

Registered in England and Wales Number: 1524281

RACAL MESSENGER LIMITED

Report and Financial Statements

31 March 2000

**Deloitte & Touche
Columbia Centre
Market Street
Bracknell
Berkshire
RG12 1PA**



RACAL MESSENGER LIMITED

REPORT AND FINANCIAL STATEMENTS 2000

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DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 31 March 2000.

PRINCIPAL ACTIVITIES

The principal activity is the marketing of radio communications equipment. On 17 June 1999 the company disposed of its Widanet business to Vodafone Value Added and Data Services Limited.

BUSINESS REVIEW

Sales for the year amounted to £1,426,465 from continuing operations and £1,017,828 from discontinuing operations.

RESULTS AND DIVIDENDS

The trading results are set out in the audited financial statements on pages 5 to 14. The directors do not recommend payment of a dividend (1999: £Nil).

IMPORTANT EVENTS OCCURING AFTER THE END OF YEAR

On 15 June 2000 the offer by Thomson-CSF Invest Limited to acquire Racal Electronics Plc was declared wholly unconditional. As a consequence the ultimate parent and controlling party is now Thomson-CSF SA, a company incorporated in France. Copies of the group financial statements of Thomson-CSF SA are available from 173 Boulevard Haussmann, 75415 Paris, France.

DIRECTORS

The directors of the company during the year were as follows:

	Date appointed	Date resigned
M.R. Richardson		
M. Slade		
S. Roberts		
G.F. Mitchell		17 June 1999

M.R. Richardson resigned as director on 16 June 2000.

M. Slade resigned as director on 10 April 2000 and N. Sugden was appointed as director on 10 April 2000.

D. Whittaker resigned as company secretary on 16 June 2000 and M.W.P. Seabrook was appointed as company secretary on 16 June 2000.

DIRECTORS' REPORT

DIRECTORS' SHARE INTERESTS

None of the directors had an interest in the shares of the company.

Given below are details of the interests in the ordinary shares of Racal Electronics Plc at 31 March 2000 of directors of the company at that date. The directors have no other interests in the shares of group companies other than those shown. Details of their interests at 1 April 1999 are shown in brackets.

RACAL ELECTRONICS PLC

Ordinary shares of 25p each held

M.R. Richardson	*	(*)
M. Slade	4,267	(9,025)
S. Roberts	3,950	(5,592)

* The share holdings in Racal Electronics Plc of Mr. M.R. Richardson are disclosed in the annual report of Racal Electronics Plc.

Under the terms of the Racal Share Savings Plan (1990) Mr. S. Roberts has been granted an option to acquire 3,484 ordinary shares shown in Racal Electronics Plc at an option price of 198p. The option is normally exercisable between 1 April 2003 and 30 September 2003.

Approved by the Board of Directors
and signed on behalf of the Board



M.W.P. SEABROOK
Secretary

Date: 23 AUGUST 2000
Western Road
Bracknell
Berks
RG12 1RG

STATEMENT OF 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 as at the end of the financial year 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;
- prepare the financial statements on a 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 reasonable steps for the prevention and detection of fraud and other irregularities.

AUDITORS' REPORT TO THE MEMBERS OF

RACAL MESSENGER LIMITED

We have audited the financial statements on pages 5 to 13 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 4 the company's directors are responsible for the preparation of the financial statements which are required to be prepared in accordance with applicable United Kingdom law and accounting standards. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of 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 at 31 March 2000 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche

DELOITTE & TOUCHE
Chartered Accountants and
Registered Auditors
Columbia Centre
Market Street
Bracknell
Berkshire
RG12 1PA

21 August 2000

PROFIT AND LOSS ACCOUNT

Year ended 31 March 2000

	Note	2000 £	2000 £	1999 £	1999 £
TURNOVER	2				
Continuing operations		1,426,465		937,550	
Discontinued operations		<u>1,017,828</u>		<u>4,689,012</u>	
			<u>2,444,293</u>		<u>5,626,562</u>
OPERATING PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION	3	(1,118,710)		(1,487,228)	
		<u>1,045,452</u>		<u>1,006,786</u>	
			(73,258)		(480,442)
Tax credit on loss on ordinary activities	6		<u>3,402</u>		<u>150,767</u>
Retained loss for the year	13		(<u>69,856</u>)		(<u>329,675</u>)

There were no other recognised gains or losses other than the loss for the current and preceding years.

BALANCE SHEET

31 March 2000

	Note	£	2000 £	1999 £
FIXED ASSETS				
Tangible assets	7		114,140	324,654
CURRENT ASSETS				
Stocks	8	176,771	513,146	
Debtors due within one year	9	2,126,653	4,995,542	
Debtors due after more than one year	9	212,515	108,310	
Cash at bank and in hand		<u>2,720</u>	<u>2,720</u>	
		2,518,659	5,619,718	
CREDITORS: amounts falling due within one year	10	<u>(1,814,976)</u>	<u>(5,089,972)</u>	
NET CURRENT ASSETS			<u>703,683</u>	<u>529,746</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			817,823	854,400
PROVISION FOR LIABILITIES AND CHARGES	11		<u>(63,755)</u>	<u>(30,476)</u>
			<u>754,068</u>	<u>823,924</u>
CAPITAL AND RESERVES				
Called up share capital	12		5,500,000	5,500,000
Profit and loss account	13		<u>(4,745,932)</u>	<u>(4,676,076)</u>
EQUITY SHAREHOLDERS' FUNDS			<u>754,068</u>	<u>823,924</u>

These financial statements were approved by the Board of Directors on 23 AUGUST 2000

Signed on behalf of the Board of Directors


N. SUGDEN
Director

NOTES TO THE ACCOUNTS

Year ended 31 March 2000

1. ACCOUNTING POLICIES

The financial statements have been prepared in accordance with applicable accounting standards. The particular accounting policies adopted are described below.

Basis of Accounting

The financial statements are prepared under the historical cost convention.

Turnover

Turnover represents invoiced sales by the company net of sales related taxes.

Stocks

Stocks and work in progress are valued at the lower of cost and estimated net realisable value less progress payments received. Cost includes manufacturing overheads.

Depreciation

Depreciation is provided on all tangible fixed assets at such rates as to write off the cost of those assets in equal instalments over their expected useful lives as follows:

Plant and machinery	10 years
Motor vehicles	4 years
Furniture and fittings	10 years

Deferred Taxation

Deferred taxation is provided at the anticipated tax rates on timing differences arising from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements to the extent that it is probable that a liability or asset will crystallise in the future.

Pension Costs

Pension costs, which are periodically calculated by professionally qualified actuaries, are charged against profits so that the expected cost of providing pensions is recognised during the period in which benefit is derived from the employees' services. The cost of the various pension schemes may vary from the funding dependent upon actuarial advice with any difference between pension cost and funding being treated as a provision or prepayment.

RACAL MESSENGER LIMITED

NOTES TO THE ACCOUNTS

Year ended 31 March 2000

1. ACCOUNTING POLICIES (continued)

Leases

Rental costs under operating leases are charged to profit and loss account in equal annual amounts over the periods of the leases.

2. TURNOVER

In the directors' opinion there was only one class of business during the year, namely radio communications.

	2000 £	1999 £
Turnover	<u>2,444,293</u>	<u>5,626,562</u>
	£ 000's	£ 000's
Geographical analysis of turnover:		
United Kingdom	1,322	632
Other European countries	134	675
Africa	955	2,943
The Americas	16	292
Asia and Australasia	<u>17</u>	<u>1,085</u>
	<u>2,444</u>	<u>5,627</u>

3. OPERATING LOSS

	Continuing Operations 2000 £	Discontinued Operations 2000 £	Total 2000 £	Continuing Operations 1999 £	Discontinued Operations 1999 £	Total 1999 £
Turnover	1,426,465	1,017,828	2,444,293	937,550	4,689,012	5,626,562
Cost of sales	(566,847)	(275,167)	(842,014)	(1,245,336)	(2,674,547)	(3,919,883)
Gross profit	859,618	742,661	1,602,279	(307,786)	2,014,465	1,706,679
Selling and distribution costs	784,816	(271,430)	513,386	846,130	518,118	1,364,248
Administrative expenses	<u>1,193,512</u>	<u>(31,361)</u>	<u>1,162,151</u>	<u>333,312</u>	<u>489,561</u>	<u>822,873</u>
Operating (loss)/profit	<u>(1,118,710)</u>	<u>1,045,452</u>	<u>(73,258)</u>	<u>(1,487,228)</u>	<u>1,006,786</u>	<u>(480,442)</u>

Operating profit/(loss) has been arrived at after charging:

Directors' emoluments (note 4)	119,357	196,693
Auditors' remuneration and expenses		
- Audit fees	3,150	3,000
Depreciation of tangible fixed assets	89,233	110,673
Payments under operating leases	<u>3,826</u>	<u>51,591</u>

NOTES TO THE ACCOUNTS

Year ended 31 March 2000

4. DIRECTORS' EMOLUMENTS

	2000	1999
	£	£
Directors' emoluments		
Fees	-	-
Other emoluments	86,605	146,919
Pension contributions	<u>32,752</u>	<u>49,774</u>
	<u>119,357</u>	<u>196,693</u>
	No.	No.
Number of directors who:		
- are members of a defined benefit pension scheme	2	3
- exercised share options	-	2

5. EMPLOYEES

	2000	1999
	£	£
Employee costs during the year:		
Wages and salaries	988,409	1,221,390
Social security costs	102,908	129,126
Other pension costs	<u>81,846</u>	<u>141,269</u>
	<u>1,173,163</u>	<u>1,491,785</u>
Average number of persons employed:	No.	No.
Indirect	<u>22</u>	<u>36</u>

The company participates in a number of pension schemes, operated by the Racal Electronics group, which cover the majority of its directors and employees. The schemes are defined benefit arrangements and are operated on a pre-funded basis.

Actuarial assessments covering expenses and contributions are carried out by independent qualified actuaries.

At 31 March 2000, a prepayment of £212,515 is included in prepayments due in more than one year (1999: £108,310). This represents the excess of the amounts funded over the accumulated pension costs.

NOTES TO THE ACCOUNTS

Year ended 31 March 2000

5. EMPLOYEES (continued)

The last valuation of the schemes was carried out at 1 April 1998 and the results of these valuations and details of the main actuarial assumptions adopted for this purpose are given in the accounts of Racal Electronics Plc, the ultimate parent company.

6. TAX ON LOSS ON ORDINARY ACTIVITIES	2000	1999
	£	£
Corporation tax at 30% (1999 :31%)	(36,681)	(151,614)
Deferred taxation	<u>34,263</u>	<u>847</u>
	(2,418)	(150,767)
Adjustment in respect of prior years	(<u>984</u>)	—
	(<u>3,402</u>)	(<u>150,767</u>)

The tax credit has been decreased by £15,920 as a result of capital allowances being less than depreciation for which no provision has been made.

7. TANGIBLE FIXED ASSETS

	Plant, machinery, furniture and vehicles
Cost	£
At 1 April 1999	736,119
Transfers from fellow subsidiary	—
Additions	14,725
Disposals	(<u>413,914</u>)
At 31 March 2000	<u>336,930</u>
Depreciation	
At 1 April 1999	411,465
Transfers from fellow subsidiary	—
Charge for the year	89,233
Disposals	(<u>277,908</u>)
At 31 March 2000	<u>222,790</u>
Net book value	
At 31 March 2000	<u>114,140</u>
At 31 March 1999	<u>324,654</u>

8. STOCKS	2000	1999
	£	£
Finished Goods	<u>176,771</u>	<u>513,146</u>
	<u>176,771</u>	<u>513,146</u>

NOTES TO THE ACCOUNTS

Year ended 31 March 2000

9. DEBTORS

	2000 £	1999 £
Amounts due within one year:		
Trade debtors	1,613,026	4,355,075
Amounts owed by group undertakings		
- fellow subsidiaries	270,995	488,604
Corporation tax recoverable	-	151,614
Prepayments and accrued income	<u>242,632</u>	<u>249</u>
	<u>2,126,653</u>	<u>4,995,542</u>
Amounts due after more than one year:		
Prepayments and accrued income	<u>212,515</u>	<u>108,310</u>

10. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2000 £	1999 £
Trade creditors	1,307,847	1,143,915
Amounts owed to group undertakings		
- fellow subsidiaries	40,941	3,048,422
Other taxes and social security costs	128,322	100,461
Accruals and deferred income	332,547	696,180
Advance receipts	-	4,994
Commission Accounts	-	96,000
Corporation Tax payable	<u>5,319</u>	<u>-</u>
	<u>1,814,976</u>	<u>5,089,972</u>

11. PROVISION FOR LIABILITIES AND CHARGES

Deferred taxation

The amount of deferred taxation provided in the financial statements and the potential amounts not provided are:

	Amount provided 2000 £	Potential liability 2000 £	Amount provided 1999 £	Potential liability 1999 £
Capital Allowances in excess of depreciation	-	1,200	-	17,980
Other timing differences	<u>63,755</u>	<u>63,755</u>	<u>30,476</u>	<u>30,476</u>
	<u>63,755</u>	<u>64,955</u>	<u>30,476</u>	<u>48,456</u>

Deferred taxation movement in the year:

At 1 April 1999	£ 30,476
Current year charge	34,263
Adjustment in respect of prior years	(984)
At 31 March 2000	<u>63,755</u>

NOTES TO THE ACCOUNTS

Year ended 31 March 2000

12. CALLED UP SHARE CAPITAL

	2000	1999
	£	£
Authorised, allotted, called up and fully paid: 5,500,000 ordinary shares of £1 each	<u>5,500,000</u>	<u>5,500,000</u>

13. PROFIT AND LOSS ACCOUNT

	£
Retained losses 1 April 1999	(4,676,076)
Retained loss for the year	(<u>69,856</u>)
Retained losses 31 March 2000	<u>(4,745,932)</u>

14. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2000	1999
	£	£
Loss for the financial year	(69,856)	(<u>329,675</u>)
Net reduction in shareholders' funds	(69,856)	(<u>329,675</u>)
Opening shareholders' funds	<u>823,924</u>	<u>1,153,599</u>
Closing shareholders' funds	<u>754,068</u>	<u>823,924</u>

15. CONTINGENT LIABILITIES

There were cross guarantees to secure fellow subsidiaries' overdrafts and group banking facilities under a 'mass' bank account arrangement.

16. FINANCIAL COMMITMENTS

At 31 March 2000 the company was committed to making the following payments during the next year in respect of operating leases:

	Land and buildings	Other assets	Land and buildings	Other assets
	2000	2000	1999	1999
	£	£	£	£
Payable on operating leases that expire within one year	-	2,307	-	47,443
Payable on operating leases that expire between two and five years	<u>-</u>	<u>63,664</u>	<u>-</u>	<u>66,152</u>
	<u>-</u>	<u>65,971</u>	<u>-</u>	<u>113,595</u>

NOTES TO THE ACCOUNTS

Year ended 31 March 2000

17. ULTIMATE PARENT COMPANY AND CONTROLLING PARTY

The ultimate parent company is Racal Electronics Plc, a company incorporated in Great Britain. This is also both the largest and smallest group which includes the company and for which consolidated financial statements are prepared. Copies of the group financial statements of Racal Electronics Plc can be obtained from Western Road, Bracknell, Berkshire RG12 1RG. The ultimate controlling party, as defined by Financial Reporting Standard No.8 "Related Party Disclosures," is Racal Electronics Plc.

On 16 June 2000 the offer by Thomson-CSF Invest Limited to acquire Racal Electronics Plc was declared wholly unconditional. As a consequence the ultimate parent and controlling party is now Thomson-CSF SA, a company incorporated in France. Copies of the group financial statements of Thomson-CSF SA are available from 173 Boulevard Haussmann, 75415 Paris, France.

18. RELATED PARTY TRANSACTIONS

In accordance with Financial Reporting Standard No 8 "Related Party Disclosures" transactions with other undertakings within, and investee related parties of, the Racal Electronics Plc group have not been disclosed in these financial statements.