

EDO MBM Technology Limited

Report and Financial Statements

31 December 2008

THURSDAY



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COMPANIES HOUSE

Registered No: 402684

Directors

P Hills
J Eaton
A Roberts

Secretary

A Roberts

Auditors

Ernst & Young LLP
Wessex House
19 Threefield Lane
Southampton
SO14 3QB

Registered Office

Emblem House
Home Farm Business Park
Home Farm Park
Brighton
East Sussex
BN1 9HU

Directors' report

The directors present their report and financial statements for the year ended 31 December 2008.

Results and dividends

The profit, after tax, for the year amounted to £753,000 (2007 – profit of £867,000). An interim dividend amounting to £2,6000,000 was paid during the year (2007 – no dividend paid).

Principal activities and review of the business

The principal activity of the company during the year was the design, manufacture and assembly of a range of electro-mechanical equipment. The company continues to invest in development of new and existing products.

Involvement of the staff in the business is considered by the directors to be extremely important and various methods of communication are undertaken including an Employees Involvement Council, monthly briefings and various committees.

Financial key performance indicators

The directors consider the results achieved in the year to be satisfactory.

The company consider the following to be the key financial performance indicators:

	2008	2007
Sales	£13.9m	£13.0m
Operating Profit	£0.9m	£0.9m
Order Input	£8.6m	£12.7m
Cash Flow from Operations	£1.4m	£1.7m
Capital Expenditure	£0.4m	£0.4m

Research and development

The company remains committed to developing new products and technologies in its core business areas.

Future developments

The directors aim to maintain the management policies which have resulted in the company's continued successful operational performance. Following the excellent order intake and the further capital investment in 2008 the directors consider that 2009 will exceed the performance in 2008.

Directors

The directors who served during the year are shown below.

P Hills

P Davies (resigned 31 October 2008)

J Eaton

Subsequent to the year end, A Roberts was appointed as a director on 6 April 2009.

The company has indemnified the directors against liability in respect of proceedings brought by third parties, subject to the conditions set out in the Companies Act 1985. Such qualifying third party indemnity provision was in force during the year and is in force as at the date of approving the directors' report.

Directors' report

Principal risks and uncertainties

The principal risks and uncertainties facing the company are at follows:

Competitive Risk

The majority of our contracts are obtained through a competitive bidding process. The successful award of these contracts is uncertain.

Legislative Risk

As a contractor and sub-contractor to the UK Government we are subject to various laws and regulations that are more restrictive than those applicable to non-government contractors. Failure to comply with these regulations may impact on the performance of company.

Technical Skill Risk

There is a continuing demand for qualified technical personnel, and we believe that our future growth and success will depend upon our ability to attract, train and retain such personnel. Competition for personnel in the industry is intense, and there are a limited number of persons with knowledge of, and experience in, this industry. Although we currently experience relatively low rates of turnover for our technical personnel, the rate of turnover may increase in the future. An inability to attract or maintain a sufficient number of technical personnel could have a material adverse effect on our contract performance or on our ability to capitalise on market opportunities.

Financial Risk

The financial performance of the company may be at risk to fluctuations in foreign currency rates and failure of counterparties to discharge their financial obligations.

To minimise the risk of foreign currency rate fluctuations the company may use forward foreign currency contracts to reduce exposure or may ensure foreign currency assets and liabilities are equally matched.

To minimise the risk of a customer failure to discharge its obligations the company employs stringent internal policies to ensure that deferred terms are only granted to customers who demonstrate an appropriate payment history and satisfy credit worthiness procedures.

Disclosure of information to the 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 required 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 steps that he is obliged to take as a director in order to make himself 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 shareholders at the Annual General Meeting.

On behalf of the board

P Hills
Director


5TH JUNE 2009

Statement of directors' responsibilities in respect of the financial statements

The directors are responsible for preparing 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). 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 or loss of the company for that period. 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 accounts 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 group and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent auditors' report

to the members of EDO MBM Technology Limited

We have audited the company's financial statements for the year ended 31 December 2008 which comprise the Profit and Loss Account, Statement of Total Recognised Gains and Losses, Balance Sheet and the related notes 1 to 17. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) as set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition, we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Independent auditors' report

to the members of EDO MBM Technology Limited (continued)

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2008 and of its profit for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the directors' report is consistent with the financial statements.

Ernst & Young US

Ernst & Young LLP
Registered Auditor
Southampton

9 June 2009

Profit and loss account

for the year ended 31 December 2008

	<i>Notes</i>	<i>2008</i> £000	<i>2007</i> £000
Turnover	2	13,901	12,973
Cost of sales		(7,991)	(7,365)
		<hr/>	<hr/>
Gross profit		5,910	5,608
Administrative expenses		(5,057)	(4,737)
		<hr/>	<hr/>
Operating profit	3	853	871
Interest receivable	6	136	121
		<hr/>	<hr/>
Profit on ordinary activities before taxation		989	992
Tax charge on profit on ordinary activities	7	(236)	(125)
		<hr/>	<hr/>
Profit retained for the financial year		753	867
		<hr/> <hr/>	<hr/> <hr/>

All amounts relate to continuing operations.

Statement of total recognised gains and losses

for the year ended 31 December 2008

There are no recognised gains or losses other than the gain of £753,000 attributable to the shareholders for the year ended 31 December 2008 (2007 – profit of £867,000).

Balance sheet

at 31 December 2008

	Notes	2008 £000	2007 £000
Fixed assets			
Tangible assets	8	1,313	1,614
		<u>1,313</u>	<u>1,614</u>
Current assets			
Stocks	10	1,633	1,468
Debtors	11	7,354	6,739
Cash at bank		3	2,943
		<u>8,990</u>	<u>11,150</u>
Creditors: amounts falling due within one year	12	(2,026)	(2,507)
		<u>6,964</u>	<u>8,643</u>
Net current assets			
		<u>8,277</u>	<u>10,257</u>
Total assets less current liabilities			
Provisions for liabilities and charges	13	(59)	(192)
		<u>8,218</u>	<u>10,065</u>
Net assets			
		<u><u>8,218</u></u>	<u><u>10,065</u></u>
Capital and reserves			
Called up share premium	15	5,200	5,200
Share premium account	16	10	10
Profit and loss account	16	3,008	4,855
		<u>8,218</u>	<u>10,065</u>
Shareholders' funds	16	8,218	10,065
		<u><u>8,218</u></u>	<u><u>10,065</u></u>

P Hills
Director



5TH JUNE 2009

Notes to the financial statements

at 31 December 2008

1. Accounting policies

Basis of preparation

The financial statements of EDO MBM Technology Limited were approved for issue by the Board of Directors on the date shown on the balance sheet.

The financial statements are prepared under the historical cost convention and in accordance with applicable United Kingdom Accounting Standards.

Preparation of group accounts

The company has utilised the exemption available under section 228 of the Companies Act 1985, not to prepare group accounts. These accounts therefore present information about the company as an individual undertaking and not about its group.

Cash flow statement

The directors have taken advantage of the exemption in Financial Reporting Standard No. 1 (revised) from including a cash flow statement. The cash flows of the company are included in the group accounts of the ultimate parent undertaking ITT Corporation.

Related parties transactions

The company has taken advantage of the exemption in FRS 8 from disclosing transactions with shareholders or investees of the ITT Corporation group.

Fixed assets

All fixed assets are initially recorded at cost.

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 of each asset evenly over its expected useful life, as follows:

Plant and machinery - 10% to 33 1/3% straight line

The carrying values of tangible fixed assets are reviewed for impairment in periods if events or changes in circumstances indicate the carrying value may not be recoverable.

Fixed asset investments

Investments in subsidiary undertakings, which are held as fixed assets, are stated at cost less provision for any impairment. The carrying values are reviewed for impairment if events or changes in circumstances of the subsidiary undertaking indicate the carrying value may not be recoverable.

Stocks and long term contracts

Stocks and work in progress, other than on long term projects, are stated at the lower of cost and net realisable value. Cost includes materials, direct labour and production overheads appropriate to the relevant stage of production. Net realisable value is based on estimated selling price less all further costs to completion and all relevant marketing, selling and distribution costs.

Work in progress on long term contracts as defined by SSAP 9 is included as amounts recoverable on contracts under debtors. Advance and progress payments are included under creditors to the extent that they exceed the related work in progress. The change in work in progress is included within turnover.

Notes to the financial statements

at 31 December 2008

1. Accounting policies (continued)

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 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. All differences are taken to the profit and loss account.

Hire purchase agreements

Assets held under hire purchase agreements are capitalised and disclosed under tangible fixed assets at their fair value. The capital element of the future payments is treated as a liability and the interest is charged to the profit and loss account on a straight line basis.

Operating lease agreements

Rentals payable under operating leases are charged in the profit and loss account on a straight line basis over the lease term.

Pension costs

The company operates a defined contribution pension scheme. Contributions are charged in the profit and loss account as they become payable in accordance with the rules of the scheme.

Revenue Recognition

Revenue is recognised to the extent that the company obtains the right to consideration in exchange for its performance. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates, VAT and other sales taxes or duty. The following criteria must also be met before revenue is recognised:

Sale of Goods

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on dispatch of the goods.

Notes to the financial statements

at 31 December 2008

2. Turnover

Turnover, which is stated net of value added tax, represents sales to third parties, and arises from the principal activities of the company.

An analysis of turnover by geographical market is given below:

	2008 £000	2007 £000
United Kingdom and Continental Europe	11,104	11,266
The Americas	2,797	1,707
	<u>13,901</u>	<u>12,973</u>

3. Operating profit

This is stated after charging/(crediting):

	2008 £000	2007 £000
Auditors' remuneration - statutory audit services	38	30
- other services	-	5
	<u>38</u>	<u>35</u>
Depreciation of owned fixed assets	285	354
Impairment write-down of owned fixed assets	424	-
	<u>709</u>	<u>354</u>
Operating lease rentals - land and buildings	320	325
Foreign exchange (gain) / loss	(323)	30
	<u>(3)</u>	<u>30</u>

4. Staff costs

	2008 £000	2007 £000
Wages and salaries	3,092	3,116
Social security costs	308	312
Other pension costs	301	314
	<u>3,701</u>	<u>3,742</u>

Notes to the financial statements

at 31 December 2008

4. Staff costs (continued)

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

	<i>2008</i>	<i>2007</i>
	<i>No.</i>	<i>No.</i>
Production staff	84	82
Sales and distribution staff	8	10
Administrative staff	30	40
	<u>122</u>	<u>132</u>

5. Directors' emoluments

	<i>2008</i>	<i>2007</i>
	<i>£000</i>	<i>£000</i>
Emoluments	<u>195</u>	<u>329</u>
Value of company pension contributions to money purchase schemes	<u>33</u>	<u>75</u>

	<i>2008</i>	<i>2007</i>
	<i>No.</i>	<i>No.</i>
Members of money purchase pension schemes	<u>3</u>	<u>4</u>

The amounts in respect of the highest paid director are as follows:

	<i>2008</i>	<i>2007</i>
	<i>£000</i>	<i>£000</i>
Emoluments	<u>88</u>	<u>82</u>
Value of company pension contributions to money purchase schemes	<u>17</u>	<u>42</u>

6. Interest receivable

	<i>2008</i>	<i>2007</i>
	<i>£900</i>	<i>£000</i>
Bank interest receivable	<u>136</u>	<u>121</u>

Notes to the financial statements

at 31 December 2008

7. Taxation on ordinary activities

The tax charge is made up as follows:

(a) Tax on profit on ordinary activities

	2008 £000	2007 £000
<i>Current tax:</i>		
United Kingdom corporation tax at 28.5% (2007 – 30%)	369	260
Adjustment in respect of prior years	-	(108)
Total current tax (note 8(b))	<u>369</u>	<u>152</u>
<i>Deferred tax:</i>		
Origination and reversal of timing differences	(114)	(13)
Adjustment in respect of prior year	(19)	(14)
Tax on profit on ordinary activities	<u>236</u>	<u>125</u>

(b) Factors affecting current tax charge for the year

The tax assessed on the profit on ordinary activities for the year is lower than the standard rate of corporation tax in the UK of 28.5% (2007 – 30%). The differences are reconciled below.

	2008 %	2007 %
Standard rate of tax as a percentage of profit before tax	28.5	30.0
<i>Effects of:</i>		
Expenses not deductible for tax purposes	0.4	-
Group relief adjustment	-	(6.0)
Transfer pricing adjustments	(3.2)	-
Movement in short term timing differences	-	1.0
Prior period adjustments	-	(11.0)
Capital allowances in excess of depreciation	11.5	-
Current tax rate as a percentage of profit/(loss)	<u>37.2</u>	<u>15.0</u>

(c) Deferred tax

	2008 £000	2007 £000
Capital allowances in advance of depreciation	59	192
Provision for deferred taxation	<u>59</u>	<u>192</u>

Notes to the financial statements

at 31 December 2008

8. Tangible fixed assets

	<i>Plant & Machinery</i> £000
Cost:	
At 1 January 2008	5,927
Additions	440
Disposals	(1,445)
At 31 December 2008	<u>4,922</u>
Depreciation:	
At 1 January 2008	4,313
Charge for the year	285
Impairment provision	424
Disposals	(1,414)
At 31 December 2008	<u>3,609</u>
Net book value:	
At 31 December 2008	<u>1,313</u>
At 31 December 2007	<u>1,614</u>

9. Investments

	<i>Subsidiary</i> <i>undertakings</i> £000
Cost:	
At 1 January 2008 and 31 December 2008	842
Amounts provided:	
At 1 January 2008 and 31 December 2008	842
Net book value:	
At 1 January 2008 and 31 December 2008	-

<i>Name of company</i>	<i>Country of</i> <i>incorporation</i>	<i>Proportion of</i> <i>ordinary share</i> <i>held</i>	<i>Nature of business</i>
EDO Rugged Systems Limited	United Kingdom	100%	Design and sale of rugged computer equipment

Notes to the financial statements

at 31 December 2008

10. Stocks

	2008	2007
	£000	£000
Raw materials and consumables	775	1,008
Work in progress	858	460
	<u>1,633</u>	<u>1,468</u>

11. Debtors

	2008	2007
	£000	£000
Trade debtors	1,375	1,646
Amounts owed by group undertakings	5,827	4,927
Prepayments and accrued income	152	166
	<u>7,354</u>	<u>6,739</u>

12. Creditors: amounts falling due within one year

	2008	2007
	£000	£000
Trade creditors	806	780
Amounts owed to group undertakings	370	814
Corporation tax	115	200
Other taxation	23	354
Accruals and deferred income	712	359
	<u>2,026</u>	<u>2,507</u>

13. Provisions for liabilities and charges

	<i>Deferred taxation £000</i>
At 1 January 2008	192
Profit and loss movement during the year (note 7)	(133)
At 31 December 2008	<u>59</u>

Notes to the financial statements

at 31 December 2008

14. Commitments under operating leases

At 31 December 2008 the company had annual commitments under non-cancellable operating leases as set out below:

	<i>Land and buildings</i>	
	<i>2008</i>	<i>2007</i>
	<i>£000</i>	<i>£000</i>
Operating leases which expire:		
Within one year	-	10
In two to five years	284	321
	<u>284</u>	<u>331</u>

15. Share capital

	<i>2008</i>	<i>2007</i>
	<i>£000</i>	<i>£000</i>
<i>Authorised</i>		
Ordinary shares of £1 each	5,200	5,200
	<u>5,200</u>	<u>5,200</u>
	<i>2008</i>	<i>2007</i>
	<i>No.</i>	<i>£000</i>
	<i>No.</i>	<i>£000</i>
<i>Allotted and called up</i>		
Ordinary shares of £1 each	5,200,000	5,200
	<u>5,200,000</u>	<u>5,200</u>

16. Reconciliation of shareholders' funds and movement on reserves

	<i>Share capital</i>	<i>Share premium account</i>	<i>Profit and loss account</i>	<i>Total shareholders' funds</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
At 1 January 2007	5,200	10	3,988	9,198
Profit for the year	-	-	867	867
At 31 December 2007	<u>5,200</u>	<u>10</u>	<u>4,855</u>	<u>10,065</u>
Profit for the year	-	-	753	753
Dividends declared and paid	-	-	(2,600)	(2,600)
At 31 December 2008	<u>5,200</u>	<u>10</u>	<u>3,008</u>	<u>8,218</u>

Notes to the financial statements

at 31 December 2008

17. Ultimate parent company and controlling party

The Company's intermediate parent undertaking is EDO (UK) Limited, a company incorporated in England.

The Directors consider that the company's ultimate parent company and controlling party to be ITT Corporation, a company incorporated in the United States. ITT Corporation is the parent undertaking of the largest and smallest consolidated group that includes the company. Copies of its group financial statements are available from 4 West Oak Lane, White Plains, NY 10604.