

Aeroflex Burnham Limited

**Directors' report and financial
statements**

Registered number 00501054

Year ended 30 June 2009

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Directors' report

The directors present their annual report and the audited financial statements for the year ended 30 June 2009

Business Review and Principal Activities

The Company is a wholly owned subsidiary of Aeroflex Test Solutions Limited and operates as part of the Group's ATS division

The Company's principal activities are the sale of test solution products to the world wide communications and other related markets. There have not been any significant changes in the Company's principal activities in the year under review. The directors are aware, at the date of this report, of a major changes in the in the company's activities in the next year.

On 14 January 2010 Aeroflex International Limited, a fellow subsidiary, changed its name to Aeroflex Limited and the operations of Aeroflex Burnham Limited were transferred to Aeroflex Limited.

As shown in the Company's profit and loss on page 7, although the Company's sales have decreased by 21% over the prior year, the gross profit has increased by 14%. This has been achieved by the displacement of older technology products with higher margin newer products, but at reduced sales volumes. Foreign exchange gains of £1,965,000 (2008 £12k) have also been achieved, contributing towards an operating profit of £4,973,000 (2008 loss £1,251,000).

The balance sheet on page 8 of the financial statements shows that the Company's cash position at the year end has improved since the prior year. Net liabilities have almost halved, due to the profits generated during the year.

The Aeroflex Group manages its operations on a divisional basis. For this reason, the Company's directors believe that further key performance indicators for the Company are not necessary or appropriate for an understanding of the development, performance or position of the business.

Principal risks and uncertainties

Competitive pressure is a continuing risk for the company, which could result in it losing sales to its key competitors. The Company manages this risk by providing added value services to its customers, having fast response times not only in supplying products but also in handling all customer queries, and by maintaining strong relationships with customers.

The Company's worldwide sales are in a mixture of USD and Sterling it is therefore exposed to the movement in the USD to Sterling exchange rate. The Group's treasury function takes out contracts to manage this risk at a Group level.

The company is self financed and has no third party debt. It therefore has no interest rate exposure.

The directors consider that the following ratio as a key performance indicator and use it to measure the performance of the business.

Operating margin, 38.3% (2008 7.6%) during 2009 the company switched sales from legacy models to new higher margin, lower volume models resulting in the reduced turnover but improved margin.

Environment

The Aeroflex group recognises the importance of its environmental responsibilities, monitors its impact on the environment, and designs and implements policies to reduce any damage that might be caused by the group's activities. The company operates in accordance with group policies, which are described in the group's Annual Report which does not form part of this Report. Initiatives designed to minimise the company's impact on the environment include safe disposal of manufacturing waste, recycling and reducing energy consumption.

Employees

Details of the number of employees and related costs can be found in note 7 to the financial statements on page 14.

Directors' report *(continued)*

Political and charitable contributions

The company made no political contributions during the period. Donations to UK charities amounted to £nil (2008 £nil).

Research and development

Aeroflex Burnham Ltd continues to invest heavily in research and development of automatic diagnostic test systems and electronic instrumentation to support evolving technologies in the mobile telecommunications Industry.

Results and dividends

The directors do not propose the payment of a dividend for the year *(period ended 30 June 2008 £nil)*.

Directors

The directors who held office during the period were as follows:

B Vogel
D Smith

Secretary

D Smith

Employee involvement and consultation

Employee involvement and commitment is the established responsibility of the Board of Directors and requires their participation. Regular contact and exchanges of information between managers and staff are maintained through departmental managers, the staff council and social functions. The company promotes the principle of team briefing on a regular and continuing basis with the aim of ensuring that all employees are personally advised of the financial and commercial progress of the company.

Disabled employees

The Company's attitude concerning the employment of disabled persons is the same as that relating to all other staff in matters of recruitment, continuity of employment, training, development and promotion. Nevertheless the company is very conscious of the difficulties experienced by the disabled and takes account sympathetically of individual circumstances.

Directors' report *(continued)*

Payment of creditors

It is the Company's normal practice to make payments to suppliers promptly provided that the supplier has performed in accordance with the relevant terms and conditions

Creditors days at 30 June 2009 based on the aggregate of the amounts which were owed to trade creditors at that date and the aggregate of the amounts which the company was invoiced by suppliers during the period was 45 days (2008 45 days)

Disclosure of Information to Auditors

The directors who hold office at the date of approval of this Directors' Report confirm that so far as they are each 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 to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information

Auditors

Pursuant to Section 487 of the Companies Act 2006, the auditors will be deemed to be reappointed and KPMG LLP will therefore continue in office

By order of the board



D Smith
Director
Aeroflex Burnham Limited
Six Hills Way
Stevenage
Herts, SG1 2AN

12 Feb 2010

Statement of directors' responsibilities

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the group and parent company financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice)

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and parent company and of their profit or loss for that period. In preparing each of the group and parent company 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 UK 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 group and the parent company will continue in business

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.



KPMG LLP

37 Hills Road
Cambridge
CB2 1XL
United Kingdom

Independent auditors' report to the members of Aeroflex Burnham Limited

We have audited the financial statements of Aeroflex Burnham Limited for the year ended 30 June 2009 set out on pages 7 to 22. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with sections 495 and 496 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 auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

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 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 web-site at www.frc.org.uk/apb/scope/UKNP.

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 2009 and the profit for the year then ended,
- have been properly prepared in accordance with UK 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.

Independent auditors' report to the members of Aeroflex Burnham Limited
(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 by the parent company, or returns adequate for our audit have not been received from branches not visited by us, or
- the company 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

C le Strange Meakin

12th Feb 2010

C le Strange Meakin

for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

12 February 2010

Profit and loss account
for the year ended 30 June 2009

	Notes	Year ended 30 June 2009 £000	Year ended 30 June 2008 £000
Turnover	2	12,992	16,481
Cost of sales		(7,108)	(11,323)
Gross profit		5,884	5,158
Distribution costs		(2,171)	(3,856)
Administrative expenses (including foreign exchange gain of £1,965k 2008 £12k)		1,260	(2,553)
Operating profit / (loss)	2 - 4	4,973	(1,251)
Restructuring costs	3	(100)	(5,102)
Other interest receivable and similar income	5	1	13
Profit / (loss) on ordinary activities before taxation		4,874	(6,340)
Tax on Profit / (loss) on ordinary activities	8	1,931	-
Profit / (loss) for the year	17	6,805	(6,340)

A statement of total recognised gains and losses has not been prepared as all recognised gains and losses are included within the above profit and loss account

All arise from continuing activities

Balance sheet
at 30 June 2009

	Notes	£000	2009 £000	£000	2008 £000
Fixed assets					
Tangible assets	9		498		889
Investments	10		7		7
			<hr/>		<hr/>
			505		896
Current assets					
Stocks	11	443		377	
Debtors (including £1,297 (2008 £157,566) due after more than one year)	12	8,013		10,244	
Cash at bank and in hand		742		336	
		<hr/>		<hr/>	
		9,198		10,957	
Creditors: amounts falling due within one year	13	(12,732)		(21,127)	
		<hr/>		<hr/>	
Net current liabilities			(3,534)		(10,170)
			<hr/>		<hr/>
Total assets less current liabilities			(3,029)		(9,274)
Provisions for liabilities and charges	14		(776)		(1,336)
			<hr/>		<hr/>
Net liabilities			(3,805)		(10,610)
			<hr/>		<hr/>
Capital and reserves					
Called up share capital	15		11,099		11,099
Profit and loss account	16		(15,461)		(22,266)
Capital reserve	16		557		557
			<hr/>		<hr/>
Shareholders' deficit			(3,805)		(10,610)
			<hr/>		<hr/>

These financial statements were approved by the board of directors on *12 Feb 2010* and were signed on its behalf by



D Smith
Director

Notes

(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules

Under FRS 1 the Company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the Company in its own published consolidated financial statements

As the Company's ultimate parent company and controlling party is Aeroflex Incorporated, the Company has taken advantage of the exemption contained in FRS 8 and has therefore not disclosed transactions or balances with entities which form part of the group (or investees of the group qualifying as related parties)

The financial statements have been prepared on the going concern basis, notwithstanding net current liabilities of £3,805k which the directors believe to be appropriate for the following reasons. The company is dependent for its working capital on funds provided to it by Aeroflex Incorporated. The board of Aeroflex Incorporated has provided the company with an undertaking that for at least 12 months from the date of approval of these financial statements, it will continue to make available such funds as are needed by the company and in particular will not seek repayment of the amounts currently made available. This should enable the company to continue in operational existence for the foreseeable future by meeting its liabilities as they fall due for payment. As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

Turnover

Turnover represents the amounts (excluding Value Added Tax) derived from the provision of goods and services to customers, recognised as follows

- Revenue from sales of goods for resale and manufactured goods is recognised in the profit and loss account on the transfer of ownership,
- Revenue derived from service contracts is recognised rateably over the period of the contract

Stocks

Stocks and work in progress are valued at the lower of cost and estimated net realisable value less progress payments received. Cost includes manufacturing overheads. Provision is made for slow moving or obsolete items where appropriate.

Research and development

Private venture research and development expenditure is written off in the year in which it is incurred. Uninvoiced research and development fully funded by customers is carried forward as work in progress.

Notes (continued)

1 Accounting policies (continued)

Tangible fixed assets

Tangible fixed assets are stated at cost less depreciation and provision for any impairment. Depreciation is provided on all tangible fixed assets, except freehold land, at such rates as to write off the cost of those assets in equal instalments over their expected useful lives as follows:

Plant, machinery and tooling	- between 10% and 25% per annum
Test equipment	- 15% per annum
Furniture, fixtures, fittings, computers and vehicles	- between 10% and 33% per annum

The equipment includes assets built in-house and subsequently used within the business. Cost includes the direct cost of materials, labour and related overhead costs.

Taxation

The charge for taxation is based on the loss for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Deferred tax is recognised, with discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

Pension costs

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

Operating leases

Rental costs under operating leases are charged to the profit and loss account in equal annual amounts over the period of the leases.

Warranty Provision

A reserve is included in the Financial Statements to cover the cost of items sold being returned for repair during their contractual warranty period extending beyond the current financial year. Warranty costs incurred during the year are offset against the carrying value of the reserve. A provision is included in the current year to cover the expected repair costs from product sales in the current financial year.

Classification of financial instruments issued by the Company

Under FRS 25, financial instruments issued by the Company are treated as equity (i.e. forming part of shareholders' funds) only to the extent that they meet the following two conditions:

- they include no contractual obligations upon the Company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Company, and
- where the instrument will or may be settled in the Company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Company's own equity instruments or is a derivative that will be settled by the Company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability.

Notes (continued)

1 Accounting policies (continued)

Finance payments associated with financial liabilities are dealt with as part of interest payable and similar charges. Finance payments associated with financial instruments that are classified as part of shareholders' funds (see dividends policy), are dealt with as appropriations in the reconciliation of movements in shareholders' funds.

Share based payments

On 14 August 2007 due to the acquisition of all the shares in Aeroflex Incorporated, all share options vested at that time, the scheme was then closed and no new options were issued.

In the prior year share option programme allowed employees to acquire shares of the Parent Company. The fair value of options granted after 7 November 2002 and those not yet vested as at the effective date of FRS 20 is recognised as an employee expense with a corresponding increase in equity. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the options. The fair value of the options granted is measured using an option pricing model, taking into account the terms and conditions upon which the options were granted. The amount recognised as an expense is adjusted to reflect the actual number of share options that vest except where forfeiture is only due to share prices not achieving the threshold for vesting.

Dividends on shares presented within shareholders' funds

Dividends unpaid at the balance sheet date are only recognised as a liability at that date to the extent that they are appropriately authorised and are no longer at the discretion of the Company. Unpaid dividends that do not meet these criteria are disclosed in the notes to the financial statements.

2 Analysis of turnover

Turnover is attributable to the company's principal activities. All turnover originates from the UK.

An analysis of turnover by geographical market is given below.

	Year ended 30 June 2009 £000	Year ended 30 June 2008 £000
<i>By geographical market</i>		
United Kingdom	1,397	2,150
Europe	1,415	2,177
USA	3,822	6,576
Asia and Australasia	6,358	5,576
Rest of the world	-	2
	<hr/> 12,992	<hr/> 16,481
	<hr/> <hr/>	<hr/> <hr/>

An analysis of turnover by class of business has not been presented as the directors consider that to do so would be seriously prejudicial to the interest of the company.

Notes (continued)

3 Restructuring costs

Restructuring costs relate to the transfer of administration and R&D operations to another Aeroflex facility in the UK. The most significant portions thereof related to employee related costs of £100,319.

4 Profit/ (loss) on ordinary activities before taxation

	Year ended 30 June 2009 £000	Year ended 30 June 2008 £000
<i>Profit/ (loss) on ordinary activities before taxation is stated after charging.</i>		
Depreciation of owned tangible fixed assets	392	1,011
Payments under operating leases		
Hire of plant and machinery	21	6
Hire of other assets	372	373
Research and development costs	1,347	4,169
Foreign exchange (gain) / loss	(1,965)	12
(Gain) / loss on disposal of FA	(3)	1,177
Auditors' remuneration		
Audit	21	20

Notes (continued)

5 Other interest receivable and similar income

	Year ended 30 June 2009 £000	Year ended 30 June 2008 £000
Other	1	13

6 Remuneration of directors

	Year ended 30 June 2009 £000	Year ended 30 June 2008 £000
Directors' emoluments	-	45
Pension contributions	-	3
Compensation for loss of office	-	224
	-	272
	£000	£000
Remuneration of the highest paid director	-	27

None of the directors were remunerated primarily for their services to the Company during period 30 June 2008 to 30 June 2009. The directors are employed by Aeroflex International Limited, a fellow subsidiary undertaking of Aeroflex Test Solutions Limited, and the emoluments are disclosed within the financial statements of that Company.

No pension payments were accruing in respect of the highest paid director as at 30 June 2009 (2008: *£nil*).

Directors' rights to subscribe for shares in the parent company are included in note 4 of the financial statements of Aeroflex International Limited.

Notes (continued)

7 Staff numbers and costs

The average number of persons employed by the company (including directors) during the year, analysed by category, was as follows

	Year ended 30 June 2009 £000	Year ended 30 June 2008 £000
Wages and salaries	846	2,682
Social security costs	81	344
Other pension costs	62	223
Employee benefits	19	36
	<u>1,008</u>	<u>3,285</u>

The average monthly number of persons employed (including directors)

	No	No
Operations	2	8
Admin	1	3
Sales and Marketing	5	8
R & D	5	28
	<u>13</u>	<u>47</u>

Notes (continued)

8 Tax on profit/ (loss) on ordinary activities

Analysis of charge in the year

	Year ended 30 June 2009 £000	Year ended 30 June 2008 £000
Current tax		
UK Corporate tax based on the results for the year at 28%	-	-
Foreign taxation	-	-
Adjustments in respect of prior periods	-	-
	<hr/>	<hr/>
Total current tax	-	-
Deferred tax		
Origination of timing differences	(1,931)	-
	<hr/>	<hr/>
Tax on profit/ (loss) on ordinary activities	(1,931)	-
	<hr/>	<hr/>

Factors affecting current tax charge

The current tax charge for the year is higher (year ended 30 June 2008 higher) than the standard rate of corporation tax in the UK, 28% (year ended 30 June 2008 28%) The differences are explained below

	Year ended 30 June 2009 £000	Year ended 30 June 2008 £000
Profit/ (loss) on ordinary activities before tax	4,874	(6,340)
	<hr/>	<hr/>
Profit/ (loss) on ordinary activities multiplied by rate of tax	1,365	(1,775)
	<hr/>	<hr/>
Expenses not deductible for tax purposes	1	50
Depreciation in excess of Capital Allowances	109	52
Movement in short term timing differences	-	(8)
Group relief surrendered for no payment	-	1,789
Additional deduction for R&D	(42)	(108)
Utilisation of tax losses	(1,432)	-
	<hr/>	<hr/>
Total Current tax	-	-
	<hr/>	<hr/>

Notes (continued)

8 Tax on profit/ (loss) on ordinary activities (continued)

Deferred taxation

	Year ended 30 June 2009 £000	Year ended 30 June 2008 £000
The movement on deferred taxation provision during the year was		
Provision brought forward	-	-
Profit and loss account movement arising during the year	(1,931)	-
	<hr/>	<hr/>
Provision carried forward	(1,931)	-
	<hr/>	<hr/>

The elements of deferred taxation are as follows

	2009 £000	2008 £000
Tax losses	(69)	(1,497)
Depreciation in excess of capital allowance	(1,820)	(1,713)
Share based payments	-	(53)
Other timing differences	(42)	(50)
Deferred tax not recognised	-	3,313
	<hr/>	<hr/>
Deferred tax asset recognised	(1,931)	-
	<hr/>	<hr/>

Factors that may affect future current and total tax charges

A deferred tax asset of £1,931,000 (2008 £nil) has been recognised at 30 June 2009

Notes (continued)

9 Tangible fixed assets

	Plant, machinery and tooling £000	Test equipment £000	Furniture, fixtures, fittings, computers and vehicles £000	Total £000
Cost				
At beginning of period	218	3,860	560	4,638
Additions	-	3	-	3
Disposals	-	(12)	-	(12)
At end of period	218	3,851	560	4,629
Depreciation				
At beginning of period	159	3,204	386	3,749
Charge for period	2	308	82	392
On disposals	-	(10)	-	(10)
At end of period	161	3,502	468	4,131
Net book value				
At 30 June 2009	57	349	92	498
At 30 June 2008	59	656	174	889

10 Investments

			Shares in subsidiary undertakings £000
Cost and net book value			
At beginning and end of period			7
Subsidiary undertakings	Country of incorporation	Principal activity	Class and percentage of shares held
Aeroflex Asia Ltd	Hong Kong	Sale of automatic test systems and electronic instrumentation	100% ordinary

Notes (continued)

11 Stocks

	30 June 2009 £000	30 June 2008 £000
Raw materials	25	72
Work in progress	77	24
Finished goods	341	281
	<u>443</u>	<u>377</u>

The difference between purchase price or production costs of stock and their replacement cost is not material

12 Debtors

	30 June 2009 £000	30 June 2008 £000
Trade debtors	1,735	4,096
Amounts owed by group undertakings	4,039	5,345
Prepayments and accrued income	308	803
Deferred tax asset (see note 8)	1,931	-
	<u>8,013</u>	<u>10,244</u>

13 Creditors: amounts falling due within one year

	30 June 2009 £000	30 June 2008 £000
Trade Creditors	1,775	1,151
Corporation tax payable	-	-
Amounts owed to group undertakings	4,186	11,860
Other creditors including taxation and social security costs	2,153	2,222
Accruals and deferred income	4,618	5,894
	<u>12,732</u>	<u>21,127</u>

14 Provisions for liabilities and charges

	Warranty Provision £000	Restructuring Provision £000	Total £000
At beginning of period	23	1,313	1,336
Accounted for in period	(6)	(554)	(560)
	<u>17</u>	<u>759</u>	<u>776</u>

Notes (continued)

15 Share capital

	30 June 2009 £000	30 June 2008 £000
Authorised		
11,200,000 Ordinary shares of £1 each	11,200	11,200
Called up, allotted and fully paid		
11,098,786 Ordinary share of £1 each	11,099	11,099

16 Reconciliation of movement in reserves

	Capital contributions reserve £000	Profit and loss account £000	Total £000
At beginning of the year	557	(22,266)	(21,709)
Profit/ (loss) for the year	-	6,805	4,874
At end of year	557	(15,461)	(16,835)

17 Reconciliation of movements in shareholders' funds

	2009 £000	2008 £000
Retained profit/ (loss)	6,805	(6,340)
Credit in relation to share based payments	-	36
Net addition to shareholders' funds	6,805	(6,304)
Opening shareholders' funds	(10,610)	(4,306)
At end of year	(3,805)	(10,610)

Notes (continued)

20 Employee share schemes (continued)

Share based payments (continued)

The number and weighted average exercise prices of share options in are as follows

	2009 Weighted average exercise price £	2009 Number of options	2008 Weighted average exercise price £	2008 Number of options
Outstanding at the beginning of the period	-	-	4 23	44,250
Forfeited during the period	-	-	-	-
Exercised during the period	-	-	(4 23)	(44,250)
Lapsed during the period	-	-	-	-
Outstanding at the end of the period	-	-	-	-
Exercisable at the end of the period	-	-	-	-

The weighted average share price at the date of exercise of share options exercised during the period was Nil (2008 £7 24). The fair value of services received in return for share options granted are measured by reference to the fair value of options granted.

The fair value of the Company's stock-based awards to employees during the years ended 30 June 2009 and 2008 was estimated at the date of grant using the Black-Scholes Model and the weighted-average valuation assumptions noted in the following table.

The risk free rate is based on the US Treasury yield curve in effect at the time of grant.

The expected life (estimated period of time outstanding) of the stock options granted was estimated using the historical exercise behaviour of employees.

The expected volatilities are based on historical volatility of the shares using daily price observations over a period consistent with the expected life.

Weighted-average valuation assumptions for all the share option schemes

	2009 June 2005 option scheme	2008 June 2005 option scheme
Fair value at measurement date	-	£2 71
Weighted average share price	-	£6 04
Exercise price	-	£4 24
Expected volatility	-	71%
Option life	-	3 years
Expected dividends	-	-
Risk free interest rate	-	3 8%

Notes (continued)

21 Employee share schemes (continued)

Share options are granted under a service condition. Such conditions are not taken into account in the grant date fair value measurement of the services received. There is no market conditions associated with the share option grants.

The total expenses recognised for the period arising from share based payments are as follows

	2009 £'000	2008 £'000
Equity settled share based payments	-	36,
	<u>-</u>	<u>36,</u>

22 Post Balance Sheet event

On 14 January 2010 Aeroflex International Limited, a fellow subsidiary, changed its name to Aeroflex Limited. At that point the continuing operations of Aeroflex Burnham Limited were transferred to Aeroflex Limited.

23 Ultimate parent company and controlling party

The immediate parent company as at 30 June 2009 is Aeroflex Test Solutions Limited, a company incorporated in England and Wales, and the ultimate parent company and controlling party is Aeroflex Incorporated, incorporated in Delaware, USA.

Aeroflex Incorporated heads the smallest and largest group into which the results of the company will be consolidated and copies of the group financial statements of Aeroflex Incorporated are available from 35 South Service Road, Plainview, New York, 10093, USA.

Notes (continued)

18 Financial commitments

At 30 June 2009 the company had no capital commitments

Annual commitments under non-cancellable operation leases are as follows

	30 June 2009		30 June 2008	
Expiry date	Land and Buildings £000	Other £000	Land and Buildings £000	Other £000
Within one year	-	17	-	9
Between two and five years	372	-	372	17
After five years	-	-	-	-
	<u>372</u>	<u>17</u>	<u>372</u>	<u>26</u>

19 Pensions

The pension cost charge for the period represents contributions payable by the company to the group scheme and amounted to £61,758 (2008 £222,517) The closing pension accrual as at 30 June 2009 was nil (2007 nil)

20 Employee share schemes

Share based payments

On 14 August 2007 due to the acquisition of all the shares in Aeroflex Incorporated, all share options vested at that time, the scheme was then closed and no new options were issued

Options were granted to employees to purchase shares of the parent company at prices generally equal to the fair market value on the date of grant

The exercise period of all stock options does not exceed ten years from the date of grant Stock option grants to individuals generally become exercisable in substantively equal tranches over a service period of up to five years and the exercise price is equal to the stock price at the grant date for all plans

The share based compensation expense is attributable to the granting, and the remaining requisite service periods of the stock options

For the stock options, the service period represents the period of time between the date of grant and the date each option becomes exercisable without consideration of certain acceleration provisions, such as change of control

The terms and conditions of grants are as follows, whereby all options are settled by physical delivery of shares

Grant date/ Employees entitled/ nature of scheme	Number of instruments	Vesting conditions	Contractual life of options
Equity-settled award to employees granted by parent on 13 August 2003	185,000	4 years	10 years
Equity-settled award to employees granted by parent on 20 June 2005	45,000	3 years	10 years