

Rohde & Schwarz UK Limited

Report and Financial Statements

Year Ended

30 June 2011

Company number 00539607



Rohde & Schwarz UK Limited

Report and financial statements for the year ended 30 June 2011

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Directors

F Mackel
M Becker
M Paoli
M Vondermaben

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 LLP, Emerald House, East Street, Epsom, Surrey KT17 1HS

Rohde & Schwarz UK Limited

Report of the directors for the year ended 30 June 2011

The directors present their report together with the audited financial statements for the year ended 30 June 2011

Results and dividends

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

The directors have paid an interim ordinary dividend of £2,340,000 (2010 - £1,517,000) during the year and do not recommend the payment of a final dividend (2010 - £Nil)

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 strong growth in turnover and profits in recent years, the company experienced a further increase in turnover in the current financial year of 12%, and a gross profit margin of 20% (2010 – 22%) The increase in turnover is due to a major project in the Broadcast market The strong Euro currency is generating some pressure on our gross profit margin, but we have maintained a consistent margin with the previous year

In the current financial year the company produced outstanding results in spite of a difficult economic situation, and although we saw a decrease in profits of 14% we exceeded our forecast expectations

For the next business year we expect the performance of the company to be satisfactory We have responded quickly to the current economic situation to optimise the use of existing resources which allows us to achieve further market share It is expected that the economic situation will continue to be difficult for at least another twelve months

The main foreseeable risk to the trading performance of the company will be a further strengthening of the Euro which will increase pressure on our gross profit margin, and the risk of our customers delaying or cancelling projects

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 The company has also expanded its product range to enter into the Oscilloscope market

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 external 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

Rohde & Schwarz UK Limited

Report of the directors for the year ended 30 June 2011 (continued)

Charitable donations

During the year the company made charitable donations of £125 (2010 - £50)

Directors

The directors who served during the year were as follows

F Mackel
M Becker
M Paoli
M Vondermaben

Directors' responsibilities

The directors are responsible for preparing the annual report and the financial statements in accordance with the Companies Act 2006 and for being satisfied that the financial statements give a true and fair view. The directors are also responsible for preparing the financial statements in accordance with United Kingdom Accounting Standards (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 these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments 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 adequate accounting records that show and explain the company's transactions, 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.

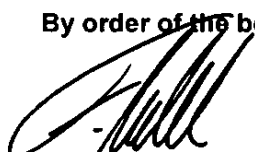
They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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 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

29 July 2011

Rohde & Schwarz UK Limited

Independent auditor's report

TO THE SHAREHOLDERS OF ROHDE & SCHWARZ UK LIMITED

We have audited the financial statements of Rohde & Schwarz UK Limited for the year ended 30 June 2011 which comprise the profit and loss account, the balance sheet, the cash flow statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the statement of directors' responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 30 June 2011 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

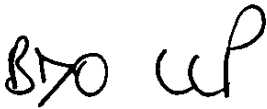
Rohde & Schwarz UK Limited

Independent auditor's report (*continued*)

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit



*Sophia Hill (senior statutory auditor)
For and on behalf of BDO LLP, statutory auditor
Epsom
United Kingdom*

Date *4th August 2011*

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127)

Rohde & Schwarz UK Limited

Profit and loss account for the year ended 30 June 2011

	Note	2011 £	2010 £
Turnover	2	33,929,849	30,174,932
Cost of sales		26,975,002	23,471,690
Gross profit		6,954,847	6,703,242
Administrative expenses		4,924,210	4,209,959
		2,030,637	2,493,283
Other operating income		336,997	426,843
Operating profit	3	2,367,634	2,920,126
Interest receivable	4	313,616	237,291
Profit on ordinary activities before taxation		2,681,250	3,157,417
Tax on profit on ordinary activities	7	666,908	818,680
Profit for the financial year	16	2,014,342	2,338,737

All amounts relate to continuing activities

All recognised gains and losses for the current and prior year are included in the profit and loss account

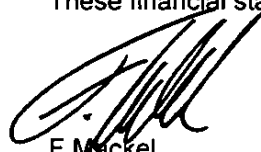
The notes on pages 8 to 17 form part of these financial statements

Rohde & Schwarz UK Limited

Balance sheet at 30 June 2011

<i>Company number 00539607</i>	Note	2011 £	2011 £	2010 £	2010 £
Fixed assets					
Tangible assets	9		317,732		234,053
Current assets					
Stock and work in progress	10	3,086,917		2,638,673	
Debtors	11	19,105,976		15,153,891	
Investments	12	9,062,458		8,076,431	
Cash at bank and in hand		3,815,017		6,686,727	
		35,070,368		32,555,722	
Creditors: amounts falling due within one year	13	9,631,374		6,508,968	
Net current assets			25,438,994		26,046,754
Total assets less current liabilities			25,756,726		26,280,807
Provisions for liabilities					
Provision for guarantee liability	14		697,577		896,000
			25,059,149		25,384,807
Capital and reserves					
Called up share capital	15		156,100		156,100
Capital redemption reserve	16		18,900		18,900
Profit and loss account	16		24,884,149		25,209,807
Shareholders' funds	17		25,059,149		25,384,807

These financial statements were approved by the board of directors and authorised for issue on 29 July 2011


F. Mackel
Director

The notes on pages 8 to 17 form part of these financial statements

Rohde & Schwarz UK Limited

Cash flow statement for the year ended 30 June 2011

	Note	2011 £	2011 £	2010 £	2010 £
Net cash inflow from operating activities	19		1,258,981		4,149,824
Returns on investment and servicing of finance					
Interest received		313,616		237,291	
Net cash inflow from returns on investments and servicing of finance			313,616		237,291
Taxation					
UK corporation tax paid			(1,242,798)		(1,395,923)
Capital expenditure and financial investment					
Payments to acquire tangible fixed assets		(239,867)		(79,845)	
Receipts from sale of fixed assets		85		-	
Net cash outflow from capital expenditure and financial investment			(239,782)		(79,845)
Dividends			(2,340,000)		(1,517,000)
Cash (outflow)/inflow before use of liquid resources			(2,249,983)		1,394,347
Management of liquid resources					
Cash withdrawn (transferred to)/from short term deposits		2,761,128		(2,574,160)	
Purchase of current asset investments		(621,727)		108,647	
Net cash inflow /(outflow) from management of liquid resources			2,139,401		(2,465,513)
Decrease in cash in the year	21		(110,582)		(1,071,166)

The notes on pages 8 to 17 form part of these financial statements

Rohde & Schwarz UK Limited

Notes forming part of the financial statements for the year ended 30 June 2011

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
Bicycles	- 100% per annum straight line
Short leasehold properties	- over length of lease

Variation of investments

Investments held as current assets are stated at the lower of cost and net realisable value.

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.

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 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.

Rohde & Schwarz UK Limited

Notes forming part of the financial statements for the year ended 30 June 2011 (continued)

1 Accounting policies (continued)

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 current asset investments and 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:

	2011 £	2010 £
United Kingdom	32,418,435	28,395,783
Rest of Europe	1,483,484	1,745,782
Asia/North Africa	27,930	17,989
Middle East	-	15,378
	<u>33,929,849</u>	<u>30,174,932</u>

3 Operating profit

	2011 £	2010 £
This is arrived at after charging/(crediting)		
Depreciation - owned assets	156,188	130,806
(Reversal of impairment)/impairment of current asset investment	24,897	(325,071)
Hire of plant and machinery – operating leases	180,371	172,671
Hire of other assets – operating leases	202,300	202,301
Auditors' remuneration		
- audit	36,000	38,495
- other services	5,982	(4,904)
Exchange difference	(389,200)	45,796
	<u></u>	<u></u>

Rohde & Schwarz UK Limited

Notes forming part of the financial statements
for the year ended 30 June 2011 (*continued*)

4 Interest receivable

	2011 £	2010 £
Bank interest	237,713	183,090
Loan to group company	75,000	75,000
Other interest	903	(20,799)
	<u>313,616</u>	<u>237,291</u>

5 Employees

	2011 £	2010 £
Staff costs (including directors) consist of		
Wages and salaries	3,081,977	2,699,215
Social security costs	374,410	329,286
Pension costs	279,319	197,809
	<u>3,735,706</u>	<u>3,226,310</u>

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

	2011 Number	2010 Number
Sales	39	35
Service	9	9
Administration	9	8
	<u>57</u>	<u>52</u>

6 Directors remuneration

	2011 £	2010 £
Directors' emoluments	392,187	345,802
Company contributions to money purchase pension scheme	69,259	36,382
	<u></u>	<u></u>

There was one director (2010 – one) for whom the company made pension contributions during the year

Emoluments for the highest paid director amounted to £392,187 (2010 - £345,802) Company pension contributions of £69,259 (2010 - £36,382) were made to a money purchase pension scheme on his behalf

Rohde & Schwarz UK Limited

Notes forming part of the financial statements
for the year ended 30 June 2011 (*continued*)

7 Taxation on profit on ordinary activities

	2011 £	2010 £
<i>UK corporation tax</i>		
Current tax on profits of the year	758,555	978,800
Adjustment in respect of prior years	(91,647)	(160,120)
	<u>666,908</u>	<u>818,680</u>

The tax assessed for the year is lower (2010 - lower than the standard rate of corporation tax in the UK applied to profit before tax). The difference is explained below:

	2011 £	2010 £
Profit on ordinary activities before tax	<u>2,681,250</u>	<u>3,157,417</u>
Profit on ordinary activities at the standard rate of corporation tax in the UK of 28% (2010 - 28%)	750,750	884,077
Effects of:		
Expenses not deductible for tax purposes	14,436	12,571
Capital allowances lower than/(in excess of) depreciation	5,542	(9,676)
Other timing differences	(12,173)	91,828
Adjustments in respect of previous years	(91,647)	(160,120)
	<u>666,908</u>	<u>818,680</u>
Current tax charge for the year		

8 Dividends

	2011 £	2010 £
Ordinary shares		
Interim paid dividend of £14.99 (2010 - £9.72) per share	<u>2,340,000</u>	<u>1,517,000</u>

Rohde & Schwarz UK Limited

Notes forming part of the financial statements
for the year ended 30 June 2011 (*continued*)

9 Tangible fixed assets

	Short leasehold premises £	Furniture and equipment £	Technical equipment £	Motor vehicles and bicycles £	Computer equipment £	Total £
<i>Cost</i>						
At 1 July 2010	304,994	289,882	1,272,173	30,012	272,077	2,169,138
Additions	12,993	11,378	158,313	1,921	55,262	239,867
At 30 June 2011	317,987	301,260	1,430,486	31,933	327,339	2,409,005
<i>Depreciation</i>						
At 1 July 2010	304,994	244,604	1,130,145	12,731	242,611	1,935,085
Charge for year	2,079	24,231	107,215	5,736	16,927	156,188
At 30 June 2011	307,073	268,835	1,237,360	18,467	259,538	2,091,273
<i>Net book value</i>						
At 30 June 2011	10,914	32,425	193,126	13,466	67,801	317,732
At 30 June 2010	-	45,278	142,028	17,281	29,466	234,053

All tangible assets are stated at historical cost

Rohde & Schwarz UK Limited

Notes forming part of the financial statements
for the year ended 30 June 2011 (*continued*)

10 Stock and work in progress

	2011 £	2010 £
Finished goods and goods held for resale	<u>3,086,917</u>	<u>2,638,673</u>

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

11 Debtors

	2011 £	2010 £
Amounts receivable within one year		
Trade debtors	7,582,767	4,103,683
Amounts due from group undertakings	10,530,156	10,327,904
Other debtors	354,526	296,944
Prepayments and accrued income	638,527	425,360
	<u>19,105,976</u>	<u>15,153,891</u>

12 Current asset investments

	2011 £	2010 £
Unlisted investments	<u>9,062,458</u>	<u>8,076,431</u>

The above investment is in a European Investment Vehicle (EIV) which is a Euro investment held in Germany with HSBC Trinkaus & Burkhardt and is managed by an investment fund manager, INKA. Although the fund is held in Euros, exchange risk is significantly reduced due to the company entering into a hedge agreement with its ultimate parent company.

Rohde & Schwarz UK Limited

Notes forming part of the financial statements
for the year ended 30 June 2011 (*continued*)

13 Creditors

	2011 £	2010 £
Amounts falling due within one year		
Trade creditors	317,088	319,881
Amounts owed to group undertakings	5,855,893	3,855,837
Corporation tax	104,342	680,233
Other taxes and social security costs	953,379	528,422
Other creditors	99,960	136,005
Accruals and deferred income	2,300,712	988,590
	<u>9,631,374</u>	<u>6,508,968</u>

14 Provision for liabilities

	Provision for guarantee liability £
Provision at 1 July 2010	896,000
Utilised in year	(699,702)
Provided during the year	501,279
	<u>697,577</u>
Provision at 30 June 2011	

15 Share capital

	2011 £	2010 £
<i>Allotted, called up and fully paid</i>		
156,100 (2010 - 156,100) Ordinary shares of £1 each	<u>156,100</u>	<u>156,100</u>

Rohde & Schwarz UK Limited

Notes forming part of the financial statements
for the year ended 30 June 2011 (*continued*)

16 Reserves

	Capital redemption reserve £	Profit and loss account £
At 1 July 2010	18,900	25,209,807
Profit for the year	-	2,014,342
Dividends	-	(2,340,000)
At 30 June 2011	18,900	24,884,149

17 Reconciliation of movements in shareholders' funds

	2011 £	2010 £
Profit for the year	2,014,342	2,338,737
Dividends	(2,340,000)	(1,517,000)
Opening shareholders' funds	25,384,807	24,563,070
Closing shareholders' funds	25,059,149	25,384,807

18 Pensions

The current year pension charge represents contributions payable to the group personal pension plan. Contributions totalling £27,882 (2010 - £26,640) were payable under the group personal pension plan and are included in creditors.

19 Reconciliation of operating profit to net cash inflow from operating activities

	2011 £	2010 £
Operating profit	2,367,634	2,920,126
Depreciation of tangible fixed assets	156,188	130,806
Decrease/(increase) in stocks	(448,244)	895,542
Decrease/(increase) in debtors	(3,436,962)	4,323,610
(Decrease)/increase in creditors	2,984,754	(3,840,985)
Exchange difference	(389,200)	45,796
Impairment/(reversal of impairment) of current asset investment	24,897	(325,071)
Profit on sale of fixed assets	(85)	-
	1,258,982	4,149,824

Rohde & Schwarz UK Limited

Notes forming part of the financial statements
for the year ended 30 June 2011 (*continued*)

20 Reconciliation of net cash flow to movement in net funds

	2011 £	2010 £
Decrease in cash in the year	(110,582)	(1,071,166)
Cash (inflow)/outflow from movement in liquid resources	(2,139,401)	2,465,513
Change in net funds resulting from cash flows	(2,249,983)	1,394,347
Exchange difference on current asset investment (Impairment)/reversal of impairment of current asset investment	389,197 (24,897)	(40,870) 325,071
Movement in net funds in the year	(1,885,683)	1,678,548
Opening net funds	14,763,158	13,084,610
Closing net funds	12,877,475	14,763,158

21 Analysis of net funds

	At 1 July 2010 £	Cash flow £	Non-cash movement £	At 30 June 2011 £
Cash in hand and at bank	78,937	(110,582)	-	(31,645)
Other liquid resources	14,684,221	(2,139,401)	364,301	12,909,121
Total	14,763,158	(2,249,984)	364,301	12,877,475

22 Commitments under operating leases

As at 30 June 2011 the company had annual commitments under non-cancellable operating leases as set out below

	Land and buildings 2011 £	Other 2011 £	Land and buildings 2010 £	Other 2010 £
Operating leases which expire				
In less than one year	-	59,700	-	23,914
In two to five years	202,300	135,758	225,523	135,207
	202,300	195,458	225,523	159,121

Rohde & Schwarz UK Limited

Notes forming part of the financial statements for the year ended 30 June 2011 (*continued*)

23 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 AG, a company incorporated in Switzerland. No consolidated financial statements are prepared by Rusint AG.

24 Related party transactions

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