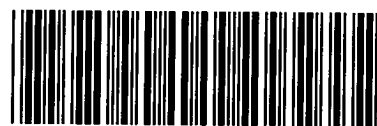


Syfer Technology Limited

**Directors' report and financial statements
for the year ended 31 December 2013**

Registered number: 02092166

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Syfer Technology Limited

Directors' report and financial statements for the year ended 31 December 2013

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Syfer Technology Limited

Directors and advisors

Directors

H G Ingleson

J M Shreeve

D W Wightman

R J Sullivan (Appointed 28/02/14)

Company secretary

D J Cook (Resigned 04/07/14)

Registered number

02092166

Registered office

Old Stoke Road

Arminghall

Norwich

Norfolk

NR14 8SQ

Independent auditors

PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

3 St James Court

Whitefriars

Norwich

NR3 1RJ

Strategic report for the year ended 31 December 2013

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

Strategy

As part of a group strategic review of global manufacturing and distribution operations the group elected to contract out certain direct manufacturing operations to China to ensure continued efficiency. In doing so certain plant and equipment was transferred at fair value from Syfer UK.

The company's overriding objective is to achieve sustainable rates of growth and returns through organic growth and enhanced profitability. There are five key elements to the company's strategy for growth:

- New product development;
- Further expansion into the Far East and NAFTA markets;
- Improvements in manufacturing efficiency through the adoption of lean principles;
- Use of lower cost labour areas where appropriate; and
- Exploiting synergies within the Knowles group.

Future outlook

The company expects steady expansion over the long to medium term, and expects to be able to compete on quality, price and customer focus. The company has launched innovative products during the year, and expects to continue to do so in the future. Reducing cost drivers is expected to allow the company to compete in markets currently considered to be low margin, whilst maintaining an increasing market share of more application specific products which provide a greater margin contribution. The higher rate of new product introduction is projected to allow more aggressive sales expansion.

Research and development

Increased emphasis has been placed on research and development activities with the introduction of specific goals and timeframes to ensure the company remains ahead of the competition. The company continues an active programme of research and development into new materials and technology, and customer product development. The company has also encouraged partnership projects both within the Dover group and with academic and industrial organisations.

The main areas of focus have been:

- Product enhancements in terms of range extensions;
- Material development; and,
- Process improvements.

Principal risks and uncertainties

The management of the business and the execution of the company's strategy are subject to a number of risks. Risks are formally reviewed by the board and appropriate processes put in place to monitor and mitigate them. The key business risks affecting the company are set out below.

Supply chain

Success has been achieved in bringing on lower cost suppliers and by utilising the Group's purchasing power.

Syfer Technology Limited

Strategic report for the year ended 31 December 2013 (continued)

Quality management

The business continues to maintain ISO9001, ISO14001, and OHSAS 18001 which it runs as an Integrated Management System, along with safety capacitor approvals by TUV and UL. As a supplier to markets which are dependent on high reliability products the company is pro-active in monitoring the quality of its products and

ensuring that liabilities to such markets are limited. Product approvals to AEC automotive standard and IECQ have helped strengthen our positions in these markets.

Environmental management

The company continues to improve its environmental impact and maintain, as a minimum, compliance with all legal requirements and permits.

Financial risk management

The company's operations form part of the Dover group, and as such, the directors are of the opinion that liquidity and interest rate cash flow risk are minimal, given the access to working capital facilities from the group. The most significant financial risks are price risk, credit risk and foreign exchange risk.

Price risk

The company's activities expose it to market risks associated with movements in commodity prices. With regard to commodity price risk, the company is exposed to changes in the price of key raw materials palladium, silver and neodymium. Some volatility has been seen as with many commodities but supply is currently in line with demand so no extreme movements are expected. When deemed appropriate, the company may seek through Ceramic Microwave Products to hedge against palladium price movements. No hedge was in effect at the financial year end.

Credit risk

The company has implemented policies that require appropriate checks on potential customers before sales are made. The amount of exposure to any individual counterpart is subject to limits which are monitored regularly to ensure no undue exposure to customer failure exists.

Foreign exchange risk

Foreign exchange risk is managed by matching payments and receipts in foreign currencies where possible to minimise exposure.

Key performance indicators

Given the straightforward nature of the business, the company's directors are of the opinion that analysis of key performance indicators is not necessary for an understanding of the development, performance or position of the business.

On behalf of the Board



H G Ingleson
Director

25 September 2014

Syfer Technology Limited

25 September 2014

Directors' report for the year ended 31 December 2013

The directors present their annual report and audited financial statements for the year ended 31 December 2013.

Principal activities and results and dividends

The company's principal activity is the manufacture of multilayer ceramic capacitors and filters. The results for the company show a profit on ordinary activities before taxation for the financial year of £2,628,000 (2012: £2,966,000) and turnover of £25,407,000 (2012: £19,559,000). Results for the year include costs of £1,188,000 for outsourcing operations to China, this was primarily in relation to equipment relocation, training and product qualification expenses. The company had net assets of £20,075,000 as at 31 December 2013 (2012: £18,437,000). No dividends were paid or proposed during the year (2012: £nil).

Business environment

The company operates in a highly competitive global market. Approximately 38.7% (2012: 51.0%) of the company's turnover is made within Europe, 20.3% (2012: 25.3%) within the North American Free Trade Agreement ("NAFTA") and 38.4% (2012: 20.7%) within the Far East. During the year the company utilised the global sales force of the Ceramic Microwave Products ("CMP") division within the group headed by the Dover Corporation (the "Dover group"), the company's parent undertaking during the year.

Within this competitive environment the company seeks to differentiate itself from its competitors by offering innovative application specific products of the highest possible quality, with short lead times.

Directors

The directors who served during the financial year and up to the date of signing these financial statements were as follows:

H G Ingleson

J M Shreeve

J W Smith (Resigned 28/02/14)

P J Marshal (Resigned 28/02/14)

D W Wightman

R J Sullivan (Appointed 28/02/14)

Employment of disabled persons

Applications for employment by disabled persons are always fully considered, bearing in mind the respective aptitudes and abilities of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the company continues and that appropriate training is arranged. It is the policy of the company that the training, career development and promotion of a disabled person should, as far as possible, be identical to that of a person who does not suffer from a disability.

Employee communication and involvement

Syfer Technology Limited has continued to show its commitment to effective communication between management and employees, and has encouraged employees to contribute directly to product development, quality and service cost containment initiatives.

Statement of directors' responsibilities

The directors are responsible for preparing the strategic report, directors' report and the financial statements in accordance with applicable law and regulations.

Syfer Technology Limited

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared 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

Directors' report for the year ended 31 December 2013 (continued)

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 judgements 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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping 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.

Disclosure of information to auditors

So far as each of the directors is aware, there is no relevant audit information of which the company's auditors are unaware and each director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

On behalf of the Board



H G Ingleson

Director

25 September 2014

Syfer Technology Limited

Independent auditors' report to the members of Syfer Technology Limited

Report on the financial statements

Our opinion

In our opinion the financial statements, defined below:

- 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.

This opinion is to be read in the context of what we say in the remainder of this report.

What we have audited

The financial statements, which are prepared by Syfer Technology Limited comprise:

- the balance sheet as at 31 December 2013;
- the profit and loss account and statement of total recognised gains and losses for the year then ended and;
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

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).

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

What an audit of financial statements involves

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). 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 Strategic and Directors' Reports 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.

Syfer Technology Limited

Independent auditors' report to the members of Syfer Technology Limited (continued)

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report and Strategic Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- 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.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility. Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

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 ISAs (UK & Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Craig Douglas (Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Norwich
26 September 2014

Syfer Technology Limited

Profit and loss account for the year ended 31 December 2013

| | Note | 2013 £'000 | 2012 £'000 |
|--|--------|---------------|---------------|
| Turnover | 2 | 25,407 | 19,559 |
| Cost of sales | | (15,595) | (9,883) |
| Gross profit | | 9,812 | 9,676 |
| Distribution costs | | (1,749) | (1,544) |
| Administrative expenses | | (6,910) | (5,293) |
| Operating profit | 5 | 1,153 | 2,839 |
| Exceptional item – profit on sale of assets held | 9 | 1,385 | - |
| Interest receivable and similar income | 6 | 42 | 75 |
| Other finance income | 7 | 48 | 52 |
| Profit on ordinary activities before taxation | | 2,628 | 2,966 |
| Tax on profit on ordinary activities | 8 | (610) | (777) |
| Profit for the financial year | 17, 18 | 2,018 | 2,189 |

The results for the financial year and prior year are derived entirely from continuing operations.

There is no material difference between the profit on ordinary activities before taxation and the profit for the financial year stated above and their historical costs equivalents.

Statement of total recognised gains and losses for the year ended 31 December 2013

| | Note | 2013 £'000 | 2012 £'000 |
|--|------|---------------|---------------|
| Profit for the financial year | | 2,018 | 2,189 |
| Actuarial loss on pension scheme | 7 | (238) | (1,931) |
| Movement on deferred tax relating to pension deficit | 14 | (72) | 389 |
| Total recognised gains relating to the financial year | | 1,708 | 647 |

Syfer Technology Limited

Balance sheet as at 31 December 2013

| | Note | 2013 £'000 | 2012 £'000 |
|---|------|---------------|---------------|
| Fixed assets | | | |
| Tangible assets | 9 | 2,938 | 2,290 |
| Current assets | | | |
| Stocks | 10 | 1,935 | 2,765 |
| Debtors | 11 | 21,377 | 20,422 |
| Cash at bank and in hand | | 1,623 | - |
| | | 24,935 | 23,187 |
| Creditors: amounts falling due within one year | 12 | (3,221) | (2,621) |
| Net current assets | | 21,714 | 20,566 |
| Total assets less current liabilities | | 24,652 | 22,856 |
| Provisions for liabilities | 13 | (1,511) | (1,340) |
| Net assets excluding pension deficit | | 23,141 | 21,516 |
| Pension deficit | 7 | (3,066) | (3,079) |
| Net assets | | 20,075 | 18,437 |
| Capital and reserves | | | |
| Called up share capital | 15 | 385 | 385 |
| Capital redemption reserve | 17 | 890 | 890 |
| Other reserve | 17 | 87 | 157 |
| Profit and loss account | 17 | 18,713 | 17,005 |
| Total shareholders' funds | 18 | 20,075 | 18,437 |

The financial statements on pages 8 to 30 were approved by the board of directors on 25 September 2014 and were signed on its behalf by:

H G Ingleson
Director



Registered number: 02092166

Syfer Technology Limited

Notes to the financial statements for the year ended 31 December 2013

1. Accounting policies

These financial statements have been prepared on a going concern basis, under the historical cost convention in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom. The principal accounting policies, which have been applied consistently, are set out below.

Turnover

Turnover represents sales at invoice value net of discounts allowed, and excluding value added tax. Turnover is recognised upon despatch of goods, the company having fulfilled its obligations at that point in time, and when the risks and rewards of ownership have been transferred to the customer.

Tangible assets and depreciation

Tangible assets are stated in the balance sheet at historical cost less accumulated depreciation. Costs include original purchase price plus costs directly attributable to bringing the asset into working condition for its intended use.

Depreciation is calculated to write off the cost of tangible assets less their estimated residual value on a straight line basis over the expected useful economic lives of the assets concerned. The principal annual rates used for this purpose are:

| | |
|-----------------------------------|-----------------------|
| Freehold buildings | 2% - 6.7% per annum |
| Plant and machinery | 10% - 20% per annum |
| Office and computer equipment | 20% - 33.3% per annum |
| Motor vehicles | 25% - 33.3% per annum |
| Freehold land is not depreciated. | |

Construction work in progress projects are not depreciated. When brought into use they are depreciated according to the company's policy for the category of asset (shown above) into which they are transferred.

Stocks and work in progress

Stocks and work in progress are stated at the lower of cost and net realisable value. Cost is determined on a first in first out basis, and comprises the direct cost of production and the attributable proportion of all overheads appropriate to location and condition. Net realisable value is the estimated selling price net of costs of completion, marketing and distribution. Provision is made, where necessary, to reflect the recoverable amount.

Foreign currencies

Monetary assets and liabilities expressed in foreign currencies are translated into sterling at the rate of exchange ruling at the balance sheet date. Differences arising on translation and on conversion of foreign currency transactions are dealt with as part of the profit on ordinary activities.

Operating leases

Leases in which a significant proportion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Rentals payable under operating leases are charged to the profit and loss account on a straight-line basis over the term of the lease. Benefits received and receivable as an incentive to sign a lease are spread evenly over the lease term, or to an earlier date when the first rent review will adjust the rent to the prevailing market value.

Syfer Technology Limited

Notes to the financial statements for the year ended 31 December 2013 (continued)

1. Accounting policies (continued)

Cash flow and related party disclosures

The company is a wholly owned subsidiary of Dover Corporation, which publishes consolidated financial statements which are publicly available. Consequently, the company has taken advantage of the exemption from preparing a cash flow statement under the terms of Financial Reporting Standard (“FRS”) 1 (revised 1996), “Cash Flow Statements”. The company is also exempt under the provisions of FRS 8, “Related Party Disclosures” from the requirement to disclose details of transactions with other group undertakings.

Taxation

The charge for taxation is based on the profit for the year as adjusted for disallowable items.

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 that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date.

A net deferred tax asset is recognised as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits against which to recover carried forward tax losses and from which the future reversal of underlying timing differences can be deducted

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on an undiscounted basis.

Provisions

Provisions are recognised when the company has a present obligation as a result of a past event, it is probable that a transfer of economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

Pensions

The company operates a defined benefit scheme which is contracted out of the State Pension Scheme but which was closed to further accrual on 6 April 2006. The assets of the funded defined benefit scheme are held and managed independently of the company. Full actuarial valuations are carried out every three years with interim reviews in the intervening years; these valuations are updated to 31 December each year by qualified independent actuaries. For the purpose of these updates, scheme assets are included at bid price and scheme liabilities are measured on an actuarial basis using the projected unit method. These liabilities are discounted at the current rate of return on a high quality corporate bond of equivalent currency and term. The post-retirement benefit deficit is included on the balance sheet, net of deferred tax. The current service cost and any past service costs are included in the profit and loss account within operating expenses and the expected return on the scheme’s assets, net of the impact of the unwinding of the discount on the scheme’s liabilities, is included within other finance income. Actuarial gains and losses, including differences between the expected and actual return on scheme assets, are recognised, net of the related deferred tax, in the statement of total recognised gains and losses.

Syfer Technology Limited

Notes to the financial statements for the year ended 31 December 2013 (continued)

1. Accounting policies (continued)

Pensions (continued)

Following the closure of the defined benefit pension scheme to new members, a defined contribution scheme was established during 2003. Contributions to this scheme are charged to the profit and loss account in the financial year to which they relate. Further information on pension costs is shown in note 7.

Prior year restatement

During the year, a restatement of the prior year comparative staff cost under note 3 was required to reflect the allocation of costs associated with the restructuring provisions previously excluded amounting to £667,000. The comparative has been modified accordingly.

Share-based payments

Certain employees of the company participate in share based payment scheme operated by the ultimate parent company, Dover Corporation. In accordance with FRS 20, "Share-based Payment", equity settled share-based payments granted since November 2002 are measured at fair value at the time of grant. Fair value is measured by use of the Black-Scholes model. The fair value determined at the grant date is expensed on a straight-line basis over the 3 year vesting period with a corresponding increase in 'other reserves'. Charges are levied by the ultimate parent company at the time of each exercise based on the difference at that time between the current listed share price and the option / stock-settled share appreciation rights ("SSARs") grant price. This expense is charged against the 'Other reserve'. Provision for National Insurance payable by the employer on gains on exercise of options is recognised in accordance with UITF 25.

Research and development

The company continues an active programme of research and development, the cost of which is wholly written off in the financial year in which expenditure is incurred.

Financial instruments

Financial assets and financial liabilities are recognised upon becoming a party to the contractual provisions of the instrument.

Trade debtors

Trade debtors are non-interest bearing and are stated at their nominal value, as reduced by appropriate allowances for estimated irrecoverable amounts.

Financial liabilities and equity instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that gives a residual interest in the assets of the company after deducting all of its liabilities.

Trade creditors

Trade creditors are not interest bearing and are stated at their nominal value.

Equity instruments

Equity instruments issued by the company are recorded at the proceeds received, net of direct issue costs.

Syfer Technology Limited

Notes to the financial statements for the year ended 31 December 2013 (continued)

2. Turnover

Turnover and profit on ordinary activities before taxation are derived entirely from the company's principal activity undertaken in the United Kingdom.

| | 2013 £'000 | 2012 £'000 |
|---|---------------|---------------|
| The analysis of turnover by geographical destination is as follows: | | |
| United Kingdom | 1,881 | 1,883 |
| Other European countries | 7,948 | 7,696 |
| Middle East | 638 | 521 |
| Far East | 9,763 | 4,048 |
| NAFTA (North America, Canada and Mexico) | 5,156 | 4,942 |
| Rest of world | 21 | 469 |
| | 25,407 | 19,559 |

3. Employee information

| Staff costs | 2013 £'000 | 2012 Restated £'000 |
|-----------------------|---------------|---------------------------|
| Wages and salaries | 7,757 | 7,825 |
| Social security costs | 748 | 661 |
| Other pension costs | 353 | 349 |
| | 8,858 | 8,835 |

The monthly average number of persons (including executive directors) employed by the company during the year was:

| By activity: | 2013 Number | 2012 Number |
|--------------------------|----------------|----------------|
| Production | 197 | 214 |
| Sales and administration | 42 | 42 |
| | 239 | 256 |

Syfer Technology Limited

Notes to the financial statements for the year ended 31 December 2013 (continued)

4. Directors' emoluments

| | 2013 £'000 | 2012 £'000 |
|---|---------------|---------------|
| Aggregate emoluments | 340 | 289 |
| Money purchase scheme: aggregate company contributions paid | 22 | 20 |

There has been no compensation paid for loss of office in the financial year. No directors have exercised share options or received shares during the financial year in respect of qualifying services under a long-term incentive scheme.

Retirement benefits are accruing to two (2012: two) directors under a defined benefit scheme and defined contribution scheme.

| Highest paid director | 2013 £'000 | 2012 £'000 |
|---|---------------|---------------|
| Total emoluments and amounts receivable under long term incentive schemes | 175 | 155 |
| Defined benefit pension scheme: accrued annual pension at end of year | 11 | 11 |
| Money purchase scheme: company contributions paid in the financial year | 12 | 10 |

5. Operating profit

| | 2013 £'000 | 2012 £'000 |
|---|---------------|---------------|
| Operating profit is stated after charging/(crediting) the following: | | |
| Depreciation of tangible assets – owned (note 9) | 432 | 421 |
| Operating lease charges – plant and machinery | 40 | 29 |
| Foreign exchange loss/ (gain) | 181 | 11 |
| Restructuring provision (note 13) | 64 | 1,004 |
| Profit on sale of fixed assets | 1,385 | 0 |
| Fees payable for the audit to the company's auditor | 24 | 23 |

6. Interest receivable and similar income

| | 2013 £'000 | 2012 £'000 |
|----------------------------------|---------------|---------------|
| Intercompany interest receivable | 42 | 75 |

Syfer Technology Limited

Notes to the financial statements for the year ended 31 December 2013 (continued)

7. Pension deficit

Syfer Technology pension plan

The Syfer Technology pension plan is a defined benefit scheme.

The scheme was closed to new entrants on 1 August 2003 and benefits ceased to accrue with effect from 6 April 2006. The latest full actuarial valuation was at 5 April 2011.

The assets of the scheme are held independently of the company. The directors consider that the funding arrangements are satisfactory and adequate to meet the future liabilities of these funds.

An actuarial valuation using the projected unit basis was carried out at 31 December 2013 by an independent actuary. The principal assumptions used by the actuary to calculate scheme liabilities under FRS 17, "Retirement Benefits" were:

| | As at 31 December 2013 % per annum | As at 31 December 2012 % per annum |
|-------------------|--|--|
| Valuation method | Projected unit | Projected unit |
| Discount rate | 4.43 | 4.43 |
| Inflation | 3.45 | 2.82 |
| Pension increases | 3.25 | 2.77 |

The mortality assumptions used are based on standard mortality tables, as follows:

| | |
|---------------------------|-------|
| Pre-retirement mortality | AXC00 |
| Post-retirement mortality | SIPXA |

The assumed life expectation on retirement aged 65 is:

| | As at 31 December 2013 | As at 31 December 2012 |
|---------|---------------------------|---------------------------|
| Males | 23.3 years | 23.1 years |
| Females | 25.8 years | 25.7 years |

Allowance for each member's year of birth has been made. Future mortality improvements are projected in accordance with the medium cohort trend improvements with a minimum annual improvement of 1%.

Syfer Technology Limited

Notes to the financial statements for the year ended 31 December 2013 (continued)

7. Pension deficit (continued)

The assets in the scheme and the expected rate of return were:

| | As at 31 December 2013 | | As at 31 December 2012 | |
|-------------------------------------|--|-----------------------------|--|-----------------------------|
| | Long term rate of return expected % p.a. | Value of assets £'000 | Long term rate of return expected % p.a. | Value of assets £'000 |
| Equities | 7.76 | 7,525 | 7.41 | 6,417 |
| UK index linked gilts | 3.49 | 1,236 | 2.59 | 1,225 |
| UK Corporate bonds | 4.48 | 2,263 | 3.80 | 2,285 |
| Diversified Growth Fund | 7.26 | 2,819 | 6.91 | 2,533 |
| Cash | 3.30 | 42 | 2.33 | 37 |
| Total market value of scheme assets | | 13,885 | | 12,497 |
| Present value of scheme liabilities | | (17,718) | | (16,496) |
| Deficit in the scheme | | (3,833) | | (3,999) |
| Related deferred tax asset | | 767 | | 920 |
| Net pension deficit | | (3,066) | | (3,079) |

The equity investments and bonds which are held in scheme assets are quoted on a single price basis, which approximates to the current bid price following the adoption of the amendment to FRS 17.

Scheme members may pay Additional Voluntary Contributions ("AVCs"). These operate on a defined contribution basis. The figures above exclude any assets and liabilities arising from members' individual AVC accounts.

Reconciliation of present value of scheme liabilities:

| | 2013 £'000 | 2012 £'000 |
|-----------------------|---------------|---------------|
| 1 January | 16,496 | 14,000 |
| Interest cost | 717 | 721 |
| Actuarial loss/(gain) | 1,125 | 2,321 |
| Benefits paid | (620) | (546) |
| 31 December | 17,718 | 16,496 |

Syfer Technology Limited

Notes to the financial statements for the year ended 31 December 2013 (continued)

7. Pension deficit (continued)

Reconciliation of fair value of scheme assets:

| | 2013 £'000 | 2012 £'000 |
|----------------------------------|---------------|---------------|
| 1 January | 12,497 | 11,550 |
| Expected return on scheme assets | 765 | 773 |
| Actuarial gain/(loss) | 887 | 390 |
| Current service cost | (101) | (96) |
| Benefits paid | (620) | (546) |
| Contributions paid by employer | 457 | 426 |
| 31 December | 13,885 | 12,497 |

The expected returns on scheme assets are determined by considering the expected returns available on the assets underlying the current investment policy and are assumed to be net of any indirect investment manager fees. Expected yields on equity investments reflect long-term real rates of return experience in the respective markets. The scheme does not invest in the employer's own financial instruments, including property or other assets owned, or used, by the employer.

Movement in deficit during the year:

| | 2013 £'000 | 2012 £'000 |
|---|----------------|----------------|
| Deficit in scheme at beginning of the year | (3,999) | (2,450) |
| Movement in year: | | |
| Contributions | 457 | 426 |
| Current service cost | (101) | (96) |
| Other finance income | 48 | 52 |
| Actuarial loss | (238) | (1,931) |
| Deficit in scheme at end of the year | (3,833) | (3,999) |

Total contributions were paid during the financial year of £457,000 (2012: £426,000). After 6 April 2006, when the scheme closed to future accrual, the company has agreed to pay annual contributions of at least £193,000 per annum until such time as the deficit is cleared. No allowance for expenses and the death in service premiums is allowed for in this contribution.

Syfer Technology Limited

Notes to the financial statements for the year ended 31 December 2013 (continued)

7. Pension deficit (continued)

Analysis of amounts credited/(charged) to profit and loss account:

| | 2013 £'000 | 2012 £'000 |
|--|---------------|---------------|
| Expected return on pension scheme assets | 765 | 773 |
| Interest on pension scheme liabilities | (717) | (721) |
| Current service cost | (101) | (96) |
| Total charge | (53) | (44) |

Amounts for current year and previous four years:

| | 2013 £'000 | 2012 £'000 | 2011 £'000 | 2010 £'000 | 2009 £'000 |
|---|----------------|----------------|----------------|----------------|----------------|
| Defined benefit obligation | (17,718) | (16,496) | (14,000) | (13,714) | (13,268) |
| Scheme assets | 13,885 | 12,497 | 11,550 | 11,490 | 10,190 |
| Deficit | (3,833) | (3,999) | (2,450) | (2,224) | (3,078) |
| Experience adjustments on scheme assets | 887 | 390 | (685) | 769 | 764 |
| Experience adjustments on scheme liabilities | 40 | (340) | 214 | 308 | 189 |
| Changes in assumptions underlying the present value of the scheme liabilities | (1,165) | (1,981) | (101) | (452) | (1,147) |
| Actuarial (loss)/gain recognised in the statement of recognised gains and losses | (238) | (1,931) | (572) | 625 | (194) |

The cumulative amount of actuarial losses recognised in the statement of recognised gains and losses for financial years ending on or after 31 December 2002 is £3,745,000.

Syfer Technology Limited

Notes to the financial statements for the year ended 31 December 2013 (continued)

7. Pension deficit (continued)

Money purchase pension scheme

The company operates a pension scheme providing benefits to members based upon accumulated contributions. The company administers the fund and the assets of the scheme are held separately from the company with an insurance company. Contributions are charged to the profit and loss account in the financial year in which they accrue. The pension charge for the financial year was £252,000 (2012: £246,000). There were accrued contributions at the end of the financial year totalling £46,000 (2012: £41,000).

8. Tax on profit on ordinary activities

| | 2013 £'000 | 2012 £'000 |
|--|---------------|---------------|
| Current tax: | | |
| United Kingdom corporation tax on profit of the financial year | 85 | 661 |
| Adjustment in respect of prior years | 248 | (10) |
| Total current tax | 333 | 651 |
| Deferred tax: | | |
| Current year | 359 | (75) |
| Change in tax rate | 37 | 29 |
| Net pension contribution in excess of net pension charge | 81 | 88 |
| Adjustment in respect of prior years | (200) | 84 |
| Total deferred tax | 277 | 126 |
| Tax on profit on ordinary activities | 610 | 777 |

Syfer Technology Limited

Notes to the financial statements for the year ended 31 December 2013 (continued)

8. Tax on profit on ordinary activities (continued)

The tax assessed for the period is lower (2012: lower) than the standard effective rate of corporation tax in the UK for the year ended 31 December 2013 of 23.25% (2012: 24.5%). The differences are explained below:

| | 2013 £'000 | 2012 £'000 |
|--|---------------|---------------|
| Profit on ordinary activities before taxation | 2,628 | 2,966 |
| UK corporation tax at 23.25% (2012: 24.5%) | 611 | 727 |
| Effects of: | | |
| Accelerated capital allowances | (358) | 80 |
| Other timing differences | (59) | 1 |
| Other permanent differences | (28) | (59) |
| Net pension contribution in excess of net pension charge | (81) | (88) |
| Adjustments in respect of prior years | 248 | (10) |
| Current tax charge for the year | 333 | 651 |

Factors that may affect future tax charges

During the year, as a result of the changes in the UK corporation tax rate to 21% from 1 April 2014 and to 20% from 1 April 2015, which were substantially enacted on 2 July 2013, the relevant deferred tax balances have been re-measured.

Syfer Technology Limited

Notes to the financial statements for the year ended 31 December 2013 (continued)

9. Tangible assets

| | Freehold land and buildings £'000 | Construction work in progress £'000 | Plant and machinery £'000 | Office and computer equipment £'000 | Motor vehicles £'000 | Total £'000 |
|---------------------------------|--|--|---------------------------------|--|----------------------------|----------------|
| Cost | | | | | | |
| At 1 January 2013 | 1,943 | 14 | 12,571 | 422 | 22 | 14,972 |
| Additions | - | 1,112 | - | - | - | 1,112 |
| Transfers | - | (766) | 766 | - | - | - |
| Disposals | - | - | (3,186) | - | - | (3,186) |
| At 31 December 2013 | 1,943 | 361 | 10,151 | 422 | 22 | 12,898 |
| Accumulated depreciation | | | | | | |
| At 1 January 2013 | 513 | - | 11,760 | 387 | 22 | 12,682 |
| Charge for the year | 112 | - | 304 | 16 | - | 432 |
| Disposals | - | - | (3,154) | - | - | (3,154) |
| At 31 December 2013 | 625 | - | 8,910 | 403 | 22 | 9,960 |
| Net book amount | | | | | | |
| At 31 December 2013 | 1,318 | 361 | 1,241 | 19 | - | 2,938 |
| At 31 December 2012 | 1,430 | 14 | 811 | 35 | - | 2,290 |

10. Stocks

| | 2013 £'000 | 2012 £'000 |
|-------------------------------|---------------|---------------|
| Raw materials and consumables | 1,072 | 1,293 |
| Work in progress | 708 | 703 |
| Finished goods | 155 | 769 |
| | 1,935 | 2,765 |

The replacement cost of stocks and work in progress is not materially different to the numbers disclosed above.

Syfer Technology Limited

Notes to the financial statements for the year ended 31 December 2013 (continued)

11. Debtors

| | 2013 £'000 | 2012 £'000 |
|------------------------------------|---------------|---------------|
| Trade debtors | 2,883 | 2,712 |
| Amounts owed by group undertakings | 17,772 | 17,041 |
| Deferred taxation (note 14) | 88 | 284 |
| Other debtors | 383 | 159 |
| Prepayments and accrued income | 251 | 226 |
| | 21,377 | 20,422 |

The above amounts fall due within one year with the exception of deferred taxation, which is recoverable after more than one year.

The amounts owed by group undertakings are unsecured and receive interest at market rates.

12. Creditors: amounts falling due within one year

| | 2013 £'000 | 2012 £'000 |
|------------------------------------|---------------|---------------|
| Trade creditors | 623 | 981 |
| Amounts owed to group undertakings | 538 | 12 |
| Corporation tax | 12 | 661 |
| Other taxation and social security | 132 | 124 |
| Other creditors | 87 | 116 |
| Accruals and deferred income | 1,829 | 727 |
| | 3,221 | 2,621 |

The amounts owed to group undertakings are unsecured and interest free.

Syfer Technology Limited

Notes to the financial statements for the year ended 31 December 2013 (continued)

13. Provisions for liabilities

The movements on provisions during the financial year were as follows:

| | Warranty provision £'000 | Long term incentive plan £'000 | Holiday pay provision £'000 | Distributor sales reserve £'000 | Obsolescenc e provision £'000 | Restructuring provision £'000 | Total £'000 |
|---------------------------------------|--------------------------------|---|--------------------------------------|--|-------------------------------------|-------------------------------------|----------------|
| At 1 January 2013 | 30 | 12 | 74 | 220 | - | 1,004 | 1,340 |
| Charged to profit and loss account | - | 6 | 104 | 169 | 292 | 64 | 635 |
| Utilised during the financial year | - | - | (74) | (117) | - | (273) | (464) |
| At 31 December 2013 | 30 | 18 | 104 | 272 | 292 | 795 | 1,511 |

Warranty provision

The company makes provision for the cost of faulty returned goods to the extent of the expected transfer of economic benefit.

Long term incentive plan

This is a provision relating to employee incentive plans (other than share based payments) which are dependent on the future performance of the company.

Holiday pay provision

The holiday pay provision represents holiday entitlement that the company is obligated to provide as at 31 December 2013.

Distributor sales reserve

The company makes provision for the cost of returned goods to the extent of the expected transfer of economic benefit.

Obsolescence Provision

The company is in the process of transferring production facilities to China and Malaysia. Under Malaysian law, the company is unable to scrap metals relating to imported machinery, and therefore the company has established provision to address this obligation.

Restructuring provision

As at 31 December 2012, the company had initiated plans to contract out certain manufacturing activities to the Far East, and accordingly provision has been made in respect of committed costs which will be incurred as a result of this decision. The above provisions are deemed likely to be utilised within 1 year.

Syfer Technology Limited

Notes to the financial statements for the year ended 31 December 2013 (continued)

14. Deferred taxation

Deferred taxation provided in the financial statements (excluding the asset relating to the pension deficit) is as follows:

| | 2013 £'000 | 2012 £'000 |
|--|---------------|---------------|
| Tax effect of timing differences because of: | | |
| Accelerated capital allowances | (118) | 220 |
| Other timing differences | 206 | 64 |
| Deferred tax asset | 88 | 284 |

The movement on the deferred tax asset during the financial year was as follows:

| | 2013 £'000 | 2012 £'000 |
|--|---------------|---------------|
| At 1 January | 284 | 322 |
| Charged to the profit and loss account during the financial year | (159) | (9) |
| Change in tax rate | (37) | (29) |
| At 31 December | 88 | 284 |

Deferred tax asset relating to pension deficit:

| | 2013 £'000 | 2012 £'000 |
|---|---------------|---------------|
| At 1 January | 920 | 619 |
| Charged to profit and loss account | (81) | (88) |
| Credited/(charged) to statement of total recognised gains and losses: | | |
| On actuarial loss | 48 | 444 |
| Change in tax rate | (120) | (55) |
| At 31 December | 767 | 920 |

Syfer Technology Limited

Notes to the financial statements for the year ended 31 December 2013 (continued)

15. Called up share capital

| Allotted, and fully paid | 2013 £'000 | 2012 £'000 |
|--|---------------|---------------|
| 385,000 (2012: 385,000) ordinary shares of £1 each | 385 | 385 |
| | 385 | 385 |

16. Share options

Certain employees of the company participate in share based payment plans operated by the ultimate parent company, Dover Corporation. In accordance with FRS20 'Share-based payment', equity settled share-based payments granted since November 2002 are measured at fair value at the time of grant. Fair value is measured by use of the Black Scholes model. The fair value determined at the grant date is measured on a straight-line basis over the vesting period with a corresponding increase in 'other reserves'. Charges are levied by the ultimate parent company at the time of each exercise based on the difference at that time between the current listed share price and the option/SAR grant price. This expense is charged against 'other reserves'.

Share options granted prior to November 2002 are valued based on the difference at the balance sheet date between the Dover Corporation quoted share price and the option grant price, converted from US dollars at the balance sheet exchange rate. Provisions are adjusted for share options that are time-expired, forfeited or exercised during the year.

Provision for National Insurance payable by the employer on gains on exercise of options is recognised in accordance with UITF25.

Equity and Cash Incentive Plan

Dover Corporation, the ultimate parent, operates two plans in which certain employees of the company participate. Awards are generally reserved for senior management level employees. Currently in operation is the Dover Corporation 2012 Equity and Cash Incentive Plan ("the 2012 Plan") approved on 3 May 2012, and this replaced the 2005 Plan that was due to expire on 31 January 2015. Under these Plans both stock options and stock-settled stock appreciation rights ("SARs") have been granted to certain employees of the company. All stock options or SARs issued under these plans vest after 3 years of service and expire at the end of ten years. For an option or SAR to vest the general condition is that of continued employment within Dover Corporation at the time of vesting. Where an option or SAR holder ceases to be an employee of Dover Corporation after the vesting period, the right to exercise continues for between 3 and 60 months depending on the reason for cessation of employment. If an employee ceases employment due to gross misconduct all outstanding options or SARs are immediately cancelled. All the options and SARs are granted by the Dover Corporation Compensation Committee and have an exercise price equal to the fair market value of Dover Corporation stock on the day of grant.

Syfer Technology Limited

Notes to the financial statements for the year ended 31 December 2013 (continued)

16. Share options (continued)

No stock options were issued in 2013 and Dover Corporation does not anticipate issuing stock options in the future. The fair value of each grant was estimated on the date of grant using a Black-Scholes option-pricing model that included the following assumptions:

| | 2013 SSARs Granted | 2012 SSARs Granted |
|--|--------------------------|--------------------------|
| Note: All values shown as \$ relate to US dollars. | | |
| Risk-free interest rate | 1.40% | 1.06% |
| Dividend yield | 2.06% | 2.02% |
| Expected life (years) | 6.5 | 6.5 |
| Volatility | 33.78% | 36.41% |
| Grant date | 14 Feb 2013 | 9 Feb 2012 |
| Option grant price | \$71.86 | \$65.38 |
| Fair value of grant in Sterling | £13.20 | £11.66 |

The expected life of 6.5 years is the average expected period to exercise. This is the mid-point between the vesting date and expiration and is supported by past experience. The expected volatility is based on the historical volatility. The risk free interest rate is based on the yield on zero-coupon US government bonds of a term consistent with the assumed option life at the date of grant.

A summary of SAR and option movements within the company during the period is as follows:

| Stock options | 2013 | | 2012 | |
|----------------------------|-------------------|---|-------------------|---|
| | Shares, number | Weighted average exercise price, £ | Shares, number | Weighted average exercise price, £ |
| Outstanding at 1 January | 7,241 | 24.27 | 10,463 | 22.77 |
| Exercised | (5,737) | 24.19 | (3,222) | 16.00 |
| Outstanding at 31 December | 1,504 | 23.32 | 7,241 | 24.27 |
| Exercisable at 31 December | 1,504 | 23.32 | 7,241 | 24.27 |

Syfer Technology Limited

Notes to the financial statements for the year ended 31 December 2013 (continued)

16. Share options (continued)

| SSARs | 2013 | | 2012 | |
|----------------------------|-------------------|---|-------------------|---|
| | Shares, number | Weighted average exercise price, £ | Shares, number | Weighted average exercise price, £ |
| Outstanding at 1 January | 17,107 | 28.66 | 15,272 | 28.58 |
| Granted | 2,227 | 44.04 | 1,835 | 40.61 |
| Exercised | (7,163) | 28.18 | - | - |
| Outstanding at 31 December | 12,171 | 31.07 | 17,107 | 28.66 |
| Exercisable at 31 December | 6,307 | 21.49 | 10,671 | 25.08 |

For share options exercised during the financial year, the weighted average share price at the date of exercise was £52.47 (2012: £39.72).

The total charge for the financial year relating to employee share-based payment plans was £22,508 (2012: £19,449), all of which related to equity-settled share based payments transactions.

The following stock options and SSARs were outstanding at 31 December:

| Year granted | 2013 | | 2012 | |
|--------------|-------------------|----------------------|-------------------|----------------------|
| | Shares, number | Exercise price, £ | Shares, number | Exercise price, £ |
| 2003 | - | - | 100 | 15.15 |
| 2004 | 200 | 25.03 | 3,201 | 25.51 |
| 2005 | 1,304 | 23.06 | 3,940 | 23.50 |
| 2007 | - | - | 3,178 | 31.29 |
| 2008 | - | - | 3,985 | 26.16 |
| 2009 | 3,508 | 17.87 | 3,508 | 18.21 |
| 2010 | 2,799 | 26.02 | 2,799 | 26.52 |
| 2011 | 1,802 | 40.41 | 1,802 | 41.18 |
| 2012 | 1,835 | 39.67 | 1,835 | 40.43 |
| 2013 | 2,227 | 43.60 | - | - |

Syfer Technology Limited

Notes to the financial statements for the year ended 31 December 2013 (continued)

17. Reserves

| | Capital redemption reserve £'000 | Other reserve £'000 | Profit and loss account £'000 |
|--|---|---------------------------|--|
| At 1 January 2013 | 890 | 157 | 17,005 |
| Credit in respect of service costs settled by award of share options | - | (70) | - |
| Actuarial loss on pension deficit | - | - | (238) |
| Movement on deferred tax relating to pension deficit | - | - | (72) |
| Retained profit for the financial year (note 18) | - | - | 2,018 |
| At 31 December 2013 | 890 | 87 | 18,713 |

Syfer Technology Limited

Notes to the financial statements for the year ended 31 December 2013 (continued)

18. Reconciliation of movements in shareholders' funds

| | 2013 £'000 | 2012 £'000 |
|--|---------------|---------------|
| Retained profit for the financial year | 2,018 | 2,189 |
| Actuarial losses on pension deficit | (238) | (1,931) |
| Movement on deferred tax relating to pension deficit | (72) | 389 |
| Credit in respect of service costs settled by award of share options | (70) | 3 |
| Net addition to shareholders' funds | 1,638 | 650 |
| Opening shareholders' funds | 18,437 | 17,787 |
| Closing shareholders' funds | 20,075 | 18,437 |

19. Financial commitments

The company had annual commitments under non-cancellable operating leases in respect of plant and machinery expiring as follows:

| | Land & buildings | |
|---------------------------|------------------|---------------|
| | 2013 £'000 | 2012 £'000 |
| Within one year | 4 | 1 |
| Within two and five years | 15 | 24 |
| | 19 | 25 |

Syfer Technology Limited

Notes to the financial statements for the year ended 31 December 2013 (continued)

20. Capital and other commitments

| | 2013 £'000 | 2012 £'000 |
|------------------------------------|---------------|---------------|
| Capital expenditure contracted for | - | 625 |

21. Contingent liabilities

The company has issued a guarantee in favour of HM Revenue & Customs, the maximum liability under which is £300,000.

22. Parent undertakings and ultimate controlling party

The company's immediate parent undertaking is Dover Communications technologies UK Limited (formerly Dover U.K. Holdings Limited) which holds 100% of the share capital. Dover U.K. Holdings Limited is the parent undertaking of the smallest group to consolidate these financial statements.

The ultimate parent undertaking and ultimate controlling party is Dover Corporation, which is the parent undertaking of the largest group and the smallest to consolidate these financial statements. Copies of the consolidated financial statements of Dover Corporation can be obtained at 3005 Highland Parkway, Suite 200, Downers Grove, IL 60515.

23. Post balance sheet events

On 6 February 2014, Syfer UK Limited became part of Knowles Corporation which separated from the Ultimate controlling party Dover Corporation. With this change in ownership, Knowles Corporation will be ultimate parent undertaking and ultimate controlling party of Syfer UK Limited.