Registered No 1659830

Teledyne Defence Limited

Report and Accounts

31 December 2009

Registered No 1659830

Directors
Dr KW Ferguson
H Barnshaw
T Parker
A Pichelli
D Schnittjer

Secretary
H Barnshaw

Auditors
Ernst & Young LLP
George House
50 George Square
Glasgow
G2 1RR

Bankers
Barclays Bank plc
10 Market Street
Bradford
BD1 1NR

Solicitors
K&L Gates LLP
110 Cannon Street
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Airedale House
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BD17 7SW

Directors' report

The dırectors present theır report and accounts for the year ended 31 December 2009

Principal activity and review of the business

The company's prıncıpal actıvıty durıng the year was the desıgn, manufacture and dıstrıbutıon of mıcrowave components and subsystems for the mılıtary market

Results and dividends

The loss for the year, after taxatıon, amounted to £1,496,000 No dıvıdends were paıd durıng the year

The company's result for the perıod to 31 December 2008 has been restated Followıng the acquısıtıon by Teledyne Lımıted, the company has amended ıts accountıng polıcy for long term contracts ın order to be consıstent wıth other Teledyne group companıes Thıs change ın polıcy was to treat development and productıon phases as one long term contract and to observe SSAP 9 prıncıples for turnover and profit/loss recognıtıon and resulted ın an adjustment to the reported brought forward reserves at 31 December 2008 of £843,000 Thıs adjustment results ın a restatement of the reported pre- tax results for the perıod to 31 December 2008 from a loss of £335,000 to a profit of £384,000 Due to the avaılabılıty of tax losses, there ıs no adjustment requıred to the Corporatıon tax charge or credıtor from those prevıously reported

Future developments

The company's strategy ıs to consolıdate and grow ıts presence ın the nıche markets wıthın whıch the company operates

Key performance indicators

The company reports on a number of key performance ındıcators on a quarterly basıs ıncludıng sales per employee In the year to December 2009 thıs was £75,374 (2008 £65,380)

Directors

The dırectors of the company at 31 December 2009 were as follows

H Barnshaw
Dr KW Ferguson
T Parker
A Pıchellı
D Schnıttjer

Directors' statement as to disclosure of information to auditors

So far as each person who was a dırector at the date of approvıng thıs report ıs aware, there ıs no relevant audıt ınformatıon, beıng ınformatıon needed by the audıtor ın connectıon wıth preparıng ıts report, of whıch the audıtor ıs unaware Havıng made enquırıes of fellow dırectors and the company's audıtor, each dırector has taken all the steps that he/she ıs oblıged to take as a dırector ın order to made hımself/herself aware of any relevant audıt ınformatıon and to establısh that the audıtor ıs aware of that ınformatıon

Directors' report (continued)

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 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
21st Sept 2010

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 2009 which comprise the Profit and Loss Account, the Balance Sheet, the Statement of Total Recognised Gains and Losses and the related notes 1 to 17 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 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 loss for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice applicable to Smaller Entities, 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 Teledyne Defence Limited

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, or

Ernst & Young LLP

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

21/9/ *2010*

Profit & Loss Account

for the year ended 31 December 2009

	Notes	*Year to 31 Dec 2009* £'000	*7 months to 31 Dec 2008 (restated)* £'000
Turnover	2	11,080	5,874
Cost of sales		(9,474)	(4,089)
Gross profit		1,606	1,785
Administrative expenses		(1,783)	(1,009)
Selling and distribution expenses		(979)	(393)
Operating (loss)/profit	3	(1,156)	383
Interest payable	4	(11)	-
Interest receivable	4	-	1
(Loss)/profit on ordinary activities before taxation	6(b)	(1,167)	384
Tax on (loss)/profit on ordinary activities	6(a)	(329)	1,984
(Loss)/ Profit retained for the financial period	13	(1,496)	2,368

Statement of total recognised gains and losses

for the year ended 31 December 2009

		Year to 31 Dec 2009 £'000	*7 months to 31 Dec 2008 (restated)* £'000
Total gains and losses relating to the year		(1,496)	2,368
Prior year adjustment	1	843	
Total gains and losses recognised since last report		(653)	

Balance Sheet

at 31 December 2009

	Notes	2009 £'000	2008 (restated) £'000
Fixed assets			
Tangible assets	7	675	873
Current assets			
Stocks	8	3,368	3,281
Debtors	9	3,934	4,646
Cash at bank and in hand		737	370
		8,039	8,297
Creditors: amounts falling due within one year	10	(4,758)	(3,598)
Net current assets		3,281	4,699
Total assets less current liabilities		3,956	5,572
Provisions for liabilities and charges	11	(492)	(612)
Net assets		3,464	4,960
Capital and reserves			
Called up share capital	12/13	2,250	2,250
Profit and loss account	13	1,214	2,710
Equity shareholders' funds		3,464	4,960

H Barnshaw
Director

21st Sept 2010

Notes to the accounts

at 31 December 2009

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
Office & 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

Following the acquisition by Teledyne Limited, the company has amended its accounting policy in order to be consistent with other Teledyne group companies This change in policy was to treat development and production phases as one long term contract and to observe SSAP 9 principles as regards turnover and profit/(loss) recognition and has resulted in a prior year adjustment for the company The company shareholders' funds at 1 June 2008 and 1 January 2009 have been increased by £124,000 and £843,000 respectively, the profit before tax for the period ended 31 December 2008 has been increased by £719,000 Net current assets at 31 December 2008, as previously reported, totalled £3,856,000 This has been restated to £4,699,000

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

Notes to the accounts

at 31 December 2009

Deferred taxation

Deferred tax 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 a right to pay less or to receive more tax, with the exception of deferred tax assets which 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

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 marine survey instruments and provision of related services An analysis of turnover by geographical market is given below

	Year to 31 December 2009 £'000	*Period to 31 December 2008 £'000*
United Kingdom	5,387	3,087
Europe	2,728	1,339
Rest of the World	2,965	1,448
	11,080	5,874

Notes to the accounts

at 31 December 2009

3. Operating (loss)/profit

This is stated after charging/(crediting)

	Year to 31 December 2009 £'000	*Period to 31 December 2008 £'000*
Auditors' remuneration – audit	-	-
Depreciation of owned fixed assets	299	193
Research and development	1,301	187
Operating lease rentals - land and buildings	187	105
- other operating leases	122	63
Exchange gains	(5)	(12)

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

4. Interest payable / receivable

	2009 £'000	*2008 £'000*
Group interest payable	(11)	-
Bank interest receivable	-	1
	(11)	1

5. Directors' emoluments and staff costs

	Year to 31December 2009 £'000	*Period to 31December 2008 £'000*
Directors' emoluments		
Emoluments	137	175
Company contributions paid to money purchase pension scheme	10	6

	Year to 31 December 2009 £'000	*Period to 31December 2008 £'000*
Staff costs		
Wages and salaries	4,314	2,525
Social security costs	431	256
Other pension costs	254	144
	4,999	2,925

Notes to the accounts

at 31 December 2009

5 Directors' emoluments and staff costs (continued)

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

	Year to 31 December 2009	*Period to 31December 2008*
	No	*No*
Selling and distribution	8	8
Administration	14	14
Production	125	132
	147	154

6. Taxation

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

	Notes	*Year to 31 December 2009 £'000*	*Period to 31December 2008 £'000*
Current tax			
UK corporation tax	6(b)	-	-
Deferred tax			
Origination and reversal of timing differences		329	140
Changes in recoverable amounts of deferred tax assets		-	(2,124)
Tax on (loss)/profit on ordinary activities		329	(1,984)

Notes to the accounts

at 31 December 2009

6. Taxation (continued)

(b) Factors affecting current tax charge

The tax assessed on the (loss)/profit 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	*Year to 31 December 2009 £'000*	*Period to 31 December 2008 £'000*
(Loss)/profit on ordinary activities before tax		(1,167)	384
(Loss)/profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 28%		(327)	108
Non taxable income		(102)	-
Expenses not deductible for tax purposes		-	4
Capital allowances in excess of depreciation		(355)	(230)
Other timing differences		(1)	6
Group relief surrendered/(received) for nil payment		549	142
Unrelieved tax losses carried forward		-	43
Tax effect on change in accounting policy		236	129
Tax effect of prior year adjustment			(202)
Total current tax	6(a)	-	-

(c) Factors that may affect future tax charges

At the balance sheet date, there are no future factors which may significantly affect future tax charges

(d) Deferred tax

The deferred tax asset at 28% included in the balance sheet is as follows

	Note	*2009 £'000*	*2008 £'000*
Decelerated capital allowances		1,540	1,894
Short term timing differences		74	6
Tax losses		-	43
Deferred tax asset	9	1,614	1,943

	£'000
At 1 January 2009	1,943
Profit and loss account	(355)
Adjustments in respect of prior years	26
At 31 December 2009	1,614

Notes to the accounts

at 31 December 2009

7. Tangible fixed assets

	Plant and machinery £'000	*Fixtures & fittings £'000*	*Office &, Computer equipment £'000*	*Software £'000*	*Total £'000*
Cost					
At 1 January 2009	3,886	823	423	678	5,810
Additions	44	10	47	-	101
At 31 December 2009	3,930	833	470	678	5,911
Depreciation					
At 1 January 2009	3,527	435	355	620	4,937
Provided during the year	108	110	39	42	299
At 31 December 2009	3,635	545	394	662	5,236
Net book value					
At 31 December 2009	295	288	76	16	675
At 31 December 2008	359	388	68	58	873

8. Stocks and work in progress

	2009 £'000	*2008 (restated) £'000*
Raw materials	1,138	1,429
Work in progress	2,222	1,741
Finished goods and goods for resale	8	111
	3,368	3,281

Notes to the accounts

at 31 December 2009

9. Debtors

	Notes	2009 £'000	2008 £'000
Trade debtors		2,050	2,326
Amounts owed by group undertakings		117	66
Other debtors		9	67
Prepayments and accrued income		144	179
Deferred tax asset	6(d)	1,614	1,943
Other taxes		-	65
		3,934	4,646

10. Creditors: amounts falling due within one year

	2009 £'000	2008 £'000
Trade creditors	683	594
Amounts owed to group undertakings	2,896	989
Other taxes and social security costs	173	129
Customer deposits	208	692
Other creditors	-	1
Accruals and deferred income	798	1,193
	4,758	3,598

11. Provisions for liabilities and charges

	Warranty & sales provisions £'000
At 1 January 2009	612
Utilised during year	(120)
At 31 December 2009	492

Notes to the accounts

at 31 December 2009

12. Equity share capital

	Authorised 2009 No	*Allotted, called up and fully paid 2009 No*
Ordinary shares of £1 each	2,500,000	2,250,000
	£'000	*£'000*
Ordinary shares of £1 each	2,500	2,250

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

	Share capital £'000	*Profit and loss account £'000*	*Total £'000*
At 1 June 2008			
-As previously reported	2,250	218	2,468
-Prior period adjustment	-	124	124
As restated at 1 June 2008	-	342	2,592
Profit for the period to 31 December 2008			
-As previously reported	-	1,649	1,649
-Prior period adjustment	-	719	719
Adjusted profit for period to 31 December 2008	-	2,368	2,368
As restated at 31 December 2008	2,250	2,710	4,960
Loss for the year	-	(1,496)	(1,496)
At 31 December 2009	2,250	1,214	3,464

14 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 £18,768 (December 2008 - £21,502)

Notes to the accounts

at 31 December 2009

15. Capital commitments

	2009	*2008*
	£'000	*£'000*
Capital expenditure contracted for but not provided in the financial statements	52	18

16. Other financial commitments

At 31 December 2009, the company had annual commitments under non-cancellable operating leases as set out below

	2009	*2009*	*2008*	*2008*
	Land and buildings	*Other operating leases*	*Land and buildings*	*Other operating leases*
	£'000	*£'000*	*£'000*	*£'000*
Operating leases which expire				
Within one year	-	12	-	19
In two to five years	21	110	21	84
Over five years	164	-	-	-
	185	122	21	103

17 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