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Rohde & Schwarz U.K. Limited

Report and Financial Statements

Year Ended

30 June 2007

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Rohde & Schwarz U.K. Limited

Annual report and financial statements for the year ended 30 June 2007

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Directors

F Mackel
M Becker
M Paoli

Bankers

HSBC
54 Clarence Street
Kingston Upon Thames
Surrey
KT1 1NS

Secretary and Registered Office

C Morrow
Rohde & Schwarz House
Ancells Business Park
Fleet
Hampshire
GU51 2UZ

Company Number

00539607

Auditors

BDO Stoy Hayward LLP
Emerald House
East Street
Epsom
Surrey
KT17 1HS

Rohde & Schwarz U.K. Limited

Report of the directors for the year ended 30 June 2007

The directors present their report together with the audited financial statements for the year ended 30 June 2007

Results and dividends

The profit and loss account is set out on page 5 and shows the profit for the year

The directors do not recommend the payment of a dividend.

Principal activity, review of business and future developments

The principal activity of Rohde & Schwarz UK Limited is that of a sales and service organisation, selling products within the fields of test and measurement, broadcasting, radiomonitoring, radiolocation and mission-critical radiocommunications manufactured by group owned production sites for resale primarily in the UK and Ireland

Following an annual increase in turnover and profits for a number of years, the company experienced a decrease in turnover for the current financial year of 8.5%. However, the company achieved a gross profit margin of 27%, which represents an improvement on the previous year of 3%, and as a result of this, gross profit has also increased by 3% over last year. We aim to steadily increase turnover by increasing our market share with the UK and Ireland, and by exploiting growth market areas.

In the current financial year the company produced satisfactory results, mainly driven by the performance of the test and measurement division, together with continuing exceptional growth in service activities. The company increased the number of employees within its sales and product support divisions and also in the marketing division, in order to facilitate future growth targets and provide increased customer support.

An operating profit of £2.7m was attained, reflecting a decrease of 10%. This is mainly due to the increased headcount which represents an investment in the company's future.

There are no foreseeable significant risks to the trading performance of the company based on a high activity in the wireless market segment and upcoming requirements for digital radio and television transmitters, where Rohde & Schwarz is an established market leader.

The company seeks to minimise its risk of losing customers to key competitors by the quality of our products and also of our sales force, employing skilled engineers with the ability to assist our customers in selecting the best solution for their needs and to provide ongoing support and training.

There have been no events since the balance sheet date which materially affect the position of the company.

Financial instruments

The company holds or issues financial instruments to finance its operations. Operations are financed by retained profits. Working capital requirements are met out of retained profits. In addition, various financial instruments such as trade debtors and trade creditors arise directly from the company's operations. The company does not enter into any hedging arrangements.

The company is mainly exposed to credit risk from credit sales. It is company policy to assess the credit risk of new customers and to factor the information from these credit ratings into future dealings with the customers. At the balance sheet date there were no significant concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet.

The directors monitor the liquidity and cash flow risk of the company carefully. The company has investments in liquidity funds with the company's bankers which are used to manage fluctuations in cash flow. Cash flow is monitored by the directors on a regular basis.

Report of the directors' for the year ended 30 June 2007 (continued)

Charitable donations

During the year the company made charitable donations of £1,035 (2006 £494)

Directors

The directors who served during the year were as follows

F Mackel
M Becker
M Paoli

Directors' responsibilities

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice

Company law requires the directors to prepare financial statements for each financial year which 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 financial statements 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 accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

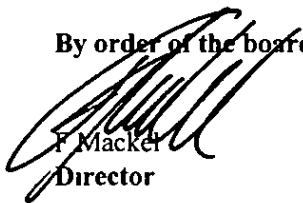
The directors are responsible for keeping proper accounting records which disclose, with reasonable accuracy at any time, the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking steps for the prevention and detection of fraud and other irregularities

Auditors

All of the current directors have taken all steps that they ought to have taken to make themselves aware of any information needed by the company's auditors for the purpose of their audit and to establish that the auditors are aware of that information. The directors are not aware of any relevant audit information of which the auditors are unaware

BDO Stoy Hayward LLP have expressed their willingness to continue in office and a resolution to reappoint them will be proposed at the next annual general meeting

By order of the board



F Mackel
Director

30 July 2007

Rohde & Schwarz U.K. Limited

Report of the independent auditors

To the shareholders of Rohde & Schwarz U.K. Limited

We have audited the financial statements of Rohde & Schwarz UK Limited for the year ended 30 June 2007 which comprise the profit and loss account, the statement of total recognised gains and losses, the balance sheet, the cash flow statement and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are 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 have been properly prepared in accordance with the Companies Act 1985 and whether the information given in the directors' report is consistent with those financial statements. We also 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 other information contained in the annual report and consider whether it is consistent with the audited financial statements. The other information comprises only the directors' report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Our report has been prepared pursuant to the requirements of the Companies Act 1985 and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of the Companies Act 1985 or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

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 judgments 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.

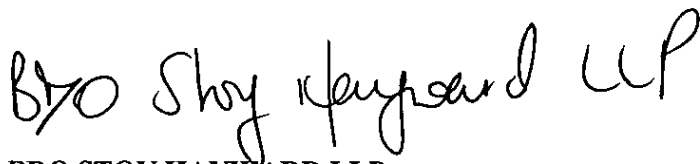
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity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

Report of the independent auditors (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 30 June 2007 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



BDO STOY HAYWARD LLP

*Chartered Accountants
and Registered Auditors
Epsom, Surrey*

30 July 2007

Rohde & Schwarz U.K. Limited

Profit and loss account for the year ended 30 June 2007

	Note	2007		2006	
		£	£	£	£
Turnover	2		26,052,719		28,485,374
Cost of sales			19,025,269		21,665,844
Gross profit			7,027,450		6,819,530
Personnel and related expenses		2,999,396		2,587,561	
Selling costs		854,712		829,089	
Establishment costs		571,188		719,103	
			4,425,296		4,135,753
			2,602,154		2,683,777
Other operating income			119,383		343,590
Operating profit	3		2,721,537		3,027,367
Interest receivable	4		925,345		779,499
Profit on ordinary activities before taxation			3,646,882		3,806,866
Tax on profit on ordinary activities	7		1,139,408		1,166,527
Profit on ordinary activities after taxation			2,507,474		2,640,339

All amounts relate to continuing activities

A statement of the movement in shareholders' funds can be found in note 15

The notes on pages 9 to 17 form part of these financial statements

Rohde & Schwarz U.K. Limited

Statement of total recognised gains and losses for the year ended 30 June 2007

	Note	2007 £	2006 £
Profit for the financial year		2,507,474	2,640,339
Unrealised surplus on revaluation of investment property	14	<u>275,000</u>	<u>-</u>
Total gains and losses recognised since last financial statements		<u>2,782,474</u>	<u>2,640,339</u>

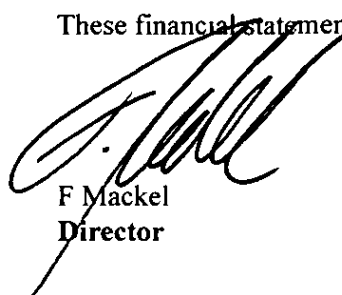
The notes on pages 9 to 17 form part of these financial statements

Rohde & Schwarz U.K. Limited

Balance sheet at 30 June 2007

	Note	2007		2006	
		£	£	£	£
Fixed assets					
Tangible assets	8		1,337,958		848,915
Current assets					
Stock and work in progress	9	1,848,772		2,466,113	
Debtors	10	15,084,681		15,866,338	
Cash at bank and in hand		11,530,763		6,194,156	
		<u>28,464,216</u>		<u>24,526,607</u>	
Creditors: amounts falling due within one year	11	<u>7,232,370</u>		<u>5,639,834</u>	
Net current assets			<u>21,231,846</u>		<u>18,886,773</u>
Total assets less current liabilities			<u>22,569,804</u>		<u>19,735,688</u>
Provisions for liabilities					
Provision for guarantee liability	12		<u>1,088,910</u>		<u>1,037,268</u>
			<u>21,480,894</u>		<u>18,698,420</u>
Capital and reserves					
Called up share capital	13		156,100		156,100
Capital redemption reserve	14		18,900		18,900
Revaluation reserve	14		620,341		345,341
Profit and loss account	14		<u>20,685,553</u>		<u>18,178,079</u>
Shareholders' funds	15		<u>21,480,894</u>		<u>18,698,420</u>

These financial statements were approved by the Board and authorised for issue on 30 July 2007



F Mackel
Director

The notes on pages 9 to 17 form part of these financial statements

Rohde & Schwarz U.K. Limited

Cash flow statement for the year ended 30 June 2007

	Note	2007	2006
		£	£
Net cash inflow/(outflow) from operating activities	17	6,000,376	(902,936)
Returns on investment and servicing of finance			
Interest received		925,345	779,499
Net cash inflow from returns on investments and servicing of finance		925,345	779,499
Taxation			
UK corporation tax paid		(1,173,792)	(1,068,417)
Capital expenditure and financial investment			
Payments to acquire tangible fixed assets		(440,710)	(179,793)
Receipts from sale of fixed assets		83	-
Net cash outflow from capital expenditure and financial investment		(440,627)	(179,793)
Cash inflow/(outflow) before use of liquid resources		5,311,302	(1,371,647)
Management of liquid resources			
Cash (transferred to)/withdrawn from short term deposits		(5,541,102)	1,179,004
Decrease in cash in the year	19	(229,800)	(192,643)

The notes on pages 9 to 17 form part of these financial statements

1 Accounting policies

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of land and buildings and are in accordance with applicable accounting standards. The following principal accounting policies have been applied:

Turnover

Turnover is stated net of value added tax and discounts given and represents amounts invoiced and delivered to third parties, or, in the case of long term projects, in accordance with FRS 5, based on an assessment of the fair value of goods and services provided as a proportion of the total fair value of the contract.

Depreciation

Depreciation is provided to write off the cost, less estimated residual values of all tangible fixed assets, except for investment properties and freehold land, evenly over their expected useful lives. It is calculated at the following rates:

Furniture and equipment	15% per annum straight line
Demonstration and service equipment	20% per annum straight line
Motor vehicles and computer equipment	25% per annum straight line
Short leasehold properties	over length of lease

Investment Properties

In accordance with SSAP 19 investment properties are revalued periodically to open market value and no depreciation is provided. The directors consider that this accounting policy results in the financial statements giving a true and fair view. The effect of this departure from the Companies Act 1985 has not been quantified because it is impracticable and, in the opinion of the directors, would be misleading.

The aggregate surplus or deficit arising on revaluation is transferred to the revaluation reserve except where a deficit is deemed to represent a permanent diminution in value, in which case it is charged to the profit and loss account.

Stocks and work in progress

Stocks represent finished goods and demonstration stock which is stated at the lower of cost and net realisable value. Demonstration stock held for a period in excess of one year is provided against at a rate of 25% per annum, until the stock reaches a net book value of 25% of its original cost. Stock is regularly reviewed for obsolescence.

Work in progress arises on long term contracts. Profit on these contracts is recognised as the work is carried out if the final outcome can be assessed with reasonable certainty. The profit is calculated on a prudent basis to reflect the proportion of the work carried out at the year end, by recording turnover and related costs as contract activity progresses. Turnover is calculated in accordance with FRS 5, based on an assessment of the fair value of goods and services provided as a proportion of the total fair value of the contract. Full provision is made for losses on all contracts in the year in which they are first foreseen.

1 Accounting policies (continued)

Deferred taxation

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date, except that

- deferred tax is not recognised in respect of all timing differences arising on revalued properties unless the company has entered into a binding sale agreement and is not proposing to take advantage of rollover relief, and
- the recognition of deferred tax assets is limited to the extent that the company anticipates to make sufficient taxable profits in the future to absorb the reversal of the underlying timing differences

Deferred tax balances are not discounted

Leased assets

Operating lease rentals are charged to the profit and loss account on a straight-line basis over the term of the lease

Guarantee liability

In respect of contracts where the company has given a guarantee a provision is made for the expected future guarantee liability. This liability is estimated based on the budgeted costs of servicing guarantees for the forthcoming year and the unexpired guarantee periods at the balance sheet date. Liabilities arising under the guarantees are charged against the profits for the year.

Pension costs

Retirement benefits to employees of the company are provided by a defined contribution group personal pension scheme which is funded by contributions paid to a separately administered fund. Contributions to the pension scheme are charged to the profit and loss account in the year in which they become payable.

Foreign currency

Foreign currency transactions are translated at the rates ruling when they occurred. Foreign currency balances are translated to sterling at the exchange rates ruling at the balance sheet date. Any differences are taken to the profit and loss account.

Liquid resources

For the purposes of the cash flow statement, liquid resources are defined as short term deposits.

2 Turnover

Turnover and profit on ordinary activities before tax relate to the company's principal activities. The analysis of turnover by geographical market is as follows

	2007 £	2006 £
United Kingdom	24,542,126	25,091,711
Rest of Europe	1,425,552	1,626,277
USA	11,539	-
Asia/North Africa	73,502	1,767,386
	<u>26,052,719</u>	<u>28,485,374</u>

3 Operating profit

This is arrived at after charging/(crediting)

	2007 £	2006 £
Depreciation - owned assets	226,339	192,173
Hire of plant and machinery – operating leases	166,894	122,917
Hire of other assets – operating leases	217,493	216,477
Auditors' remuneration - audit	33,400	36,654
- other services	5,290	7,550
Exchange gain	<u>(25,305)</u>	<u>(24,055)</u>

4 Interest receivable

	2007 £	2006 £
Bank interest	381,294	288,337
Loan to group company	528,605	477,430
Other	15,446	13,732
	<u>925,345</u>	<u>779,499</u>

5 Employees

Staff costs (including directors) consist of

	2007 £	2006 £
Wages and salaries	2,435,420	2,118,049
Social security costs	302,787	249,989
Pension costs	155,404	161,342
	<u>2,893,611</u>	<u>2,529,380</u>

5 **Employees (*continued*)**

The average number of employees of the company during the year was made up as follows

	2007 Number	2006 Number
Sales	35	30
Service	11	12
Administration	8	8
	<u>54</u>	<u>50</u>

6 **Directors remuneration**

	2007 £	2006 £
Directors' emoluments consist of		
Fees and remuneration for management services	<u>281,453</u>	<u>238,499</u>

There were no directors in the company's pension schemes during the year (2006 Nil)
Emoluments for the highest paid director amounted to £281,453 (2006 £238,449)

7 **Taxation on profit on ordinary activities**

	2007 £	2006 £
<i>UK corporation tax</i>		
Current tax on profits of the year	1,119,013	1,166,527
Adjustments in respect of previous years	<u>20,395</u>	<u>-</u>
	<u>1,139,408</u>	<u>1,166,527</u>

The tax assessed for the year is higher (2006 lower) than the standard rate of corporation tax in the UK applied to profit before tax. The difference is explained below

Profit on ordinary activities before tax	<u>3,646,882</u>	<u>3,806,866</u>
Profit on ordinary activities at the standard rate of corporation tax in the UK of 30%	<u>1,094,065</u>	<u>1,142,060</u>
Effects of		
Expenses not deductible for tax purposes	19,205	8,311
Depreciation (lower than)/in excess of capital allowances	(5,156)	10,741
Other timing differences	10,899	5,415
Adjustments in respect of previous years	<u>20,395</u>	<u>-</u>
Current tax charge for the year	<u>1,139,408</u>	<u>1,166,527</u>

8 Tangible fixed assets

	Freehold investment property £	Short Leasehold Premises £	Furniture and equipment £	Technical equipment £	Motor vehicles £	Computer equipment £	Total £
Cost or valuation							
At 1 July 2006	425,001	200,343	280,506	835,159	47,248	203,450	1,991,707
Revaluation	275,000	-	-	-	-	-	275,000
Additions	-	28,020	2,634	379,213	-	30,843	440,710
Disposals	-	-	-	-	(14,908)	(716)	(15,624)
At 30 June 2007	<u>700,001</u>	<u>228,363</u>	<u>283,140</u>	<u>1,214,372</u>	<u>32,340</u>	<u>233,577</u>	<u>2,691,793</u>
Depreciation							
At 1 July 2006	-	102,585	124,365	725,718	44,424	145,700	1,142,792
Charge for year	-	38,400	34,339	120,479	2,823	30,298	226,339
Disposals	-	-	-	-	(14,908)	(388)	(15,296)
At 30 June 2007	<u>-</u>	<u>140,985</u>	<u>158,704</u>	<u>846,197</u>	<u>32,339</u>	<u>175,610</u>	<u>1,353,835</u>
Net book value:							
At 30 June 2007	<u>700,001</u>	<u>87,378</u>	<u>124,436</u>	<u>368,175</u>	<u>1</u>	<u>57,967</u>	<u>1,337,958</u>
At 30 June 2006	<u>425,001</u>	<u>97,758</u>	<u>156,141</u>	<u>109,441</u>	<u>2,824</u>	<u>57,750</u>	<u>848,915</u>

The company's investment property was revalued by the directors at 30 June 2007 at open market value. The surplus arising of £620,341 has been credited to the revaluation reserve. All other tangible assets are stated at historical cost.

The historical cost of the company's freehold investment property is £79,660 (2006 £79,660)

9 Stock and work in progress

	2007 £	2006 £
Finished goods and goods held for resale	<u>1,848,772</u>	<u>2,466,113</u>

There is no material difference between the replacement cost of stocks and the amounts stated above

10 Debtors

Amounts receivable within one year:

	2007 £	2006 £
Trade debtors	3,986,264	5,182,548
Amounts due from group undertakings	10,294,952	10,198,789
Other debtors	336,729	307,672
Prepayments	466,736	177,329
	<u>15,084,681</u>	<u>15,866,338</u>

11 Creditors

Amounts falling due within one year:

	2007 £	2006 £
Trade creditors	148,863	115,939
Amounts owed to group undertakings	3,952,481	2,442,270
Corporation tax	709,646	744,030
Other taxes and social security costs	851,956	665,370
Other creditors	247,996	275,145
Accruals and deferred income	1,321,428	1,397,080
	<u>7,232,370</u>	<u>5,639,834</u>

12 Provision for liabilities

	Provision for guarantee liability £
Provision at 1 July 2006	1,037,268
Utilised in year	(452,822)
Provided during the year	504,464
Provision at 30 June 2007	<u>1,088,910</u>

13 Share capital

	Authorised	
	2007	2006
	£	£
175,000 (2006 175,000) Ordinary shares of £1 each	<u>175,000</u>	<u>175,000</u>
	Allotted, called up and fully paid	
	2007	2006
	£	£
156,100 (2006 156,100) Ordinary shares of £1 each	<u>156,100</u>	<u>156,100</u>

14 Reserves

	Revaluation Reserve	Capital redemption reserve	Profit and loss account
	£	£	£
At 1 July 2006	345,341	18,900	18,178,079
Unrealised surplus on revaluation of investment property	275,000	-	-
Retained profit for the year	-	-	2,507,474
	<u>620,341</u>	<u>18,900</u>	<u>20,685,553</u>
At 30 June 2007			

15 Reconciliation of movements in shareholders' funds

	2007	2006
	£	£
Profit for the year	2,507,474	2,640,339
Unrealised surplus on revaluation of investment property	275,000	-
Opening shareholders' funds	<u>18,698,420</u>	<u>16,058,081</u>
Closing shareholders' funds	<u>21,480,894</u>	<u>18,698,420</u>

16 Pensions

The current year pension charge represents contributions payable to the group personal pension plan. Contributions totalling £22,695 (2006 £18,050) were payable under the group personal pension plan and are included in creditors.

17 Reconciliation of operating profit to net cash inflow/(outflow) from operating activities

	2007 £	2006 £
Operating profit	2,721,537	3,027,367
Depreciation of tangible fixed assets	226,339	192,173
Loss on disposal of fixed asset	328	3,511
Decrease in stocks	617,341	952,972
Decrease in debtors	781,657	126,139
Decrease in creditors	1,678,479	(5,229,153)
Exchange difference	(25,305)	24,055
	<u>6,000,376</u>	<u>(902,936)</u>

18 Reconciliation of net cash flow to movement in net funds

	2007 £	2006 £
Increase/(decrease) in cash in the year	(229,800)	(192,643)
Cash outflow/(inflow) from decrease in liquid resources	5,541,102	(1,179,004)
Change in net funds resulting from cash flows	5,311,302	(1,371,647)
Exchange difference	25,305	(24,055)
Movement in net funds in the year	5,336,607	(1,395,702)
Opening net funds	6,194,156	7,589,858
Closing net funds	<u>11,530,763</u>	<u>6,194,156</u>

19 Analysis of net funds

	At 1 July 2006 £	Cash flow £	Exchange Movement £	At 30 June 2007 £
Cash in hand and at bank	456,806	(229,800)	-	227,006
Short term deposits	5,737,350	5,541,102	25,305	11,303,757
Total cash at bank and in hand	<u>6,194,156</u>	<u>5,311,302</u>	<u>25,305</u>	<u>11,530,763</u>

20 Commitments under operating leases

As at 30 June 2007 the company had annual commitments under non-cancellable operating leases as set out below

	2007		2006	
	Land and buildings £	Other £	Land and buildings £	Other £
Operating leases which expire				
In less than one year	-	15,747	-	16,314
In two to five years	214,744	142,356	12,126	111,272
After more than five years	-	-	202,300	-
	<u>214,744</u>	<u>158,103</u>	<u>214,426</u>	<u>127,586</u>

21 Ultimate parent company

The ultimate parent company is Rohde & Schwarz GmbH & Co KG, a private company registered in Germany

Copies of the annual published accounts of Rohde & Schwarz GmbH & Co KG are available from the Companies' registrar in Munich under reference HRA 16270 at Präsident des Amtsgerichts, Munich, Amtsgericht Munich, Pacellistraße 5, 00315 Munich

The company's immediate parent company is Rusint A G , a company incorporated in Switzerland No consolidated financial statements are prepared by Rusint A G

22 Related party transactions

The company has taken advantage of the exemption under Financial reporting Standard 8, "Related Party Transactions", not to disclose transactions with entries that are part of the same group on the basis that consolidated financial statements in which the company is included are publicly available