

Anritsu Limited

**Directors' report and financial
statements**

Registered number 1919347

31 March 2009

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Officers and advisers

Directors

PR George
PS Chalfant
FA Tiernan
T Takahashi

Secretary

T Karube

Auditors

KPMG LLP
8 Salisbury Square
London
EC4Y 8BB

Bankers

The Sumitomo Mitsui Banking Corporation Europe Limited
Temple Court
99 Queen Victoria Street
London
EC4M 4TA

Solicitors

Howes Percival
Oxford House
Cliftonville
Northampton
NN1 5PN

Registered office

200 Capability Green
Luton
Beds
LU1 3LU

Directors' report

The directors present their directors' report and financial statements for the year ended 31 March 2009.

Principal activity

The principal activity of the Company continues to be the design and engineering of leading edge test and measurement solutions for the communications industry.

Business review

The directors are pleased to report a profitable year for the Company. Turnover declined from the previous year, following the transition over the course of that year of the Company's manufacturing facility from the UK to the US. This has allowed the Company to continue the focus on its core engineering and software development capabilities. In addition the Company has reduced its operating costs by subletting space vacated by the transfer of the manufacturing facility. Thus despite the reduction in turnover the Company has increased its operating profitably by £566,000 over the previous year. The net profit for the year before taxation of £793,000 is however lower by comparison since the prior year net profits were boosted by the sale of subsidiaries and certain intellectual property rights to fellow group companies.

The directors anticipate that the profitable performance of the Company will continue.

Principal risks and uncertainties facing the business

The industry in which we operate is of a cyclical nature and dependent on the emergence and development of new technologies together with the convergence of existing technologies. However the Company maintains its investment in research and development with the intention of continuing to meet or exceed the changing requirements of its customers.

Our business is transacted in a number of the major currencies and we are therefore subject to some extent to foreign currency rate fluctuations.

Key performance indicators

Our key financial indicators are research and development and general and administration spend against target, together with the generation of positive cash flows.

Employees

Staff remains an extremely important asset to the Company. The retention of quality staff combined with continuous training and development is key to our success.

The directors recognise the benefits which arise from keeping employees informed of the Company's progress and plans, and through their participation in the Company's performance. The Company is therefore committed to providing its employees with information on a regular basis, to consulting them so that their views may be taken into account in taking decisions which may affect their interests and encouraging their participation in schemes through which they will benefit from the Company's progress and profitability.

The Company gives full consideration to applications for employment from disabled persons where the requirements of the job can be adequately fulfilled by a disabled person.

Where existing employees become disabled, it is the Company's policy wherever practical to provide continuing employment under normal terms and conditions and to provide training and career development and promotion to disabled employees wherever appropriate.

Proposed dividend

The directors do not recommend the payment of a dividend for the year (2008: none).

Directors' report (continued)

Directors

The directors who served during the year were as follows:

PR George
PS Chalfant
FA Tieman
T Sumi (appointed 1 April 2008)
T Kashiwagi (appointed 1 April 2008)
K Tanaka (resigned 1 April 2008)

In addition Mr T Takahashi was appointed as a director on 1 April 2009 and Mr T Sumi and Mr T Kashiwagi resigned as directors at the same date.

Market value of land and buildings

In the opinion of the directors, the market value of the freehold land and buildings of the Company are in excess of the book values of these assets at 31 March 2009.

Disclosure of information to auditors

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware; and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Political and charitable contributions

The Company made no political contributions or charitable donations during the year (2008: none).

Auditors

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

On behalf of the board



T Karube
Secretary

200 Capability Green
Luton
Beds
LU1 3LU

8 December 2009

Statement of directors' responsibilities in respect of the directors' report and the financial statements

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

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

The financial statements are required by law to give a true and fair view of the state of affairs of the Company and of the profit or loss for that period.

In preparing these 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; and
- 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 have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.



8 Salisbury Square
London
EC4Y 8BB

Independent auditors' report to the members of Anritsu Limited (Registered number 1919347)

We have audited the financial statements (the "financial statements") of Anritsu Limited for the year ended 31 March 2009 which comprise the profit and loss account, the balance sheet, and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the directors' report and the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the statement of directors' responsibilities on page 4.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

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 whether in our opinion the information given in the directors' report is consistent with the financial statements.

In addition we report to you if, in our opinion, 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 other transactions 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.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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, in accordance with UK Generally Accepted Accounting Practice, of the state of the Company's affairs as at 31 March 2009 and of its profit for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the directors' report is consistent with the financial statements.

KPMG LLP

KPMG LLP
Chartered Accountants
Registered Auditor

4 January 2010

Profit and loss account
for the year ended 31 March 2009

	<i>Notes</i>	2009 £000	2008 £000
Turnover	2	10,357	17,605
Cost of sales		(807)	(7,208)
Gross profit		9,550	10,397
Distribution costs		(1,085)	(1,177)
Administrative expenses		(7,706)	(9,027)
Operating profit		759	193
Interest receivable and similar income	6	89	12
Interest payable and similar charges	7	(55)	(504)
Profit on sale of intellectual property rights		-	2,101
Loss on disposal of subsidiaries		-	768
Profit on ordinary activities before taxation	3	793	2,570
Tax on profit on ordinary activities	8	629	-
Profit for the financial year	17	1,422	2,570

The accompanying notes are an integral part of this profit and loss account.

There were no recognised gains or losses in either year other than the profit for the year.

Balance sheet
as at 31 March 2009

	Notes	2009		2008	
		£000	£000	£000	£000
Fixed assets					
Tangible assets	9		2,008		2,185
Investments	10		1		4,600
			<u>2,009</u>		<u>6,785</u>
Current assets					
Stocks	11	-		55	
Debtors (including £629,000 (2008: £nil) due after one year)	12	1,513		3,570	
Cash at bank and in hand		143		657	
		<u>1,656</u>		<u>4,282</u>	
Creditors: Amounts falling due within one year	13	(1,204)		(5,339)	
Net current assets/(liabilities)			<u>452</u>		<u>(1,057)</u>
Total assets less current liabilities			<u>2,461</u>		<u>5,728</u>
Creditors: Amounts falling due after more than one year	14		-		(4,689)
Net assets			<u>2,461</u>		<u>1,039</u>
Capital and reserves					
Called up share capital	16		21		21
Share premium account	17		20,777		20,777
Capital reserve	17		16,000		16,000
Profit and loss account	17		(34,337)		(35,759)
Equity shareholders' funds	18		<u>2,461</u>		<u>1,039</u>

These financial statements were approved by the board of directors
its behalf by:

8 December 2009 and were signed on

PR George
Director



Notes

(forming part of the financial statements)

1 Accounting policies

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

Basis of preparation

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

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

As the company is a wholly owned subsidiary of the ultimate parent company, Anritsu Corporation, incorporated in Japan, the Company has taken advantage of the exemption contained in Financial Reporting Standard 8 and has therefore not disclosed transactions or balances with entities which form part of the group (or investees of the group qualifying as related parties).

Intangible assets

Research expenditure is written off as incurred. Development expenditure is also written off, except where the directors are satisfied as to the technical, commercial and financial viability of individual projects. In such cases, the identified expenditure is deferred and amortised over the period during which the company is expected to benefit.

Software licences and similar assets are stated at cost and amortised in equal instalments over a period of between two and four years which is their estimated useful economic life. Provision is made for any impairment.

Tangible fixed assets

Tangible fixed assets are stated at cost, net of depreciation and any provision for impairment. Depreciation is provided on all tangible fixed assets other than freehold land, at rates calculated to write off the cost, less the estimated residual value of each asset on a straight line basis over its estimated useful economic life, as follows:

Freehold land	-	nil
Freehold buildings	-	25 years straight line
Leasehold improvements	-	over the lease term
Test equipment and tools	-	20% straight line
Fixtures and fittings and office equipment	-	10% straight line
Computer equipment	-	33 1/3% straight line

Residual value is calculated at prices prevailing at the date of acquisition.

Investments

Fixed asset investments are shown at cost less any provisions for impairment.

Stocks

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

Net realisable value is based on estimated selling price less further costs expected to be incurred to completion and disposal. Provision is made for obsolete, slow-moving or defective items where appropriate.

Foreign currencies

Transactions in foreign currencies are recorded at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. All exchange differences are included in the profit and loss account.

Notes (continued)

1 Accounting policies (continued)

Leases

Rentals under operating leases are charged on a straight line basis over the lease term even if the payments are not made on such a basis.

Taxation

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

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

Pensions

The Company operates a defined contribution pension scheme for employees. The assets of the scheme are held separately from those of the Company in an independently administered fund. Contributions are charged to the profit and loss account as they become payable in accordance with the rules of the scheme. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

Turnover

Turnover represents amounts receivable for goods and services provided in the normal course of business, net of trade discounts and VAT.

Sales are recognised when there has been a right to consideration in exchange for performance.

2 Turnover

The sole continuing activity of the Company is the design and engineering of leading edge test and measurement solutions for the communications industry.

Analysis of turnover by destination and by geographical market is given below:

	2009 £000	2008 £000
<i>By geographical market</i>		
Japan	6,532	9,043
United States of America	3,710	4,922
United Kingdom	17	616
France	2	225
Germany	-	160
Italy	-	92
Scandinavia	2	144
Other European	-	95
Other Asian	94	2,293
Rest of world	-	15
	10,357	17,605

Notes (continued)

3 Profit on ordinary activities before taxation

	2009 £000	2008 £000
<i>Profit on ordinary activities before taxation is stated after charging:</i>		
Depreciation of owned assets	391	624
Operating lease rentals		
- land and buildings	400	400
- office equipment	3	-
Research and development expenditure written off	6,074	6,936
Staff reorganisation costs (included within note 5)	137	-
	<hr/>	<hr/>
<i>Auditors' remuneration:</i>		
- audit of these financial statements	25	35
- non-audit services	2	-
	<hr/>	<hr/>

4 Remuneration of directors

	2009 £000	2008 £000
Emoluments	116	106
Company contributions paid to money purchase pension scheme	5	6
	<hr/>	<hr/>
	121	112
	<hr/>	<hr/>
	Number	Number
<i>Pensions</i>		
Members of money purchase pension schemes	1	1
	<hr/>	<hr/>

5 Staff numbers and costs

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

	Number of employees	
	2009 Number	2008 Number
Manufacturing	1	9
Sales	10	27
Administration	7	11
Engineering, research & development	77	68
	<hr/>	<hr/>
	95	115
	<hr/>	<hr/>

The aggregate payroll costs of these persons were as follows:

	£000	£000
Wages and salaries	4,894	5,051
Social security costs	526	590
Other pension costs	256	296
	<hr/>	<hr/>
	5,676	5,937
	<hr/>	<hr/>

Notes (continued)

6 Interest receivable and similar income

	2009 £000	2008 £000
Dividend received	89	-
Other interest receivable	-	12
	<u>89</u>	<u>12</u>

7 Interest payable and similar charges

	2009 £000	2008 £000
Bank loans and overdrafts and other loans repayable within five years	55	468
Other interest payable	-	36
	<u>55</u>	<u>504</u>

8 Taxation

	2009 £000	2008 £000
<i>The tax (credit)/charge comprises:</i>		
Current tax on profit for the year	-	-
Deferred taxation timing differences	(629)	-
	<u>(629)</u>	<u>-</u>
Tax on profit on ordinary activities	<u>(629)</u>	<u>-</u>

No current UK corporation tax arises because of available prior year losses.

Factors affecting the tax charge for the current year

The current tax (credit)/charge for the year is lower (2008: lower) than the standard rate of corporation tax in the UK 28% (2008: 30%). The differences are explained below:

	£000	£000
Profit on ordinary activities before tax	793	1,621
	<u>793</u>	<u>1,621</u>
Current tax at 28% (2008: 30%)	222	486

Effects of:

Expenses not deductible for tax purposes and non-taxable income	12	(211)
Losses used and other timing differences	(234)	(275)
	<u>(222)</u>	<u>(486)</u>

Notes (continued)

9 Tangible fixed assets

	Freehold land and buildings £000	Leasehold improvements £000	Machinery & equipment £000	Office fixtures, fittings and equipment £000	Total £000
Cost					
At 1 April 2008	1,782	90	5,643	264	7,779
Additions	-	27	132	55	214
Disposals	-	-	(39)	-	(39)
At 31 March 2009	1,782	117	5,736	319	7,954
Depreciation					
At 1 April 2008	436	55	4,887	216	5,594
Provided during year	42	11	313	25	391
Disposals	-	-	(39)	-	(39)
At 31 March 2009	478	66	5,161	241	5,946
Net book value					
At 31 March 2009	1,304	51	575	78	2,008
At 31 March 2008	1,346	35	756	48	2,185

Freehold land of £726,000 (2008: £726,000) is not depreciated.

In the opinion of the directors, the market value of the freehold land and buildings of the Company are in excess of the book values of these assets at 31 March 2009.

10 Investments

	Shares in Subsidiaries £000	Trade Investment £000	Total £000
Shares			
Cost			
At 1 April 2008	4,599	1	4,600
Disposals	(4,599)	-	(4,599)
At 31 March 2009	-	1	1

On 17 March 2009, the Company disposed of all the ordinary shares of Anritsu Europe Limited at nil gain or loss through dissolution of that Company.

The Company has a trade investment in 464 ordinary shares of £1 each in an unlisted company, Capability Green Limited. The directors do not consider the market value to be materially different to cost.

Notes (continued)

11 Stocks

	2009 £000	2008 £000
Raw materials	-	12
Finished goods and goods for resale	-	43
	<u>-</u>	<u>55</u>

The difference between the book value of stocks and their replacement cost is not material.

12 Debtors

	2009 £000	2008 £000
<i>Amounts falling due within one year</i>		
Trade debtors	45	221
Amounts owed by group undertakings	345	3,021
Other debtors	79	21
Prepayments and accrued income	375	215
VAT	40	92
	<u>884</u>	<u>3,570</u>
<i>Amounts falling due after one year</i>		
Deferred taxation (see Note 15)	629	-
	<u>1,513</u>	<u>3,570</u>

13 Creditors: amounts falling due within one year

	2009 £000	2008 £000
Bank loans	500	2,734
Trade creditors	53	150
Amounts owed to group undertakings	109	1,356
Other taxes and social security costs	-	202
Accruals and deferred income	542	897
	<u>1,204</u>	<u>5,339</u>

The bank loans bear interest at approximately 2% per annum and are guaranteed by the parent company.

Notes (continued)

14 Creditors: amounts falling due after more than one year

	2009 £000	2008 £000
Amounts owed to group undertakings	-	4,689

15 Provision for liabilities

The elements of deferred taxation are as follows:

	2009 £000	2008 £000
Difference between accumulated depreciation and capital allowances	2,487	2,410
Other timing differences	-	39
Tax Losses	609	863
	<u>3,096</u>	<u>3,312</u>
Unrecognised amounts	(2,467)	(3,312)
	<u>629</u>	<u>-</u>
Deferred taxation asset (see note 12)	629	-

The movements in the year are as follows:

	£000	£000
Deferred taxation asset at beginning of year	-	-
Credit to profit and loss account for the year	629	-
	<u>629</u>	<u>-</u>
Deferred taxation asset at end of year	629	-

16 Share capital

	2009 £000	2008 £000
<i>Authorised</i>		
100,000 Ordinary shares of £1 each	100	100
<i>Issued, called up and fully paid</i>		
21,000 Ordinary shares of £1 each (2008: 21,000 Ordinary shares of £1 each)	21	21

Notes (continued)

17 Reserves

	Share premium account £000	Capital reserve £000	Profit and loss account £000
At 1 April 2008	20,777	16,000	(35,759)
Profit for the financial year	-	-	1,422
At 31 March 2009	20,777	16,000	(34,337)

18 Reconciliation of movements in shareholders' funds

	2009 £000	2008 £000
Profit for the financial year	1,422	2,570
Shareholders' funds at beginning at year	1,039	(1,531)
Shareholders' funds at end of year	2,461	1,039

19 Capital commitments

There were no capital commitments at 31 March 2009 (2008: none).

20 Pension commitments

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 for the period represents contributions payable by the Company to the scheme and amounted to £256,000 (2008: £296,000). There were no outstanding or prepaid contributions at 31 March 2009 (2008: none).

21 Other financial commitments

Annual rental commitments under non-cancellable operating leases are as follows:

	Land and buildings		Other	
	2009 £000	2008 £000	2009 £000	2008 £000
Operating leases which expire:				
Within one year	-	-	-	-
In one to five years	-	-	-	-
In over five years	400	400	-	-
	400	400	-	-

Notes *(continued)*

22 Ultimate parent company

The parent undertaking of the smallest group of undertakings for which financial statements are prepared and of which the Company is a member is Anritsu US Holdings Inc., a company incorporated in the USA.

The parent undertaking of the largest group of undertakings for which financial statements are prepared and of which the Company is a member is Anritsu Corporation, a company incorporated in Japan. Copies of these accounts may be obtained from 5-1-1 Onna, Atsugi-shi, Kanagawa, 243-8555, Japan.