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COMPANY NUMBER 5039607

Rohde & Schwarz U.K. Limited

Report and Financial Statements

Year Ended

30 June 2004



Rohde & Schwarz U.K. Limited

Annual report and financial statements for the year ended 30 June 2004

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Directors

F Mackel
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 LLP
Emerald House
East Street
Epsom
Surrey
KT17 1HS

Report of the directors for the year ended 30 June 2004

The directors present their report together with the audited financial statements for the year ended 30 June 2004.

Results and dividends

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

An interim dividend of £8,000,000 was paid during the year.

Principal activity, review of business and future developments

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

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.

Charitable donations

During the year the company made charitable donations of £260 (2003: £110).

Directors

The directors who served during the year were as follows:

C G Morrow (resigned 13 July 2004)
F Mackel
M Becker

None of the directors had any beneficial 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.

Report of the directors' for the year ended 30 June 2004 (continued)

Auditors

On 31 December 2003, BDO Stoy Hayward, the company's auditors, transferred its business to BDO Stoy Hayward LLP, a limited liability partnership incorporated under the Limited Liability Partnerships Act 2000. Accordingly BDO Stoy Hayward resigned as auditors on that date and the directors appointed BDO Stoy Hayward LLP as its successor. A resolution to reappoint BDO Stoy Hayward LLP as auditors will be proposed at the next annual general meeting.

By order of the board

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

F Mackel
Director

Date: 28.07.2004

Report of the independent auditors

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

We have audited the financial statements of Rohde & Schwarz U.K. Limited for the year ended 30 June 2004 on pages 5 to 19. These financial statements have been prepared under the accounting policies set out on pages 8 and 9.

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

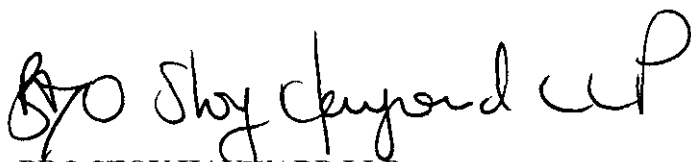
We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates 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.

Report of the independent auditors (continued)

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 2004 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

A handwritten signature in black ink, appearing to read 'BDO Stoy Hayward LLP', is written over the printed name of the firm.

BDO STOY HAYWARD LLP

Chartered Accountants

and Registered Auditors

Epsom, Surrey

Date: 30 July 2004

Rohde & Schwarz U.K. Limited

Profit and loss account for the year ended 30 June 2004

	Note	2004	2003
		£	£
Turnover	2	21,879,531	18,530,267
Cost of sales		<u>16,553,567</u>	<u>12,560,347</u>
Gross profit		5,325,964	5,969,920
Personnel and related expenses		2,353,911	2,931,516
Selling costs		759,799	643,302
Establishment costs		<u>1,391,288</u>	<u>595,471</u>
		4,504,998	4,170,289
		820,966	1,799,631
Other operating income		89,688	102,477
Operating profit before exceptional item		1,722,992	1,902,108
Exceptional item	4	(812,338)	-
Operating profit	3	910,654	1,902,108
Interest receivable	5	697,265	702,869
Interest payable	6	-	(244)
Profit on ordinary activities before taxation		1,607,919	2,604,733
Tax on profit on ordinary activities	9	594,799	863,833
Profit on ordinary activities after taxation		1,013,120	1,740,900
Dividends	10	8,000,000	250,000
Retained (loss)/profit for the year	18	(6,986,880)	1,490,900

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 19.

The notes on pages 8 to 19 form part of these financial statements.

Rohde & Schwarz U.K. Limited

Balance sheet at 30 June 2004

	Note	2004		2003	
		£	£	£	£
Fixed assets					
Tangible assets	11		877,737		971,396
Current assets					
Stock and work in progress	12	2,330,558		2,091,986	
Debtors	13	15,882,117		13,740,144	
Cash at bank and in hand		5,225,417		12,086,381	
		23,438,092		27,918,511	
Creditors: amounts falling due within one year	14	9,761,265		7,323,217	
Net current assets			13,676,827		20,595,294
Total assets less current liabilities			14,554,564		21,566,690
Provisions for liabilities and charges					
Provision for guarantee liability	15		906,450		931,696
			13,648,114		20,634,994
Capital and reserves					
Called up share capital	17		156,100		156,100
Capital redemption reserve	18		18,900		18,900
Revaluation reserve	18		345,341		345,341
Profit and loss account	18		13,127,773		20,114,653
Equity shareholders' funds	19		13,648,114		20,634,994

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



F. Mackel
Director

Date: 28.07.2004

The notes on pages 8 to 19 form part of these financial statements.

Rohde & Schwarz U.K. Limited

Cash flow statement for the year ended 30 June 2004

	Note	2004	2003
		£	£
Net cash inflow from operating activities	22	1,256,496	1,671,876
Returns on investment and servicing of finance			
Interest received		697,265	714,685
Interest paid		-	(244)
Net cash inflow from returns on investments and servicing of finance		697,265	714,441
Taxation			
UK corporation tax paid		(730,675)	(1,091,982)
Capital expenditure and financial investment			
Payments to acquire tangible fixed assets		(112,026)	(164,430)
Equity dividends paid		(8,000,000)	(250,000)
Cash (outflow)/inflow before use of liquid resources and financing	23	(6,888,940)	879,905
Management of liquid resources			
Cash withdrawn from/(transferred to) from investment accounts		6,584,627	(3,747,319)
Financing			
Capital element of hire purchase contracts		-	(13,335)
Decrease in cash in the year	24	(304,313)	(2,880,749)

The notes on pages 8 to 19 form part of these financial statements.

1 **Accounting policies**

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of land and buildings and are in accordance with applicable accounting standards. The following principal accounting policies have been applied:

Turnover

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

Depreciation

Depreciation is provided to write off the cost, less estimated residual values of all tangible fixed assets, except for investment properties and freehold land, evenly over their expected useful lives. It is calculated at the following rates:

Furniture and equipment	15% per annum straight line
Demonstration and service equipment	20% per annum straight line
Motor vehicles and computer equipment	25% per annum straight line
Short leasehold properties	over length of lease

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.

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.

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.

1 Accounting policies (continued)

Leased assets

Operating lease rentals are charged to the profit and loss account on a straight-line basis over the term of the lease.

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.

Foreign currency

Foreign currency transactions are translated at the rates ruling when they occurred. Foreign currency balances are translated to sterling at the exchange rates ruling at the balance sheet date. Any differences are taken to the profit and loss account.

Liquid resources

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

2 Turnover

Turnover and profit on ordinary activities before tax relate to the company's principal activities. The analysis of turnover by geographical market is as follows:

	2004 £	2003 £
United Kingdom	21,439,810	16,022,792
Rest of Europe	298,776	415,600
USA	-	2,013,662
Asia/North Africa	140,945	68,778
Australasia	-	9,435
	<u>21,879,531</u>	<u>18,530,267</u>

Notes forming part of the financial statements for the year ended 30 June 2004 (continued)

3 Operating profit

	2004	2003
	£	£
This is arrived at after charging/(crediting):		
Depreciation - owned assets	205,685	173,701
Auditors' remuneration - audit	30,000	26,570
- other services	5,000	11,250
Rentals under operating lease	106,319	79,993
Loss/(profit) on foreign exchange	27,976	(36,343)
	<u>205,685</u>	<u>173,701</u>

4 Exceptional item

The exceptional item is in relation to costs incurred in surrendering a leasehold property during the year.

5 Interest receivable

	2004	2003
	£	£
Bank interest	361,223	362,800
Loan to group company	336,042	340,069
	<u>697,265</u>	<u>702,869</u>

6 Interest payable

	2004	2003
	£	£
Other interest	-	244
	<u>-</u>	<u>244</u>

7 Employees

Staff costs (including directors) consist of:

	2004	2003
	£	£
Wages and salaries	1,824,677	2,018,956
Social security costs	209,740	226,356
Pension costs	277,836	633,071
	<u>2,312,253</u>	<u>2,878,383</u>

7 Employees (continued)

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

	2004 Number	2003 Number
Sales	27	25
Service	14	13
Administration	8	8
	<u>49</u>	<u>46</u>

8 Directors remuneration

Directors' emoluments consist of:

	2004 £	2003 £
Fees and remuneration for management services	167,033	336,920
Compensation for loss of office	-	215,584
	<u>167,033</u>	<u>552,504</u>

There were no directors in the company's defined contribution pension scheme during the year. (2003: one).

There was one director in the company's defined benefit pension scheme during the year (2003: one).

9 Taxation on profit on ordinary activities

The tax charge consists of:

	2004 £	2003 £
UK corporation tax at 30%	<u>594,799</u>	<u>863,833</u>
Profit on ordinary activities before tax	<u>1,607,919</u>	<u>2,604,733</u>
Profit on ordinary activities at the standard rate of corporation tax in the UK of 30%	482,376	781,420
Effects of:		
Expenses not deductible for tax purposes	165,708	18,202
Depreciation in excess of capital allowances	13,365	(6,309)
Other timing differences	(66,650)	70,520
	<u>594,799</u>	<u>863,833</u>

Notes forming part of the financial statements for the year ended 30 June 2004 (continued)

10 Dividends

	2004 £	2003 £
Interim ordinary dividend paid of £51.25 (2003: £1.60) per share	<u>8,000,000</u>	<u>250,000</u>

11 Tangible fixed assets

	Freehold investment property £	Short Leasehold Premises £	Furniture and equipment £	Technical equipment £	Motor vehicles £	Computer equipment £	Total £
Cost or valuation							
At 1 July 2003	425,001	109,383	258,005	760,690	61,715	205,985	1,820,779
Additions	-	-	36,777	36,961	-	38,288	112,026
Disposals	-	-	-	-	-	(2,901)	(2,901)
At 30 June 2004	<u>425,001</u>	<u>109,383</u>	<u>294,782</u>	<u>797,651</u>	<u>61,715</u>	<u>241,372</u>	<u>1,929,904</u>
Depreciation							
At 1 July 2003	-	73,155	179,296	403,868	41,679	151,385	849,383
Charge for year	-	8,243	27,971	135,063	6,807	27,601	205,685
Disposals	-	-	-	-	-	(2,901)	(2,901)
At 30 June 2004	<u>-</u>	<u>81,398</u>	<u>207,267</u>	<u>538,931</u>	<u>48,486</u>	<u>176,085</u>	<u>1,052,167</u>
Net book value:							
At 30 June 2004	<u>425,001</u>	<u>27,985</u>	<u>87,515</u>	<u>258,720</u>	<u>13,229</u>	<u>65,287</u>	<u>877,737</u>
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>

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.

The historical cost of the company's freehold investment property is £79,660 (2003: £79,660)

12 Stock and work in progress

	2004 £	2003 £
Work in progress	1,027,805	439,039
Finished goods and goods held for resale	<u>1,302,753</u>	<u>1,652,947</u>
	<u>2,330,558</u>	<u>2,091,986</u>

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

Notes forming part of the financial statements for the year ended 30 June 2004 (continued)

13 Debtors		
Amounts receivable within one year:	2004	2003
	£	£
Trade debtors	5,686,220	3,415,752
Amounts due from group undertakings	10,078,939	10,067,084
Other debtors	14,700	58,860
Prepayments	102,258	198,448
	<u>15,882,117</u>	<u>13,740,144</u>
14 Creditors		
Amounts falling due within one year:	2004	2003
	£	£
Trade creditors	209,197	148,432
Amounts owed to group undertakings	7,096,781	4,764,559
Corporation tax	370,906	506,782
Other taxes and social security costs	855,463	523,550
Other creditors	184,087	87,473
Accruals and deferred income	1,044,831	1,292,421
	<u>9,761,265</u>	<u>7,323,217</u>
15 Provision for liabilities and charges		Provision for guarantee liability £
Provision at 1 July 2003		931,696
Utilised in year		(422,647)
Provided during the year		397,401
Provision at 30 June 2004		<u>906,450</u>

16 Deferred taxation

	2004		2003	
	Potential asset £	Amount provided £	Potential asset £	Amount provided £
Provision has been made for deferred tax at 30% as follows:				
Accelerated capital allowances	<u>30,775</u>	<u>-</u>	<u>107,713</u>	<u>-</u>

17 Share capital

	Authorised		Allotted, called up and fully paid	
	2004 £	2003 £	2004 £	2003 £
Ordinary shares of £1 each	<u>175,000</u>	<u>175,000</u>	<u>156,100</u>	<u>156,100</u>

18 Reserves

	Revaluation reserve £	Capital redemption reserve £	Profit and loss account £
At 1 July 2003	345,341	18,900	20,114,653
Retained loss for the year	-	-	(6,986,880)
At 30 June 2004	<u>345,341</u>	<u>18,900</u>	<u>13,127,773</u>

19 Reconciliation of movements in shareholders' funds

	2004 £	2003 £
Profit for the year	1,013,120	1,740,900
Dividends	(8,000,000)	(250,000)
Surplus on revaluation of investment property	-	345,341
Net (deduction)/addition to shareholders' funds	<u>(6,986,880)</u>	<u>1,836,241</u>
Opening shareholders' funds	<u>20,634,994</u>	<u>18,798,753</u>
Closing shareholders' funds	<u>13,648,114</u>	<u>20,634,994</u>

20 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 2002, 2003 and 2004 by a qualified independent actuary on an FRS12 basis.

Normal contributions made by the company over the financial year were £102,186 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 2007. In addition to the normal contributions paid in the year a £178,334 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 2004 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 2004 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 2004	30 June 2003	30 June 2002
Inflation	3.0% per annum	2.75% per annum	3.0% per annum
Salary increase	n/a	n/a	5.0% per annum
Rate of discount	5.75% per annum	5.25% per annum	5.75% per annum
Pension in payment increases	as guaranteed	as guaranteed	as guaranteed
Revaluation rate for deferred pensioners	3.0% per annum	2.75% per annum	3.0% per annum

Notes forming part of the financial statements for the year ended 30 June 2004 (continued)

20 Pensions (continued)

Illustrative balance sheet figures	30 June 2004 £'000	30 June 2003 £'000	30 June 2002 £'000
Assets (see below)	2,917	2,394	1,834
Liabilities – money purchase	2,685	914	831
Liabilities – final salary	211	1,305	1,001
Surplus – recoverable	-	36	2
Surplus – unrecoverable	21	139	-
Assets	30 June 2004 £'000	30 June 2003 £'000	30 June 2002 £'000
Equities	1,115	1,307	1,356
Bonds	212	787	196
Other	1,590	300	282
Expected long term rate of return	30 June 2004 %	30 June 2003 %	30 June 2002 %
Bonds	5.00	5.00	5.75
Equities	7.00	7.00	7.00
Cash	4.50	4.00	5.00

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

	30 June 2004 £'000	30 June 2003 £'000
Current service cost	-	29
Interest on pension scheme liabilities	68	58
Expected return on pension scheme assets	(68)	(81)
Total	-	6

20 Pensions (continued)

Movement in illustrative balance sheet surplus figures during the year ended 30 June 2003 and 30 June 2004

	2004 £'000	2003 £'000
Surplus in scheme at beginning of year	-	2
Movement in year:		
Current service cost	-	(29)
Contributions	178	528
Other finance income	-	21
Actuarial loss	(178)	(486)
Surplus in scheme at end of year	-	36

Illustrative amounts which would be included within the statement of total recognised gains and losses for the year ended 30 June 2003 and 30 June 2004

	2004 £'000	2003 £'000
Final salary scheme		
Actual return less expected return on pension scheme assets	40	(132)
Experience gains and losses arising on the scheme liabilities	(382)	(105)
Changes in assumption underlying the present value of the scheme liabilities	10	(112)
Adjustments due to surplus cap	154	(139)
	(178)	(488)

History of experience gains and losses

	2004 £'000	2003 £'000
Final salary scheme		
Difference between the expected and actual return on scheme assets		
Amount £'000	40	(132)
Percentage of scheme assets	17.2%	8.8%
Experience gains and losses on scheme liabilities		
Amount £'000	(382)	(105)
Percentage of the present value of the scheme liabilities	181.0%	8.0%
Total amount recognised in statement of total recognised gains and losses		
Amount £'000	10	(112)
Percentage of the present value of the scheme liabilities	4.7%	8.6%

Notes forming part of the financial statements for the year ended 30 June 2004 (continued)

20 Pensions (continued)

	2004 £'000	2003 £'000	2002 £'000
Profit and loss reserve excluding pension asset	13,192	20,115	18,624
FRS17 pensions surplus	-	36	2
	<u>13,192</u>	<u>20,151</u>	<u>18,626</u>
Profit and loss reserve	<u>13,192</u>	<u>20,151</u>	<u>18,626</u>

21 Contingent liabilities

Certain guarantees have been given by the company's bankers to third parties in the normal course of business. No liabilities exist at the balance sheet date in respect of these guarantees.

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

	2004 £	2003 £
Operating profit	910,654	1,902,107
Depreciation of tangible fixed assets	205,685	173,701
Increase in stocks	(238,572)	(60,102)
(Increase)/decrease in debtors	(2,141,973)	1,928
Increase/(decrease) in creditors	2,548,678	(382,101)
Exchange difference	(27,976)	36,343
	<u>1,256,496</u>	<u>1,671,876</u>

23 Reconciliation of net cash flow to movement in net funds

	2004 £	2003 £
Decrease in cash in the year	(304,313)	(2,880,749)
Cash outflow from decrease in hire purchase financing	-	13,335
Cash (inflow)/outflow from decrease in liquid resources	(6,584,627)	3,747,319
Change in net funds resulting from cash flows	<u>(6,888,940)</u>	<u>879,905</u>
Exchange difference	27,976	(36,343)
Movement in net funds in the year	<u>(6,860,964)</u>	<u>843,562</u>
Opening net funds	12,086,381	11,242,819
Closing net funds	<u>5,225,417</u>	<u>12,086,381</u>

24 Analysis of net debt

	At 1 July 2003 £	Cash flow £	Exchange movement £	At 30 June 2004 £
Cash	464,897	(304,313)	-	160,584
Cash on deposit	11,621,484	(6,584,627)	27,976	5,064,833
Total cash at bank and in hand	<u>12,086,381</u>	<u>(6,888,940)</u>	<u>27,976</u>	<u>5,225,417</u>

25 Commitments under operating leases

As at 30 June 2004 the company had annual commitments under non-cancellable operating leases as set out below.

	2004		2003	
	Land and buildings £	Other £	Land and buildings £	Other £
Operating leases which expire:				
In less than one year	-	-	-	68,156
In two to five years	202,300	216,099	-	21,385
After more than five years	-	-	202,300	-
	<u>202,300</u>	<u>216,099</u>	<u>202,300</u>	<u>89,541</u>

26 Ultimate parent company

The ultimate parent company is Rohde & Schwarz GmbH & Co. KG, a private company registered in Germany.

Copies of the annual published accounts of Rohde & Schwarz GmbH & Co. KG are available from the Companies' registrar in Munich under reference HRA 16270 at Präsident des Amtsgerichts, Munich, Amtsgericht Munich, Pacellistraße 5, 00315 Munich.

The company's immediate parent company is Rusint A.G., a company incorporated in Switzerland. No consolidated financial statements are prepared by Rusint A.G.

27 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.