Anritsu EMEA Limited

Annual report and financial statements

Registered number 5744468

31 March 2020

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Officers and advisers

Directors

K Tanaka
R Rossetti
Y Amano
T Wakinaga

Secretary

Y Sugimoto

Auditor

KPMG LLP
The Pinnacle
170 Midsummer Boulevard
Milton Keynes
Buckinghamshire
MK9 1BP

Banker

The Sumitomo Mitsui Banking Corporation Europe Limited
Temple Court
99 Queen Victoria Street
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Solicitor

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Registered office

200 Capability Green
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Strategic report

The directors present their strategic report for the year ended 31 March 2020.

Principal activities
The principal activity of the Company continues to be the sale and support of cutting edge test and measurement solutions to the communications industry.

Business review

The year under review got off to a difficult start as the Company's largest customer unexpectedly announced their withdrawal from the smartphone modem market in April 2019. Every effort was made to replace this shortfall with other customers and in other areas but with business conditions in the Company's territory remaining challenging this proved very difficult. As a result, orders have consistently been below target levels and sales have fallen by 9% compared to the previous year. The anticipated boost from 5G did not materialise with implementation remaining at an early stage in Europe. Additionally, the latter stage of the year has been adversely affected by the Coronavirus pandemic, for example the industry flagship trade show, Mobile World Congress, was cancelled in February 2020. In response to these difficult conditions the Company has reduced its costs where possible and towards the end of year incurred some restructuring cost to reduce the fixed cost base further in the forthcoming year. Consequently, a loss before tax of €2,601k has been sustained which is a deterioration of €400k on the previous year.

Business conditions for the year ahead are currently very difficult to predict given the huge uncertainty generated by the pandemic. However, the Company remains optimistic about the medium to longer term prospects. 5G developments should start to gather pace in the Region and growth opportunities are expected to arise from other technological advances utilising Internet of Things (IoT). Particularly in the automotive sector with many of the worlds' leading manufacturers located in the Region. In addition, the Company expects to achieve growth in General Purpose sales with a targeted focus on areas where our market share is currently low.

The functional currency for the Company remains as EUR and is expected to continue to be so going forward. Consequently the directors continue to present the financial statements in EUR.

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 group of which we are a part maintains a substantial worldwide investment in research and development with the intention of continuing to meet or exceed the changing requirements of its customers. Equally the marketplace is dynamic and relocations, new entrants, mergers and acquisitions can result in significant changes to the customer base. The Company positions itself to react positively to such changes, drawing as necessary on the global resources of the Anritsu group.

The Company transacts certain business in GBP and US Dollars and is therefore subject to foreign currency rate fluctuations.

Since the majority of the Company's trade is within the European Union we are at risk from the impact of Brexit, including imposition of tariffs or additional duties plus complications and delays caused by border checks. To safeguard against this risk the Company has established a second transport hub within the Netherlands and goods for supply to European Union customers are being imported and delivered via this hub. In addition it seems clear that business volumes in the short term will be adversely affected by Covid-19, although our expectation is that our industry sector will be less impacted than some.

Key performance indicators

Our key financial indicators are sales order intake, gross margin, sales costs per order and operating income. As mentioned above, sales order intake lagged behind targets for most of the year and was also less than last year but there was a general upward trend with each quarter higher than the previous one from second quarter onwards. The annual ratio for sales cost per order was 28.5%, a little worse than the previous year and above the budgeted target of 24.8%.

In addition to the foregoing, we also closely monitor our position in the marketplace and track working capital statistics such as inventory turn and days sales outstanding.

Strategic report *(continued)*

Employees

Staff remain 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.

People with disabilities are fully and fairly considered for vacancies arising within the Company and are given equal opportunities in relation to training, career development and promotion.

If an employee becomes disabled while in the employment of the Company and as a result is unable to perform his/her existing role, every effort is made to offer suitable alternative employment and retraining.

On behalf of the board

杉本 侑彌

Y Sugimoto
Secretary

200 Capability Green
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Bedfordshire
LU1 3LU

29 June 2020

Directors' report

Directors

The directors who served during the year are as follows:

T Shima	
K Tanaka	
R Rossetti	
O Nagata	resigned 1 October 2019
T Wakinaga	appointed 1 October 2019

Mr T Shima resigned as a director on 1 April 2020 and Mr Y Amano was appointed a director on the same date..

Proposed dividend

The directors do not recommend the payment of a dividend for the year *(2019: none).*

Disclosure of information to auditor

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 auditor is 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 auditor is aware of that information.

Financial instruments

The directors do not consider any additional disclosure is required under Companies Act 2006, since such information is not material for the assessment of the assets, liabilities, financial position and profit or loss of the Company.

Charitable donations

The Company made nil (2019 nil) charitable donations during the period.

Auditor

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

On behalf of the board

杉本 侑彌

Y Sugimoto
Secretary

200 Capability Green
Luton
Bedfordshire
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29 June 2020

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE STRATEGIC REPORT, THE DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS

The directors are responsible for preparing the Strategic Report, the Directors' Report and the 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 they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland.*

Under company law the directors must not approve the financial statements unless they are satisfied that they 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 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 UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ANRITSU EMEA LIMITED

Opinion

We have audited the financial statements of Anritsu EMEA Limited ("the company") for the year ended 31 March 2020 which comprise the Profit and Loss Account and Other Comprehensive Income, Balance Sheet, Statement of Changes in Equity and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2020 and of its loss for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the company or to cease its operations, and as they have concluded that the company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the company will continue in operation.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ANRITSU EMEA LIMITED (continued)

Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 7 the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ANRITSU EMEA LIMITED (continued)

The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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.

B. J. Stapleton 10 July 2020

Benjamin Stapleton (Senior Statutory Auditor)
for and on behalf of KPMG LLP
Chartered Accountants
The Pinnacle
170 Midsummer Boulevard
Milton Keynes
MK9 1BP

Profit and Loss Account and Other Comprehensive Income
for the year ended 31 March 2020

	Notes	2020 €000	2019 €000
Turnover	2	**52,420**	57,466
Cost of sales		**(38,525)**	(42,073)
Gross profit		**13,895**	15,393
Distribution costs		**(8,032)**	(8,149)
Administrative expenses		**(8,454)**	(9,510)
Operating loss		**(2,591)**	(2,266)
Interest receivable and similar income	6	**-**	91
Interest payable and similar charges	7	**(10)**	-
Loss on ordinary activities before taxation		**(2,601)**	(2,175)
Tax on loss on ordinary activities	8	**-**	-
Loss for the financial year		**(2,601)**	(2,175)

The Company has no other comprehensive income for the year and hence the loss for the financial year represents the total comprehensive loss for the year.

The results shown above are derived wholly from continuing operations.

The accompanying notes on pages 14 to 28 are an integral part of this profit and loss account and other comprehensive income statement.

Balance sheet
at 31 March 2020

	Notes	2020	2020	2019	2019
		€000	€000	€000	€000
Fixed assets					
Tangible assets	9		**1,476**		1,095
Investments	10		**4,668**		4,668
			6,144		5,763
Current assets					
Stocks	11	**1,978**		4,447	
Debtors	12	**8,320**		10,869	
Cash at bank and in hand		**4,037**		2,720	
		14,335		18,036	
Creditors: Amounts falling due within one year	13	**(19,701)**		(20,420)	
Net current liabilities			**(5,366)**		(2,384)
Net assets			**778**		3,379
Capital and reserves					
Called up share capital	16		**1,902**		1,902
Share premium account	17		**11,391**		11,391
Profit and loss account	17		**(12,515)**		(9,914)
Shareholders' funds			**778**		3,379

These financial statements were approved by the board of directors on 29 June 2020 and were signed on its behalf by:

K. Tanaka

K.Tanaka
Managing Director

The notes on pages 14 to 28 form an integral part of these financial statements.

Registered number: 5744468

Statement of Changes in Equity

Year ended 31 March 2020

	Called up Share capital	Share Premium account	Profit and loss account	Total equity
	€000	€000	€000	€000
Balance at 1 April 2018	1,902	11,391	(7,739)	5,554
Profit or loss	-	-	(2,175)	(2,175)
Balance at 31 March 2019	**1,902**	**11,391**	**(9,914)**	**3,379**

	Called up Share capital	Share Premium account	Profit and loss account	Total equity
	€000	€000	€000	€000
Balance at 1 April 2019	1,902	11,391	(9,914)	3,379
Profit or loss	-	-	(2,601)	(2,601)
Balance at 31 March 2020	**1,902**	**11,391**	**(12,515)**	**778**

The notes on pages 14 to 28 form an integral part of these financial statements.

Notes *(forming part of the financial statements)*

1 Accounting policies

Anritsu EMEA Limited is a company limited by shares and incorporated and domiciled in the UK.

The Company is exempt by virtue of s401 of the Companies Act 2006 from the requirement to prepare group financial statements. These financial statements present information about the Company as an individual undertaking and not about its group.

These financial statements were prepared in accordance with Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland ("FRS 102")*. Due to the business of the Company largely being transacted in EUR the directors have concluded, as with the prior year, that the presentational currency of the financial statements is EUR. Balances, where relevant, are translated using month end rates published on the Tokyo Stock Exchange. All amounts in the financial statements have been rounded to the nearest €1,000.

The Company's ultimate parent undertaking, Anritsu Corporation, includes the Company in its consolidated financial statements. The consolidated financial statements of Anritsu Corporation are prepared in accordance with International Financial Reporting Standards as adopted by the EU, are available to the public and may be obtained from 5-1-1 Onna, Atsugi-shi, Kanagawa, 243-8555, Japan. In these financial statements, the company is considered to be a qualifying entity (for the purposes of this FRS) and has applied the exemptions available under FRS 102 in respect of the following disclosures:

- Reconciliation of the number of shares outstanding from the beginning to end of the period;
- Cash Flow Statement and related notes; and
- Key Management Personnel compensation.

As the consolidated financial statements of Anritsu Corporation include the equivalent disclosures, the Company has also taken the exemptions under FRS 102 available in respect of the disclosures required by FRS 102.11 *Basic Financial Instruments* and FRS 102.12 *Other Financial Instrument Issues* in respect of financial instruments not falling within the fair value accounting rules of Paragraph 36(4) of Schedule 1.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

1.1 Measurement convention

The financial statements are prepared on the historical cost basis.

1.2 Going concern

The financial statements have been prepared on a going concern basis which the directors consider to be appropriate for the following reasons.

Notwithstanding net current liabilities of €5,366k as at 31 March 2020 and a loss for the year then ended of €2,601k, the company was able to generate operating cash inflows for the year of €2,071k. In addition, the directors have prepared cash flow forecasts for a period of 12 months from the date of approval of these financial statements which indicate that, taking account of reasonably possible downsides and having considered the impact of Covid-19 on the company and its parent group, the company will have sufficient funds to meet its liabilities as they fall due for that period. The most significant part of those liabilities is represented by amounts due to ultimate parent and fellow group company Anritsu Corporation and Anritsu Company respectively, totalling €13,628k at 31 March 2020. These forecasts are therefore dependant on those companies not seeking changes to the existing payment terms, which both companies have indicated to be the case for the period covered by these forecasts. As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

Notes *(continued)*

1 Accounting policies *(continued)*

1.3 Foreign currency

Transactions in foreign currencies are translated to the Company's functional currency at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined. Foreign exchange differences arising on translation are recognised in the profit and loss account.

1.4 Basic financial instruments

Trade and other debtors / creditors

Trade and other debtors are recognised initially at transaction price less attributable transaction costs. Trade and other creditors are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses in the case of trade debtors. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate of instrument for a similar debt instrument.

Investments in subsidiaries

Investments in subsidiaries are carried at cost less impairment.

1.5 Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. Where parts of an item of tangible fixed assets have different useful lives, they are accounted for as separate items of tangible fixed assets, for example land is treated separately from buildings.

Leases in which the Company assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. All other leases are classified as operating leases. Leased assets acquired by way of finance lease are stated on initial recognition at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease, including any incremental costs directly attributable to negotiating and arranging the lease. At initial recognition a finance lease liability is recognised equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments. The present value of the minimum lease payments is calculated using the interest rate implicit in the lease. Lease payments are accounted for as described at 1.11 below.

The company assesses at each reporting date whether tangible fixed assets (including those leased under a finance lease) are impaired.

Depreciation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of each part of an item of tangible fixed assets. Leased assets are depreciated over the shorter of the lease term and their useful lives. Land is not depreciated. The estimated useful lives are as follows:

• Machinery and equipment	5 years
• Office fixtures, fittings and equipment	10 years
• Computer equipment	3 years
• Software	5 years

Depreciation methods, useful lives and residual values are reviewed if there is an indication of a significant change since last annual reporting date in the pattern by which the company expects to consume an asset's future economic benefits.

Notes *(continued)*

1 Accounting policies *(continued)*

1.6 Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost is based on the first-in first-out principle and includes expenditure incurred in acquiring the stocks, production or conversion costs and other costs in bringing them to their existing location and condition.

1.7 Impairment excluding stocks and deferred tax assets

Financial assets (including trade and other debtors)

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. For financial instruments measured at cost less impairment an impairment is calculated as the difference between its carrying amount and the best estimate of the amount that the Company would receive for the asset if it were to be sold at the reporting date. Interest on the impaired asset continues to be recognised through the unwinding of the discount. Impairment losses are recognised in profit or loss. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Non-financial assets

The carrying amounts of the Company's non-financial assets, other than stocks and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit" or "CGU").
An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a *pro rata* basis.

An impairment loss is reversed if and only if the reasons for the impairment have ceased to apply.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Notes *(continued)*

1 Accounting policies *(continued)*

1.8 Employee benefits

Defined contribution plans and other long term employee benefits

A defined contribution plan is a post-employment benefit plan under which the company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the profit and loss account in the periods during which services are rendered by employees.

1.9 Provisions

A provision is recognised in the balance sheet when the Company has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are recognised at the best estimate of the amount required to settle the obligation at the reporting date.

Where the Company enters into financial guarantee contracts to guarantee the indebtedness of other companies within its group, the company treats the guarantee contract as a contingent liability until such time as it becomes probable that the company will be required to make a payment under the guarantee.

1.10 Turnover

Turnover represents amounts receivable for goods and services provided in the normal course of business, net of trade discounts, VAT and other sales related taxes. Turnover is recognised when the significant risks and rewards of ownership of the goods have transferred to the buyer. Deferred income represents amounts receivable for goods not yet despatched or services not yet provided to customers.

1.11 Expenses

Operating lease

Payments (excluding costs for services and insurance) made under operating leases are recognised in the profit and loss account on a straight-line basis over the term of the lease unless the payments to the lessor are structured to increase in line with expected general inflation; in which case the payments related to the structured increases are recognised as incurred. Lease incentives received are recognised in profit and loss over the term of the lease as an integral part of the total lease expense.

Finance lease

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability using the rate implicit in the lease. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Interest receivable and Interest payable

Interest payable and similar charges include interest payable, finance charges on shares classified as liabilities and finance leases recognised in profit or loss using the effective interest method, unwinding of the discount on provisions, and net foreign exchange losses that are recognised in the profit and loss account (see foreign currency accounting policy).

Other interest receivable and similar income include interest receivable on funds invested and net foreign exchange gains.

Notes *(continued)*

1 Accounting policies *(continued)*

1.11 Expenses (continued)

Interest income and interest payable are recognised in profit or loss as they accrue, using the effective interest method. Dividend income is recognised in the profit and loss account on the date the company's right to receive payments is established. Foreign currency gains and losses are reported on a net basis.

1.12 Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements. The following timing differences are not provided for: differences between accumulated depreciation and tax allowances for the cost of a fixed asset if and when all conditions for retaining the tax allowances have been met; and differences relating to investments in subsidiaries, to the extent that it is not probable that they will reverse in the foreseeable future and the reporting entity is able to control the reversal of the timing difference. Deferred tax is not recognised on permanent differences arising because certain types of income or expense are non-taxable or are disallowable for tax or because certain tax charges or allowances are greater or smaller than the corresponding income or expense.

Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax balances are not discounted.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that is it probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

1.13 Accounting estimates and judgements

Key sources of estimation uncertainty
The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the period. However, the nature of estimation means that actual outcomes could differ from those estimates. The following judgements (apart from those involving estimates) have had the most significant effect on the amounts recognised in the financial statements.

Recoverability of trade receivables

Trade receivables are reflected net of an estimated provision for impairment losses. This provision considers the past payment history and length of time that the debt has remained unpaid.

Deferred tax

Deferred tax assets and liabilities require management judgement in determining the amounts to be recognised, with consideration given to the timing and level of future taxable income.

Stocks

In determining the cost of stocks the Directors have to make judgements to arrive at cost and net realisable value. In arriving at any provisions for net realisable value the directors take into account the age, conditioning and quality of the product stocked and the recent trend in sales.

Notes *(continued)*

2 Turnover

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

By geographical market	2020 €000	2019 €000
United Kingdom	**9,291**	9,982
France	**6,771**	7,097
Germany	**11,247**	15,874
Italy	**5,144**	7,751
Scandinavia	**5,940**	6,045
CIS	**2,677**	2,686
Eastern European	**1,725**	1,273
Other European	**2,901**	1,296
Israel	**3,518**	2,768
Middle East & Africa	**3,206**	2,694
	52,420	57,466

3 Expenses and auditor's remuneration

Included in profit are the following:	2020 €000	2019 €000
Depreciation of owned assets	**373**	301

	€000	€000
Auditor's Remuneration		
- Audit of these Financial statements	55	45
- Taxation compliance services	17	8
- Taxation advisory services	7	7

Notes *(continued)*

4 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 2020 Number	2019 Number
Sales	**22**	27
Service	**13**	13
Administration	**28**	31
	63	71

The aggregate payroll costs of these persons were as follows:

	2020 €000	2019 €000
Wages and salaries	**3,997**	4,030
Social security costs	**464**	452
Contributions to defined contribution plans	**214**	218
	4,675	4,700

5 Remuneration of directors

The notional cost of Directors not remunerated through Anritsu EMEA Limited has been considered and is not deemed to be significant for the years 31 March 2020 nor 31 March 2019.

6 Interest receivable and similar income

	2020 €000	2019 €000
Net foreign exchange gain	**-**	91
	-	91

Notes *(continued)*

7 Interest payable and similar charges

	2020 €000	2019 €000
Bank interest	-	-
Net foreign exchange loss	10	-
	10	-

8 Taxation

Total tax expense recognised in the profit and loss account, other comprehensive income and equity

	2020 €000	2019 €000
Current tax	-	-
Deferred tax (see note 14)	-	-
Total tax	-	-

In the summer budget of 2015, a reduction in the UK corporation tax rate to 18% (effective from 1 April 2020) was announced. In the summer budget of 2016 this rate was further reduced to 17%, effective from the same date. However, this change has now been postponed to 1 April 2022 and the rate will now remain at the existing rate of 19% until then. The deferred tax asset at 31 March 2020 has been calculated based on the rates substantively enacted at the balance sheet date.

Reconciliation of effective tax rate

	2020 €000	2019 €000
Loss on ordinary activities before taxation	(2,601)	(2,175)
Tax using the UK corporation tax rate of 19% *(2019: 19%)*	(494)	(413)
Effects of:		
Non-deductible expenses and depreciation in excess of capital allowances	112	74
Movement in tax losses carried forward	382	339
Total tax included in profit or loss	-	-

Notes *(continued)*

9 Tangible fixed assets

	Machinery & equipment	Office fixtures, fittings and equipment	Software	Total
	€000	€000	€000	€000
Cost				
At 1 April 2019	725	571	696	1,992
Additions	320	145	289	754
Disposals	(100)	(127)	(4)	(231)
At 31 March 2020	945	589	981	2,515
Depreciation				
At 1 April 2019	273	457	167	897
Provided during period	105	94	174	373
Disposals	(100)	(127)	(4)	(231)
At 31 March 2020	278	424	337	1,039
Net book value				
At 31 March 2020	**667**	**165**	**644**	**1,476**
At 31 March 2019	452	114	529	1,095

Notes *(continued)*

10 Fixed Asset Investments

Shares in subsidiary undertakings	2020 €000	2019 €000
At the beginning and end of the year	**5,679**	5,679
Provision		
At beginning and end of the year	**(1,011)**	(1,011)
Net Book Value at beginning and end of the year	**4,668**	4,668

Provision for impairment has been made against the cost of the investments in subsidiaries, only to the extent that there is considerable negative equity which will take a significant number of years to restore from current profitability. The subsidiaries operate on a commission basis of business which the directors believe will ensure future profitability. Consequently no provision has been made against the cost of the investments in subsidiaries in cases where negative equity is projected to be restored in the shorter to foreseeable future.

The Company continues to invest in these operations and the directors anticipate that the value of all its investments will ultimately fully recover in due course.

Details of the investments in which the company holds more than 20% of the nominal value of any class of share capital are as follows:

	County of incorporation	Holding	Proportion held	Nature of business
Anritsu GmbH	Germany	Ordinary shares	100%	Test and measurement equipment
Anritsu srl	Italy	Ordinary shares	100%	Test and measurement equipment
Anritsu SA	France	Ordinary shares	100%	Test and measurement equipment
Anritsu AB	Sweden	Ordinary shares	100%	Test and measurement equipment
Anritsu Electronica SA	Spain	Ordinary shares	100%	Non-trading

The registered address for each investment is as follows:

Anritsu GmbH	Konrad Zuse-Platz 1, Nemetschek Haus, Munich 81829
Anritsu srl	Via Elio Vittorini 129, Rome 00144
Anritsu SA	12 Avenue du Quebec, Villebon Sur Yvette 91140
Anritsu AB	Box 1192, Kista 164 40
Anritsu Electronica SA	Torrejon de Ardoz, calle Pesquera, 8, Madrid

Notes *(continued)*

10 Fixed Asset Investments *(Continued)*

Significant figures in respect of the above investments are as follows

	Anritsu GmbH €000	Anritsu srl €000	Anritsu SA €000	Anritsu AB €000	Anritsu Electronica €000	2020 Total €000	2019 Total €000
Turnover	1,651	1,017	1,817	1,267	-	5,752	5,675
Profit for the financial year	53	52	143	27	-	275	384
Fixed assets	-	5	11	5	-	21	21
Current assets	2,665	884	4,163	2,997	36	10,745	16,312
Liabilities	(453)	-	(1,607)	(1,085)	(723)	(3,868)	(9,695)
Net assets/(liabilities)	2,212	889	2,567	1,917	(687)	6,898	6,638
2019 net assets/(liabilities)	2,159	837	2,424	1,905	(687)	6,638	

11 Stocks

	2020 €000	2019 €000
Finished goods and goods for resale	**1,978**	4,447

The difference between the purchase price or production cost of stocks and their replacement cost is not significant.

Notes *(continued)*

12 Debtors

	2020	2019
	€000	€000
Trade debtors	4,484	2,624
Amounts owed by group undertakings	2,925	5,123
VAT receivable	190	2,147
Deferred tax asset (see Note 14)	120	120
Other debtors	421	572
Prepayments and accrued income	180	283
	8,320	10,869

All amounts are due within one year.

13 Creditors: amounts falling due within one year

	2020	2019
	€000	€000
Trade creditors	895	1,814
Amounts owed to parent undertaking	6,661	9,165
Amounts owed to subsidiary undertakings	2,574	485
Amounts owed to other group undertakings	7,017	5,542
Other taxes and social security costs	112	119
Accruals and deferred income	2,442	3,295
	19,701	20,420

Notes *(continued)*

14 Deferred tax asset

The net deferred tax asset is attributable to the following:

	2020 €000	2019 €000
Differences between accumulated depreciation and capital allowances	**1,199**	977
Unused tax losses	**3,657**	3,001
	4,856	3,978
Unrecognised amounts	**(4,736)**	(3,858)
Deferred taxation asset	**120**	120

The movements in the year are as follows:	€000	€000
Deferred taxation asset at 1 April 2019	**120**	120
Charge to the profit and loss account	**-**	-
Deferred taxation asset at 31 March 2020	**120**	120

Further potential deferred tax assets arising from gross losses carried forward of approximately €19.3m (*2019: €16.9m*) are available to be utilised against future profits and have not been recognised due to the uncertainty of longer term future trading results. There are no unprovided amounts in respect of deferred tax liabilities.

15 Employee benefits

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 €214,000 (*2019: €218,000*). There were no outstanding or prepaid contributions at 31 March 2020 (*2019: none*).

16 Share capital

	2020 €000	2019 €000
Issued, called up and fully paid		
1,502,000 Ordinary shares of £1 each	**1,902**	1,902

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

Notes *(continued)*

17 Reserves

	Share Premium €000	Profit and loss account €000
At 1 April 2019	11,391	(9,914)
Total comprehensive loss for the year	-	(2,601)
At 31 March 2020	**11,391**	**(12,515)**

All reserves of the company relate to equity shareholdings.

18 Operating leases

Non-cancellable operating leases rentals are payable as follows:

	Office machinery	
	2020 €000	2019 €000
Less than one year	5	7
Between one and five years	-	-
More than five years	-	-
	5	7

During the year €5,000 was recognised as an expense in the profit and loss account in respect of operating leases (2019: €7,000).

The Company shares occupancy of a building on which the freehold is owned by a fellow group undertaking. The costs of occupancy are shared between the companies according to the proportions occupied.

19 Capital commitments

The Company had no contractual commitments to purchase tangible fixed assets at the year end (*2019: none*)

20 Related party transactions

The Company has related party relationships with its fellow group companies and with its directors. It has not disclosed transactions between group companies however, as permitted under section 33 of FRS 102.

100% of the voting rights over the Company's shares are controlled within the Group.

The remuneration of the Directors is provided in note 5 - directors' remuneration.

Notes *(continued)*

21 Ultimate parent company

The Company is a subsidiary undertaking of Anritsu Corporation which is also the ultimate controlling party.

The largest and smallest group in which the results of the Company are consolidated is that headed by Anritsu Corporation, incorporated in Japan. No other group financial statements include the results of the Company. The consolidated financial statements of this group are available to the public and may be obtained from 5-1-1 Onna, Atsugi-shi, Kanagawa, 243-8555, Japan.