

Company Registration No. 02984371

**POWER MAGNETICS AND ELECTRONIC
SYSTEMS LIMITED**

Annual Report and Financial Statements

31 December 2011



POWER MAGNETICS AND ELECTRONIC SYSTEMS LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS 2011

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POWER MAGNETICS AND ELECTRONIC SYSTEMS LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS 2011

OFFICERS AND PROFESSIONAL ADVISORS

DIRECTORS

R Sharma

A Hamment (resigned 5 March 2012)

M Anderson (appointed 5 March 2012)

P Dean

SECRETARY

D Garbett-Edwards (resigned 25 April 2012)

S Harris (appointed 25 April 2012)

REGISTERED OFFICE

417 Bridport Road

Greenford

Middlesex

UB6 8UA

AUDITOR

Deloitte LLP

Reading, United Kingdom

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 the audited financial statements for the year ended 31 December 2011

PRINCIPAL ACTIVITY AND BUSINESS REVIEW AND FUTURE PROSPECTS

The principal activity is that of a holding company. The company will not trade in the foreseeable future but will continue to hold certain investments in subsidiary undertakings.

PRINCIPAL RISK AND UNCERTAINTIES

The company holds investments in subsidiary companies and is therefore exposed to the risk of impairment. The risk is managed through close management of trading entities supporting the value of the investments.

DIVIDENDS

An interim dividend of £19,765,739 (697p per ordinary share) was paid during the year (2010 £21,253,393, 749p per ordinary share). The directors do not recommend payment of a final dividend (2010 £nil).

DIRECTORS

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

GOING CONCERN

The company meets its day-to-day working capital requirements through available cash funds, which remain in a strong position.

After making appropriate enquiries and considering the recent economic uncertainty, the Board's view is that the Company has adequate resources to continue in existence for the foreseeable future. The company has no dependency on any external borrowings, all creditors are intergroup and if needed in the future has the support of its ultimate parent company, Ultra Electronics Holdings plc. They therefore continue to adopt the going concern basis of accounting in preparing the annual financial statements.

AUDITOR

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 auditor is 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 auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Approved by the Board and signed on its behalf by



P Dean
Director

25 JUNE 2012

POWER MAGNETIC 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). 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 accounting 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 adequate 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 AUDITOR'S 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 2011 which comprise the Profit and Loss Account, the Balance Sheet and the related notes 1 to 11. 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 auditor

As explained more fully in the Directors' Responsibilities Statement, 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 annual report 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 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 2010 and of its profit 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 AUDITOR'S REPORT TO THE MEMBERS OF POWER MAGNETICS AND ELECTRONIC SYSTEMS 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

Kerr Mitchell

Kerr Mitchell (Senior Statutory Auditor)
For and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
Reading, United Kingdom

Date 25 JUNE 2012

POWER MAGNETIC AND ELECTRONIC SYSTEMS LIMITED

PROFIT AND LOSS ACCOUNT

Year ended 31 December 2011

	Note	2011 £'000	2010 £'000
Income from shares in group undertakings		19,766	21,253
Other expenses		-	(313)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	2	19,766	20,940
Tax charge on profit on ordinary activities	4	-	-
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		19,766	20,940

The Company did not trade during the current or proceeding years and has no recognised gains and losses other than the profit above. Accordingly no separate statement of total recognised gains and losses has been presented.

POWER MAGNETIC AND ELECTRONIC SYSTEMS LIMITED

BALANCE SHEET

As at 31 December 2011

	Note	2011 £'000	2010 £'000
FIXED ASSETS			
Investments	5	-	-
		-	-
CURRENT ASSETS			
Debtors	6	5,225	5,225
NET ASSETS		<u>5,225</u>	<u>5,225</u>
CAPITAL AND RESERVES			
Called up share capital	7	2,835	2,835
Profit and loss account	8	2,390	2,390
SHAREHOLDER'S FUNDS	9	<u>5,225</u>	<u>5,225</u>

The financial statements, Company number 02984371, were approved by the board of directors and authorised for issue on **25 JUNE 2012**

They were signed on its behalf by



P Dean
Director

POWER MAGNETIC AND ELECTRONIC SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2011

1. ACCOUNTING POLICIES

A summary of the principal accounting policies, all of which have been applied consistently throughout the current and 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 400 of the Companies Act 2006, 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.

Going concern

After making appropriate enquiries and considering the recent economic uncertainty, the Board's view is that the Company has adequate resources to continue in existence for the foreseeable future. The company has no dependency on any external borrowings, all creditors are intergroup and if need be in the future has the support of its ultimate parent company, Ultra Electronics Holdings plc. They therefore continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Investments

Fixed asset investments are shown at cost less provision for any impairment.

Taxation

Current tax, including UK corporation tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

2. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

Profit on ordinary activities before taxation is stated after crediting

	2011 £'000	2010 £'000
Dividend income	19,766	21,253
Bad debt write off	-	(313)
	<u>19,766</u>	<u>20,940</u>

Directors' emoluments are borne by the Company's ultimate parent company, Ultra Electronics Holdings plc and are disclosed in the financial statements of that company. The allocation of directors' emoluments to this Company is £nil (2010: £nil). Auditor's remuneration was borne by the parent company, the amount attributable to the company is £2,500 (2010: £2,500).

3. DIVIDENDS ON EQUITY SHARES

	2011 £'000	2010 £'000
Interim dividend for the year ended 31 December 2011 of 697p (2010: 749p) per ordinary share	<u>19,766</u>	<u>21,253</u>

The Board did not propose the payment of a final dividend in either year.

POWER MAGNETIC AND ELECTRONIC SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued) Year ended 31 December 2011

4. TAX ON PROFIT ON ORDINARY ACTIVITIES

	2011 £'000	2010 £'000
The tax charge comprises		
UK corporation tax	-	-
Total current tax	-	-

The differences between the total current tax shown above and the amount calculated by applying the standard rate of UK corporation tax to the profit before tax is as follows

	2011 £'000	2010 £'000
Profit before taxation for the financial year	19,766	20,940
Taxation at the standard rate in the UK of 26.5% (2010 28%)	5,238	5,863
Dividend income not subject to tax	(5,238)	(5,951)
Expenses not deductible for tax purposes	-	88
Total current tax charge	-	-

5. INVESTMENTS

	Total £'000
Cost and net book value at 31 December 2011 and 31 December 2010	-

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 USA Group Inc	USA	100% Ordinary Share Capital	US investment company

6. DEBTORS

	2011 £'000	2010 £'000
Amounts owed by group undertakings	5,225	5,225

POWER MAGNETIC AND ELECTRONIC SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued) Year ended 31 December 2011

7 CALLED-UP EQUITY SHARE CAPITAL

	2011 £'000	2010 £'000
Allotted, called-up and fully paid 2,835,667 ordinary shares of £1 each (2010 2,835,667)	2,835	2,835

8 RESERVES

	Profit and loss account £'000
At 31 December 2010	2,390
Profit for the financial year	19,766
Dividends paid	(19,766)
At 31 December 2011	2,390

9 RECONCILIATION OF MOVEMENTS IN SHAREHOLDER'S FUNDS

	2011 £'000	2010 £'000
Opening shareholder's funds	5,225	5,538
Profit for the financial year	19,766	20,940
Dividends paid	(19,766)	(21,253)
Closing shareholder's funds	5,225	5,225

10 RELATED PARTY TRANSACTIONS

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

11 ULTIMATE PARENT COMPANY & CONTROLLING PARTY

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

The Company's immediate parent company, DF Group Limited, a holding company incorporated in Great Britain and registered in England and Wales.