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COMPANY NUMBER 00539607

ROHDE & SCHWARZ U.K. LIMITED

Financial Statements

**Year ended
30 June 2000**



ROHDE & SCHWARZ U.K. LIMITED

Annual report and financial statements for the year ended 30 June 2000

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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 2000

The directors submit their report and financial statements for the year ended 30 June 2000.

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.

The director who retires by rotation is C.G. Morrow who, being eligible, offers himself for re-election.

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 2000

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.

On behalf of the board

A handwritten signature in black ink, appearing to be 'C. Morrow', written in a cursive style.

C. MORROW

Director

Date: 14 September 2000

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 16 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 2000 and of the company's profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



BDO STOY HAYWARD

Chartered Accountants and Registered Auditors

RICHMOND UPON THAMES

Date: *14 September 2000*

ROHDE & SCHWARZ U.K. LIMITED

PROFIT AND LOSS ACCOUNT

Year ended 30 June 2000

	Note	2000	1999
		£	£
TURNOVER	2	36,113,237	31,441,668
Cost of sales		27,273,279	25,511,057
GROSS PROFIT		8,839,958	5,930,611
Personnel and related expenses		2,249,252	1,752,814
Selling costs		714,902	705,689
Establishment costs		587,286	532,634
		3,551,440	2,991,137
		5,288,518	2,939,474
Other income and income charges		17,550	101,805
OPERATING PROFIT	3	5,306,068	3,041,279
Interest receivable		542,393	553,965
Interest payable	4	(3,177)	(2,897)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		5,845,284	3,592,347
Tax on profit on ordinary activities	7	1,507,018	1,367,945
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		4,338,266	2,224,402
Dividend	8	500,000	1,000,000
AMOUNT TRANSFERRED TO RESERVES	17	3,838,266	1,224,402

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 18.

The notes on pages 7 to 16 form part of these financial statements.

ROHDE & SCHWARZ U.K. LIMITED

BALANCE SHEET

30 June 2000

	Note	2000	1999
		£	£
FIXED ASSETS			
Tangible assets	9	587,632	478,557
CURRENT ASSETS			
Stock and work in progress	10	6,092,614	2,786,774
Debtors	11	10,504,943	7,615,054
Cash at bank and in hand		15,404,607	10,186,002
		<u>32,002,164</u>	<u>20,587,830</u>
CREDITORS: amounts falling due within one year	12	18,308,760	10,644,963
NET CURRENT ASSETS		<u>13,693,404</u>	<u>9,942,867</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>14,281,036</u>	<u>10,421,424</u>
CREDITORS: amounts falling due after more than one year	13	21,346	-
PROVISIONS FOR LIABILITIES AND CHARGES			
Provision for guarantee liability	14	1,587,239	1,587,239
Deferred tax	15	-	-
		<u>12,672,451</u>	<u>8,834,185</u>
CAPITAL AND RESERVES			
Called up share capital	16	175,000	175,000
Profit and loss account	17	12,497,451	8,659,185
EQUITY SHAREHOLDERS' FUNDS	18	<u>12,672,451</u>	<u>8,834,185</u>

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



C. G. MORROW
Director

Date of approval: 14 September 2000

The notes on pages 7 to 16 form part of these financial statements.

ROHDE & SCHWARZ U.K. LIMITED
CASH FLOW STATEMENT
Year ended 30 June 2000

	Note	2000		1999	
		£	£	£	£
CASH FLOW FROM OPERATING ACTIVITIES	21		6,736,372		1,814,944
Returns on investment and servicing of finance					
Interest received		535,806		569,715	
Interest paid		(3,177)		(2,897)	
NET CASH INFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			532,629		566,818
TAXATION					
UK corporation tax paid			(1,286,205)		(468,541)
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT					
Purchase of tangible fixed assets		(258,291)		(192,220)	
Sale of tangible fixed assets		-		18,627	
NET CASH OUTFLOW FROM CAPITAL EXPENDITURE AND FINANCIAL INVESTMENTS			(258,291)		(173,593)
EQUITY DIVIDENDS PAID			(500,000)		(1,000,000)
CASH INFLOW BEFORE MANAGEMENT OF LIQUID RESOURCES AND FINANCING	23		5,224,505		739,628
MANAGEMENT OF LIQUID RESOURCES					
Cash (transferred to)/withdrawn from investment accounts			(1,737,511)		126,743
FINANCING					
Capital element of hire purchase contracts			(5,900)		-
INCREASE IN CASH	23		3,481,094		866,371

The notes on pages 7 to 16 form part of these financial statements.

NOTES ON THE FINANCIAL STATEMENTS

30 June 2000

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
Demonstration and service equipment	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.

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.

NOTES ON THE FINANCIAL STATEMENTS (continued)
30 June 2000

1 ACCOUNTING POLICIES (continued)

Pension costs

Staff are eligible for membership of a pension and life assurance scheme operated by the 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.

Leased assets

Where assets are financed by leasing agreements that give rights approximating to ownership ("finance leases") the assets are treated as if they had been purchased outright. The amount capitalised is the present value of the minimum lease payments payable over the lease term. The corresponding leasing commitments are shown as amounts payable to the lessor. Depreciation on the relevant assets is charged to the profit and loss account.

Lease payments are analysed between capital and interest components so that the interest element of the payment is charged to the profit and loss account over the period of the lease and represents a constant proportion of the balance of capital repayments outstanding. The capital part reduces the amounts payable to the lessor.

All other leases are treated as operating leases. Their annual rentals are charged to the profit and loss account on a straight-line basis over the term of the lease.

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. The analysis of turnover by geographical market is as follows:

	2000 £	1999 £
United Kingdom	30,762,730	29,540,081
Rest of Europe	1,780,186	550,871
Cayman Islands	3,570,321	1,185,590
Rest of World	-	165,126
	<u>36,113,237</u>	<u>31,441,668</u>

ROHDE & SCHWARZ U.K. LIMITED

NOTES ON THE FINANCIAL STATEMENTS (continued)

30 June 2000

3 OPERATING PROFIT

	2000	1999
	£	£
is stated after charging/(crediting):		
Depreciation - owned assets	176,187	145,742
- assets held under hire purchase contracts	8,124	-
Loss/(profit) on sale of fixed assets	-	(510)
Auditors' remuneration - audit	31,959	31,711
- other services	16,280	-
Rentals under operating lease	109,403	106,670
Loss/(profit) on foreign exchange	259,160	(48,877)
	<u>259,160</u>	<u>(48,877)</u>

4 INTEREST PAYABLE

	2000	1999
	£	£
Bank overdraft	124	2,897
Hire purchase	3,053	-
	<u>3,177</u>	<u>2,897</u>

5 EMPLOYEES

	2000	1999
	£	£
Wages and salaries	1,663,276	1,423,985
Social security costs	180,383	138,087
Pension costs	344,125	103,121
	<u>2,187,784</u>	<u>1,665,193</u>

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

	Number
Sales	26
Service	18
Administration	9
	<u>53</u>

ROHDE & SCHWARZ U.K. LIMITED**NOTES ON THE FINANCIAL STATEMENTS (continued)**
30 June 2000**6 DIRECTORS**

	2000	1999
	£	£
Directors' emoluments consist of:		
Fees and remuneration for management services	177,037	157,384
Payments to defined contribution pension scheme	287,236	19,645
	<u>464,273</u>	<u>177,029</u>

Emoluments of the highest paid director:

Emoluments	<u>177,037</u>	<u>157,384</u>
Amounts paid to the company's defined contribution pension scheme	<u>287,236</u>	<u>19,645</u>

There was 1 (1999: 1) director in the company's defined contribution pension scheme during the year.

7 TAXATION ON PROFIT ON ORDINARY ACTIVITIES

	2000	1999
	£	£
The tax charge consists of:		
UK corporation tax at 30% (1999: 31%)	1,778,047	1,375,000
Adjustments in respect of prior years:		
Corporation tax	(271,029)	(7,055)
	<u>1,507,018</u>	<u>1,367,945</u>

8 DIVIDENDS

	2000	1999
	£	£
Interim ordinary dividend paid of 285.7p (1999: 571.4p) per share	<u>500,000</u>	<u>1,000,000</u>

NOTES ON THE FINANCIAL STATEMENTS (continued)
30 June 2000

9 TANGIBLE ASSETS						
	Freehold premises and fittings £	Short Leasehold Premises £	Furniture And Equipment £	Demonstration and service equipment £	Motor vehicles £	Computer Equipment £
Cost						Total £
At 1 July 1999	79,660	102,455	340,741	746,663	45,905	1,675,444
Additions			36,399	170,016	38,995	293,386
Disposals	-	-	(177,159)	-	-	(177,159)
At 30 June 2000	79,660	102,455	199,981	916,679	84,900	1,791,671
Depreciation						
At 1 July 1999	27,615	48,169	264,435	561,097	23,591	1,196,887
Disposals	-	-	(177,159)	-	-	(177,159)
Charge for year	1,593	5,378	18,481	97,628	18,878	184,311
At 30 June 2000	29,208	53,547	105,757	658,725	42,469	1,204,039
Net book value:						
At 30 June 2000	50,452	48,908	94,224	257,954	42,431	587,632
At 30 June 1999	52,045	54,286	76,306	185,566	22,314	478,557

The net book value of tangible fixed assets includes an amount of £30,871 (1999: £Nil) in respect of assets held under hire purchase agreements.

ROHDE & SCHWARZ U.K. LIMITED**NOTES ON THE FINANCIAL STATEMENTS (continued)**
30 June 2000**10 STOCK AND WORK IN PROGRESS**

	2000	1999
	£	£
Work in progress		
Finished goods:		
Goods for resale	6,052,593	2,746,753
Stock of components	40,021	40,021
	<u>6,092,614</u>	<u>2,786,774</u>

11 DEBTORS**Amounts receivable within one year:**

	2000	1999
	£	£
Trade debtors	10,089,418	6,871,992
Amounts due from group undertakings	141,625	483,994
Other debtors	148,769	169,125
Prepayments	125,131	89,943
	<u>10,504,943</u>	<u>7,615,054</u>

12 CREDITORS**Amounts falling due within one year:**

	2000	1999
	£	£
Payments on account	1,443,466	2,597,222
Trade creditors	273,180	178,004
Amounts owed to group undertakings	13,301,021	5,136,936
Corporation tax	1,595,813	1,375,000
Other taxes and social security costs	1,052,748	711,781
Other creditors	323,373	390,861
Obligations under hire purchase contracts	7,849	-
Accruals and deferred income	311,310	255,159
	<u>18,308,760</u>	<u>10,644,963</u>

ROHDE & SCHWARZ U.K. LIMITED

NOTES ON THE FINANCIAL STATEMENTS (continued)
30 June 2000

13 CREDITORS

Amounts falling due after more than one year:

2000	1999
£	£

Obligations under hire purchase contracts

21,346	-
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Obligations under hire purchase contracts are due as follows:

In more than one year but not more than two years

8,781	-
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In more than two years but not more than five years

12,565	-
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21,346	-
--------	---

14 PROVISIONS FOR GUARANTEE LIABILITY

2000	1999
£	£

Provision at 1 July 1999

1,587,239	833,219
-----------	---------

Increase in provision in the year

-	754,020
---	---------

Provision at 30 June 2000

1,587,239	1,587,239
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15 DEFERRED TAX

2000		1999	
Potential asset	Amount provided	Potential asset	Amount provided
£	£	£	£

Full provision has been made for deferred tax at 31% as follows:

Accelerated capital allowances

16,679	-	1,274	-
--------	---	-------	---

Provisions for guarantee liability

200,000	-	317,000	-
---------	---	---------	---

216,679	-	318,274	-
---------	---	---------	---

16 SHARE CAPITAL

Authorised		Allotted, called up and fully paid	
2000	1999	2000	1999
£	£	£	£

175,000 ordinary shares of £1 each

175,000	175,000	175,000	175,000
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ROHDE & SCHWARZ U.K. LIMITED**NOTES ON THE FINANCIAL STATEMENTS (continued)**
30 June 2000**17 RESERVES**

Profit and loss account:	£
At 1 July 1999	8,659,185
Retained profit for the year	3,838,266
At 30 June 2000	<u>12,497,451</u>

18 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2000 £	1999 £
Profit for the financial year	4,338,266	2,224,402
Dividends	(500,000)	(1,000,000)
Net addition to shareholders' funds	<u>3,858,266</u>	<u>1,224,402</u>
Opening shareholders' funds	8,834,185	7,609,783
Closing shareholders' funds	<u>12,672,451</u>	<u>8,834,185</u>

19 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.

20 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.

21 RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2000 £	1999 £
Operating profit	5,306,068	3,041,279
Depreciation charge	184,311	145,742
Profit on sale of tangible fixed assets	-	(510)
Increase in stocks	(3,305,840)	(973,030)
(Increase)/decrease in debtors	(2,883,302)	1,739,283
Increase/(decrease) in creditors	7,435,135	(2,137,820)
	<u>6,736,372</u>	<u>1,814,944</u>

NOTES ON THE FINANCIAL STATEMENTS (continued)
30 June 2000

22 RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN
NET FUNDS

	£
Increase in cash in the period	3,481,094
Cash outflow from decrease in hire purchase financing	5,900
Cash outflow from increase in liquid resources	1,737,511
	<u>5,224,505</u>
Change in net funds resulting from cash flows	5,224,505
Net hire purchase contracts	(35,095)
	<u>5,189,410</u>
Movement in net funds in the year	5,189,410
Net funds at 1 July 1999	10,186,002
Net funds at 30 June 2000	<u>15,375,412</u>

23 ANALYSIS OF NET DEBT

	Opening balance £	Cashflow £	Other non-cash charges	Closing balance £
Cash at bank and in hand	969,844	3,481,094	-	4,450,938
Cash on deposit	9,216,158	1,737,511	-	10,953,669
Hire purchase contracts	-	5,900	(35,095)	(29,195)
	<u>10,186,002</u>	<u>5,224,505</u>	<u>(35,095)</u>	<u>15,375,412</u>

24 COMMITMENTS UNDER OPERATING LEASES

As at 30 June 2000 the company had annual commitments under non-cancellable operating leases as set out below.

	2000		1999	
	Land and buildings £	Other £	Land and buildings £	Other £
Operating leases which expire:				
Within one year	-	-	-	9,864
In two to five years	-	70,958	-	-
After more than five years	153,280	-	153,280	-
	<u>153,280</u>	<u>70,958</u>	<u>153,280</u>	<u>9,864</u>

ROHDE & SCHWARZ U.K. LIMITED

NOTES ON THE FINANCIAL STATEMENTS (continued)
30 June 2000

25 ULTIMATE HOLDING COMPANY

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

26 RELATED PARTY TRANSACTIONS

The following transactions with fellow subsidiary undertakings took place during the year:

	2000 £	1999 £
Rohde & Schwarz GmbH		
Sales	22,703	125,126
Cost of sales	26,335,646	22,889,307
Interest payable	2,292	-
	<u> </u>	<u> </u>
Rohde & Schwarz Services Limited		
Sales	36,788	60,621
Cost of sales	377,891	956,385
	<u> </u>	<u> </u>
Rusint Property Limited		
Rent payable	153,280	153,280
	<u> </u>	<u> </u>
Rohde & Schwarz France		
Cost of sales	86,156	-
	<u> </u>	<u> </u>
Rohde & Schwarz International		
Sales	-	19,590
Cost of sales	4,988	15,186
	<u> </u>	<u> </u>

At the balance sheet date, the following amounts were due from/(to) fellow subsidiary undertakings:

	2000 £	1999 £
Rohde & Schwarz GmbH	(13,153,208)	(4,758,854)
Rohde & Schwarz Services Limited	139,606	105,910
Rusint Property Limited	2,020	-
Rohde & Schwarz France	(87,067)	-
Rohde & Schwarz International	(5,041)	-
Rohde & Schwarz Austria	(55,705)	-
	<u> </u>	<u> </u>