Teledyne Reynolds Limited

Report and Financial Statements

1 January 2006

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Teledyne Reynolds Limited

Registered No: 1607550

ERNST & YOUNG

Directors

H Barnshaw
R Mehrabian
A Andry
D Mather

Secretary

H Barnshaw

Auditors

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

Bankers

Barclays Bank plc
Pall Mall
London
SW1A 1QF

Bank of Scotland
600 Gorgie Road
EDINBURGH
EH11 3XP

Solicitors

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

Registered Office

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Canal View Road
Newbury
Berkshire
RG14 5UR

Directors' report

The directors present their report and accounts for the period ended 1 January 2006. For convenience, this period is referred to as '2005' in the primary statements and notes to the accounts.

Principal activity and review of the business

The company's principal activity during the period was the marketing, manufacture and distribution of group products.

Future developments

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

Results and dividends

The profit for the year, after taxation, amounted to £ 454,091. An interim dividend of £2,000,000 was paid to the ordinary shareholders. The directors do not recommend a final ordinary dividend which leaves a loss of £1,545,909 to be deducted from reserves.

Directors and their interests

The directors of the company during the year ended 1 January 2006 were as follows:

H Barnshaw
R Mehrabian
A Andry
D Mather (appointed 23 March 2005)

No director had an interest in the share capital of the company.

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
30 June 2006

Statement of directors' responsibilities in respect of the financial statements

Company law requires the directors to prepare financial statements for each financial year which 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 those 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; 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 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.

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Independent auditors' report

to the members of Teledyne Reynolds Limited

We have audited the company's financial statements for the year ended 1 January 2006 which comprise the Profit and Loss Account, the Balance Sheet, the Statement of Total Recognised Gains and Losses and the related notes 1 to 17. 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 are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) as 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 if, in our opinion, the Directors' Report is not consistent with the financial statements, if 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 1 January 2006 and of its result for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Ernst & Young LLP

Ernst & Young LLP
Registered Auditor
Glasgow

30 June 2006

Profit and loss account

for the period ended 1 January 2006

	Notes	*12 months to 1 January 2006* £	*8 months to 2 January 2005* £
Turnover	2	6,401,476	3,181,137
Cost of sales		(4,255,456)	(2,337,910)
Gross profit		2,146,020	843,227
Administrative expenses		(722,181)	(568,718)
Selling and distribution expenses		(783,695)	(401,267)
Operation profit/(loss)	3	640,144	(126,758)
Interest receivable	4	45,934	58,362
Interest payable	5	(271)	-
Profit/(loss) on ordinary activities before taxation		685,807	(68,396)
Tax on profit on ordinary activities	7	(231,716)	9,015
Profit/(loss) for the financial year	14	454,091	(59,381)

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Statement of total recognised gains and losses

for the period ended 1 January 2006

The company had no recognised gains or losses other than the profit attributable to shareholders of the company of £454,091 in the period ended 1 January 2006 and a loss of £59,381 in the period ended 2 January 2005.

Balance sheet

at 1 January 2006

	Notes	2005 £	2004 £
Fixed assets			
Tangible assets	8	123,419	163,866
Investment	9	1	-
		123,420	163,866
Current assets			
Stocks	10	1,039,875	1,163,831
Debtors	11	1,331,738	966,193
Cash at bank and in hand		857,745	2,070,162
		3,229,358	4,200,186
Creditors: amounts falling due within one year	12	(1,281,908)	(747,273)
Net current assets		1,947,450	3,452,913
Total assets less current liabilities		2,070,870	3,616,779
Capital and reserves			
Called up share capital	13/14	150,000	150,000
Profit and loss account	14	1,920,870	3,466,779
Equity shareholders' funds		2,070,870	3,616,779

H Barnshaw
Director

30 June 2006

Notes to the financial statements

at 1 January 2006

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.

The company is exempt from the requirement to prepare group accounts by virtue of Section 248 of the Companies Act 1985.

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 improvements	-	over 20 years
Motor vehicles	-	over 4 years
Computer equipment	-	over 3 years
Plant and machinery, fixtures and fittings	-	over 7 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.

Stocks

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

Cost includes all direct expenditure and an appropriate proportion of fixed and variable overheads.

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.

Cash flow statement

The directors have relied upon the exemption provided within Financial Reporting Standard No 1 (Revised 1996) 'Cash Flow Statements' not to prepare a cash flow statement as the company is a wholly owned subsidiary undertaking of Teledyne Technologies Incorporated.

Notes to the financial statements

at 1 January 2006

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.

All differences are taken to the profit and loss account.

Leasing and leasing commitments

Assets held under finance leases and hire purchase contracts are capitalised in the balance sheet and are depreciated over their useful lives.

The interest element of the rental obligations is charged to the profit and loss account over the period of the lease and represents a constant proportion of the balance of capital repayments outstanding.

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 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 invoiced to third parties.

An analysis of turnover by geographical market has not been disclosed. The directors are of the opinion that disclosure of this information would be prejudicial to the interests of the business.

3. Operating profit/(loss)

This is stated after charging/(crediting):

	12 months to 1 January 2006	*8 months to 2 January 2005*
	£	£
Auditors' remuneration - audit	18,379	14,920
- tax	4,000	3,500
Depreciation of owned fixed assets	55,392	37,984
Operating lease rentals - land and buildings	275,169	169,207
- other operating leases	26,449	13,254
Exchange losses/(gains)	20,425	(25,274)

Notes to the financial statements

at 1 January 2006

4. Interest receivable

	12 months to 1 January 2006	*8 months to 2 January 2005*
	£	£
Bank interest	45,934	58,362

5. Interest payable

	12 months to 1 January 2006	*8 months to 2 January 2005*
	£	£
Bank loans and overdraft	43	-
Other	228	-
	271	-

6. Directors' emoluments and staff costs

	12 months to 1 January 2006	*8 months to 2 January 2005*
	£	£
Directors' emoluments:		
Emoluments	-	70,931
Company contributions paid to money purchase pension scheme	-	14,230

	12 months to 1 January 2006	*8 months to 2 January 2005*
	£	£
Staff costs:		
Wages and salaries	1,479,350	935,642
Social security costs	174,696	68,098
Other pension costs	193,881	124,776
	1,847,927	1,128,516

Notes to the financial statements

at 1 January 2006

6. Directors' emoluments and staff costs (cont'd)

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

	12 months to 1 January 2006	*8 months to 2 January 2005*
	No.	*No.*
Selling and distribution	8	-
Administration	8	5
Manufacturing & development	41	47
	57	52

7. Taxation

(a) Tax on profit/(loss) on ordinary activities

		8 months to 2 January 2005	*8 months to 2 January 2005*
	Notes	*£*	*£*
Current tax:			
UK corporation tax		272,663	(4,977)
Tax under provided in previous periods		15,745	-
Total current tax	7(b)	288,408	(4,977)
Deferred tax:			
Origination and reversal of timing differences		(56,692)	(4,038)
Tax on profit on ordinary activities		231,716	(9,015)

(b) Factors affecting current tax charge

The tax assessed on the profit/(loss) on ordinary activities for the period is higher than the standard rate of corporation tax in the UK of 30% (2 January 2005 - 30%). The differences are reconciled below:

Notes to the financial statements

at 1 January 2006

7. Taxation (Cont'd)

	Notes	*12 months to 1 January 2006*	*8 months to 2 January 2005*
		£	£
Profit/(loss) on ordinary activities before tax		685,807	(68,396)
Profit/(loss) on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2 January 2005 - 30%)		205,742	(20,519)
Expenses not deductible for tax purposes		17,836	7,170
Decelerated capital allowances		3,475	2,030
Short term timing differences		45,610	6,342
Tax under-provided in previous periods		15,745	-
Total current tax	7(a)	288,408	(4,977)

(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 30% included in the balance sheet is as follows:

	Notes	*12 months to 1 January 2006*	*8 months to 2 January 2005*
		£	£
Decelerated capital allowances		(2,778)	2,304
Short term timing differences		(57,952)	(6,342)
Deferred tax asset	12	(60,730)	(4,038)

At 2 January 2005	(4,038)
Profit and loss account	(49,085)
Adjustments in respect of prior periods	(7,607)
	56,692
At 1 January 2006	(60,730)

Notes to the financial statements

at 1 January 2006

8. Tangible fixed assets

	Leasehold improvements	*Plant and machinery*	*Furniture and fittings*	*Computer equipment*	*Motor vehicles*	*Total*
	£	£	£	£	£	£
Cost:						
At 2 January 2005	3,372	615,262	39,370	40,432	5,750	704,186
Additions	-	-	-	14,945	-	14,945
At 1 January 2006	3,372	615,262	39,370	55,377	5,750	719,131
Depreciation:						
At 2 January 2005	1,443	469,119	26,132	40,432	3,194	540,320
Charge for period	169	50,190	2,701	415	1,917	55,392
At 1 January 2006	1,612	519,309	28,833	40,847	5,111	595,712
Net book value:						
At 1 January 2006	1,760	95,953	10,537	14,530	639	123,419
At 2 January 2005	1,929	146,143	13,238	-	2,556	163,866

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Notes to the financial statements

at 1 January 2006

9. Investment

	2005
	£
Investment at cost acquired during the period	1

On 9 March 2005, the company acquired 100% of the ordinary share capital of Reynolds Industries Limited, a company registered in England and Wales.

The company did not trade during the period from its date of incorporation on 27 January 2005 to 1 January 2006. The results of Reynolds Industries Limited have not been consolidated into group accounts as the directors are of the opinion that they are entitled to the exemption conferred by Section 248 of the Companies Act 1985.

10. Stocks

	2005	2004
	£	£
Raw materials	847,977	1,062,168
Work in progress	191,898	101,663
	1,039,875	1,163,831

11. Debtors

	2005	2004
	£	£
Trade debtors	1,158,050	827,410
Amounts owed by group undertakings	971	747
Other debtors	3,203	4,855
Prepayments and accrued income	108,784	121,116
VAT	-	8,027
Deferred tax asset (note 7(d))	60,730	4,038
	1,331,738	966,193

Notes to the financial statements

at 1 January 2006

12. Creditors: amounts falling due within one year

	Note	*2005* £	*2004* £
Trade creditors		513,730	229,316
Amounts owed to group undertakings		100,860	95,406
Bank loans and overdrafts	13	13,894	24,284
Pension contributions		19,246	20,621
Corporation tax		272,933	118,773
Other taxes and social security costs		60,109	37,524
Accruals		301,136	221,349
		1,281,908	747,273

13. Equity share capital

Ordinary shares of £1 each	*Authorised 2005 and 2004* No.	*Allotted, called up and fully paid 2005 and 2004* £
Authorised: At 2 January 2005 and 1 January 2006	500,000	500,000
Allotted, called up and fully paid: At 2 January 2005 and 2 January 2006	150,000	150,000

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

	Share capital £	*Profit and loss account* £	*Total* £
At 1 May 2004	150,000	3,526,160	3,676,160
Loss for period	-	(59,381)	(59,381)
At 2 January 2005	150,000	3,466,779	3,616,779
Profit for year	-	454,091	454,091
Dividends	-	(2,000,000)	(2,000,000)
At 1 January 2006	150,000	1,920,870	2,070,870

Notes to the financial statements

at 1 January 2006

15. 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 £19,246 (2 January 2005 - £20,621).

16. Other financial commitments

At 1 January 2006 the company had annual commitments under non-cancellable operating leases as set out below:

	2005	*2005*	*2004*	*2004*
		Other		*Other*
	Land and	*operating*	*Land and*	*operating*
	buildings	*leases*	*buildings*	*leases*
	£	*£*	*£*	*£*
Operating leases which expire:				
Within one year	27,134	17,885	12,000	-
Within one to two years	9,990	4,561	14,000	17,885
Within two to five years	229,880	4,367	9,990	8,928
Over five years	-	-	203,880	-
	267,004	26,813	239,870	26,813

17. Ultimate parent undertaking and related parties

The company's immediate parent undertaking and controlling party is Teledyne Reynolds Inc. which is a wholly owned subsidiary of Teledyne Technologies Incorporated, a company registered in the United States of America. It has included the company in its group financial statements, which is the smallest and largest group for which group financial statements are available. Copies of the Teledyne Technologies Incorporated financial statements are available from its registered office: 12333 West Olympic Boulevard, Los Angeles, CA 90064, USA.

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