

REGISTRAR'S COPY

COMPANY NUMBER 539607

ROHDE & SCHWARZ U.K. LIMITED

Financial Statements

**Year ended
30 June 1998**



ROHDE & SCHWARZ U.K. LIMITED

Annual report and financial statements for the year ended 30 June 1998

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Directors

C. G. Morrow
Dr H. Spiegel
Dr W. Winter

Secretary and Registered Office

J. Edwards
Rohde & Schwarz House
Ancells Business Park
Fleet
Hampshire
GU13 8UZ

Company Number

00539607

Auditors

BDO Stoy Hayward
Willoughby House
439 Richmond Road
Nr Richmond Bridge
Middlesex
TW1 2HA

ROHDE & SCHWARZ U.K. LIMITED

DIRECTORS' REPORT

Year ended 30 June 1998

The directors submit their report and financial statements for the year ended 30 June 1998.

PRINCIPAL ACTIVITY

The principal activity of the company is the sale and service of specialised imported electronic test, measuring and communication equipment.

RESULTS AND DIVIDEND

Details of the results for the year and the dividends are shown in the profit and loss account and the related notes.

REVIEW OF BUSINESS AND FUTURE DEVELOPMENTS

The results for the year were as expected taking account of the current market opportunities.

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

DIRECTORS

The directors who served during the year were as follows:

C. G. Morrow
Dr H. Spiegel
Dr W. Winter

None of the directors had any interest in the ordinary shares of the company during the year.

DIRECTORS' RESPONSIBILITIES

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.

ROHDE & SCHWARZ U.K. LIMITED

DIRECTORS' REPORT (continued) **Year ended 30 June 1998**

YEAR 2000 COMPLIANCE

As is well known, many computer and digital storage systems express dates using only the last two digits of the year and will thus require modification or replacement to accommodate the year 2000 and beyond in order to avoid malfunctions and resulting widespread commercial disruption. This is a complex and pervasive issue. The operation of our business depends not only on our own computer systems, but also to some degree on those of our suppliers and customers. This could expose us to further risk in the event that there is a failure by other parties to remedy their own year 2000 issues.

The directors have not yet initiated a project to determine the potential risks to the company's activities arising from the date change to the year 2000. Until this analysis is prepared it is not possible to assess the likely impact on our business or develop action plans to deal with the key risks.

A company-wide programme, designed to address the impact on the Year 2000 on our business, has been commissioned by the Board and is under way. Resources have been allocated and the Board receives regular reports on progress.

Much of the cost of implementing the action plans will be subsumed into the recurring activities of the company. The total cost of modifications to our computer hardware and software will be capitalised as incurred and is expected to be spread fairly evenly between 1998 and 1999.

AUDITORS

BDO Stoy Hayward have expressed their willingness to continue in office and a resolution to re-appoint them will be proposed at the annual general meeting.

By order of the board



C. MORROW
Director

Date: 16 October 1998

ROHDE & SCHWARZ U.K. LIMITED

REPORT OF THE AUDITORS

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

We have audited the financial statements on pages 4 to 14 which have been prepared under the accounting policies set out on pages 7 and 8.

Respective responsibilities of directors and auditors

As described on page 1 the company's directors are responsible for the preparation of the financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and report our opinion to you.

Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

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

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 30 June 1998 and of the company's profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

A handwritten signature in cursive script that reads "BDO Stoy Hayward".

BDO STOY HAYWARD

Chartered Accountants and Registered Auditors

RICHMOND UPON THAMES

Date: 30 November 1998

ROHDE & SCHWARZ U.K. LIMITED**PROFIT AND LOSS ACCOUNT**

Year ended 30 June 1998

	Note	£	1998 £	£	1997 £
TURNOVER	2		20,976,906		14,764,954
Cost of sales			17,476,723		10,719,400
GROSS PROFIT			3,500,183		4,045,554
Personnel and related expenses		1,464,082		1,532,708	
Selling costs		561,123		734,805	
Establishment costs		551,403		507,342	
			2,576,608		2,774,855
			923,575		1,270,699
Other income			147,534		352,007
OPERATING PROFIT	3		1,071,109		1,622,706
Interest receivable			383,550		228,577
Interest payable			(404)		(2,520)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION			1,454,255		1,848,763
Tax on profit on ordinary activities	6		617,857		635,097
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION			836,398		1,213,666
Dividend	7		250,000		234,669
AMOUNT TRANSFERRED TO RESERVES	15		586,398		978,997

All amounts relate to continuing activities.

All recognised gains and losses are included in the profit and loss account.

A statement of the movement in reserves can be found in note 15.

The notes on pages 7 to 14 form part of these financial statements.

ROHDE & SCHWARZ U.K. LIMITED

BALANCE SHEET

30 June 1998

	Note	1998		1997	
		£	£	£	£
FIXED ASSETS					
Tangible assets	8		450,196		434,671
CURRENT ASSETS					
Stock and work in progress	9	1,813,744		1,236,823	
Debtors	10	9,370,087		5,517,586	
Cash at bank and in hand		9,446,374		4,544,369	
		20,630,205		11,298,778	
CREDITORS: amounts falling due within one year	11	12,637,399		4,391,362	
NET CURRENT ASSETS			7,992,806		6,907,416
TOTAL ASSETS LESS CURRENT LIABILITIES			8,443,002		7,342,087
PROVISIONS FOR LIABILITIES AND CHARGES					
Provision for guarantee liability	12		(833,219)		(314,613)
Deferred tax	13		-		(4,089)
			7,609,783		7,023,385
CAPITAL AND RESERVES					
Called up share capital	14		175,000		175,000
Profit and loss account	15		7,434,783		6,848,385
EQUITY SHAREHOLDERS' FUNDS	16		7,609,783		7,023,385

These financial statements were approved by the board and signed on its behalf by:



C. G. MORROW
Director

Date of approval: 16 October 1998

The notes on pages 7 to 14 form part of these financial statements.

ROHDE & SCHWARZ U.K. LIMITED

CASH FLOW STATEMENT
Year ended 30 June 1998

	Note	1998	1997
		£	£
CASH FLOW FROM OPERATING ACTIVITIES	19	5,922,231	(135,454)
Returns on investment and servicing of finance			
Interest received		383,550	250,588
Interest paid		(404)	(2,520)
NET CASH INFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		383,146	248,068
TAXATION			
UK corporation tax paid		(761,222)	(843,180)
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT			
Purchase of tangible fixed assets		(142,150)	(93,460)
Sale of tangible fixed assets		-	5,275
NET CASH OUTFLOW FROM CAPITAL EXPENDITURE AND FINANCIAL INVESTMENTS		(142,150)	(88,185)
EQUITY DIVIDENDS PAID		(500,000)	(265,331)
Cash outflow/(inflow) before use of liquid resources	21	4,902,005	(1,084,082)
MANAGEMENT OF LIQUID RESOURCES			
Cash (transferred to)/withdrawn from investment accounts		(5,071,444)	678,864
DECREASE IN CASH	20	(169,439)	(405,218)

The notes on pages 7 to 14 form part of these financial statements.

ROHDE & SCHWARZ U.K. LIMITED

NOTES ON THE FINANCIAL STATEMENTS

30 June 1998

1 ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost convention and are in accordance with applicable accounting standards. The following accounting policies have been applied:

Translation of 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.

Stocks and work in progress

Stocks represent finished goods and are stated at the lower of cost and net realisable value.

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 as the proportion of total contract value which corresponds to the proportion of costs incurred at the year end compared to total expected costs for that contract. Full provision is made for losses on all contracts in the year in which they are first foreseen.

Depreciation and amortisation

Short leasehold premises are amortised over the unexpired portion of the lease. Other fixed assets are depreciated on a straight line basis over their estimated useful lives as follows:

Freehold buildings	2% per annum
Furniture and equipment	15% per annum
Technical service and demonstration equipment and commercial vehicles	20% per annum
Motor vehicles and computer equipment	25% per annum

Deferred taxation

Deferred tax in respect of accelerated capital allowances and other timing differences is provided under the liability method except where such timing differences are expected, with reasonable probability, to continue in the foreseeable future.

Deferred tax assets are only recognised when they are expected to be recovered without replacement by equivalent debit balances.

Advance corporation tax which is expected to be recoverable is deducted from the provision for deferred tax.

ROHDE & SCHWARZ U.K. LIMITED

NOTES ON THE FINANCIAL STATEMENTS (continued) 30 June 1998

1 ACCOUNTING POLICIES (continued)

Guarantee liability

In respect of contracts where the company has given a one year guarantee a provision of 1.5% of instrument sales for the year is carried forward. Where a guarantee on a contract extends over a period in excess of one year then the level of provision is increased proportionately. Liabilities arising under the guarantees are charged against the profits for the year.

Pension costs

Staff are eligible for membership of a pension and life assurance scheme operated by an associated company. Retirement benefits to employees of the company are provided by a defined contribution money purchase scheme which is funded by contributions paid to a separately administered fund. The current contribution rate is 5% of payroll costs.

2 TURNOVER

Turnover is stated net of value added tax and discounts given and represents amounts invoiced to third parties, except in respect of long-term contracts where turnover represents the sales value of work done in the year, including estimates in respect of amounts not invoiced.

Turnover and profit on ordinary activities before tax relate to the company's principal activities and arose wholly within the U.K.

3 OPERATING PROFIT

	1998 £	1997 £
is stated after charging/(crediting):		
Depreciation	126,625	107,133
Profit on sale of fixed assets	-	(5,275)
Auditors' remuneration	28,493	21,000
Other services	22,580	8,850
Directors' remuneration	1,725	2,894
Other Director's emoluments	48,744	52,000
Hire of equipment	87,119	193,387

During the year the company paid fees of £34,497 to Rohde and Schwarz Munich GmbH for the services of Dr W. Winter (1997: £52,000)

4 INTEREST PAYABLE

On bank overdraft	375	2,482
Other interest	29	38
	<u>404</u>	<u>2,520</u>

ROHDE & SCHWARZ U.K. LIMITED**NOTES ON THE FINANCIAL STATEMENTS (continued)**
30 June 1998**5 EMPLOYEES**

	1998 £	1997 £
Wages and salaries	1,254,214	1,240,622
Social security costs	119,067	107,285
Pension costs	64,684	105,159
	<u>1,437,965</u>	<u>1,453,066</u>

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

	Number	Number
Sales	22	26
Service	15	14
Administration	10	9
	<u>47</u>	<u>49</u>

6 TAXATION ON PROFIT ON ORDINARY ACTIVITIES

	1998 £	1997 £
The tax charge consists of:		
UK corporation tax at 31% (1997: 33%)	628,192	642,468
Deferred tax	(4,089)	35,166
	<u>624,103</u>	<u>677,634</u>
Adjustments in respect of prior years:		
Corporation tax	(6,246)	(6,426)
Deferred tax	-	(36,111)
	<u>617,857</u>	<u>635,097</u>

7 DIVIDENDS

Interim ordinary dividend paid of 142.9p per share	250,000	-
Proposed ordinary dividend of Nil (1997: 142.9p) per share	-	250,000
Additional payments arising from foreign tax relief:		
- prior year	-	(15,331)
	<u>250,000</u>	<u>234,669</u>

ROHDE & SCHWARZ U.K. LIMITED

NOTES ON THE FINANCIAL STATEMENTS (continued)

30 June 1998

8 TANGIBLE ASSETS							
	Freehold premises and fittings £	Short leasehold premises £	Furniture and equipment £	Demonstration and service equipment £	Motor vehicles £	Computer equipment £	Total £
Cost							
At 1 July 1997	79,660	94,179	266,271	626,043	25,885	278,213	1,370,251
Additions	-	8,276	49,811	36,968	-	47,095	142,150
Disposals	-	-	-	(3,570)	-	-	(3,570)
At 30 June 1998	79,660	102,455	316,082	659,441	25,885	325,308	1,508,831
Depreciation							
At 1 July 1997	24,429	37,413	241,180	424,135	7,926	200,497	935,580
Disposals	-	-	-	(3,570)	-	-	(3,570)
Charge for year	1,593	5,378	9,308	66,455	5,747	38,144	126,625
At 30 June 1998	26,022	42,791	250,488	487,020	13,673	238,641	1,058,635
Net book value:							
At 30 June 1998	53,638	59,664	65,594	172,421	12,212	86,667	450,196
At 30 June 1997	55,231	56,766	25,091	201,908	17,959	77,716	434,671

ROHDE & SCHWARZ U.K. LIMITED

NOTES ON THE FINANCIAL STATEMENTS (continued)

30 June 1998

9 STOCK AND WORK IN PROGRESS

	1998 £	1997 £
Work in progress	892,487	-
Finished goods:		
Goods for resale	881,236	1,196,802
Stock of components	40,021	40,021
	<u>1,813,744</u>	<u>1,236,823</u>

10 DEBTORS

Amounts receivable within one year:

Trade debtors	8,830,082	3,670,357
Amounts recoverable on contracts	153,814	-
Amounts due from group undertakings	26,308	1,548,765
Other debtors	236,283	97,938
Prepayments	123,600	138,026
	<u>9,370,087</u>	<u>5,455,086</u>

Amounts receivable after more than one year:

Advance corporation tax recoverable	-	62,500
	<u>9,370,087</u>	<u>5,517,586</u>

11 CREDITORS

Amounts falling due within one year:

Payments on account	3,574,354	-
Trade creditors	388,653	215,475
Amounts owed to group undertakings	6,370,054	2,468,890
Corporation tax	475,596	614,872
Other taxes and social security costs	1,395,681	391,576
Proposed dividend	-	250,000
Other creditors	189,527	224,342
Accruals and deferred income	243,534	226,207
	<u>12,637,399</u>	<u>4,391,362</u>

ROHDE & SCHWARZ U.K. LIMITED

NOTES ON THE FINANCIAL STATEMENTS (continued)

30 June 1998

12 PROVISIONS FOR GUARANTEE LIABILITY

	1998 £	1997 £
Provision at 1 July 1997	314,613	307,262
Increase in provision in year	518,606	7,351
Provision at 30 June 1998	<u>833,219</u>	<u>314,613</u>

13 DEFERRED TAX

	1998		1997
	Potential liability £	Amount provided £	Potential liability £
Full provision has been made for deferred tax at 33% as follows:			
Accelerated capital allowances	(2,290)	-	4,089
Less ACT on proposed dividends	-	-	(143,747)
	<u>(2,290)</u>	<u>-</u>	<u>(139,658)</u>
			<u>4,089</u>

14 SHARE CAPITAL

	1998	1997	1998	1997
	£	£	£	£
175,000 ordinary shares of £1 each	<u>175,000</u>	<u>175,000</u>	<u>175,000</u>	<u>175,000</u>

15 RESERVES

Profit and loss account:	£
At 1 July 1997	6,848,385
Retained profit for the year	586,398
At 30 June 1998	<u>7,434,783</u>

ROHDE & SCHWARZ U.K. LIMITED**NOTES ON THE FINANCIAL STATEMENTS (continued)****30 June 1998****16 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS**

	1998 £	1997 £
Profit for the financial year	836,398	1,213,666
Dividends	(250,000)	(234,669)
Net addition to shareholders' funds	586,398	978,997
Opening shareholders' funds	7,023,385	6,044,388
Closing shareholders' funds	7,609,783	7,023,385

17 PENSIONS

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions payable by the company to the fund.

18 CONTINGENT LIABILITIES

Certain guarantees have been given by the company's bankers to third parties in the normal course of business. No loss is expected to arise as a result of these guarantees.

19 RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES

	1998 £	1997 £
Operating profit	1,071,109	1,622,706
Depreciation charge	126,625	107,133
Profit on sale of tangible fixed assets	-	(5,275)
Increase in stocks	(576,921)	(15,680)
Increase in debtors	(3,852,501)	(78,417)
Increase/(decrease) in creditors	9,153,919	(1,765,921)
	5,922,231	(135,454)

ROHDE & SCHWARZ U.K. LIMITED

NOTES ON THE FINANCIAL STATEMENTS (continued) **30 June 1998**

20 RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS

	£
Decrease in cash in the period	(169,439)
Cash inflow from increase in liquid resources	5,071,444
Change in net funds resulting from cash flows	4,902,005
Net funds at 1 July 1997	4,544,369
Net funds at 30 June 1998	9,446,374

21 ANALYSIS OF NET DEBT

	Opening balance £	Cashflow £	Closing balance £
Cash at bank and in hand	272,912	(169,439)	103,473
Cash on deposit	4,271,457	5,071,444	9,342,901
	4,544,369	4,902,005	9,446,374

22 COMMITMENTS UNDER OPERATING LEASES

As at 30 June 1998 the company had annual commitments under non-cancellable operating leases as set out below.

	1998		1997	
	Land and buildings £	Other £	Land and buildings £	Other £
Operating leases which expire:				
Within one year	-	37,175	-	34,849
In two to five years	-	32,244	-	73,419
After more than five years	153,280	-	153,280	-
	153,280	73,419	153,280	106,268

23 ULTIMATE HOLDING COMPANY

The ultimate holding company is Rusint A.G. incorporated in Switzerland.

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 from the offices of the company.