Registered No 1659830

Teledyne Defence Limited

Report and Accounts

31 December 2011

Registered No 1659830

Directors

H Barnshaw
A Pichelli
D Schnittjer
M Cibik
R Shaller

Secretary

H Barnshaw

Auditors

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

Bankers

JP Morgan Chase Bank
125 London Wall
London
EC2 5AJ

Solicitors

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

Registered Office

Airedale House
Acorn Park
Shipley
W Yorkshire
BD17 7SW

Directors' report

Registered No 1659830

The directors present their report and accounts for the year ended 31 December 2011

Principal activity and review of the business

The company's principal activity during the year was the design, manufacture and distribution of microwave systems, sub-systems, and components for the military market

Results and dividends

The profit for the year, after taxation, amounted to £172,000 (2010 £ 320,000)

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 including sales per employee In the year to December 2011 this was £104,641 (2010 £75,722)

Directors

The directors of the company at 31 December 2011 were as follows

H Barnshaw
Dr KW Ferguson
T Parker
A Pichelli
D Schnittjer

Dr KW Ferguson and T Parker resigned as directors on 17 February 2012 and 2 March 2012 respectively In addition, M Cibik and R Shaller were appointed as directors on 12 March 2012

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 made himself/herself aware of any relevant audit information and to establish that the auditor is aware of that information

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 Since non-sterling receipts are less than 10% of total revenues, and of this more than 50% is used to settle foreign exchange-based payments, forward exchange contracts are not used and the exposure risk is considered acceptable by management

Directors' report

Registered No 1659830

Going concern review

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 Given the uncertainties in the Defence Industry during the year under review, trading volumes have been lower than initially expected which impacted on the company's profitability and cash generation The company, in accordance with Group policy, operates without an overdraft facility and has therefore received financial support from its parent company, Teledyne Limited, during the year to finance working capital requirements It is envisaged that any future cash requirements will continue to be satisfied in this manner The Directors have therefore adopted the going concern basis of accounting

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
5 September 2012

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 year 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, 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 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 Defence Limited

We have audited the financial statements of Teledyne Defence Limited for the year ended 31 December 2011 which comprises the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet and related notes 1 to 19 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 4, 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 2011 and of its profit for the period 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 period for which the financial statements are prepared is consistent with the financial statements

Independent auditors' report to the members of Teledyne Defence Limited (continued)

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

5 September 2012

Profit & Loss Account

for the year ended 31 December 2011

	Notes	2011 £'000	2010 £'000
Turnover	2	13,394	10,071
Cost of sales		(10,323)	(8,423)
Gross profit		3,071	1,648
Administrative expenses		(1,694)	(1,592)
Selling and distribution expenses		(899)	(912)
Operating profit/(loss) before exceptional items	3	478	(856)
Exceptional item	4	-	340
Operating profit/(loss) after exceptional items		478	(516)
Intercompany balance waived	5	-	1,175
Interest payable	6	(41)	(31)
Profit on ordinary activities before taxation	8(b)	437	628
Tax on profit on ordinary activities	8(a)	(265)	(308)
Profit retained for the financial period	15	172	320

All operations are continuing

Statement of total recognised gains and losses

for the year ended 31 December 2011

There are no recognised gains or losses other than the profit attributable to the shareholders of the company of £172,000 in the year ended 31 December 2011 (2010 –profit of £320,000)

Balance Sheet

at 31 December 2011

	Notes	2011 £'000	2010 £'000
Fixed assets			
Tangıble assets	9	1,749	1,819
Current assets			
Stocks	10	2,366	2,825
Debtors	11	3,981	4,152
Cash at bank and ın hand		1	104
		6,348	7,081
Credıtors: amounts fallıng due wıthın one year	12	(3,682)	(4,766)
Net current assets		2,666	2,315
Total assets less current lıabılıties		4,415	4,134
Provisions for liabilities and charges	13	(459)	(350)
Net assets		3,956	3,784
Capital and reserves			
Called up share capıtal	14/15	2,250	2,250
Profit and loss account	15	1,706	1,534
Equity shareholders' funds		3,956	3,784

These financıal statements were approved by the dırectors and authorısed for ıssue on 5 September 2012, and are sıgned on theır behalf by

HT Barnshaw
Dırector

Notes to the accounts

at 31 December 2011

1. Accounting policies

Basis of preparation

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

Freehold land and buildings	-	over 50 years
Plant and machinery	-	over 5 years
Fixtures and fittings	-	over 5 years
Computer equipment	-	over 3 years
Software	-	over 3 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

Cost therefore comprises the purchase price of raw materials and components together with direct labour and attributable overheads Net realisable value is based on estimated selling price less any further costs expected to be incurred to completion and disposal

Long Term Contracts

The amount of profit attributable to the state of completion of a long term contract is recognised when the outcome of the contract can be foreseen with reasonable certainty Turnover for such contracts is stated at the cost appropriate to their stage of completion plus attributable profit, less amounts recognised in previous years Provision is made for any losses as soon as they are foreseen

Contract work in progress is stated at costs incurred, less those transferred to the profit and loss account, after deducting foreseeable losses and payments on account not matched with turnover

Amounts recoverable on contracts are included in debtors and represent turnover recognised in excess of payments on account

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

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 are taken to the profit and loss account for the year

Notes to the accounts

at 31 December 2011

1. Accounting policies (continued)

Leasing commitments

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

Cash flow statement

The company has taken advantage of the exemption allowed by FRS 1 (revised) for wholly owned subsidiary undertakings and has not prepared a cash flow statement

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 microwave components and subsystems and provision of related services An analysis of turnover by geographical market is given below

	2011	*2010*
	£'000	*£'000*
United Kingdom	8,050	5,079
Europe	3,509	2,166
Rest of the World	1,835	2,826
	13,394	10,071

3. Operating profit/(loss) before exceptional items

This is stated after charging/(crediting)

	2011	*2010*
	£'000	*£'000*
Auditors' remuneration – audit	-	-
Depreciation of owned fixed assets	332	311
Research and development	1,508	534
Operating lease rentals - land and buildings	32	188
- other operating leases	120	116
Exchange loss/(gains)	13	(2)

Auditors' remuneration of £7,000 is borne by one of the company's associated undertakings

Notes to the accounts

at 31 December 2011

4. Exceptional item

	2011	*2010*
	£'000	*£'000*
Compensation claim	-	340

The compensation relates to an acquisition agreement related clause, whereby the prior owners of the company are due to compensate the company for the costs incurred for rectification of defective filter products sold before the date of acquisition

5. Intercompany balance waived

	2011	*2010*
	£'000	*£'000*
Intercompany balance waived	-	1,175

6. Interest payable

	2011	*2010*
	£'000	*£'000*
Group interest payable	41	31

7. Directors' remuneration and staff costs

	2011	*2010*
	£'000	*£'000*
Directors' remuneration		
Remuneration	142	132
Company contributions paid to money purchase pension scheme	10	10

Pension benefits are accruing for 1 director (2010 1) under a money purchase scheme

One director is also a director of associated group undertakings, from which he received remuneration for qualifying services, amounting to £155,685 (2010 - £145,896) The directors do not believe that it is practicable to apportion this amount over the other Teledyne group companies

Three other directors do not perform any qualifying services to the group, therefore their emoluments are £nil (2010 - £nil)

Notes to the accounts

at 31 December 2011

7. Directors' emoluments and staff costs (continued)

	2011	*2010*
	£'000	*£'000*
Staff costs		
Wages and salaries	3,633	3,516
Social security costs	373	352
Other pension costs	205	233
	4,211	4,101

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

	2011	*2010*
	No	*No*
Selling and distribution	9	9
Administration	14	12
Production	105	112
	128	133

8. Taxation

(a) Tax charge on profit on ordinary activities

	Notes	*2011*	*2010*
		£'000	*£'000*
Current tax			
UK corporation tax	8(b)	-	-
Deferred tax			
Origination and reversal of timing differences		179	308
Effect of change in tax rates		86	-
Tax charge on profit on ordinary activities		265	308

Notes to the accounts

at 31 December 2011

8. Taxation (continued)

(b) Factors affecting current tax charge

The tax assessed on the profit on ordinary activities for the period is different from the standard rate of corporation tax in the UK of 26 5% (2010 28%) The differences are reconciled below

	Notes	*2011* *£'000*	*2010* *£'000*
Profit on ordinary activities before tax		437	628
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 26 5% (2010 28%)		116	176
Non-taxable income		(28)	(313)
Capital allowances in excess of depreciation		(195)	(281)
Other timing differences		16	(7)
Group relief surrendered for nil payment		91	425
Total current tax	8(a)	-	-

(c) Deferred tax asset

The deferred tax asset at 25% (2010 -27%) included in the balance sheet is as follows

	Note	*2011* *£'000*	*2010* *£'000*
Decelerated capital allowances		943	1,216
Short term timing differences		98	90
Deferred tax asset	10	1,041	1,306

	£'000
At 1 January 2011	1,306
Profit and loss account	(179)
Effect of change in tax rates	(86)
At 31 December 2011	1,041

The UK government has announced its intention to reduce the UK corporation tax rate by annual reductions in the rate such that by 1 April 2014 the rate would be to 22% The first stage of this reduction from 28% to 26% was substantively enacted on 29 March 2011 and came into effect on 1 April 2011 A blended rate of 26 5% therefore applies to current tax charges arising during the period

A further reduction from 26% to 25% was substantively enacted on 5 July 2011 and was intended to be effective from 1 April 2012 However this reduced further to 24% through a Budget announcement on 21 March 2012, was substantively enacted on 26 March 2012 and came into effect on 1 April 2012

Notes to the accounts

at 31 December 2011

9. Tangible fixed assets

	Plant and machinery £'000	*Fixtures & fittings £'000*	*Computer equipment & Software £'000*	*Land & Buildings £'000*	*Total £'000*
Cost					
At 1 January 2011	3,993	649	524	1,183	6,349
Additions	265	-	-	-	265
Disposals	(9)	-	-	-	(9)
At 31 December 2011	4,249	649	524	1,183	6,605
Depreciation					
At 1 January 2011	3,569	461	466	34	4,530
Provided during the year	162	105	32	33	332
Disposals	(6)	-	-	-	(6)
At 31 December 2011	3,725	566	498	67	4,856
Net book value					
At 31 December 2011	524	83	26	1,116	1,749
At 31 December 2010	424	188	58	1,149	1,819

10. Stocks

	2011 £'000	*2010 £'000*
Raw materials	1,135	1,037
Work in progress	1,231	1,783
Finished goods and goods for resale	-	5
	2,366	2,825

11. Debtors

	Notes	*2011 £'000*	*2010 £'000*
Trade debtors		2,501	1,978
Amounts owed by group undertakings		198	274
Other debtors		-	366
Prepayments and accrued income		241	228
Deferred tax asset	8(c)	1,041	1,306
		3,981	4,152

Notes to the accounts

at 31 December 2011

12. Creditors: amounts falling due within one year

	2011	*2010*
	£'000	*£'000*
Trade creditors	649	571
Amounts owed to group undertakings	1,320	2,905
Other taxes and social security costs	244	90
Customer deposits	676	-
Accruals and deferred income	793	1,200
	3,682	4,766

13. Provisions for liabilities and charges

	Warranty & sales provisions
	£'000
At 1 January 2011	350
Charged during period	109
At 31 December 2011	459

14. Equity share capital

	Authorised December 2011 and 2010	*Allotted, called up and fully paid December 2011 and 2010*
	No	*No*
Ordinary shares of £1 each	2,500,000	2,250,000
	£'000	*£'000*
Ordinary shares of £1 each	2,500	2,250

Notes to the accounts

at 31 December 2011

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

	Share capital £'000	*Profit and loss account £'000*	*Total £'000*
At 1 January 2010	2,250	1,214	3,464
Profit for year	-	320	320
At 1 January 2011	2,250	1,534	3,784
Profit for the year	-	172	172
At 31 December 2011	2,250	1,706	3,956

16. 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 £nil (December 2010 - £19,322)

17. Capital commitments

	2011 £'000	*2010 £'000*
Capital expenditure contracted for but not provided in the financial statements	-	-

18. Other financial commitments

At 31 December 2011, the company had annual commitments under non-cancellable operating leases as set out below

	2011 Land and buildings £'000	*2011 Other operating leases £'000*	*2010 Land and buildings £'000*	*2010 Other operating leases £'000*
Operating leases which expire				
Within one year	-	21	12	106
Within two to five years	23	111	-	86
	23	132	12	192

Notes to the accounts

at 31 December 2011

19. Ultimate parent undertaking and related parties

The company's immediate parent undertaking is Teledyne 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