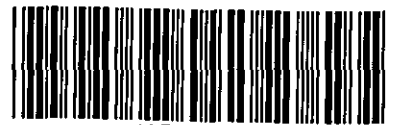


**EDO (UK) LIMITED**

Report and Financial Statements

31 December 2006

THURSDAY



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COMPANIES HOUSE

# EDO (UK) Limited

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Registered Number 3881155

## **DIRECTORS**

F Bassett  
P Davies  
P Hills  
L Palumbo  
F Otto  
Sir Robert Walmsley

## **SECRETARY**

P Davies

## **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 2006

This report has been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies

This report and financial statements reflect the results and financial position of the company itself, and not consolidated group

**Results and dividends**

The Company made a profit after tax of £94,000 (2005 – profit of £304,000), which the directors consider to be a satisfactory result. No dividends were paid or proposed (2005 – nil)

**Principal activities and review of the business**

EDO (UK) Limited is the parent company of a group engaged in the design, manufacture and assembly of a range of electro-mechanical equipment

During the year the Group has continued to invest in developing its core capabilities and product ranges. This investment is considered by the directors to be of a medium to long term nature and returns from this, are expected in a similar time frame.

The Group continued to invest in the training and development of staff. Staff communications are given high priority within the Group using team briefings and company wide presentations. An Employee Involvement Council has been formed to ensure all staff can feed back on any area of the Group's performance. Emphasis is placed on encouraging participation by all staff in the business.

**Directors and their interests**

The directors who served during the year and subsequent to the year end are shown below

F Bassett  
P Davis ( Resigned 16th March 2007 )  
L Palumbo  
P Hills  
F Otto  
Sir Robert Walmsley  
P Davies ( Appointed 1<sup>st</sup> March 2006 )

There are no director's interests requiring disclosure under the Companies Act 1985

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.

**Research and development**

The Group remains committed to developing new products and technologies in the core business areas

DIRECTORS' REPORT

**Financial instruments**

The Group and Company use certain financial instruments to help manage its operating risks. In particular the Group and Company utilise cash and overdraft facilities provided by its bank and loan balances provided by other EDO corporation undertakings to manage the liquidity and cash flow risks faced.

**Contingencies and events occurring after the balance sheet date**

On 22 March 2007, proposed changes to UK Corporation Tax were announced. In outline, the rate of Corporation Tax on profits will be reduced from 30% to 28%, the rate of allowance for expenditure on plant and equipment will be reduced from 25% p a to 20% p a, a new class of fixtures qualifying for allowances at 10% p a will be defined later this year and allowances for industrial buildings will be reduced over the period 1 April 2008 to 31 March 2011 and withdrawn with effect from 1 April 2011.

The combined effect of these changes, which will take effect for accounting purposes when the Finance Bill 2007 is substantively enacted, is anticipated to be reflected in the 2007 accounts, which cannot currently be estimated until further legislative details are made available.

**Disclosure of information to the auditors**

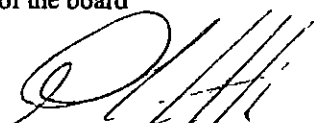
So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information required by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow directors and the group's 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 members at the Annual General Meeting.

On behalf of the board

*P Hills*  
Director



Date 17<sup>th</sup> August 2007

# EDO (UK) LIMITED

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## STATEMENT OF DIRECTORS' RESPONSIBILITIES

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, 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 (UK) LIMITED**

We have audited the company's financial statements for the year ended 31 December 2006 which comprise the Profit and Loss Account, Statement of Total Recognised Gains and Losses, Balance Sheet and the related notes 1 to 11. 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 (UK) LIMITED**

**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 2006 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 LLP*

Ernst & Young LLP  
Registered Auditor  
Southampton

*21 August 2007*

## EDO (UK) LIMITED

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### PROFIT AND LOSS ACCOUNT for the year ended 31 December 2006

|   | <i>Notes</i> | <i>2006</i><br><i>£000</i> | <i>2005</i><br><i>£000</i> |
|---|--------------|----------------------------|----------------------------|
| Other income/(expenses)                                     |              | 418                        | (234)                      |
| <b>OPERATING PROFIT/(LOSS)</b>                              | <b>2</b>     | <b>418</b>                 | <b>(234)</b>               |
| Investment income   | 3            | -                          | 661                        |
| Interest payable and similar charges                        | 4            | (266)                      | (245)                      |
| <b>PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION</b> |              | <b>152</b>                 | <b>182</b>                 |
| Tax on profit/(loss) on ordinary activities                 | 5            | (58)                       | 122                        |
| <b>RETAINED PROFIT/(LOSS) FOR THE FINANCIAL YEAR</b>        |              | <b>94</b>                  | <b>304</b>                 |

#### Statement of total recognised gains and losses

There are no recognised gains or losses other than the profit attributable to the shareholders for the year ended 31 December 2006 of £94,000 (2005 – profit of £304,000)



# EDO (UK) LIMITED

## BALANCE SHEET at 31 December 2006

|   | <i>Notes</i> | <i>2006</i><br><i>£'000</i> | <i>2005</i><br><i>£'000</i> |
|---|--------------|-----------------------------|-----------------------------|
| <b>FIXED ASSETS</b>                                   |              |                             |                             |
| Investments   | 6            | 10,611                      | 10,611                      |
| <b>CURRENT ASSETS</b>                                 |              |                             |                             |
| Debtors   | 7            | 508                         | 508                         |
| Cash at bank and in hand                              |              | 1                           | 9                           |
|   |              | <u>509</u>                  | <u>517</u>                  |
| <b>CREDITORS' amounts falling due within one year</b> | 8            | (9,488)                     | (9,590)                     |
| <b>NET CURRENT LIABILITIES</b>                        |              | <u>(8,979)</u>              | <u>(9,073)</u>              |
| <b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>          |              | <u>1,632</u>                | <u>1,538</u>                |
| <b>NET ASSETS</b>                                     |              | <u>1,632</u>                | <u>1,538</u>                |
| <b>CAPITAL AND RESERVES</b>                           |              |                             |                             |
| Called up share capital                               | 9            | 45                          | 45                          |
| Share premium account                                 | 10           | 410                         | 410                         |
| Profit and loss account                               | 10           | 1,177                       | 1,083                       |
| <b>SHAREHOLDERS' FUNDS</b>                            | 10           | <u>1,632</u>                | <u>1,538</u>                |



*P Hills*  
*Director*

Date 17<sup>th</sup> August 2007

# EDO (UK) Limited

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## NOTES TO THE FINANCIAL STATEMENTS

at 31 December 2006

### 1. ACCOUNTING POLICIES

#### *Basis of preparation*

The financial statements of EDO (UK) Limited were approved for issue by the Board of Directors on the date shown on the balance sheet

The financial statements are prepared in accordance with applicable United Kingdom accounting standards. The particular accounting policies are described below

In preparing the financial statements for the current year, the Company has adopted FRS20 'Share-based payment'. This has resulted in no changes to the amount recorded in either the current or prior year

#### *Preparation of group accounts*

The company has utilised the exemption available under section 248 of the Companies Act 1985, as a parent company of a small or medium sized group, 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 company has utilised the exemption provided under Financial Reporting Standard No 1 (Revised) and has not presented a cash flow statement. The cash flow of the company is included in the group accounts of the ultimate parent undertaking EDO Corporation

#### *Related party transactions*

The company is a wholly owned subsidiary of EDO Corporation, the consolidated financial statements of which are publicly available. Accordingly, the company has taken advantage of the exemption in FRS 8 from disclosing transactions with members or investees of the EDO Corporation group

#### *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

#### *Foreign currencies*

Transactions in foreign currencies are recorded at the rate ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rates of exchange ruling at the balance sheet date. The translation differences thus arising are dealt with in the profit and loss account

# EDO (UK) Limited

## NOTES TO THE FINANCIAL STATEMENTS

at 31 December 2006

### 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

### 2. OPERATING PROFIT

This is stated after charging/(crediting)

|                              | 2006              | 2005              |
|------------------------------|-------------------|-------------------|
|                              | £000              | £000              |
| Foreign exchange (gain)/loss | (388)             | 234               |
|                              | <u>          </u> | <u>          </u> |

The directors' and auditors' remuneration are borne by a subsidiary undertaking

### 3. INVESTMENT INCOME

|                            | 2006              | 2005              |
|----------------------------|-------------------|-------------------|
|                            | £000              | £000              |
| Dividends received in year | -                 | 661               |
|                            | <u>          </u> | <u>          </u> |

### 4. INTEREST PAYABLE AND SIMILAR CHARGES

|  | 2006              | 2005              |
|--|-------------------|-------------------|
|  | £'000             | £'000             |
| Interest due on loans from parent and fellow subsidiary undertakings | 266               | 245               |
|  | <u>          </u> | <u>          </u> |

# EDO (UK) Limited

## NOTES TO THE FINANCIAL STATEMENTS

at 31 December 2006

### 5. TAX CREDIT ON LOSS ON ORDINARY ACTIVITIES

|  |                    |                   |
|--|--------------------|-------------------|
| The tax on profit/(loss) is made up as follows               | 2006               | 2005              |
|  | £'000              | £'000             |
| <b>(a) Tax charge on profit on ordinary activities</b>       |                    |                   |
| <b>Current tax</b>   |                    |                   |
| United Kingdom corporation tax at 30% (2005 – 30%)           |                    |                   |
| Group relief   | (58)               | 143               |
| Adjustment in respect of prior years                         | -                  | (21)              |
|  | <u>(58)</u>        | <u>122</u>        |
| Tax credit on loss on ordinary activities                    | (58)               | 122               |
|  | <u><u>(58)</u></u> | <u><u>122</u></u> |
| <b>(b) Factors affecting current tax charge for the year</b> |                    |                   |

The tax rate assessed for the period is lower than that resulting from applying the standard rate of corporation tax in the UK of 30% (2005 – 30%) The differences are explained below

|  |                  |                    |
|--|------------------|--------------------|
|  | 2006             | 2005               |
|  | %                | %                  |
| Standard rate of tax for year as a percentage of profit before tax | 30               | 30                 |
| Effects of - Non-taxable income/costs                              | 52               | (83)               |
| - Double Tax Relief  | -                | (25)               |
| - Prior period adjustments   | -                | 11                 |
| - Utilisation of tax losses  | (44)             | -                  |
|  | <u>38</u>        | <u>(67)</u>        |
| Current tax rate for year as a percentage of profit before tax     | <u><u>38</u></u> | <u><u>(67)</u></u> |

### 6. INVESTMENTS

|  |                                    |
|--|------------------------------------|
|  | <i>Subsidiary<br/>undertakings</i> |
|  | <i>£'000</i>                       |
| Cost                                   |                                    |
| At 1 January 2006 and 31 December 2006 | <u><u>10,611</u></u>               |

The directors consider that the values of the subsidiary undertaking are not less than their book values  
The subsidiaries are

| <i>Name of company</i>       | <i>Country of<br/>incorporation</i> | <i>Proportion of<br/>ordinary share<br/>held</i> | <i>Nature of business</i>                              |
|------------------------------|-------------------------------------|--|--|
| EDO MBM Technology Limited   | United Kingdom                      | 100%   | Design and manufacture of electro-mechanical equipment |
| EDO Aerotech Limited         | United Kingdom                      | 100%   | Dormant  |
| EDO Artisan Technologies Inc | USA                                 | 100%   | Manufacture of electronic components                   |

# EDO (UK) Limited

## NOTES TO THE FINANCIAL STATEMENTS at 31 December 2006

### 7. DEBTORS

|                                    | 2006<br>£'000 | 2005<br>£'000 |
|------------------------------------|---------------|---------------|
| Amounts owed by group undertakings | 508           | 508           |
|                                    | <u>508</u>    | <u>508</u>    |

### 8. CREDITORS: amounts falling due within one year

|   | 2006<br>£'000 | 2005<br>£'000 |
|---|---------------|---------------|
| Amounts owed to subsidiary undertakings | 5,701         | 4,307         |
| Amounts owed to parent undertaking      | 3,787         | 5,283         |
|   | <u>9,488</u>  | <u>9,590</u>  |

### 9. CALLED UP SHARE CAPITAL

|   | 2006<br>£'000 | 2005<br>£'000 |
|---|---------------|---------------|
| <b>Authorised</b>                             |               |               |
| 250,250 ordinary shares of 10p each           | 25            | 25            |
| 204,750 preferred ordinary shares of 10p each | 20            | 20            |
|   | <u>45</u>     | <u>45</u>     |
| <b>Called up, allotted and fully paid</b>     |               |               |
| 250,250 ordinary shares of 10p each           | 25            | 25            |
| 204,750 preferred ordinary shares of 10p each | 20            | 20            |
|   | <u>45</u>     | <u>45</u>     |

The rights attaching to the preferred ordinary shares related to the right to receive specific dividends, based on the reported profit before tax of the company. These rights were amended following the acquisition of the Company by EDO Corporation, and the preferred ordinary shares are now deemed to rank equal with the ordinary shares.

## EDO (UK) Limited

### NOTES TO THE FINANCIAL STATEMENTS

at 31 December 2006

#### 10. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS AND STATEMENT OF MOVEMENT ON RESERVES

|   | <i>Called up<br/>share<br/>capital<br/>£'000</i> | <i>Share<br/>premium<br/>account<br/>£'000</i> | <i>Profit<br/>and loss<br/>account<br/>£'000</i> | <i>2006<br/>Total<br/>£'000</i> | <i>2005<br/>Total<br/>£'000</i> |
|---|--|--|--|---------------------------------|---------------------------------|
| At 1 January                                  | 45   | 410  | 1,083  | 1,538                           | 1,234                           |
| Retained profit/(loss) for the financial year | -  | -  | 94   | 94                              | 304                             |
| At 31 December                                | <u>45</u>  | <u>410</u>                                     | <u>1,177</u>                                     | <u>1,632</u>                    | <u>1,538</u>                    |

#### 11. ULTIMATE PARENT COMPANY AND CONTROLLING PARTY

The company's ultimate parent undertaking and controlling party is EDO Corporation, which is incorporated in the United States. EDO Corporation is the parent undertaking of the largest and smallest group of undertakings of which the company is a subsidiary undertaking for which group accounts are prepared. Copies of its group financial statements are available from

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New York, New York  
United States  
10165