Registered No: 1659830

Teledyne Defence Limited

Report and Accounts

31 December 2013

Registered No: 1659830

Company information

Directors
H Barnshaw
A Pichelli
M Cibik
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

Strategic report

Registered No: 1659830

The Directors present their strategic report for the year ended 31 December 2013.

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.

The profit for the year, after taxation, amounted to £6,275,000 (2012: £ 583,000). The turnover in 2013 was significantly greater than 2012 due to specific new contracts, which were executed effectively during the year. This higher level of turnover contributed directly to the increase in profit. The company's assets were sold and the employees and trade of the company transferred to an affiliated company, Teledyne Limited, on 29 December 2013.

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 2013 this was £260,459 (2012: £104,769).

Future developments

Teledyne Technologies Inc, the company's ultimate parent, has grown significantly worldwide through targeted acquisitions. It has implemented a strategy to rationalise the worldwide legal entity structure in order to reduce the complexity of the organisation. As part of this strategy, the trade of the company was transferred to an affiliated group company in December 2013. It is envisaged that the company will therefore cease to trade and become dormant in 2014.

Principal risks and uncertainties

The company's principal financial instruments comprised cash, cash equivalents and loans. Other financial assets and liabilities, such as trade debtors and trade creditors, arose 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 were cash and trade debtors. The principal credit risk was associated with trade debtors. In order to manage credit risk a credit limit was 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 were reviewed regularly by management.

Exchange rate risk: The company's foreign trading exposed it to foreign exchange risk, predominately translation risk. Since non-sterling receipts were less than 10% of total revenues, and of this more than 50% was used to settle foreign exchange-based payments, forward exchange contracts were not used and the exposure risk was considered acceptable by management.

On behalf of the board

H Barnshaw
Director
1/9/14

Directors' report

Registered No: 1659830

The directors present their report and accounts for the year ended 31 December 2013.

Results and dividends

The profit for the year, after taxation, amounted to £6,275,000 (2012: £ 583,000). The turnover in 2013 was significantly greater than 2012 due to specific new contracts, which were executed effectively during the year. This higher level of turnover contributed directly to the increase in profit. The company's assets were sold and the employees and trade of the company transferred to an affiliated company, Teledyne Limited, on 29 December 2013. No dividends were paid during the year (2012: £996,000). The directors do not recommend a final ordinary dividend.

Future developments

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Directors

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

H Barnshaw
A Pichelli
M Cibik
R Shaller

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.

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
Director
1/9/14

Statement of directors' responsibilities in respect of the accounts

The directors are responsible for preparing the Strategic report, Directors' 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 judgments 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;
- 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 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 2013 which comprises the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet and 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 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 and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. 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 2013 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 Strategic Report and 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

1\9\14

Profit and loss account

for the year ended 31 December 2013

	Notes	2013 £'000	2012 £'000
Turnover	2	38,027	14,038
Cost of sales		(27,632)	(10,365)
Gross profit		10,395	3,673
Administrative expenses		(1,936)	(2,030)
Selling and distribution expenses		(824)	(798)
Operating profit	3	7,635	845
Interest receivable	4	21	4
Profit on ordinary activities before taxation		7,656	849
Tax on profit on ordinary activities	6(a)	(1,381)	(266)
Profit retained for the financial year	14	6,275	583

All activities are discontinuing due to the transfer of trade to another group undertaking.

Statement of total recognised gains and losses

for the year ended 31 December 2013

There are no recognised gains or losses other than the profit attributable to the shareholders of the company of 6,275,000 in the year ended 31 December 2013 (2012: £583,000).

Balance sheet
at 31 December 2013

	Notes	*2013* £'000	*2012* £'000
Fixed assets			
Tangible assets	7	-	1,920
Current assets			
Stocks	8	-	2,718
Debtors	10	9,818	7,545
Cash at bank and in hand		-	1
		9,818	10,264
Creditors: amounts falling due within one year	11	-	(8,212)
Net current assets		9,818	2,052
Total assets less current liabilities		9,818	3,972
Provisions for liabilities and charges	12	-	(429)
Net assets		9,818	3,543
Capital and reserves			
Called up share capital	13/14	2,250	2,250
Profit and loss account	14	7,568	1,293
Equity shareholders' funds		9,818	3,543

These financial statements were approved by the directors and authorised for issue on 1/9/14 , and are signed on their behalf by:

HT Barnshaw
Director

Notes to the accounts

at 31 December 2013

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 2013

1. Accounting policies (continued)

Operating leases

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:

	2013	*2012*
	£'000	*£'000*
United Kingdom	33,133	7,490
Europe	896	1,823
Rest of the World	3,998	4,725
	38,027	14,038

3. Operating profit

This is stated after charging / (crediting):

	2013	*2012*
	£'000	*£'000*
Depreciation of owned fixed assets	375	350
Research and development	899	1,950
Operating lease rentals - land and buildings	60	42
- other operating leases	81	113
Exchange losses/ (gains)	126	(2)

Auditors' remuneration of £13,200 (2012: £7,000) is borne by one of the company's associated undertakings.

4. Interest receivable

	2013	*2012*
	£'000	*£'000*
Group interest receivable	21	4

Notes to the accounts
at 31 December 2013

5. Directors' remuneration and staff costs

	2013	*2012*
	£'000	*£'000*
Directors' remuneration:		
Remuneration	-	32
Compensation for loss of office	-	160
Company contributions paid to money purchase pension scheme	-	2

Pension benefits are accruing for no directors (2012: 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 £186,731 (2012: £168,926). 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 (2012: £nil).

	2013	*2012*
	£'000	*£'000*
Staff costs:		
Wages and salaries	3,924	3,916
Social security costs	390	395
Other pension costs	190	186
	4,504	4,497

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

	2013	*2012*
	No.	*No.*
Selling and distribution	8	8
Administration	13	14
Production	125	112
	146	134

Notes to the accounts

at 31 December 2013

6. Taxation

(a) Tax charge on profit on ordinary activities

	Notes	2013 £'000	2012 £'000
Current tax:			
UK corporation tax	6(b)	1,194	-
Deferred tax:			
Origination and reversal of timing differences		104	202
Effect of change in tax rates		83	64
		187	266
Tax charge on profit on ordinary activities		1,381	266

(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 23.25% (2012: 24.5%). The differences are reconciled below:

	Notes	2013 £'000	2012 £'000
Profit on ordinary activities before tax		7,656	849
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 23.25% (2012: 24.5%)		1,780	208
Non-taxable income		(63)	(55)
Non allowable expenses for tax purposes		6	12
Capital allowances in excess of depreciation		(91)	(138)
Other timing differences		12	6
Relief for losses incurred in prior periods		-	(33)
Group relief surrendered for nil payment		(450)	-
Total current tax	6(a)	1,194	-

(c) Deferred tax asset

The deferred tax asset at 20% (2012: 23.2%) included in the balance sheet is as follows:

	Notes	2013 £'000	2012 £'000
Decelerated capital allowances		-	733
Short term timing differences		-	42
Deferred tax asset	11	-	775

Notes to the accounts

at 31 December 2013

6. Taxation (continued)

(c) Deferred tax asset (continued)

	£'000
At 1 January 2013	775
Profit and loss account	(104)
Effect of change in tax rates	(83)
Transfer to immediate parent company	(588)
At 31 December 2013	-

7. Tangible fixed assets

	Plant and machinery £'000	Fixtures & fittings £'000	Computer equipment & Software £'000	Land & Buildings £'000	Total £'000
Cost:					
At 1 January 2013	4,571	720	652	1,183	7,126
Additions	139	73	31	-	243
Transfer to immediate parent company	(4,710)	(793)	(683)	(1,183)	(7,369)
At 31 December 2013	-	-	-	-	-
Depreciation:					
At 1 January 2013	3,939	641	525	101	5,206
Provided during the year	228	54	58	35	375
Transfer to immediate parent company	(4,167)	(695)	(583)	(136)	(5,581)
At 31 December 2013	-	-	-	-	-
Net book value:					
At 31 December 2013	-	-	-	-	-
At 31 December 2012	632	79	127	1,082	1,920

8. Stocks

	Notes	2013 £'000	2012 £'000
Raw materials		-	857
Work in progress		-	422
Long term contract work in progress	9	-	1,428
Finished goods and goods for resale		-	11
		-	2,718

Notes to the accounts
at 31 December 2013

9. Long term contracts

	2013	2012
	£'000	£'000
Cost plus attributable profit less provisions for losses	-	8,181
Less payments received on account	-	(6,753)
Amounts recoverable on contracts	-	1,428

10. Debtors

	2013	2012
	£'000	£'000
Trade debtors	-	6,098
Amounts owed by group undertakings	9,818	320
Prepayments and accrued income	-	352
Deferred tax asset (note 6(c))	-	775
	9,818	7,545

11. Creditors: amounts falling due within one year

	2013	2012
	£'000	£'000
Trade creditors	-	2,510
Amounts owed to group undertakings	-	4,857
Other taxes and social security costs	-	325
Accruals and deferred income	-	520
	-	8,212

12. Provisions for liabilities and charges

	Warranty & sales provisions £'000
At 1 January 2013	429
Added during year	167
Released during year	(114)
Transfer to immediate parent company	(482)
At 31 December 2013	-

Notes to the accounts
at 31 December 2013

13. Equity share capital

	Authorised December 2013 and 2012 No.	*Allotted, called up and fully paid December 2013 and 2012 No*
Ordinary shares of £1 each	2,500,000	2,250,000
	£'000	*£'000*
Ordinary shares of £1 each	2,500	2,250

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

	Share capital £'000	*Profit and loss account £'000*	*Total £'000*
At 1 January 2012	2,250	1,706	3,956
Profit for year	-	583	583
Dividend Paid	-	(996)	(996)
At 1 January 2013	2,250	1,293	3,543
Profit for the year	-	6,275	6,275
At 31 December 2013	2,250	7,568	9,818

15. 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 (2012: £nil)

16. Other financial commitments

At 31 December 2013, the company had annual commitments under non-cancellable operating leases as set out below:

	2013 Land and buildings £'000	*2013 Other operating leases £'000*	*2012 Land and buildings £'000*	*2012 Other operating leases £'000*
Operating leases which expire:				
Within one year	-	-	12	5
Within two to five years	-	-	45	57
	-	-	57	62

Notes to the accounts

at 31 December 2013

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.