

# Teledyne Defence Limited

## Report and Accounts

31 December 2012

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COMPANIES HOUSE

# Teledyne Defence Limited

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Registered No 1659830

## **Directors**

H Barnshaw  
A Pichelli  
M Cıbık  
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 2012

### 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 £583,000 (2011 £ 172,000) The Directors are satisfied with the result for the year Interim dividends were paid during the year totalling £996,000 (2011 £ nil) The directors do not recommend a final ordinary dividend The resultant loss after dividends has been deducted from reserves

### 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 31 December 2012 this was £104,769 (2011 £104,641)

### Directors

The directors who served the company during the year were as follows

H Barnshaw

Dr KW Ferguson (resigned 17 February 2012)

T Parker (resigned 2 March 2012)

A Pichelli

D Schnittjer (resigned 18 November 2012)

M Cibik (appointed 12 March 2012)

R Shaller (appointed 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

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## Directors' report (continued)

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, the Directors are pleased with the company performance for the year. The outlook for the company continues to be positive. 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

4 July 2013

## **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 2012 which comprises the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet and related notes 1 to 18. 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 2012 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  
4 July 2013

## Profit and loss account

for the year ended 31 December 2012

		2012	2011
	Notes	£'000	£'000
<b>Turnover</b>	2	14,038	13,394
Cost of sales		(10,365)	(10,323)
<b>Gross profit</b>		3,673	3,071
Administrative expenses		(2,030)	(1,694)
Selling and distribution expenses		(798)	(899)
<b>Operating profit</b>		845	478
Interest receivable	4	4	-
Interest payable	5	-	(41)
<b>Profit on ordinary activities before taxation</b>		849	437
Tax on profit on ordinary activities	7(a)	(266)	(265)
<b>Profit retained for the financial year</b>	15	583	172

All operations are continuing

## Statement of total recognised gains and losses

for the year ended 31 December 2012

There are no recognised gains or losses other than the profit attributable to the shareholders of the company of £583,000 in the year ended 31 December 2012 (2011 £172,000)



**Balance sheet**

at 31 December 2012

		2012	2011
	Notes	£'000	£'000
<b>Fixed assets</b>			
Tangible assets	8	1,920	1,749
<b>Current assets</b>			
Stocks	9	2,718	2,366
Debtors	11	7,545	3,981
Cash at bank and in hand		1	1
		10,264	6,348
<b>Creditors</b> amounts falling due within one year	12	(8,212)	(3,682)
<b>Net current assets</b>		2,052	2,666
<b>Total assets less current liabilities</b>		3,972	4,415
<b>Provisions for liabilities and charges</b>	13	(429)	(459)
<b>Net assets</b>		3,543	3,956
<b>Capital and reserves</b>			
Called up share capital	14/15	2,250	2,250
Profit and loss account	15	1,293	1,706
<b>Equity shareholders' funds</b>		3,543	3,956

These financial statements were approved by the directors and authorised for issue on 4 July 2013, and are signed on their behalf by



HT Barnshaw  
Director

## Notes to the accounts

at 31 December 2012

### 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 2012

### 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

	2012 £'000	2011 £'000
United Kingdom	7,490	8,050
Europe	1,823	3,509
Rest of the World	4,725	1,835
	<u>14,038</u>	<u>13,394</u>

### 3. Operating profit

This is stated after charging / (crediting)

	2012 £'000	2011 £'000
Auditors' remuneration – audit	-	-
Depreciation of owned fixed assets	350	332
Research and development	1,950	1,508
Operating lease rentals - land and buildings	42	32
- other operating leases	113	120
Exchange (gains)/losses	(2)	13
	<u></u>	<u></u>

Auditors' remuneration of £7,210 (2011 £7,000) is borne by one of the company's associated undertakings

### 4. Interest receivable

	2012 £'000	2011 £'000
Group interest receivable	4	-
	<u></u>	<u></u>

## Notes to the accounts

at 31 December 2012

### 5. Interest payable

	2012 £'000	2011 £'000
Group interest payable	-	41

### 6. Directors' remuneration and staff costs

	2012 £'000	2011 £'000
Directors' remuneration		
Remuneration	32	142
Compensation for loss of office	160	-
Company contributions paid to money purchase pension scheme	2	10

Pension benefits are accruing for no directors (2011: 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 £168,926 (2011: £155,685). 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 (2011: £nil).

	2012 £'000	2011 £'000
Staff costs		
Wages and salaries	3,916	3,633
Social security costs	395	373
Other pension costs	186	205
	4,497	4,211

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

	2012 No	2011 No
Selling and distribution	8	9
Administration	14	14
Production	112	105
	134	128

## Notes to the accounts

at 31 December 2012

### 7. Taxation

#### (a) Tax charge on profit on ordinary activities

	<i>Notes</i>	<i>2012</i> £'000	<i>2011</i> £'000
<i>Current tax</i>			
UK corporation tax	7(b)	-	-
<i>Deferred tax</i>			
Origination and reversal of timing differences		202	179
Effect of change in tax rates		64	86
Tax charge on profit on ordinary activities		<u>266</u>	<u>265</u>

#### (b) Factors affecting current tax charge

The tax assessed on the profit on ordinary activities for the year is different from the standard rate of corporation tax in the UK of 24.5% (2011: 26.5%). The differences are reconciled below

	<i>Notes</i>	<i>2012</i> £'000	<i>2011</i> £'000
Profit on ordinary activities before tax		849	437
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 24.5% (2011: 26.5%)		<u>208</u>	<u>116</u>
Non-taxable income		(55)	(28)
Non allowable expenses for tax purposes		12	-
Capital allowances in excess of depreciation		(138)	(195)
Other timing differences		6	16
Relief for losses incurred in prior periods		(33)	-
Group relief surrendered for nil payment		-	91
Total current tax	7(a)	<u>-</u>	<u>-</u>

## Notes to the accounts

at 31 December 2012

### 7. Taxation (continued)

#### (c) Deferred tax asset

The deferred tax asset at 23.2% (2011: 25%) included in the balance sheet is as follows

	Notes	2012 £'000	2011 £'000
Decelerated capital allowances		733	943
Short term timing differences		42	98
Deferred tax asset	11	<u>775</u>	<u>1,041</u>
			£'000
At 1 January 2012			1,041
Profit and loss account			(202)
Effect of change in tax rates			(64)
At 31 December 2012			<u>775</u>

#### (d) Factors that may affect future tax charges

The Finance Act 2011 reduced the main rate of corporation tax from 26% to 25% from 1 April 2012 however this rate reduction was latterly amended to 24% in the 2012 Budget with effect from 1 April 2012. The 23% rate of corporation tax was enacted on 17 July 2012 and will apply from 1 April 2013. Further reductions are proposed to reduce the rate of corporation tax to 21% by 1 April 2014 and to 20% by 1 April 2015.

The effect of the reduction in tax rate from 23% to 21% on the company's deferred tax asset is £ 53,569

## Notes to the accounts

at 31 December 2012

### 8. Tangible fixed assets

	<i>Plant and machinery</i> £'000	<i>Fixtures &amp; fittings</i> £'000	<i>Computer equipment &amp; Software</i> £'000	<i>Land &amp; Buildings</i> £'000	<i>Total</i> £'000
Cost					
At 1 January 2012	4,249	649	524	1,183	6,605
Additions	322	71	128	-	521
At 31 December 2012	4,571	720	652	1,183	7,126
Depreciation					
At 1 January 2012	3,725	566	498	67	4,856
Provided during the year	214	75	27	34	350
At 31 December 2012	3,939	641	525	101	5,206
Net book value					
At 31 December 2012	632	79	127	1,082	1,920
At 31 December 2011	524	83	26	1,116	1,749

### 9. Stocks

	<i>Notes</i>	<i>2012</i> £'000	<i>2011</i> £'000
Raw materials		857	1,135
Work in progress		422	1,107
Long term contract work in progress	10	1,428	124
Finished goods and goods for resale		11	-
		2,718	2,366

### 10. Long term contracts

	<i>Notes</i>	<i>2012</i> £'000	<i>2011</i> £'000
Cost plus attributable profit less provisions for losses		8,181	2,750
Less payments received on account		(6,753)	(2,626)
Amounts recoverable on contracts	9	1,428	124

## Notes to the accounts

at 31 December 2012

### 11. Debtors

	2012	2011
Notes	£'000	£'000
Trade debtors	6,098	2,501
Amounts owed by group undertakings	320	198
Prepayments and accrued income	352	241
Deferred tax asset	775	1,041
	<u>7,545</u>	<u>3,981</u>

### 12. Creditors: amounts falling due within one year

	2012	2011
	£'000	£'000
Trade creditors	2,510	649
Amounts owed to group undertakings	4,857	1,320
Other taxes and social security costs	325	244
Customer deposits	-	676
Accruals and deferred income	520	793
	<u>8,212</u>	<u>3,682</u>

### 13. Provisions for liabilities and charges

	Warranty & sales provisions £'000
At 1 January 2012	459
Added during year	64
Released during year	(94)
At 31 December 2012	<u>429</u>

### 14. Equity share capital

	Authorised December 2012 and 2011 No	Allotted, called up and fully paid December 2012 and 2011 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



## Notes to the accounts

at 31 December 2012

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

	<i>Share capital</i>	<i>Profit and loss account</i>	<i>Total</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
At 1 January 2011	2 250	1 534	3 784
Profit for year	-	172	172
At 1 January 2012	2 250	1 706	3 956
Profit for the year	-	583	583
Dividend paid	-	(996)	(996)
At 31 December 2012	2,250	1 293	3 543

### 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 (2011: £nil).

### 17. Other financial commitments

At 31 December 2012, the company had annual commitments under non-cancellable operating leases as set out below:

	<i>2012</i>	<i>2012</i>	<i>2011</i>	<i>2011</i>
	<i>Land and buildings</i>	<i>Other operating leases</i>	<i>Land and buildings</i>	<i>Other operating leases</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Operating leases which expire				
Within one year	12	32	-	21
Within two to five years	107	172	23	111
	119	204	23	132

### 18. 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.