317	501,417
Current tax for the period (note 8(a))	-	-

Notes to the financial statements

at 31 December 2012

8. Tax (continued)

(c) Factors that may affect future tax charges

The Finance Act 2011 reduced the main rate of corporation tax from 26% to 25% from 1 April 2012 however this rate reduction was latterly amended to 24% in the 2012 Budget with effect from 1 April 2012 The 23% rate of corporation tax was enacted on 17 July 2012 and will apply from 1 April 2013 Further reductions are proposed to reduce the rate of corporation tax to 21% by 1 April 2014 and to 20% by 1 April 2015

The effect of the reduction in tax rate from 23% to 21% on the company's deferred tax asset is £ 17,084

(d) Deferred tax asset

	£
At 1 January 2012	394,437
Charge to profit and loss account	(177,858)
Effect of change in tax rates	(24,173)
At 31 December 2012	192,406

	2012	*2011*
	£	£
Deferred tax comprises		
Depreciation in excess of capital allowances	118,808	138,746
Short-term timing differences	73,598	255,691
Deferred tax asset (note 11)	192,406	394,437

Notes to the financial statements

at 31 December 2012

9. Tangible fixed assets

	Plant and fixtures	*Motor vehicles*	*Total*
	£	*£*	*£*
Cost or valuation			
At 1 January 2012	7,889,855	100,713	7,990,568
Additions	37,874	-	37,874
At 31 December 2012	7,927,729	100,713	8,028,442
Depreciation			
At 1 January 2012	5,382,574	86,031	5,468,605
Charged in year	437,209	14,281	451,490
At 31 December 2012	5,819,783	100,312	5,920,095
Net book value			
At 31 December 2012	2,107,946	401	2,108,347
At 31 December 2011	2,507,281	14,682	2,521,963

The net book value of the tangible fixed assets includes £651,907 (2011 – £874,097) in respect of assets held under finance leases and hire purchase Depreciation charged in the year on those assets amounted to £222,190 (year ended 31 December 2011 – £228,294)

10. Stocks

	2012	*2011*
	£	*£*
Raw materials and consumables	234,112	261,209
Work in progress	461,644	359,238
Finished goods and goods for resale	54,164	35,934
	749,920	656,381

The replacement cost of the above would not be significantly different from the values stated

Notes to the financial statements
at 31 December 2012

11. Debtors

	2012	2011
	£	£
Trade debtors	867,558	1,532,248
Other debtors	750	680
Prepayments and accrued income	241,774	243,858
Deferred tax asset (note 8(d))	192,406	394,437
Amounts due from group undertakings	4,646	-
	1,307,134	2,171,223

12. Creditors: amounts falling due within one year

	2012	2011
	£	£
Obligations under finance leases	85,501	157,883
Trade creditors	523,568	555,728
Amounts due to group undertakings	2,807,217	3,983,532
Other taxation and social security	106,863	248,912
Other creditors	4,766	13,840
Accruals	572,051	555,810
	4,099,966	5,515,705

13. Creditors: amounts falling due after more than one year

	2012	2011
	£	£
Obligations under finance leases – due between one and two years	37,551	85,501
– due between two and five years	-	37,551
	37,551	123,052

Notes to the financial statements
at 31 December 2012

14. Deferred income

	Government grants £
At 1 January 2012	162,837
Credit to profit and loss account	(21,303)
At 31 December 2012	141,534

15. Issued share capital

		2012		*2011*
Allotted, called up and fully paid	*No*	*£*	*No*	*£*
Ordinary shares of £1 each	100,000	100,000	100,000	100,000

16. Movements on reserves

	Capital contribution reserve £	*Profit and loss account* £
At 1 January 2012	2,200,000	(2,310,810)
Loss for the year	-	(1,750,636)
Capital contribution received from parent company	1,715,206	-
At 31 December 2012	3,915,206	(4,061,446)

17. Reconciliation of shareholders' funds

	2012 £	*2011* £
Loss for the year	(1,750,636)	(1,241,558)
Capital contribution received	1,715,206	-
Opening equity shareholders' funds	(10,810)	1,230,748
Closing equity shareholders' deficit	(46,240)	(10,810)

Notes to the financial statements

at 31 December 2012

18. Other financial commitments

Operatıng lease commıtments

The annual commıtments under operatıng leases are analysed to the year ın whıch each lease expıres, as follows

	2012	*2011*
	£	*£*
Land and buıldıngs, leases expırıng		
Wıthın one year	16,000	16,000
Over five years	330,000	330,000
	346,000	346,000
Other leases expırıng		
Wıthın one year	1,275	4,903
Between one and five years	14,392	16,092
	15,667	20,995

19. Pensions

FRS 17 dısclosure

Some of the company's employees, along wıth other employees of fellow subsıdıary undertakıngs, are members of the Intelek Pensıon Scheme, a 'defined benefit' scheme A full actuarıal valuatıon of the Scheme was carrıed out ın Aprıl 2008 by a qualıfied actuary

Thıs fundıng valuatıon showed that on 1 Aprıl 2008 there was a shortfall of £6,209,000 on an ongoıng basıs A schedule of contrıbutıons was agreed aımed at removıng the deficıt on the ongoıng valuatıon basıs over a perıod of ten years Thıs requıres payment of £820,000 per annum for three years from 1 July 2009, and £860,000 per annum for the remaınder of the ten year perıod The companıes who are members of the scheme advanced contrıbutıons totallıng £4,998,000 ın December 2010, of whıch Teledyne Labtech Lımıted's contrıbutıon was £689,876 Therefore, the employers are not requıred to make further contrıbutıons under the exıstıng Schedule for approxımately five years

An updated valuatıon of thıs scheme for FRS17 purposes was carrıed out by a qualıfied actuary at 31 December 2011 It ıs not possıble to separately ıdentıfy the company's share of the underlyıng assets and lıabılıtıes of the scheme and hence, as permıtted by FRS 17, the company has accounted for the contrıbutıons to the scheme as ıf ıt were a defined contrıbutıon scheme

Durıng the perıod, the company contrıbuted £nıl to the pensıon plan (year to 31 December 2011 – £nıl)

The major assumptıons used by the actuary were (ın nomınal terms)

	2012	*2011*
	%	*%*
Rate of ıncrease ın pensıons ın payment	2 50	2 75
Dıscount rate	4 2	4 7
Inflatıon assumptıon	2 50	2 75

Notes to the financial statements

at 31 December 2012

19. Pensions (continued)

Weıghted average lıfe expectancy for mortalıty tables used to determıne benefit oblıgatıons at 31 December 2012

	2012	*2011*
Male member age 65 (current lıfe expectancy)	22 3	22 1
Female member age 65 (current lıfe expectancy)	24 3	24 2
Male member age 45 (lıfe expectancy at age 65)	23 6	23 6
Female member age 45 (lıfe expectancy at age 65)	25 9	25 8

The assets and lıabılıtıes of the scheme were as follows

	2012 £	*2011* £
Equıtıes	13,778,000	10,523,000
Debt securıtıes	2,075,000	1,808,000
Property	1,349,000	1,369,000
Cash	345,000	3,647,000
Total market value of assets	17,547,000	17,347,000
Present value of scheme lıabılıtıes	(21,782,000)	(21,296,000)
Pensıon lıabılıty before deferred tax	(4,235,000)	(3,949,000)
Related deferred tax asset	1,016,400	1,026,740
Net pensıon lıabılıty	(3,218,600)	(2,922,260)

20. Related party transactions

The company has taken advantage of the exemptıon ın Fınancıal Reportıng Standard No 8 from dısclosıng transactıons wıth related partıes that are wholly owned subsıdıarıes of the Teledyne group

21. Ultimate parent undertaking and controlling party

The ultımate parent undertakıng and controllıng party ıs Teledyne Technologıes Inc , whıch ıs regıstered ın the Unıted States of Amerıca Its group fınancıal statements are avaılable on the Teledyne web-sıte, www teledyne com