

**POWER MAGNETICS AND ELECTRONIC
SYSTEMS LIMITED**

Report and Audited Financial Statements

31 December 2007

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POWER MAGNETICS AND ELECTRONIC SYSTEMS LIMITED

REPORT AND AUDITED FINANCIAL STATEMENTS 2007

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POWER MAGNETICS AND ELECTRONIC SYSTEMS LIMITED

REPORT AND AUDITED FINANCIAL STATEMENTS 2007

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

D Caster
A Hamment
D Jeffcoat

SECRETARY

D Jeffcoat

REGISTERED OFFICE

417 Bridport Road
Greenford
Middlesex
UB6 8UA

AUDITORS

Deloitte & Touche LLP
Chartered Accountants
Reading

POWER MAGNETICS AND ELECTRONIC SYSTEMS LIMITED

DIRECTORS' REPORT

The directors present their annual report on the affairs of Power Magnetics and Electronic Systems Limited ("the Company") and audited financial statements for the year ended 31 December 2007. This report has been prepared in accordance with the special provisions relating to small companies under S246 (4) of the Companies Act 1985.

PRINCIPAL ACTIVITY AND BUSINESS REVIEW

The principal activity is that of a holding company. The Company did not have any trading activity in either the current or prior year, however, there was investment activity during the year.

SHARE ISSUE

On the 20 April 2007 the Company increased its Authorised Share Capital by 1,000,000 shares to 2,860,667 shares.

During the year the Company issued 1,000,000 shares of £1 each for a consideration of £225,412,216 to DF Group Limited as consideration for the purchase of the entire share capital of Ultra Electronics Inc.

DIRECTORS

The directors who served during the year and to the date of signing are listed on page 1.

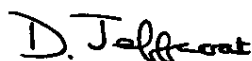
AUDITORS

Each person who is a director at the date of approval of this report confirms that

- So far as the directors are aware, there is no relevant audit information of which the company's auditors are unaware, and
- The directors have taken all the steps they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of S234ZA of the Companies Act 1985.

Approved by the Board of Directors
and signed on behalf of the Board



D Jeffcoat
Director

4 July 2008

POWER MAGNETICS AND ELECTRONIC SYSTEMS LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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 statements 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 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 judgments 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 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 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 POWER MAGNETICS AND ELECTRONIC SYSTEMS LIMITED

We have audited the financial statements of Power Magnetics and Electronic Systems Limited for the year ended 31 December 2007 which comprise the balance sheet and the related notes 1 to 8. 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

As described in the statement of directors' responsibilities the Company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant United Kingdom 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, in accordance with the relevant financial reporting framework, and are properly prepared in accordance with the Companies Act 1985. We report to you whether in our opinion the information given in the directors' report is consistent with the financial statements. We also 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 the other information contained in the annual report for the above year as described in the contents section and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

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 judgements 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 December 2007 and of its loss 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.



Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
Reading, United Kingdom
4 July 2008

POWER MAGNETICS AND ELECTRONIC SYSTEMS LIMITED

PROFIT AND LOSS ACCOUNT

For the year ended 31 December 2007

	Note	2007 £	2006 £
Write off of investment	3	(225,412)	-
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		<u>(225,412)</u>	<u>-</u>
LOSS ON ORDINARY ACTIVITIES AFTER TAXATION TRANSFERRED TO RESERVES		<u>(225,412)</u>	<u>-</u>

The Company has no recognised gains and losses in either financial year other than the loss above and therefore no separate statement of total recognised gains and losses has been presented

All activities derive from continuing operations

POWER MAGNETICS AND ELECTRONIC SYSTEMS LIMITED

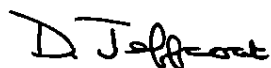
BALANCE SHEET

For the year ended 31 December 2007

	Note	2007 £'000	2006 £'000
FIXED ASSETS			
Investments	3	-	-
		-	-
CURRENT ASSETS			
Debtors	4	5,538	5,538
		5,538	5,538
NET ASSETS		5,538	5,538
CAPITAL AND RESERVES			
Called up share capital	5	2,835	1,835
Share premium account	6	230,391	5,979
Profit and loss account	6	(227,688)	(2,276)
SHAREHOLDERS' FUNDS	6	5,538	5,538

These financial statements were approved by the Board of Directors on 4 July 2008

Signed on behalf of the Board of Directors



D Jeffcoat

Director

POWER MAGNETICS AND ELECTRONIC SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2007

1. ACCOUNTING POLICIES

A summary of the principal accounting policies, all of which have been applied consistently throughout the year and the preceding year, is set out below

Basis of accounting

The financial statements have been prepared under the historical cost convention and in accordance with applicable United Kingdom accounting standards and law. These financial statements present information about the Company as an individual undertaking and not about its group.

The Company has taken advantage of the exemption from preparing consolidated financial statements afforded by Section 228 of the Companies Act 1985, because it is a wholly owned subsidiary of Ultra Electronics Holdings plc which prepares consolidated financial statements which are publicly available. The Company is also, on this basis, exempt from the requirements of FRS 1 to present a cash flow statement.

The Company did not have any trading activity in either current or prior year and consequently no profit and loss account is presented.

Investments

Investments are stated at cost less any provision for impairment.

2. PROFIT AND LOSS ACCOUNT

Auditors' remuneration for both the current and prior year have been borne by another group company. The allocation to the Company is £3,000 (£2006: £nil). The Company had no employees during either year other than directors. The directors received no remuneration for their services to the Company in either year. The allocation of directors' fees to this Company is £nil (2006: £nil). There is no tax credit arising on the loss in the year. 30% of the loss equates to £67,624,000, however, the loss in the year is not taxable.

3. INVESTMENTS

	2007 £'000
Cost and net book value	
At 1 January 2007	-
Additions	225,412
Impairment	(225,412)
	<hr/>
At 31 December 2007	-
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The Company's fixed asset investment relates to an investment in the following subsidiary company.

Name	Country of registration	Shares held	Principal activity
Ultra Electronics Inc	USA	100%	US investment company

4. DEBTORS

	2007 £'000	2006 £'000
Amounts owed by group undertakings	5,538	5,538
	<hr/>	<hr/>

POWER MAGNETICS AND ELECTRONIC SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2007

5. CALLED UP SHARE CAPITAL

	2007 £'000	2006 £'000
Authorised		
2,860,667 ordinary shares of £1 each (2006		
1,860,667 ordinary shares of £1 each)	2,861	1,861
Called up, allotted and fully paid		
2,835,667 ordinary shares of £1 each (2006		
1,835,667 ordinary shares of £1 each)	2,835	1,835

On the 20 April 2007 the Company increased its Authorised Share Capital by 1,000,000 shares to 2,860,667 shares

During the year the Company issued 1,000,000 shares of £1 each for a consideration of £225,412,216 to DF Group Limited as consideration for the purchase of the entire share capital of Ultra Electronics Inc

6. RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENTS ON RESERVES

	Share capital £'000	Share premium account £'000	Profit and loss account £'000	Total £'000	2006 Total £'000
At 31 December 2006	1,835	5,979	(2,276)	5,538	5,538
Issue of Shares to DF Group Limited	1,000	224,412	-	225,412	-
Loss for the year	-	-	(225,412)	(225,412)	-
At 31 December 2007	2,835	230,391	(227,688)	5,538	5,538

7. RELATED PARTIES

The Company has taken advantage of the exemption in Financial Reporting Standard number 8 (Related Parties) not to disclose transactions with other group companies as the financial statements of the ultimate parent company are available to the public

8. ULTIMATE PARENT COMPANY

The ultimate parent undertaking of the company is Ultra Electronics Holdings plc, which is incorporated in Great Britain, and registered in England and Wales. The smallest and largest group in which the results of the Company are consolidated is that headed by Ultra Electronics Holdings plc, and copies of these financial statements are available from 417 Bridport Road, Greenford, Middlesex, UB6 8UA