

REGISTRAR'S COPY

COMPANY NUMBER 00539607

ROHDE & SCHWARZ U.K. LIMITED

Financial Statements

**Year ended
30 June 2003**



ROHDE & SCHWARZ U.K. LIMITED

Annual report and financial statements for the year ended 30 June 2003

Contents

Page:

1 - 2	Directors' report
3	Report of the independent auditors
4	Profit and loss account
5	Balance sheet
6	Cash flow statement
7 - 18	Notes on the financial statements

Directors

F. Mackel
C.G. Morrow
M. Becker

Bankers

HSBC
54 Clarence Street
Kingston Upon Thames
Surrey
KT1 1NS

Secretary and Registered Office

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

Company Number

00539607

Auditors

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

ROHDE & SCHWARZ U.K. LIMITED

DIRECTORS' REPORT **Year ended 30 June 2003**

The directors submit their report and financial statements for the year ended 30 June 2003.

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 are shown in the profit and loss account and the related notes. An interim dividend of £250,000 has been paid. No final dividend is proposed.

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
F. Mackel (appointed 1 January 2003)
Dr W. Winter (resigned 31 December 2002)
M. Becker

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 2003

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



F. Mackel
Director

Date: 29.07.03

ROHDE & SCHWARZ U.K. LIMITED

REPORT OF THE INDEPENDENT AUDITORS

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

We have audited the financial statements of Rohde & Schwarz U.K. Limited for the year ended 30 June 2003 on pages 4 to 18. These financial statements have been prepared under the accounting policies set out on pages 7 and 8.

Respective responsibilities of the director and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

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

Basis of audit opinion

We conducted our audit in accordance with United Kingdom 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 2003 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

BDO Stoy Hayward
BDO STOY HAYWARD
Chartered Accountants and Registered Auditors
EPSOM, SURREY

Date:

29th July 2003

ROHDE & SCHWARZ U.K. LIMITED

PROFIT AND LOSS ACCOUNT

Year ended 30 June 2003

	Note	2003	2002
		£	£
TURNOVER	2	18,530,267	19,252,207
Cost of sales		12,560,347	12,917,225
GROSS PROFIT		5,969,920	6,334,982
Personnel and related expenses		2,931,516	1,998,816
Selling costs		643,302	524,781
Establishment costs		595,471	767,931
		4,170,289	3,291,528
		1,799,631	3,043,454
Other income and income charges		102,477	68,136
OPERATING PROFIT	3	1,902,108	3,111,590
Interest receivable	4	702,869	689,272
Interest payable	5	(244)	(1,904)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		2,604,733	3,798,958
Tax on profit on ordinary activities	8	863,833	979,121
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		1,740,900	2,819,837
Dividend	9	250,000	250,000
RETAINED PROFIT FOR THE YEAR	17	1,490,900	2,569,837

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 shareholders' funds can be found in note 18.

The notes on pages 7 to 18 form part of these financial statements.

ROHDE & SCHWARZ U.K. LIMITED

BALANCE SHEET
30 June 2003

	Note	2003		2002	
FIXED ASSETS		£	£	£	£
Tangible assets	10		971,396		647,141
CURRENT ASSETS					
Stock and work in progress	11	2,091,986		2,031,884	
Debtors	12	13,740,144		13,742,072	
Cash at bank and in hand		12,086,381		11,256,154	
		27,918,511		27,030,110	
CREDITORS: amounts falling due within one year	13	7,323,217		7,293,086	
NET CURRENT ASSETS			20,595,294		19,737,024
TOTAL ASSETS LESS CURRENT LIABILITIES			21,566,690		20,384,165
PROVISIONS FOR LIABILITIES AND CHARGES					
Provision for guarantee liability	14		931,696		1,585,412
			20,634,994		18,798,753
CAPITAL AND RESERVES					
Called up share capital	16		156,100		156,100
Capital redemption reserve	17		18,900		18,900
Revaluation reserve	17		345,341		-
Profit and loss account	17		20,114,653		18,623,753
EQUITY SHAREHOLDERS' FUNDS	18		20,634,994		18,798,753

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


F. Mackel
Director

Date: 29.07.03

The notes on pages 7 to 18 form part of these financial statements.

ROHDE & SCHWARZ U.K. LIMITED

CASH FLOW STATEMENT
Year ended 30 June 2003

	Note	2003		2002	
		£	£	£	£
CASH FLOW FROM OPERATING ACTIVITIES	21		1,671,876		(8,771,314)
Returns on investment and servicing of finance					
Interest received		714,685		795,140	
Interest paid		(244)		(1,904)	
NET CASH INFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			714,441		793,236
TAXATION					
UK corporation tax paid			(1,091,982)		(1,598,003)
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT					
Purchase of tangible fixed assets			(164,430)		(157,809)
EQUITY DIVIDENDS PAID			(250,000)		(250,000)
SHARE REDEMPTION			-		(1,000,000)
CASH FLOW BEFORE MANAGEMENT OF LIQUID RESOURCES AND FINANCING	22		879,905		(10,983,890)
MANAGEMENT OF LIQUID RESOURCES					
Cash (transferred to)/withdrawn from investment accounts			(3,747,319)		5,922,357
FINANCING					
Capital element of hire purchase contracts			(13,335)		(8,011)
DECREASE IN CASH IN THE YEAR	23		(2,880,749)		(5,069,544)

The notes on pages 7 to 18 form part of these financial statements.

NOTES ON THE FINANCIAL STATEMENTS
Year Ended 30 June 2003

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 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.

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.

Investment Properties

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

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

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:

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 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.

NOTES ON THE FINANCIAL STATEMENTS (continued)
Year Ended 30 June 2003

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 actual costs of servicing guarantees in the 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

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.

Hire purchases and leasing commitments

Assets obtained under hire purchase contracts are capitalised in the balance sheet and are depreciated over their estimated useful lives.

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 contract and represents a constant proportion of the balance of capital repayments outstanding. The capital part reduces the amounts payable under the terms of the contract.

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.

Liquid resources

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

Turnover

Turnover is stated net of value added tax and discounts given and represents amounts invoiced to third parties.

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:

	2003 £	2002 £
United Kingdom	16,022,792	17,444,874
Rest of Europe	415,600	384,928
USA	2,013,662	977,319
Asia/North Africa	68,778	112,278
Cayman Islands	-	332,808
Australasia	9,435	-
	<u>18,530,267</u>	<u>19,252,207</u>

ROHDE & SCHWARZ U.K. LIMITED

NOTES ON THE FINANCIAL STATEMENTS (continued) **Year Ended 30 June 2003**

3 OPERATING PROFIT

	2003	2002
	£	£
Is stated after charging/(crediting):		
Depreciation - owned assets	173,701	202,073
- assets held under hire purchase contracts	-	8,400
Auditors' remuneration - audit	26,570	22,843
- other services	11,250	11,250
Rentals under operating lease	79,993	77,079
Profit on foreign exchange	(36,343)	(209,967)
	<u> </u>	<u> </u>

4 INTEREST RECEIVABLE

	2003	2002
	£	£
Bank	362,800	556,564
Loan to group company	340,069	132,708
	<u> </u>	<u> </u>
	702,869	689,272
	<u> </u>	<u> </u>

5 INTEREST PAYABLE

	2003	2002
	£	£
Hire purchase	-	1,837
Other	244	67
	<u> </u>	<u> </u>
	244	1,904
	<u> </u>	<u> </u>

6 EMPLOYEES

	2003	2002
	£	£
Wages and salaries	2,018,956	1,510,907
Social security costs	226,356	161,645
Pension costs	633,071	297,383
Health insurance	7,011	3,399
	<u> </u>	<u> </u>
	2,885,394	1,973,334
	<u> </u>	<u> </u>

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

	2003	2002
	Number	Number
Sales	25	23
Service	13	13
Administration	8	8
	<u> </u>	<u> </u>
	46	44
	<u> </u>	<u> </u>

ROHDE & SCHWARZ U.K. LIMITED

NOTES ON THE FINANCIAL STATEMENTS (continued) **Year Ended 30 June 2003**

7 DIRECTORS

	2003 £	2002 £
Directors' emoluments consist of:		
Fees and remuneration for management services	336,920	174,649
Compensation for loss of office	215,584	-
Payments to defined contribution pension scheme	11,508	18,112
	<u>564,012</u>	<u>192,761</u>

There was one director in the company's defined contribution pension scheme during the year. (2002: One).

Emoluments of the highest paid director amounted to £417,921 (2002: £174,649), which included £215,584 (2002: £Nil) for compensation for loss of office.

Company contributions to the defined contribution scheme of the highest paid director amounted to £11,508 (2002: £15,112).

8 TAXATION ON PROFIT ON ORDINARY ACTIVITIES

	2003 £	2002 £
The tax charge consists of:		
UK corporation tax at 30%	863,833	1,160,855
Adjustments in respect of prior years:		
UK corporation tax at 30%	-	(181,734)
	<u>863,833</u>	<u>979,121</u>
Profit on ordinary activities before tax	<u>2,604,733</u>	<u>3,798,958</u>
Profit on ordinary activities at the standard rate of corporation tax in the UK of 30%	781,420	1,139,687
Effects of:		
Expenses not deductible for tax purposes	18,202	16,973
Capital allowances in excess of depreciation	(6,309)	4,195
Other timing differences	70,520	-
Over provision of corporation tax in prior years	-	(181,734)
	<u>863,833</u>	<u>979,121</u>

ROHDE & SCHWARZ U.K. LIMITED

NOTES ON THE FINANCIAL STATEMENTS (continued) **30 June 2003**

9 DIVIDENDS

	2003 £	2002 £
Interim ordinary dividend paid of £1.60 (2002: £1.60) per share	<u>250,000</u>	<u>250,000</u>

10 TANGIBLE ASSETS

	Freehold investment property £	Short leasehold premises £	Furniture and equipment £	Demonstration and service equipment £	Motor vehicles £	Computer equipment £	Total £
Cost							
At 1 July 2002	79,660	109,383	247,983	654,101	88,390	170,486	1,350,003
Additions	-	-	10,022	106,589	12,320	35,499	164,430
Disposals	-	-	-	-	(38,995)	-	(38,995)
Revaluation	345,341	-	-	-	-	-	345,341
At 30 June 2003	<u>425,001</u>	<u>109,383</u>	<u>258,005</u>	<u>760,690</u>	<u>61,715</u>	<u>205,985</u>	<u>1,820,779</u>
Depreciation							
At 1 July 2002	1,726	66,192	183,578	267,882	63,251	120,233	702,862
Reclassification	(1,726)	-	1,726	-	-	-	-
Charge for year	-	6,963	(6,008)	135,986	5,608	31,152	173,701
Disposals	-	-	-	-	(27,180)	-	(27,180)
At 30 June 2003	<u>-</u>	<u>73,155</u>	<u>179,296</u>	<u>403,868</u>	<u>41,679</u>	<u>151,385</u>	<u>849,383</u>
Net book value:							
At 30 June 2003	<u>425,001</u>	<u>36,228</u>	<u>78,709</u>	<u>356,822</u>	<u>20,036</u>	<u>54,600</u>	<u>971,396</u>
At 30 June 2002	<u>77,934</u>	<u>43,191</u>	<u>64,405</u>	<u>386,219</u>	<u>25,139</u>	<u>50,253</u>	<u>647,141</u>

The company's investment property was revalued on 23 May 2003 by Boyce Thornton Chartered Surveyors at open market value. The valuation was undertaken in accordance with the Royal Institution of Chartered Surveyors' Appraisal and Valuation Manual. The surplus arising of £345,341 has been credited to the revaluation reserve. All other tangible assets are stated at historical cost.

11 STOCK AND WORK IN PROGRESS

	2003 £	2002 £
Finished goods and goods held for resale	<u>2,091,986</u>	<u>2,031,884</u>

ROHDE & SCHWARZ U.K. LIMITED

NOTES ON THE FINANCIAL STATEMENTS (continued)
30 June 2003

12 DEBTORS

Amounts receivable within one year:

	2003	2002
	£	£
Trade debtors	3,415,752	3,476,837
Amounts due from group undertakings	10,067,084	10,042,796
Other debtors	58,860	80,823
Prepayments	198,448	141,616
	<u>13,740,144</u>	<u>13,742,072</u>

13 CREDITORS

Amounts falling due within one year:

	2003	2002
	£	£
Trade creditors	148,432	175,834
Amounts owed to group undertakings	4,764,559	4,869,778
Corporation tax	506,782	734,931
Other taxes and social security costs	523,550	99,579
Other creditors	87,473	251,788
Obligations under hire purchase contracts	-	13,335
Accruals and deferred income	1,292,421	1,147,841
	<u>7,323,217</u>	<u>7,293,086</u>

14 PROVISIONS FOR GUARANTEE LIABILITY

	2003	2002
	£	£
Provision at 1 July 2002	1,585,412	1,585,412
Decrease in provision in the year	(653,716)	-
	<u>931,696</u>	<u>1,585,412</u>

ROHDE & SCHWARZ U.K. LIMITED

NOTES ON THE FINANCIAL STATEMENTS (continued)
30 June 2003

15 DEFERRED TAX

	2003		2002	
	Potential asset £	Amount provided £	Potential asset £	Amount provided £
Provision has been made for deferred tax at 30% as follows:				
Accelerated capital allowances	<u>8,610</u>	<u>-</u>	<u>22,216</u>	<u>-</u>

16 SHARE CAPITAL

	Authorised		Allotted, called up and fully paid	
	2003 £	2002 £	2003 £	2002 £
Ordinary shares of £1 each	<u>175,000</u>	<u>175,000</u>	<u>156,100</u>	<u>156,100</u>

17 RESERVES

	Revaluation reserve £	Capital redemption reserve £	Profit and loss account £
Profit and loss account:			
At 1 July 2002	-	18,900	18,623,753
Retained profit for the year	-	-	1,490,900
Revaluation surplus	<u>345,341</u>	<u>-</u>	<u>-</u>
At 30 June 2003	<u>345,341</u>	<u>18,900</u>	<u>20,114,653</u>

18 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2003 £	2002 £
Profit for the financial year	1,740,900	2,819,837
Dividends	(250,000)	(250,000)
Redemption of shares	-	(1,000,000)
Surplus on revaluation of investment property	<u>345,341</u>	<u>-</u>
Net addition to shareholders' funds	<u>1,836,241</u>	<u>1,569,837</u>
Opening shareholders' funds	<u>18,798,753</u>	<u>17,228,916</u>
Closing shareholders' funds	<u>20,634,994</u>	<u>18,798,753</u>

NOTES ON THE FINANCIAL STATEMENTS (continued)
30 June 2003

19 PENSIONS

The company sponsors the Rohde & Schwarz UK Limited Retirement Benefits Plan which is primarily a defined contribution arrangement. The plan changed from being a defined benefit arrangement to a defined contribution arrangement on 28 February 1995. The benefits of the deferred pensioners at that date have been preserved within the plan.

In addition, the company currently has a final salary commitment for a director. The amounts stated below make an allowance for this commitment.

The last full actuarial valuation of this scheme was carried out by a qualified independent actuary as at 1 April 2001 and updated at 30 June 2001, 2002 and 2003 by a qualified independent actuary on an FRS12 basis.

Normal contributions made by the company over the financial year were £117,086 equivalent to 5% of pensionable pay in respect of the defined contribution membership. In addition to this the company has met the premiums for death in service benefits and the costs of administering the Plan. No contributions have been paid in respect of the deferred pensioners in accordance with the recommendation made in the last actuarial valuation report. The next actuarial valuation of the Plan is due no later than 1 April 2004. In addition to the normal contributions paid in the year a £503,000 special contribution was paid in respect of the final salary commitment referred to above.

The transitional arrangements of the new accounting standard FRS17 require disclosure of assets and liabilities as at 30 June 2003 calculated in accordance with the requirements of FRS17. They also require disclosure of the items which would appear in the profit and loss account and in the statement of total recognised gains and losses were the full requirements of FRS17 in place. For the purpose of these financial statements, all of these figures are illustrative only and do not impact on the actual 30 June 2003 balance sheet or on this year's performance statements.

Assumptions

The assets of each scheme have been taken at market value and the liabilities have been calculated using the following principal actuarial assumptions:

	30 June 2003	30 June 2002	30 June 2001
Inflation	2.75% per annum	3.0% per annum	2.75% per annum
Salary increase	n/a	5.0% per annum	4.75% per annum
Rate of discount	5.25% per annum	5.75% per annum	6.0% per annum
Pension in payment increases	as guaranteed	as guaranteed	as guaranteed
Revaluation rate for deferred pensioners	2.75% per annum	3.0% per annum	2.75% per annum

ROHDE & SCHWARZ U.K. LIMITED

NOTES ON THE FINANCIAL STATEMENTS (continued)
30 June 2003

19 PENSIONS (continued)

Illustrative balance sheet figures	30 June 2003	30 June 2002	30 June 2001
	£'000	£'000	£'000
Assets (see below)	2,394	1,834	1,618
Liabilities – money purchase	914	831	825
Liabilities – final salary	1,305	1,001	681
Surplus – recoverable	36	2	112
Surplus – unrecoverable	139	-	-

Assets	30 June 2003	30 June 2002	30 June 2001
	£'000	£'000	£'000
Equities	1,307	1,356	1,327
Bonds	787	196	194
Other	300	282	97

Expected long term rate of return	30 June 2003	30 June 2002	30 June 2001
	%	%	%
Bonds	5.00	5.75	6.00
Equities	7.00	7.00	7.00

Illustrative charge to the profit and loss account for the financial year.

	30 June 2003	30 June 2002
	£'000	£'000
Current service cost	29	18
Past service cost	-	-
Previous unrecognised surplus deducted from past service cost	-	-
Gains and losses on settlements and curtailments losses	-	-
Interest on pension scheme liabilities	58	41
Expected return on pension scheme assets	(81)	(57)
Total	6	2

ROHDE & SCHWARZ U.K. LIMITED

NOTES ON THE FINANCIAL STATEMENTS (continued) **30 June 2003**

19 PENSIONS (continued)

Movement in illustrative balance sheet surplus figures during the year ended 30 June 2002 and 30 June 2003

	2003 £'000	2002 £'000
Surplus in scheme at beginning of year	2	112
Movement in year:		
Current service cost	(29)	(18)
Contributions	528	300
Past service costs	-	-
Other finance income	21	16
Actuarial loss	(486)	(408)
Surplus in scheme at end of year	36	2

Illustrative amounts which would be included within the statement of total recognised gains and losses for the year ended 30 June 2002 and 30 June 2003

	2003 £'000	2002 £'000
Final salary scheme		
Actual return less expected return on pension scheme assets	(132)	(147)
Experience gains and losses arising on the scheme liabilities	(105)	(191)
Changes in assumption underlying the present value of the scheme liabilities	(112)	(70)
Adjustments due to surplus cap	(139)	-
	(488)	(408)

History of experience gains and losses

	2003 £'000	2002 £'000
Final salary scheme		
Difference between the expected and actual return on scheme assets		
Amount £'000	(132)	(147)
Percentage of scheme assets	8.8%	18.3%
Experience gains and losses on scheme liabilities		
Amount £'000	(105)	(191)
Percentage of the present value of the scheme liabilities	8.0%	19.1%
Total amount recognised in statement of total recognised gains and losses		
Amount £'000	(112)	(70)
Percentage of the present value of the scheme liabilities	8.60%	7.00%

ROHDE & SCHWARZ U.K. LIMITED

NOTES ON THE FINANCIAL STATEMENTS (continued)

30 June 2003

19 PENSIONS (continued)

	2003	2002	2001
	£'000	£'000	£'000
Profit and loss reserve excluding pension asset	20,115	18,624	17,054
FRS17 pensions surplus	36	2	112
profit and loss reserve	20,151	18,626	17,166

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

	2003	2002
	£	£
Operating profit	1,902,107	3,111,590
Depreciation charge	173,701	210,472
Increase in stocks	(60,102)	(361,900)
Decrease/(increase) in debtors	1,928	(5,362,102)
Decrease in creditors	(382,101)	(6,579,341)
Translation difference	36,343	209,967
	1,671,876	(8,771,314)

22 RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS

	£
Decrease in cash in the year	(2,880,749)
Cash outflow from decrease in hire purchase financing	13,335
Cash inflow from decrease in liquid resources	3,747,319
Change in net funds resulting from cash flows	879,905
Translation difference	(36,343)
Movement in net funds in the year	843,562
Net funds at 1 July 2002	11,242,819
Net funds at 30 June 2003	12,086,381

NOTES ON THE FINANCIAL STATEMENTS (continued)
30 June 2003

23 ANALYSIS OF NET DEBT

	Opening balance £	Cashflow £	Exchange movement £	Closing balance £
Cash	3,345,646	(2,880,749)		464,897
Cash on deposit	7,910,508	3,747,319	(36,343)	11,621,484
Total cash at bank and in hand	11,256,154	866,570	(36,343)	12,086,381
Hire purchase contracts	(13,335)	13,335	-	-
	<u>11,242,819</u>	<u>879,905</u>	<u>(36,343)</u>	<u>12,086,381</u>

24 COMMITMENTS UNDER OPERATING LEASES

As at 30 June 2003 the company had annual commitments under non-cancellable operating leases as set out below.

	2003		2002	
	Land and buildings £	Other £	Land and buildings £	Other £
Operating leases which expire:				
In less than one year	-	68,156	-	68,156
In two to five years	-	21,385	-	21,385
After more than five years	202,300	-	202,300	-
	<u>202,300</u>	<u>89,541</u>	<u>202,300</u>	<u>89,541</u>

25 ULTIMATE HOLDING COMPANY

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

26 RELATED PARTY TRANSACTIONS

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