

Teledyne Defence Limited

Report and Accounts

31 December 2010

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COMPANIES HOUSE

Teledyne Defence Limited

Registered No 1659830

Directors

Dr K W Ferguson
H Barnshaw
T Parker
A Pichelli
D Schnittjer

Secretary

H Barnshaw

Auditors

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

Bankers

Barclays Bank plc
10 Market Street
Bradford
BD1 1NR

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 2010

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 £320,000. No dividends were paid during the year.

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 2010 this was £75,722 (2009 £75,374).

Directors

The directors of the company at 31 December 2010 were as follows:

H Barnshaw
Dr KW Ferguson
T Parker
A Pichelli
D Schnittjer

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 make 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.

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

29 Sept 2011

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,
- 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 2010 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 auditor

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 2010 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 (cont)

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 B Campbell (Senior Statutory Auditor)
For and on behalf of Ernst & Young LLP, Statutory Auditor
Glasgow

Date 30/9/2011

Profit & Loss Account

for the year ended 31 December 2010

		2010	2009
	Notes	£'000	£'000
Turnover	2	10,071	11,080
Cost of sales		(8,423)	(9,474)
Gross profit		1,648	1,606
Administrative expenses		(1,592)	(1,783)
Selling and distribution expenses		(912)	(979)
Operating loss before exceptional items	3	(856)	(1,156)
Exceptional item	4	340	-
Operating loss after exceptional items		(516)	(1,156)
Intercompany balance waived	5	1,175	-
Interest payable	6	(31)	(11)
Profit / (Loss) on ordinary activities before taxation	8(b)	628	(1,167)
Tax on profit on ordinary activities	8(a)	(308)	(329)
Profit / (Loss) retained for the financial period	15	320	(1,496)

Statement of total recognised gains and losses

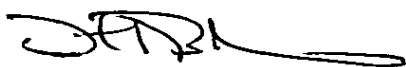
for the year ended 31 December 2010

	2010	2009
	£'000	£'000
Total gains and losses relating to the year	320	(1,496)
Prior year adjustment	-	843
Total gains and losses recognised since last report	320	(653)

Balance Sheet

at 31 December 2010

		2010	2009
	Notes	£'000	£'000
Fixed assets			
Tangible assets	9	1,819	675
		<hr/>	<hr/>
Current assets			
Stocks	10	2,825	3,368
Debtors	11	4,152	3,934
Cash at bank and in hand		104	737
		<hr/>	<hr/>
		7,081	8,039
Creditors: amounts falling due within one year	12	(4,766)	(4,758)
		<hr/>	<hr/>
Net current assets		2,315	3,281
		<hr/>	<hr/>
Total assets less current liabilities		4,134	3,956
		<hr/>	<hr/>
Provisions for liabilities and charges	13	(350)	(492)
		<hr/>	<hr/>
Net assets		3,784	3,464
		<hr/>	<hr/>
Capital and reserves			
Called up share capital	14/15	2,250	2,250
Profit and loss account	15	1,534	1,214
		<hr/>	<hr/>
Equity shareholders' funds		3,784	3,464
		<hr/>	<hr/>



H Barnshaw
Director

29 Sept 2011

Notes to the accounts

at 31 December 2010

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

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 2010

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

	2010 £'000	2009 £'000
United Kingdom	5,079	5,387
Europe	2,166	2,728
Rest of the World	2,826	2,965
	<u>10,071</u>	<u>11,080</u>

3. Operating loss before exceptional items

This is stated after charging/(crediting)

	2010 £'000	2009 £'000
Auditors' remuneration -- audit	-	-
Depreciation of owned fixed assets	311	299
Research and development	534	1,301
Operating lease rentals - land and buildings	188	187
- other operating leases	116	122
Exchange gains	(2)	(5)
	<u></u>	<u></u>

Auditors' remuneration is borne by the company's immediate parent undertaking

Notes to the accounts

at 31 December 2010

4. Exceptional item

	2010 £'000	2009 £'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

	2010 £'000	2009 £'000
Intercompany balance waived	1,175	-

The directors of Teledyne Properties, an affiliated company from whom Teledyne Defence leased their main facility, agreed to waive amounts due to them by Teledyne Defence

6. Interest payable

	2010 £'000	2009 £'000
Group interest payable	31	11

7. Directors' emoluments and staff costs

	2010 £'000	2009 £'000
Directors' emoluments	132	137
Emoluments		
Company contributions paid to money purchase pension scheme	10	10

Pension benefits are accruing for 1 director (December 2009 1) under a money purchase scheme

One of the directors of the company is also a director of other Teledyne group companies in the United Kingdom. The director received total remuneration for the year of £145,896 (2009 - £150,611), all of which was paid by Teledyne Limited. 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 2010

7. Directors' emoluments and staff costs (cont)

	2010 £'000	2009 £'000
Staff costs		
Wages and salaries	3,516	4,314
Social security costs	352	431
Other pension costs	233	254
	<u>4,101</u>	<u>4,999</u>

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

	2010 No	2009 No
Selling and distribution	9	8
Administration	12	14
Production	112	125
	<u>133</u>	<u>147</u>

8. Taxation

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

	Notes	2010 £'000	2009 £'000
<i>Current tax</i>			
UK corporation tax	8(b)	-	-
<i>Deferred tax</i>			
Origination and reversal of timing differences		308	329
Tax charge on profit/(loss) on ordinary activities		<u>308</u>	<u>329</u>

Notes to the accounts

at 31 December 2010

8. Taxation (cont)

(b) Factors affecting current tax charge

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

	Notes	2010 £'000	2009 £'000
Profit/(loss) on ordinary activities before tax		628	(1,167)
Profit/(loss) on ordinary activities multiplied by standard rate of corporation tax in the UK of 28%		176	(327)
Non-taxable income		(313)	(102)
Capital allowances in excess of depreciation		(281)	(355)
Other timing differences		(7)	(1)
Group relief surrendered/(received) for nil payment		425	549
Tax effect on change in accounting policy		-	236
Total current tax	8(a)	-	-

(c) Deferred tax

The deferred tax asset at 27% (2009 -28%) included in the balance sheet is as follows

	Note	2010 £'000	2009 £'000
Decelerated capital allowances		1,216	1,540
Short term timing differences		90	74
Deferred tax asset	10	1,306	1,614
			£'000
At 1 January 2010			1,614
Profit and loss account			(337)
Adjustments in respect of prior years			29
At 31 December 2010			1,306

The Finance Act (No 2) was enacted in July 2010 and reduced the main rate of corporation tax from 28% to 27% from 1 April 2011. This rate reduction was latterly amended to 26% in the 2011 Budget with effect from 1 April 2011. Further reductions are to be enacted separately each year with the aim of reducing the rate by 1% per annum to 23% by 1 April 2014. There is also a reduction in the main rate of capital allowances from 20% to 18% with effect from April 2012. These changes will affect the amount of future cash tax payments to be made by the company.

It is estimated that the reduction in the proposed rate of corporation tax from 27% to 23% will result in a reduction in the deferred asset as at 31 December 2010 of approximately £193,500.

Notes to the accounts

at 31 December 2010

9. Tangible fixed assets

	<i>Plant and machinery</i>	<i>Fixtures & fittings</i>	<i>Computer equipment & Software</i>	<i>Land & Buildings</i>	<i>Total</i>
	£'000	£'000	£'000	£'000	£'000
Cost					
At 1 January 2010	3,930	833	1,148	-	5,911
Additions	237	12	23	1,183	1,455
Disposals	(174)	(196)	(647)	-	(1,017)
At 31 December 2010	3,993	649	524	1,183	6,349
Depreciation					
At 1 January 2010	3,635	545	1,056	-	5,236
Provided during the year	108	112	57	34	311
Disposals	(174)	(196)	(647)	-	(1,017)
At 31 December 2010	3,569	461	466	34	4,530
Net book value					
At 31 December 2010	424	188	58	1,149	1,819
At 31 December 2009	295	288	92	-	675

10. Stocks

	2010	2009
	£'000	£'000
Raw materials	1,037	1,138
Work in progress	1,783	2,222
Finished goods and goods for resale	5	8
	2,825	3,368

11. Debtors

	2010	2009
	Notes £'000	£'000
Trade debtors	1,978	2,050
Amounts owed by group undertakings	274	117
Other debtors	366	9
Prepayments and accrued income	228	144
Deferred tax asset	8(c) 1,306	1,614
	4,152	3,934

Notes to the accounts

at 31 December 2010

12. Creditors: amounts falling due within one year

	2010 £'000	2009 £'000
Trade creditors	571	683
Amounts owed to group undertakings	2,905	2,896
Other taxes and social security costs	90	173
Customer deposits	-	208
Accruals and deferred income	1,200	798
	<u>4,766</u>	<u>4,758</u>

13. Provisions for liabilities and charges

	Warranty & sales provisions £'000
At 1 January 2010	492
Released during period	(142)
At 31 December 2010	<u>350</u>

14. Equity share capital

	Authorised December 2010 and 2009 No	Allotted, called up and fully paid December 2010 and 2009 No
Ordinary shares of £1 each	2,500,000	2,250,000
	<u>£'000</u>	<u>£'000</u>
Ordinary shares of £1 each	2,500	2,250
	<u></u>	<u></u>

Notes to the accounts

at 31 December 2010

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

	<i>Share capital £'000</i>	<i>Profit and loss account £'000</i>	<i>Total £'000</i>
At 1 January 2009	2,250	2,710	4,960
Loss for year	-	(1,496)	(1,496)
At 1 January 2010	2,250	1,214	3,464
Profit for the year	-	320	320
At 31 December 2010	2,250	1,534	3,784

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 £19,322 (December 2009 - £18,768).

17. Capital commitments

	<i>2010 £'000</i>	<i>2009 £'000</i>
Capital expenditure contracted for but not provided in the financial statements	-	52

18. Other financial commitments

At 31 December 2010, the company had annual commitments under non-cancellable operating leases as set out below:

	<i>2010 Land and buildings £'000</i>	<i>2010 Other operating leases £'000</i>	<i>2009 Land and buildings £'000</i>	<i>2009 Other operating leases £'000</i>
Operating leases which expire				
Within one year	12	106	-	12
Within two to five years	-	86	21	110
Over five years	-	-	164	-
	12	192	185	122

Notes to the accounts

at 31 December 2010

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.