

**POWER MAGNETICS AND ELECTRONIC
SYSTEMS LIMITED**

Annual Report and Financial Statements

31 December 2009

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POWER MAGNETICS AND ELECTRONIC SYSTEMS LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS 2009

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POWER MAGNETICS AND ELECTRONIC SYSTEMS LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS 2009

OFFICERS AND PROFESSIONAL ADVISORS

DIRECTORS

D Caster
P Dean (Appointed 16 April 2009)
A Hamment
D Jeffcoat (Resigned 16 April 2009)

SECRETARY

D Garbett-Edwards (Appointed 16 April 2009)
D Jeffcoat (Resigned 16 April 2009)

REGISTERED OFFICE

417 Bridport Road
Greenford
Middlesex
UB6 8UA

AUDITORS

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 2009. The company has taken advantage of the small company exemption not to prepare a business review.

PRINCIPAL ACTIVITY

The principal activity is that of a holding company. The company did not trade during the year.

SHARE CAPITAL

During the year the Board passed a special resolution to reduce the Company's share capital from £230,391,000 to £nil by reducing the share premium account. The reduction did not result in a change to the number of shares in issue.

DIVIDENDS

An interim dividend of £4,989,086 (175 9p per ordinary share) was paid during the year (2008: £nil). The directors do not recommend payment of a final dividend (2008: £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

After making appropriate enquiries, 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.

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 s418 of the Companies Act 2006.

Approved by the Board and signed on its behalf by



P Dean
Director

6 May 2010

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

United Kingdom 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, 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 the 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 2009 which comprise the Profit and Loss Account, the Balance Sheet and the related notes 1 to 10. 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 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 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 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 (APB'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.

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 2009 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 AUDITORS' 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

Mark Mullins

Mark Mullins (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditors
Reading, United Kingdom

Date *6 May 2010*

POWER MAGNETIC AND ELECTRONIC SYSTEMS LIMITED

PROFIT AND LOSS ACCOUNT

Year ended 31 December 2009

	Note	2009 £'000	2008 £'000
Income from shares in group undertakings		4,989	-
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		4,989	-
Tax charge on profit on ordinary activities	4	-	-
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		4,989	-

The Company did not trade during the year and has no recognised gains and losses in either financial year other than the profit above and therefore no separate statement of total recognised gains and losses has been presented

All activities are discontinued

POWER MAGNETIC AND ELECTRONIC SYSTEMS LIMITED

BALANCE SHEET

As at 31 December 2009

	Note	2009 £'000	2008 £'000
FIXED ASSETS			
Investments	3	-	-
		-	-
CURRENT ASSETS			
Debtors	6	5,538	5,538
NET ASSETS		<u>5,538</u>	<u>5,538</u>
CAPITAL AND RESERVES			
Called up share capital	7	2,835	2,835
Share premium	8	-	230,391
Profit and loss account	8	<u>2,703</u>	<u>(227,688)</u>
SHAREHOLDER'S FUNDS		<u>5,538</u>	<u>5,538</u>

The financial statements, Company number 02984371, were approved by the board of directors and authorised of issue on 6 May 2010

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 2009

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.

After making appropriate enquiries, 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 OPERATING PROFIT BEFORE TAXATION

Profit on ordinary activities before taxation is stated after crediting

	2009 £'000	2008 £'000
Dividend income	4,989	-

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 fees to this Company is £nil (2007: £nil). Auditors' remuneration was borne by the parent company, the amount attributable to the company is £2,500 (2008: £2,500).

3. DIVIDENDS ON EQUITY SHARES

	2009 £'000	2008 £'000
Interim dividend for the year ended 31 December 2009 of 175.9p (2008: nil) per ordinary share	14,827	-

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

POWER MAGNETIC AND ELECTRONIC SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued) Year ended 31 December 2009

4. TAX ON PROFIT ON ORDINARY ACTIVITIES

	2009 £'000	2008 £'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

	2009 £'000	2008 £'000
Profit before taxation for the financial year	4,989	-
Profit before tax at the standard rate in the UK of 28% (2008 28.5%)	1,397	-
Dividend income not subject to tax	(1,397)	-
Total current tax charge	-	-

5. INVESTMENTS

	Total £'000
Cost	
At 31 December 2009 and 31 December 2008	225,412
Provisions for impairment	
At 31 December 2009 and 31 December 2008	(225,412)
Net book value at 31 December 2009 and 31 December 2008	-

The Company's fixed asset investment relate to an investment in the following subsidiary company

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

6 DEBTORS

	2009 £'000	2008 £'000
Amounts owed by group undertakings	5,538	5,538

POWER MAGNETIC AND ELECTRONIC SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued) Year ended 31 December 2009

7. CALLED-UP EQUITY SHARE CAPITAL

	2009 £'000	2008 £'000
Allotted, called-up and fully paid 2,835,667 ordinary shares of £1 each (2008 2,835,667)	2,835	2,835

8. RESERVES

	Share premium account £'000	Profit and loss account £'000	Total £'000
At 31 December 2008	230,391	(227,688)	2,703
Profit for the financial year	-	4,989	4,989
Capital reduction	(230,391)	230,391	-
Dividends paid	-	(4,989)	(4,989)
At 31 December 2009	-	2,703	2,703

During the year the Board passed a special resolution to reduce the Company's share capital from £230,391,000 to £nil by reducing the share premium account. The reduction did not result in a change to the number of shares in issue.

9. 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.

10. ULTIMATE PARENT COMPANY & CONTROLLING PARTY

The Company is a subsidiary of 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.