FORM 10-K/A

Annual report pursuant to section 13 and 15(d) [amend]

Filing Date: **1999-07-27** | Period of Report: **1999-01-31**
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FILER

REMEC INC

CIK:**769874**| IRS No.: **953814301** | State of Incorp.:**CA** | Fiscal Year End: **0131**
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SIC: **3674** Semiconductors & related devices

Business Address
9404 CHESAPEAKE DRIVE
SAN DIEGO CA 92123
6195601301

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-K/A

(AMENDMENT NO. 1)

FOR ANNUAL AND TRANSITION REPORTS PURSUANT TO SECTION 13
OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

(MARK ONE)

/X/ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE FISCAL YEAR ENDED JANUARY 31, 1999
OR

/ / TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE TRANSITION PERIOD FROM ______________ TO ______________

COMMISSION FILE NUMBER 0-27414

REMEC, INC.

(Exact Name of Registrant as Specified in its Charter)

<TABLE>
<S> <C>

CALIFORNIA	95-3814301
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)

</TABLE>

9404 CHESAPEAKE DRIVE, SAN DIEGO, CALIFORNIA 92123
(Address of Principal Executive Offices) (Zip Code)

Registrant's telephone number, including area code: (619) 560-1301

Securities registered pursuant to Section 12(b) of the Act:
COMMON STOCK, $.01 PAR VALUE
(Title of Class)

Securities registered pursuant to Section 12(g) of the Act: NONE

Indicate by check mark whether REMEC (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding twelve (12) months (or such shorter period that REMEC was required to file such reports) and (2) has been subject to such filing requirements for the past ninety (90) days: Yes /X/ No / /

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K. / /

REMEC, INC.

AMENDMENT NO. 1
TO ANNUAL REPORT ON FORM 10-K/A
FOR FISCAL YEAR ENDED JANUARY 31, 1999

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PART IV

Item 14. Exhibits, Financial Statements Schedules and Reports on Form 8-K

Each of the above-listed Items is hereby amended by deleting the item in its entirety appearing in the Form 10-K of REMEC, Inc. (the "Company" or "REMEC") filed with the Securities and Exchange Commission ("SEC") on March 25, 1999 (the "Initial Filing"), and replacing each such Item with the corresponding Item that appears in this Amendment No. 1 to Annual Report on Form 10-K/A ("Amendment No. 1"). The purpose of this Amendment No. 1 is to restate the Consolidated Financial Statements of REMEC to reflect its acquisition of Airtech plc that was completed in April 1999 and accounted for by REMEC as a pooling of interests.

PART II

ITEM 6. SELECTED FINANCIAL DATA

The selected consolidated financial data set forth below with respect to REMEC's statements of income for each of the years in the three year period ended January 31, 1999 and with respect to the balance sheets at January 31, 1998 and 1999, are derived from the audited consolidated financial statements which are included elsewhere in this Annual Report on Form 10-K and are qualified by reference to such financial statements. The statement of operations data for the years ended January 31, 1995 and 1996 and the balance sheet data at January 31, 1995, 1996 and 1997, are derived from audited financial statements not included in this Annual Report on Form 10-K. The following selected financial data should be read in conjunction with the Consolidated Financial Statements for REMEC and notes thereto and Item 7 "Management's Discussion and Analysis of Financial Condition and Results of Operations" included elsewhere herein.

<TABLE>
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	YEARS ENDED JANUARY 31,				
	1995	1996	1997	1998	1999
<S>	<C>	<C>	<C>	<C>	<C>
	(IN THOUSANDS, EXCEPT PER SHARE DATA)				

STATEMENTS OF OPERATIONS DATA(1):					
Net sales	$ 84,407	$ 97,700	$ 131,643	$ 191,008	$ 179,215
Cost of sales	59,385	68,776	95,359	132,349	137,443
Gross profit	25,022	28,924	36,284	58,659	41,772
Operating expenses:					
Selling, general and administrative	16,524	18,159	23,313	32,279	36,835
Research and development	2,471	4,707	6,349	7,887	10,903
Total operating expenses	18,995	22,866	29,662	40,166	47,738
Income from operations	6,027	6,058	6,622	18,493	(5,966)
Gain on sale of subsidiary	--	--	--	2,833	--
Interest income (expense) and other, net	(592)	(426)	15	2,314	3,008
Income before provision for income taxes	5,435	5,632	6,637	23,640	(2,958)
Provision for income taxes	2,290	2,328	3,780	8,886	1,873
Net income	3,145	3,304	2,857	14,754	(4,831)
Dividend accrued on Preferred Stock	--	80	128	--	--
Income (loss) applicable to Common Stock	3,145	3,224	2,729	14,754	(4,831)
Earnings per share:					
Basic	$ .23	$ .23	$ .15	$ .65	($ .20)
Diluted	$ .23	$ .23	$ .15	$ .64	($ .20)
Shares used in per share calculations:					
Basic	13,892	13,819	17,633	22,535	24,722
Diluted	13,892	13,936	17,944	23,228	24,722

</TABLE>

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	AT JANUARY 31,				
	1995	1996	1997	1998	1999
<S>	<C>	<C>	<C>	<C>	<C>
BALANCE SHEET DATA(1):					
Cash and cash equivalents	2,679	4,146	75,134	47,966	83,012
Working capital	15,753	19,575	100,673	99,221	133,807
Total assets	43,797	53,798	151,524	179,082	218,571
Long-term debt	3,235	4,781	3,234	--	--
Total shareholders' equity	24,918	29,722	121,639	145,990	191,607

</TABLE>

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(1) REMEC acquired Magnum in August 1996, Radian in February 1997, C&S Hybrid in June 1997, Q-bit in October 1997 and Airtech in April 1999, each of which was accounted for as a pooling of interests and, as such, all financial amounts contained in the above table have been restated to include the financial results and data of Magnum, Radian, C&S Hybrid, Q-bit and Airtech for all periods presented. REMEC acquired Verified Technical Corporation in March 1997 and Nanowave Technologies Inc. in October 1997 in transactions accounted for as purchases.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

REMEC commenced operations in 1983 and has become a leader in the design and manufacture of microwave multi-function modules (MFMs) for microwave transmission systems used in defense applications and the commercial wireless telecommunications industry. REMEC's consolidated results of operations include the operations of REMEC Microwave, Inc. (Microwave), REMEC Wireless, Inc. (Wireless), Humphrey, Inc. (Humphrey), REMEC Magnum, Inc. (Magnum), REMEC Veritek, Inc. (REMEC Veritek), REMEC CSH, Inc. (REMEC CSH), Q-bit Corporation (REMEC Q-bit) and REMEC Nanowave, Inc. (REMEC Nanowave), Airtech plc (Airtech) and REMEC Inc., S.A. (REMEC Costa Rica). REMEC's consolidated results of operations also include the operations of RF Microsystems (RFM) for the period from April 30, 1996 to August 26, 1997.

REMEC's research and development efforts for customers in the defense industry are conducted in direct response to the unique requirements of a customer's order and, accordingly, expenditures related to such efforts are included in cost of sales and the related funding is included in net sales. As a result, historical REMEC funded research and development expenses have been minimal. As REMEC's commercial business has expanded, research and development expenses have generally increased in amount and as a percentage of sales. REMEC expects this trend to continue, although research and development expenses may fluctuate on a quarterly basis both in amount and as a percentage of sales.

Effective April 30, 1996, REMEC acquired all of the outstanding common stock of RFM and various VSAT microwave design and manufacturing resources from STM in a transaction that was accounted for as a purchase. RFM provides the Department of Defense with research and analysis, systems engineering and test evaluation services. The consolidated statements of income and cash flows for all periods subsequent to April 30, 1996 include RFM's operating results from April 30, 1996. On August 26, 1997, REMEC sold RFM in exchange for cash consideration of $5.0 million. The sale resulted in an after-tax gain of $1,728,000, or $0.08 per share.

On August 26, 1996, REMEC acquired all of the outstanding common stock of Magnum in a transaction that was accounted for as a pooling of interests. Magnum is a leading supplier of oscillators and mixers. On February 28, 1997, REMEC acquired all of the outstanding common stock of Radian, in a transaction that was accounted for as a pooling of interests. Radian provides the defense market with microwave components, primarily synthesizers, receivers, oscillators and filters. On June 27, 1997, REMEC acquired all of the outstanding common stock of C&S Hybrid in a transaction that was accounted for as a pooling of interests. C&S Hybrid is a manufacturer of transmitter and receiver hardware assemblies that are integrated into terrestrial-based point-to-point microwave radios primarily for use in commercial applications. On October 24, 1997, REMEC acquired all of the outstanding common stock of Q-bit in a transaction that was accounted for as a pooling of interests. Q-bit is a manufacturer of amplifier-based microwave components and multi-function modules. On April 29, 1999, REMEC acquired Airtech, a United Kingdom based manufacturer of coverage enhancement products for wireless communications, in a transaction that was accounted for as a pooling of interests. All accompanying historical financial statement information has been restated to include the operations, assets and liabilities of Magnum, Radian, C&S Hybrid, Q-bit and Airtech.

In March 1997, REMEC acquired Veritek, a producer of high quality surface mount manufacturing assemblies in a transaction accounted for as a purchase. The consolidated statements of income and cash flows for all periods subsequent to March 31, 1997 include Veritek's operating results from April 1, 1997. In October 1997, REMEC formed REMEC Canada (as a wholly owned subsidiary) for the purpose of facilitating the acquisition of Canadian companies, including the then contemplated acquisition of Nanowave, a manufacturer of amplifier based microwave and millimeter wave components and multi-function modules, in a transaction accounted for as a purchase. REMEC Canada

completed the acquisition of Nanowave effective as of October 29, 1997. The fiscal 1998 consolidated statements of income and cash flows include Nanowave's operating results from October 31, 1997.

Subsequent to January 31, 1999, the Company acquired Wacom Products, Inc. (a manufacturer of commercial radio frequency filters) and the assets of Smartwaves International in transactions that have been accounted for as purchases.

RESULTS OF OPERATIONS

The following table sets forth, as a percentage of total net sales, certain consolidated statements of income data for the periods indicated.

<TABLE>
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	YEARS ENDED JANUARY 31,		
	1999	1998	1997
<S>	<C>	<C>	<C>
Net sales	100%	100%	100%
Cost of sales	77	69	72
Gross profit	23	31	28
Operating expenses:			
Selling, general & administrative	20	17	18
Research and development	6	4	5
Total operating expenses	26	21	23
Income (loss) from operations	(3)	10	5
Gain on sale of subsidiary	--	2	--
Interest income and other, net	1	1	--
Income (loss) before provision for income taxes	(2)	13	5

Provision for income taxes................................	1	5	3
Net income (loss)...	(3)%	8%	2%

</TABLE>

FISCAL YEAR ENDED JANUARY 31, 1999 VS. FISCAL YEAR ENDED JANUARY 31, 1998

NET SALES. Net sales decreased 6.2% from $191.0 million during fiscal 1998 to $179.2 million during fiscal 1999. The decrease in sales was primarily attributable to the decreased revenues from REMEC's Airtech subsidiary (which was acquired in April 1999 in a transaction accounted for as a pooling of interests). The decline in Airtech's sales was attributable to delays in new PCS mobile infrastructure "roll-outs" in the United States, delays to one customer's new product program, financial instability in the Far East impacting new mobile infrastructure projects in the region and customers delaying orders pending availability of Airtech's next generation production, the G3 MHA.

GROSS PROFIT. Gross profit decreased 28.8% from $58.7 million in fiscal 1998 to $41.8 million in fiscal 1999. As a percentage of net sales, gross margins decreased from 30.7% in fiscal 1998 to 23.3% in fiscal 1999. The fluctuations in gross margins are primarily attributable to costs associated with Airtech's MHA warranty upgrade program, changes in the mix of products sold and reduced production volume at certain of REMEC's subsidiaries.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES. Selling, general and administrative (SG&A) expenses increased 14.1% from $32.3 million in fiscal 1998 to $36.8 million in fiscal 1999. The increase in SG&A was primarily attributable to inclusion of a full year of SG&A expenses from REMEC's Veritek and Nanowave subsidiaries (which were acquired in March and October 1997, respectively, in transactions accounted for as purchases and, therefore, do not have a full year's operations included in the fiscal

1998 results of operations), increased administrative expenses related to Airtech's continued development of its international sales infrastructure in the Far East and accounting and legal expenses associated with an income tax credit study completed during fiscal 1999. As a percentage of net sales, SG&A expenses increased from 16.9% in fiscal 1998 to 20.6% in fiscal 1999, due to the factors discussed above.

RESEARCH AND DEVELOPMENT EXPENSES. Research and development expenses increased 38.2% from $7.9 million in fiscal 1998 to $10.9 million in fiscal 1999, and as a percentage of net sales, R&D expenses increased from 4.1% in fiscal 1998 to 6.1% in fiscal 1999. These expenditures are almost entirely attributable to the commercial wireless business and reflect an increase in activity associated with product development.

GAIN ON SALE OF SUBSIDIARY. REMEC's results of operations for the year ended January 31, 1998 include the gain from the sale of REMEC's RFM subsidiary. There was no similar gain in the current fiscal year.

INTEREST INCOME AND OTHER, NET. Interest income and other, net increased from $2.3 million in fiscal 1998 to $3.0 million in fiscal 1999. This increase was due to the increased level of cash available for investment as a result of the funds generated from REMEC's follow-on public offering, which was completed in March 1998.

PROVISION FOR INCOME TAXES. Income tax expense decreased 78.9% from $8.9 million in fiscal 1998 to $1.9 million in fiscal 1999. The decrease in income tax expense reflects the tax benefit of $2.0 million related to the recognition of research and experimentation tax credits pertaining to previously filed income tax returns, the benefit of tax credits for certain capital expenditures, the effect of tax exempt interest income and a decrease in domestic income before taxes of $12.1 million.

FISCAL YEAR ENDED JANUARY 31, 1998 VS. FISCAL YEAR ENDED JANUARY 31, 1997

NET SALES. Net sales increased 45.1% from $131.6 million in fiscal 1997 to $191.0 million in fiscal 1998. The increase in sales was primarily attributable to increased customer demand for REMEC's commercial wireless products.

GROSS PROFIT. Gross profit increased 61.7% from $36.3 million in fiscal 1997 to $58.7 million in fiscal 1998. As a percentage of net sales, gross margins increased from 27.6% in fiscal 1997 to 30.7% in fiscal 1998. The increase in gross margins was primarily attributable to changes in the mix of products shipped and due to the lower unit costs arising from improved overhead absorption attributable to the increase in sales volume.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES. SG&A expenses increased 38.4% from $23.3 million in fiscal 1997 to $32.3 million in fiscal 1998. The increase in SG&A was primarily attributable to increased personnel, legal and other administrative expenses resulting from REMEC's revenue growth, as well as approximately $1.1 million of direct transaction costs associated with the acquisitions of Radian, C&S Hybrid and Q-bit. As a percentage of net sales, SG&A expenses declined from 17.7% in fiscal 1997 to 16.9% in fiscal 1998.

RESEARCH AND DEVELOPMENT EXPENSES. Research and development expenses increased 24.2% from $6.3 million in fiscal 1997 to $7.9 million in fiscal 1998, however, as a percentage of net sales, R&D expenses decreased from 4.8% in fiscal 1997 to 4.1% in fiscal 1998. These expenditures were almost entirely attributable to the commercial wireless business.

GAIN ON SALE OF SUBSIDIARY. REMEC's results of operations for the year ended January 31, 1998 include the gain from the sale of REMEC's RFM subsidiary. There was no similar gain in the prior fiscal year.

INTEREST INCOME AND OTHER, NET. Interest income and other, net increased from $15,000 during fiscal 1997 to $2.3 million in fiscal 1998. This increase was due to the increased level of cash available for investment as a result of the funds generated from REMEC's follow-on public offering which was completed in January 1997.

PROVISION FOR INCOME TAXES. REMEC's effective tax rate declined from 57% during fiscal 1997 to 38% during fiscal 1998. The decrease primarily reflected the pre-acquisition net income generated at REMEC's Q-bit subsidiary in fiscal 1998. Prior to its acquisition by REMEC, Q-bit had operated as an S corporation for federal and state income tax purposes and, accordingly, all taxable income generated by Q-bit during the pre-acquisition period in fiscal 1998 was allocated to the shareholders of Q-bit and included on their personal income tax returns. Therefore, REMEC's effective tax rate in fiscal 1998 reflects no provision for income taxes on Q-bit's pre-acquisition earnings. The reduction in the effective tax rate in fiscal 1998 also reflects the benefit of tax credits for certain capital expenditures.

LIQUIDITY AND CAPITAL RESOURCES

At January 31, 1999, REMEC had $133.8 million of working capital which included cash and cash equivalents totaling $83.0 million. REMEC also has $17.0 million available under two credit facilities consisting of a $9.0 million revolving working capital line of credit and a $8.0 million revolving term loan. The borrowing rate under both credit facilities is based on a fixed spread over the London Interbank Offered Rate (LIBOR). The revolving working capital line of credit terminates July 3, 2000. The revolving period under the term loan expires July 1, 2000, at which time any loan amount outstanding converts to a term loan to be fully amortized and paid in full by January 2, 2004. As of January 31, 1999, there were no borrowings under REMEC's credit facilities.

During fiscal 1999, net cash provided by operations totaled $6.3 million as the cash flows from earnings and non-cash expenses (primarily depreciation and amortization) more than offset the $1.6 million increase in inventories and the $3.8 million repayment of trade accounts payable and other accrued expenses. Inventories increased during this period due to requests by certain commercial customers to delay delivery of previously announced requirements. Investing activities utilized $19.9 million during fiscal 1999, primarily as a result of capital expenditures of $18.3 million and deposits associated with the acquisition of land and a manufacturing facility in Costa Rica of $1.5 million. The bulk of the capital expenditures were associated with the expansion of REMEC's commercial wireless telecommunications business. The above expenditures were financed primarily by cash on hand. REMEC's future capital expenditures may continue to be substantially higher than historical levels as a result of commercial wireless telecommunications expansion requirements. Financing activities generated approximately $48.4 million during fiscal 1999, principally as a result of the net proceeds of $49.6 million from the follow-on offering and the proceeds of $3.0 million generated by the issuance of shares in connection with REMEC's Employee Stock Purchase Plan and from exercises of stock options, net of $2.9 million utilized for the repurchase and retirement of Company common stock and $1.4 million utilized to repay company credit obligations.

REMEC's future capital requirements will depend upon many factors, including the nature and timing of orders by OEM customers, the progress of REMEC's research and development efforts, expansion of REMEC's marketing and sales efforts, and the status of competitive products. REMEC believes that available capital resources will be adequate to fund its operations for at least twelve months from February 1, 1999.

INTEREST RATE RISK

REMEC is exposed to changes in interest rates to the extent of its borrowings under its revolving working capital line of credit and revolving term loan. At January 31, 1999, REMEC had no borrowings under these credit facilities and, therefore, no exposure to interest rate movement on its debt.

REMEC also will be affected by changes in interest rates in its investments in certain held-to-maturity securities. Under its current policies, REMEC does not use interest rate derivative instruments to manage exposure to interest rate changes. A hypothetical 100 basis point increase in interest rates in REMEC's held-to-maturity securities would not materially effect the fair value of these securities at January 31, 1999.

YEAR 2000 READINESS DISCLOSURE

GENERAL. Many currently available installed computer systems, software products and equipment are coded to accept only two digit entries to recognize years. These date-sensitive systems, products and equipment may not be able to accurately recognize the year 2000. As a result, these systems, products and equipment may need to be upgraded or replaced in order to become year 2000 ready.

REMEC's Vice President of Information Technology is responsible for coordinating REMEC's efforts relating to year 2000 readiness. These efforts include the following phases: (i) identification of potential year 2000 problems; (ii) assessment of the potential impact on and risks to REMEC's business; (iii) determination of specific solutions; (iv) implementation of solutions; and (v) evaluation of all of the foregoing. The Vice President of Information Technology reports to REMEC's President and Chief Operating Officer on these matters. In addition, REMEC's Audit Committee and Board of Directors provides supervisorial oversight of REMEC's efforts relating to year 2000 readiness.

MANUFACTURING. REMEC utilizes various tools and equipment in connection with the manufacture of its products which may have embedded technology that is date sensitive. REMEC is testing substantially all of its critical tools and equipment currently being utilized by REMEC in the manufacture of its products, and continues to monitor year 2000 readiness in this area. Based on its efforts to date, REMEC believes that its critical tools and equipment will be year 2000 ready on or before December 31, 1999. As a result, REMEC currently does not anticipate significant interruption of its manufacturing capabilities due to the failure of its tools and equipment to be year 2000 ready.

INFORMATION SYSTEMS. REMEC has various internal financial information and reporting systems, human resources and payroll applications, procurement requirements, customer billing applications, manufacturing monitoring systems, communications systems, desktop computers and computer networks. REMEC is testing all of these internal systems and applications and upgrading or replacing software and hardware where needed. Based on its efforts to date, REMEC currently does not anticipate significant interruption of its operations due to the failure of its information systems to be year 2000 ready.

In addition to testing existing information systems for year 2000 compliance, REMEC is phasing in the installation of a new management information system which will be used by REMEC and a majority of its operating subsidiaries in connection with internal financial information and reporting, production planning and manufacturing monitoring and procurement requirements. The purchase and installation of this system is estimated to cost approximately $3.0 million and will be paid for by REMEC out of existing funds when installed at the various Company facilities. Although this system is not being purchased exclusively to address year 2000 compliance issues, this management information system is certified by the manufacturer to be year 2000 compliant. This system has been implemented in three of REMEC's subsidiaries, is in the process of being implemented in another subsidiary and is estimated to be completely installed and operational in a majority of REMEC's facilities over the next two years. The information systems in place at REMEC's remaining subsidiaries are being upgraded to year 2000 compliance. This process will be completed by December 31, 1999 and is anticipated to cost approximately $250,000. REMEC has recently completed the acquisition of Airtech plc and Wacom Products. The Company has initiated year 2000 readiness reviews at each of these entities. Although REMEC has yet to develop a formal plan to ensure year 2000 readiness at Airtech and Wacom, the Company intends to be compliant prior to December 31, 1999.

FACILITIES. REMEC is also testing all of its facilities and infrastructure systems, including the heating/ventilation/air conditioning (HVAC) systems, security systems and health, safety and environment systems at each of its facilities. REMEC currently has manufacturing operations or management personnel in thirteen leased facilities. Based on its efforts to date, REMEC currently does not anticipate significant interruption of its operations due to the failure of its facilities and infrastructure systems to be year 2000 ready.

SUPPLIERS. REMEC is implementing a system to monitor the year 2000 readiness of its suppliers. The system will include awareness/notification letters, warranties and a review of suppliers' web-site statements regarding year 2000 readiness. If a supplier is identified as having a high risk of year 2000 non-readiness, REMEC will develop alternative sourcing plans to minimize the year 2000 risks.

COSTS. REMEC estimates that the aggregate costs for its year 2000 readiness program incurred by REMEC to date and anticipated to be incurred by REMEC through December 31, 1999 is approximately $350,000. Approximately $125,000 of the aggregate estimated costs relate to internal resources incurred or anticipated to be incurred in connection with REMEC's readiness program. The Company has incurred approximately one-third of its estimated aggregate costs relating to its year 2000 readiness program. No information technology or other capital expenditure projects have been delayed due to REMEC's year 2000 efforts and the costs relating thereto.

WORST CASE SCENARIO: CONTINGENCY PLAN. The most reasonably likely worst case year 2000 scenario which may affect REMEC is a significant disruption in the business operations of REMEC's customers due to year 2000 problems. REMEC manufactures components and systems for commercial customers and various government agencies. To the extent that the customers' business is disrupted by year 2000 problems, these customers may be unable to purchase or pay for REMEC's products which may have a material adverse effect on REMEC's business, financial condition and results of operation will be adversely effected.

UNCERTAINTIES. The above description of REMEC's year 2000 efforts contains forward-looking statements, including: the expected state of readiness of REMEC's manufacturing equipment, information systems and facilities; the future impact of REMEC's business, financial condition and results of operation due to its year 2000 readiness; the anticipated state of readiness of REMEC's suppliers; the estimated costs associated with REMEC's year 2000 readiness program; and REMEC's most reasonably likely worst case scenario. There are many factors that could cause REMEC's actual results to differ materially from those year 2000 related forward-looking statements.

Some of the factors that could affect the anticipated impact of REMEC's year 2000 readiness include the availability and cost of personnel trained in this area, the ability of company personnel, vendors, customers and suppliers to locate and correct all relevant computer codes; the reliability of statements of third parties (customers, suppliers and vendors) regarding their own year 2000 readiness; and similar uncertainties. In addition, the anticipated costs of any year 2000 modifications are based on management's best estimates, which were derived utilizing numerous assumptions of future events. Many of these factors and assumptions are beyond REMEC's control and no assurances can be given that REMEC, its suppliers and customers will be able to resolve all of their year 2000 readiness problems in a timely manner to avoid a material adverse effect on REMEC's business, financial condition or results of operations.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The response to this item is included as a separate section following Item 14 of this Amendment No. 1 to Annual Report on Form 10-K/A.

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K

(a) 1. Financial Statements

Report of Independent Auditors

Consolidated Balance Sheets at January 31, 1999 and 1998

Consolidated Statements of Income for the years ended January 31, 1999, 1998 and 1997

Consolidated Statements of Shareholders' Equity as of January 31, 1999, 1998 and 1997

Consolidated Statements of Cash Flows for the years ended January 31, 1999, 1998 and 1997

Notes to Consolidated Financial Statements

2. Financial Statement Schedule

Schedule II: Valuation and Qualifying Accounts

All other schedules are omitted since the required information is not present or is not present in amounts sufficient to require submission of the schedules or because the information required is included in the Consolidated Financial Statements or Notes thereto.

3. Exhibits

<TABLE>
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EXHIBIT NO.	DESCRIPTION
3.1 (1)	Restated Articles of Incorporation
3.2 (1)	By-Laws, as amended
10.1 (1)	Equity Incentive Plan
10.2 (1)	Employee Stock Purchase Plan
10.3 (1)	Form of Indemnification Agreements between Registrant and its officers and directors
10.4 (2)	1996 Nonemployee Directors Stock Option Plan
10.5 (3)	Second Amended and Restated Loan Agreement between REMEC and The Union Bank of California, N.A., dated June 25, 1998, as amended
10.6 (3)	Participation Agreement dated as of August 25, 1998 among REMEC, Union Bank of California N.A., and certain other parties identified therein
10.7 (3)	Master Lease dated as of August 25, 1998, between Union Bank of California, N.A., as Certificate Trustee, and REMEC
10.8 (3)	Lessee Guarantee executed by REMEC dated as of August 25, 1998
21.1 (4)	Subsidiaries of REMEC
23.1 (4)	Consent of Ernst & Young LLP, Independent Auditors
23.2 (4)	Consent of Ireland San Filippo LLP, Independent Public Accountants
23.3 (4)	Consent of Bray, Beck & Koetter, Independent Auditors
23.4 (4)	Consent of Arthur Andersen, Independent Auditors
23.5 (4)	Consent of Binder Hamlyn, Independent Auditors
24.1	Power of Attorney (included on Page S-1 of the Initial Filing of the Annual Report on Form 10-K)
27.1 (4)	Financial Data Schedule

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(1) Previously filed with the Securities and Exchange Commission on February 1, 1996 as an exhibit to REMEC's Registration Statement on Form S-1 (No. 333-80381) and incorporated by reference into this Amendment No. 1 to Annual Report on Form 10-K/A.

(2) Previously filed with the Securities and Exchange Commission on November 25, 1996 as an exhibit to REMEC's Registration Statement on Form S-8 (No. 333-16687) and incorporated by reference into this Amendment No. 1 to Annual Report on Form 10-K/A.

(3) Previously filed with the Securities and Exchange Commission on March 25, 1999 as an exhibit to REMEC's Annual Report on Form 10-K for the year ended January 31, 1999 and incorporated by reference into this Amendment No. 1 to Annual Report on Form 10-K/A.

(4) Filed with this Amendment No. 1 to Annual Report on Form 10-K/A.

(b) Report on Form 8-K

There were no reports on Form 8-K filed in the fourth quarter of fiscal 1999.

INDEX TO FINANCIAL STATEMENTS

REPORT OF ERNST & YOUNG LLP, INDEPENDENT AUDITORS

The Board of Directors and Shareholders
REMEC, Inc.

We have audited the accompanying consolidated balance sheets of REMEC, Inc. as of January 31, 1999 and 1998, and the related consolidated statements of income, shareholders' equity, and cash flows for each of the three years in the period ended January 31, 1999. These financial statements are the responsibility of REMEC's management. Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the financial statements of Airtech plc, Radian Technology, Inc. and Q-bit Corporation, wholly-owned subsidiaries, which statements reflect total assets constituting 5% and 14% in 1999 and 1998, respectively, and total revenues constituting 12%, 18% and 25% in 1999, 1998 and 1997, respectively, of the related consolidated totals. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to data included for Airtech plc, Radian Technology, Inc. and Q-bit Corporation, is based solely on the reports of the other auditors.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits and the report of other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audits and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of REMEC, Inc. at January 31, 1999 and 1998, and the consolidated results of its operations and its cash flows for each of the three years in the period ended January 31, 1999 in conformity with generally accepted accounting principles.

/s/ ERNST & YOUNG LLP

Ernst & Young LLP

San Diego, California
February 26, 1999,
except for the first paragraph of Note 2,
as to which the date is April 29, 1999

REPORT OF ARTHUR ANDERSEN, INDEPENDENT AUDITORS

TO THE SHAREHOLDERS OF AIRTECH PLC

We have audited the financial statements of Airtech plc and its subsidiaries ("Group") as of December 31, 1998 and December 31, 1997 and of the Group's results from operations and cash flows for each of the years then ended. These financial statements have not been prepared for the purposes of section 226 of the Companies Act 1985 and are therefor not statutory accounts.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The company's directors are responsible for the preparation of the financial statements. 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 Auditing Standards issued by the Auditing Practices Board in the United Kingdom which are substantially consistent with generally accepted auditing standards in the United States. 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 circumstances of the Group, 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 have 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 affairs of the Group at December 31, 1998 and December 31, 1997, and of the Group's results from operations and cash flows for each of the years then ended in accordance with generally accepted accounting principles in the United Kingdom.

Accounting practices used by the Group in preparing the accompanying financial statements conform with generally accepted accounting principles in the United Kingdom, but do not conform with accounting principles generally accepted in the United States. A description of these differences and a reconciliation of consolidated net income and shareholders' equity to U.S. generally accepted accounting principles is set forth in Note 29 to the financial statements of the Group.

/s/ ARTHUR ANDERSEN

Arthur Andersen
Chartered Accountants
St. Albans, England

24 March 1999

REPORT OF BINDER HAMLYN, INDEPENDENT AUDITORS

TO THE SHAREHOLDERS OF AIRTECH PLC

We have audited the financial statements of Airtech plc and its subsidiaries ("Group") as of December 31, 1996 and the Group's loss and cash flows for each of the year then ended. These financial statements have not been prepared for the purposes of section 226 of the Companies Act 1985 and are therefor not statutory accounts.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The company's directors are responsible for the preparation of the financial statements. 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 Auditing Standards issued by the Auditing Practices Board in the United Kingdom which are substantially consistent with generally accepted auditing standards in the United States and for which purpose our report is dual dated in respect of Notes 28 and 29 to the financial statements of the Group. 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 circumstances of the Group, 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 have 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 Group's loss and cash flows for the year ended December 31, 1996 in accordance with generally accepted accounting principles in the United Kingdom.

Accounting practices used by the Group in preparing the accompanying financial statements conform with generally accepted accounting principles in the United Kingdom, but do not conform with accounting principles generally accepted in the United States. A description of these differences and a reconciliation of consolidated net income and shareholders' equity to U.S. generally accepted accounting principles is set forth in Note 29 to the financial statements of the Group.

/s/ BINDER HAMLYN

Binder Hamlyn
London, England

26 March 1997, except for Notes 28 and 29
as to which the date is 24 March 1999.

REPORT OF IRELAND SAN FILIPPO LLP, INDEPENDENT AUDITORS

To the Board of Directors
Radian Technology, Inc.
Santa Clara, California

We have audited the balance sheet of Radian Technology, Inc. (a California corporation), as of December 27, 1996, and the related statements of income and expense, stockholders' equity, and cash flows for each of the years ended December 29, 1995, and December 27, 1996. These financial statements are the responsibility of REMEC's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Radian Technology, Inc. as of December 27, 1996, and the results of its operations and its cash flows for each of the years ended December 29, 1995, and December 27, 1996, in conformity with generally accepted accounting principles.

/s/ IRELAND SAN FILIPPO, LLP

March 6, 1997

REPORT OF BRAY, BECK & KOETTER, INDEPENDENT AUDITORS

To the Board of Directors and Stockholders
Q-bit Corporation
Palm Bay, Florida

We have audited the balance sheets of Q-bit Corporation (an S Corporation) as of December 31, 1996 and the related statements of operations, retained earnings (deficit) and cash flows for the years then ended December 31, 1995 and 1996. These financial statements are the responsibility of REMEC's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Q-bit Corporation as of December 31, 1996 and 1995 and the results of its operations and its cash flows for the years then ended in conformity with generally accepted accounting principles.

Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information on pages 15 and 16 is presented for the purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

/s/ BRAY, BECK & KOETTER
Melbourne, Florida
February 28, 1997

REMEC, INC.

CONSOLIDATED BALANCE SHEETS

<TABLE>
<CAPTION>

<S>	JANUARY 31, 1999 <C>	JANUARY 31, 1998 <C>
ASSETS		
Cash and cash equivalents	$ 83,011,819	$ 47,966,101
Accounts receivable, net	27,294,544	34,381,474
Inventories, net	38,311,527	36,727,941
Deferred income taxes	4,425,725	6,435,957
Prepaid expenses and other current assets	3,596,020	1,579,053
Total current assets	156,639,635	127,090,526
Property, plant and equipment, net	44,706,757	34,758,934
Intangible and other assets	17,224,432	17,232,241
	$ 218,570,824	$ 179,081,701
LIABILITIES AND SHAREHOLDERS' EQUITY		
Line of credit borrowings	$ 75,413	$ 841,000
Accounts payable	8,155,490	12,076,756
Accrued salaries, benefits and related taxes	5,383,932	6,165,248
Income taxes payable	--	2,784,479
Accrued expenses	9,217,867	6,002,515
Total current liabilities	22,832,702	27,869,998
Deferred rent	--	104,236
Deferred income taxes	4,131,534	5,117,933
Commitments		
Shareholders' equity:		
Preferred shares--$.01 par value, 5,000,000 shares authorized; none issued and outstanding		
Common shares--$.01 par value, 70,000,000 shares authorized; issued and outstanding shares--24,879,870 and 22,877,042 at January 31, 1999 and 1998	248,797	228,772
Paid-in capital	165,632,527	115,402,223
Accumulated other comprehensive income	257,000	59,000
Retained earnings	25,468,264	30,299,539
	191,606,588	145,989,534
Total shareholders' equity	$ 218,570,824	$ 179,081,701

</TABLE>

See accompanying notes.

REMEC, INC.

CONSOLIDATED STATEMENTS OF INCOME

<TABLE>
<CAPTION>

<S>	YEARS ENDED JANUARY 31, 1999 <C>	1998 <C>	1997 <C>
Net sales	$ 179,214,967	$ 191,007,929	$ 131,642,842
Cost of sales	137,442,678	132,348,510	95,358,524
Gross profit	41,772,289	58,659,419	36,284,318
Operating expenses:			
Selling, general & administrative	36,835,437	32,279,847	23,312,733
Research and development	10,903,143	7,886,984	6,349,000
Total operating expenses	47,738,580	40,166,831	29,661,733
Income (loss) from operations	(5,966,291)	18,492,588	6,622,585
Gain on sale of subsidiary	--	2,833,240	--
Interest income and other, net	3,008,099	2,314,329	14,405
Income (loss) before provision for income taxes	(2,958,192)	23,640,157	6,636,990
Provision for income taxes	1,873,083	8,885,799	3,779,667
Net income (loss)	(4,831,275)	14,754,358	2,857,323
Dividend accrued on preferred stock	--	--	(128,000)

Income (loss) applicable to common stock	($ 4,831,275)	$ 14,754,358	$ 2,729,323
Earnings (loss) per common share:			
Basic	$ (.20)	$ .65	$ .15
Diluted	$ (.20)	$ .64	$ .15
Shares used in computing earnings (loss) per common share:			
Basic	24,722,000	22,535,000	17,633,000
Diluted	24,722,000	23,228,000	17,944,000

</TABLE>

See accompanying notes.

REMEC, INC.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

<TABLE>
<CAPTION>

	PREFERRED SHARES		COMMON SHARES					
	SHARES	AMOUNT	SHARES	AMOUNT	PAID-IN CAPITAL	OTHER COMPREHENSIVE INCOME	RETAINED EARNINGS	TOTAL
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Balance at January 31, 1996	2,218,607	$2,416,186	11,111,111	$111,112	$ 14,420,370	($ 29,000)	$12,803,563	$ 29,722,231
Conversion of preferred shares	(718,607)	(7,186)	1,616,864	16,169	(8,983)	--	--	--
Dividend accrued on preferred shares	--	128,000	--	--	--	--	(128,000)	--
Redemption of preferred shares	(1,500,000)	(2,537,000)	163,892	1,639	863,235	--	--	(1,672,126)
Issuance of common shares	--	--	9,337,969	93,380	88,517,721	--	--	88,611,101
Income tax benefits related to employee stock purchase plan and stock options exercised	--	--	--	--	209,399	--	--	209,399
Compensation related to stock options granted	--	--	--	--	1,338,000	--	--	1,338,000
Foreign exchange translation adjustment	--	--	--	--	--	708,000	--	708,000
Net income	--	--	--	--	--	--	2,857,323	2,857,323
Comprehensive income	--	--	--	--	--	--	--	3,565,323
Adjustment for net equity activity of pooled company	--	--	--	--	--	--	(135,272)	(135,272)
Balance at January 31, 1997	--	--	22,229,836	222,300	105,339,742	679,000	15,397,614	121,638,656
Issuance of common shares	--	--	647,206	6,472	9,515,468	--	--	9,521,940
Income tax benefits related to employee stock purchase plan and stock options exercised	--	--	--	--	535,013	--	--	535,013
Compensation related to stock options								

granted.........	--	--	--	--	12,000	--	--	12,000
Foreign exchange translation adjustment......	--	--	--	--	--	(620,000)	--	(620,000)
Net income........	--	--	--	--	--	--	14,754,358	14,754,358
Comprehensive income..........	--	--	--	--	--	--	--	14,134,358
Adjustment for net equity activity of pooled companies.......	--	--	--	--	--	--	147,567	147,567
Balance at January 31, 1998..........	--	--	22,877,042	228,772	115,402,223	59,000	30,299,539	145,989,534
Issuance of common shares..........	--	--	2,369,328	23,690	52,652,461	--	--	52,676,151
Purchase and retirement of common shares...	--	--	(366,500)	(3,665)	(2,847,741)	--	--	(2,851,406)
Income tax benefits related to employee stock purchase plan and stock options exercised.......	--	--	--	--	286,584	--	--	286,584
Rent free period charges.........	--	--	--	--	139,000	--	--	139,000
Foreign exchange translation adjustment......	--	--	--	--	--	198,000	--	198,000
Net loss..........	--	--	--	--	--	--	(4,831,275)	(4,831,275)
Comprehensive loss............	--	--	--	--	--	--	--	(4,633,275)
Balance at January 31, 1999..........	--	$ --	24,879,870	$248,797	$165,632,527	$ 257,000	$25,468,264	$191,606,588

</TABLE>

See accompanying notes.

REMEC, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

<TABLE>
<CAPTION>

	YEARS ENDED JANUARY 31,		
	1999	1998	1997
<S>	<C>	<C>	<C>
OPERATING ACTIVITIES:			
Net income (loss)..	$ (4,831,275)	$ 14,754,358	$ 2,857,323
Adjustments to reconcile net income (loss) to net cash provided (used) by operating activities:			
Depreciation and amortization....................................	9,930,248	6,018,811	3,876,507
Gain on sale of subsidiary.......................................	--	(2,833,240)	--
Rent charge..	139,000	--	--
Compensation related to stock options............................	--	12,000	1,338,000
Deferred income taxes..	1,310,214	(2,289,832)	(1,078,151)
Changes in operating assets and liabilities:			
Accounts receivable..	7,078,440	(11,450,349)	(7,078,195)
Inventories..	(1,583,860)	(10,102,804)	(7,187,276)
Prepaid expenses and other current assets......................	(2,017,634)	218,838	(1,118,477)
Accounts payable...	(3,922,833)	1,006,941	2,448,089
Accrued expenses, income taxes payable and deferred rent.........	160,763	2,711,733	296,250
Net cash provided (used) by operating activities..................	6,263,063	(1,953,544)	(5,645,930)
INVESTING ACTIVITIES:			
Additions to property, plant and equipment........................	(18,278,506)	(18,659,394)	(9,049,734)
Payment for acquisitions, net of cash acquired....................	--	(5,066,075)	(4,011,735)
Proceeds from sale of subsidiary..................................	--	5,000,000	--
Sale of short-term investments....................................	--	--	1,482,565
Other assets..	(1,589,380)	120,637	(133,320)
Net cash used by investing activities.............................	(19,867,886)	(18,604,832)	(11,712,224)

FINANCING ACTIVITIES:			
Proceeds from credit facilities and long-term debt	--	12,212,858	3,480,000
Repayments on credit facilities and long-term debt	(1,391,305)	(21,283,512)	(3,412,956)
Purchase and retirement of common shares	(2,851,406)	--	--
Proceeds from issuance of common shares	52,676,151	2,898,273	88,611,101
Redemption of preference shares	--	--	(1,672,126)
Change in deferred offering costs	--	--	1,108,424
Net cash provided (used) by financing activities	48,433,440	(6,172,381)	88,114,443
Effect of exchange rate changes	217,101	(111,000)	266,000
Increase (decrease) in cash and cash equivalents	35,045,718	(26,841,757)	71,022,289
Cash and cash equivalents at beginning of year	47,966,101	75,134,362	4,145,632
Adjustment for net cash activity of pooled companies	--	(326,504)	(33,559)
Cash and cash equivalents at end of year	$ 83,011,819	$ 47,966,101	$ 75,134,362
Supplemental disclosures of cash flow information:			
Cash paid for:			
Interest	$ 98,000	$ 440,000	$ 536,000
Income taxes	$ 4,661,000	$ 10,162,000	$ 3,091,000
Supplemental disclosure of noncash investing and financing activities:			
Assets acquired under credit facilities	$ --	$ 444,000	$ 2,228,000
Common shares issued in acquisitions	$ --	$ 6,624,000	$ --

</TABLE>

See accompanying notes.

REMEC, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. REMEC AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

ORGANIZATION AND NATURE OF BUSINESS AND BASIS OF PRESENTATION

REMEC, Inc. was incorporated in the State of California in January 1983. REMEC is engaged in a single business segment consisting of the research, design, development and manufacture of microwave and radio frequency (RF) components and subsystems and precision instruments for control and measurement systems. Prior to fiscal 1996, the majority of REMEC's sales were to prime contractors to various agencies of the U.S. Department of Defense and to foreign governments. In May 1995, REMEC incorporated REMEC Wireless, Inc. (a wholly owned subsidiary) to research, design, develop and manufacture products based on microwave technologies for commercial customers. In fiscal 1997, REMEC acquired Magnum Microwave Corporation, a manufacturer of microwave components and subsystems, in a transaction accounted for as a pooling of interests. During 1997, REMEC also acquired RF Microsystems, Inc. ("RFM"), a satellite communications engineering company, in a transaction accounted for as a purchase. During fiscal 1998, REMEC acquired Radian Technology, Inc., C&S Hybrid, Inc., and Q-bit Corporation, in a series of transactions accounted for as poolings of interests. On April 29, 1999, the Company acquired Airtech plc in a transaction accounted for as a pooling of interests. REMEC's consolidated financial statements for all periods prior to these acquisitions have been restated to include each of the acquired company's financial position, results of operations and cash flows. During fiscal 1998, REMEC also acquired Verified Technical Corporation and Nanowave Technologies Inc. in transactions which were accounted for as purchases and sold its RFM subsidiary.

PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the accounts of REMEC and its wholly owned subsidiaries REMEC Microwave, Inc., REMEC Wireless, Inc., Humphrey, Inc., REMEC Magnum, Inc., REMEC Veritek, Inc., REMEC CSH, Inc., REMEC Nanowave, Inc., REMEC Q-bit, Inc., Airtech plc and REMEC Inc. S.A. REMEC's consolidated financial statements also include the accounts of RF Microsystems, Inc. from April 30, 1996 through August 26, 1997 (date of sale). All intercompany accounts and transactions have been eliminated in consolidation.

CASH AND CASH EQUIVALENTS

REMEC considers all highly liquid investments with an original maturity of three months or less at the date of acquisition to be cash equivalents. REMEC evaluates the financial strength of institutions at which significant investments are made and believes the related credit risk is limited to an acceptable level.

REMEC has adopted Statement of Financial Accounting Standards No. 115 ("SFAS No. 115"), "Accounting for Certain Investments in Debt and Equity Securities." SFAS No. 115 requires companies to record certain debt and equity security investments at market value. At January 31, 1999 and 1998, the cost of cash equivalents and short-term investments approximated fair value.

CONCENTRATION OF CREDIT RISK

Accounts receivable are principally from U.S. government contractors, companies in foreign countries and domestic customers in the telecommunications industry. Credit is extended based on an evaluation of the customer's financial condition and generally collateral is not required. REMEC performs periodic credit evaluations of its customers and maintains reserves for potential credit losses.

1. REMEC AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

INVENTORY

Inventories are stated at the lower of weighted average cost or market. In accordance with industry practice, REMEC has adopted a policy of capitalizing general and administrative costs as a component of the cost of government contract related inventories to achieve a better matching of costs with the related revenues.

PROGRESS PAYMENTS

Progress payments received from customers are offset against inventories associated with the contracts for which the payments were received.

LONG-LIVED ASSETS

Property, plant and equipment is stated at cost less accumulated depreciation. Depreciation is provided using the straight-line method over the estimated useful lives of the assets which range from three to thirty years. Leasehold improvements are amortized using the straight-line method over the shorter of their estimated useful lives or the lease period.

Intangible assets in the accompanying balance sheets are primarily comprised of goodwill and acquired technology recorded in connection with the acquisitions of Humphrey, Inc. (in February 1994), RF Microsystems, Inc., Verified Technical Corporation and Nanowave Technologies Inc. (See Note 2). These assets are being amortized using the straight-line method over the estimated useful lives of the relevant intangibles ranging from nine to fifteen years, respectively. Amortization expense related to intangible assets totaled $1,597,189, $766,616 and $345,531 for fiscal years 1999, 1998 and 1997, respectively.

Effective February 1, 1996, REMEC adopted Statement of Financial Accounting Standard No. 121 "Accounting for Long-Lived Assets and Long-Lived Assets to be Disposed Of" which established standards for recording the impairment of long-lived assets, including property, equipment and leasehold improvements, intangible assets and goodwill.

In accordance with this Statement, REMEC reviews the carrying value of property, equipment and leasehold improvements for evidence of impairment through comparison of the undiscounted cash flows generated from those assets to the related carrying amounts of those assets. The carrying value of intangible assets are evaluated for impairment through comparison of the undiscounted cash flows derived from those assets to the carrying value of the related intangibles.

FOREIGN CURRENCY TRANSLATION

Foreign currency balance sheet accounts are translated into United States dollars at a rate of exchange in effect at fiscal year end. Income and expenses are translated at the average rates of exchange in effect during the year. The related translation adjustments are made directly to a separate component of shareholders' equity.

REVENUE RECOGNITION

Revenues from commercial contracts are recognized upon shipment of product and transfer of title to customers. Revenues on long-term fixed-price contracts with prime contractors to U.S. Government

1. REMEC AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)
Agencies are recognized using the units of delivery method. Revenues associated with the performance of non-recurring engineering and development contracts are recognized when earned under the terms of the related contract. Revenues for cost-reimbursement contracts are recorded as costs are incurred and includes estimated earned fees in the proportion that costs incurred to date bears to estimated costs. Prospective losses on long-term contracts are based upon the anticipated excess of inventoriable manufacturing costs over the selling price of the remaining units to be delivered. Actual losses could differ from those estimated due to changes in the ultimate manufacturing costs and contract terms.

RESEARCH AND DEVELOPMENT

Research and development costs incurred by REMEC are expensed in the period incurred.

NET INCOME PER SHARE

REMEC calculates earnings per share in accordance with Financial Accounting Standards Board Statement No. 128, "Earnings per Share." Basic earnings per share is computed using the weighted average shares outstanding for each period presented. Diluted earnings per share is computed using the weighted average shares outstanding plus potentially dilutive common shares using the treasury stock method at the average market price during the reporting period. The calculation of net income per share reflects the historical information for REMEC and its acquired subsidiaries and the conversion of the common shares of those companies acquired in pooling of interests transactions into REMEC shares as stipulated in the respective acquisition agreements. (See Note 2.)

The following table reconciles the shares used in computing basic and diluted earnings per share in the respective fiscal years:

<TABLE>
<CAPTION>

	YEARS ENDED JANUARY 31,		
	1999	1998	1997
<S>	<C>	<C>	<C>
Weighted average common shares outstanding used in basic earnings per share calculation..............	24,722,000	22,535,000	17,633,000
Effect of dilutive stock options....................	--	693,000	311,000
Shares used in diluted earnings per share calculation.......................................	24,722,000	23,228,000	17,944,000

</TABLE>

On June 6, 1997, REMEC's Board of Directors approved a three-for-two stock split of REMEC's common stock in the form of a 50% stock dividend payable on June 27, 1997 to shareholders of record as of June 20, 1997. All share and per share related data in the consolidated financial statements have been adjusted to reflect the stock dividend for all periods presented.

STOCK OPTIONS

REMEC has elected to follow APB 25 and related Interpretations in accounting for its employee stock options because the alternative fair value accounting provided for under Statement of Financial Accounting Standard No. 123 ("SFAS No. 123"), "Accounting for Stock-Based Compensation" requires use of option valuation models that were not developed for use in valuing employee stock options. Under APB 25, because the exercise price of REMEC's employee stock options equals the market price of the underlying stock on the date of grant, no compensation expense is recognized.

1. REMEC AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)
USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions about the future that affect the amounts reported in the consolidated financial statements. These estimates include assessing the collectibility of accounts receivable, the usage and recoverability of inventories and long-lived assets and the incurrence of losses on long term contracts and warranty costs. The markets for REMEC's products are extremely competitive and are characterized by rapid technological change, new product development, product obsolescence and evolving industry standards. In addition, price competition is intense and significant price erosion generally occurs over the life of a product. As a result of such factors, actual results could differ from the estimates used by management.

NEW ACCOUNTING STANDARDS

During 1998, REMEC adopted Statement of Financial Accounting Standard No. 130 ("SFAS No. 130"), "Reporting Comprehensive Income" and Statement of Financial Accounting Standard No. 131 ("SFAS No. 131"), "Segment Information." SFAS 130 requires that all components of comprehensive income, including net income, be reported in the financial statements in the period in which they are recognized. Comprehensive income is defined as a change in equity during a period from transactions and other events and circumstances from non-owner sources. Net income and other comprehensive income, including foreign currency translation adjustments and unrealized gains and losses on investments, are required to reported, net of their related tax effect, to arrive at comprehensive income. SFAS No. 131 amends the requirements for public enterprises to report financial and descriptive information about its reportable operating segments. Operating segments, as defined in SFAS No. 131, are components of an enterprise for which separate financial information is available and is evaluated regularly by REMEC in deciding how to allocate resources and in assessing performance. The financial information is required to be reported on the basis that is used internally for evaluating this segment performance. REMEC operates in one business and operating segment only, and therefore adoption of this standard did not have a material impact on REMEC's financial statements.

2. ACQUISITION TRANSACTIONS

AIRTECH PLC

In April 1999, REMEC acquired Airtech plc, a manufacturer of coverage enhancement products for wireless mobile communication networks, in exchange for approximately 1.7 million shares of REMEC's common stock. Prior to the combination, Airtech plc's fiscal year ended on December 31. In recording the business combination, Airtech plc's financial statements for its fiscal years ended December 31, 1998, 1997 and 1996 were combined with REMEC's for its fiscal years ended January 31, 1999, 1998 and 1997, respectively. Airtech plc's net sales and net loss for the one month period ended January 31, 1999 were $208,683 and $1,353,867, respectively. In accordance with Accounting Principles Board Opinion No. 16 ("APB No. 16"), Airtech plc's results of operations and cash flows for the one-month period ended January 31, 1999 will be added directly to the retained earnings and cash flows of REMEC and excluded from reported fiscal 2000 results of operations and cash flows.

2. ACQUISITION TRANSACTIONS (CONTINUED)

Net sales and net income reported by REMEC and Airtech for periods prior to its acquisition are as follows:

<TABLE>
<CAPTION>

	YEARS ENDED JANUARY 31, 1999	1998	1997
Net sales:			
REMEC	$ 158,401,981	$ 156,056,929	$ 118,553,842
Airtech	20,812,986	34,951,000	13,089,000
Total	$ 179,214,967	$ 191,007,929	$ 131,642,842
Net income (loss):			
REMEC	$ 10,327,725	$ 14,735,358	$ 4,972,323
Airtech	(15,159,000)	19,000	(2,115,000)
Total	$ (4,831,275)	$ 14,754,358	$ 2,857,323

</TABLE>

Q-BIT CORPORATION

In October 1997, REMEC acquired all of the outstanding shares of common stock of Q-bit, a manufacturer of amplifier based microwave components and multi-function modules, in exchange for 1,047,482 shares of REMEC's common stock. Prior to the combination, Q-bit's fiscal year ended on December 31. In recording the business combination, Q-bit's financial statements for the fiscal years ended December 31, 1995 and 1996 were combined with REMEC's for the fiscal years ended January 31, 1996 and 1997, respectively. Q-bit's net sales and net income for the one month period ended January 31, 1997 were $1,295,557 and $103,610, respectively. In accordance with Accounting Principles Board Opinion No. 16 ("APB No. 16"), Q-bit's results of operations and cash flows for the one-month period ended January 31, 1997 have been added directly to the retained earnings and cash flows of REMEC and excluded from reported fiscal 1998 results of operations and cash flows. Q-bit's revenues and net income for the period from February 1, 1997 through the date of acquisition totalled $12,315,818 and $1,578,333, respectively.

C&S HYBRID

In June 1997, REMEC acquired all of the outstanding shares of common stock of C&S Hybrid, a manufacturer of transmitter and receiver hardware assemblies ("transceivers") that are integrated by C&S Hybrid's customers into terrestrial-based point-to-point microwave radios primarily for use in commercial applications, in exchange for 1,290,000 shares of REMEC's common stock. Prior to the combination, C&S Hybrid's fiscal year ended on December 27, 1996. In recording the business combination, C&S Hybrid's financial statements for the fiscal years ended December 22, 1995 and December 27, 1996 were combined with REMEC's for the fiscal years ended January 31, 1996 and 1997, respectively. C&S Hybrid's net sales and net income for the one month ended January 31, 1997 were $1,569,129 and $53,976, respectively. In accordance with APB No. 16, C&S Hybrid's results of operations and cash flows for the one-month period ended January 31, 1997 have been added directly to the retained earnings and cash flows of REMEC and excluded from reported fiscal 1998 results of operations and cash flows. C&S Hybrid's revenues and net income for the period from February 1, 1997 through the date of acquisition totalled $8,033,729 and $357,249, respectively.

2. ACQUISITION TRANSACTIONS (CONTINUED)

RADIAN TECHNOLOGY, INC.

On February 28, 1997, REMEC issued 950,024 shares of its common stock in exchange for all of the outstanding shares of common stock of Radian, a manufacturer of microwave components and subsystems. Prior to the combination, Radian's fiscal year ended on the Friday closest to December 31. In recording the business combination, Radian's financial statements for the fiscal years ended December 29, 1995 and December 27, 1996 were combined with REMEC's for the fiscal years ended January 31, 1996 and 1997, respectively. Radian's net sales and net loss for the one month period ended January 31, 1997 were $299,000 and $10,019, respectively. In accordance with APB No. 16, Radian's results of operations and cash flows for the one-month period ended January 31, 1997 have been added directly to the retained earnings and cash flows of REMEC and excluded from reported fiscal 1998 results of operations and cash flows. Radian's revenues and net income for the period from February 1, 1997 through the date of acquisition totalled $731,089 and $141,888, respectively.

MAGNUM MICROWAVE CORPORATION

On August 26, 1996, REMEC issued 1,612,399 shares of its common stock in exchange for all of the outstanding shares of common stock of Magnum, a manufacturer of microwave components and subsystems. Immediately prior to the acquisition, Magnum issued 197,187 equivalent shares of stock for cash of approximately $1,500,000. Prior to the combination, Magnum's fiscal year ended on the Friday closest to March 31. In recording the business combination, Magnum's financial statements for the 1996 fiscal year were combined with REMEC's for the fiscal year ended January 31, 1996. Consolidated operating results and the net change in consolidated cash and cash equivalents for the year ended January 31, 1997 include Magnum's results of operations and change in cash flows for the two months ended March 29, 1996. Magnum's net sales and net income for the two month period ended March 29, 1996 were $1,743,000 and $135,000, respectively. Included in general and administrative expenses in the consolidated statement of income for the year ended January 31, 1997 are costs of $424,000 related to the acquisition of Magnum.

VERIFIED TECHNICAL CORPORATION

On March 31, 1997, REMEC acquired all of the outstanding common stock of Veritek in exchange for cash consideration of $1,000,000 and 138,000 shares of REMEC's common stock with a fair value of approximately $2.0 million and the assumption of liabilities totaling $1.1 million. The acquisition has been accounted for as a purchase, and accordingly, the total purchase price has been allocated to the acquired assets and liabilities assumed at their estimated fair values in accordance with the provisions of APB No. 16. The excess of the purchase price over the net assets acquired of $2,406,000 has been recorded as an intangible asset, and is being amortized over an estimated life of 15 years. The pro forma results of operations of REMEC and Veritek assuming Veritek was acquired on the first day of REMEC's 1997 fiscal year would not be materially different from reported results.

NANOWAVE TECHNOLOGIES INC.

In October 1997, REMEC formed REMEC Canada (as a wholly owned subsidiary) for the purpose of facilitating the acquisition of Canadian companies, including the then contemplated acquisition of Nanowave, a manufacturer of amplifier based microwave and millimeter wave components and multi-function modules. Effective October 29, 1997, REMEC Canada acquired all of the outstanding

2. ACQUISITION TRANSACTIONS (CONTINUED)
common stock of Nanowave in exchange for cash consideration of $4,025,000 and 182,183 Dividend Access Shares with a fair value of $4,646,000 which was equal to the fair value of an equivalent number of common shares of REMEC on the date of acquisition. These Dividend Access Shares are convertible at any time into an equivalent number of shares of REMEC Common Stock at the option of the security holder. The acquisition has been accounted for as a purchase, and accordingly, the total purchase price has been allocated to the acquired assets and liabilities assumed at their estimated fair values in accordance with the provisions of APB No. 16. The excess of the purchase price over the net assets acquired of $11,130,000 has been recorded as intangible assets (acquired technology, trademarks, assembled workforce and goodwill), and will be amortized over periods ranging from 9 to 15 years.

Assuming that the acquisition of Nanowave had occurred on the first day of REMEC's fiscal year ended January 31, 1997, pro forma condensed consolidated results of operations would have been as follows (in thousands except per share amounts):

	YEARS ENDED JANUARY 31,	
	1998	1997
	(UNAUDITED)	
Net sales	$ 195,532	$ 137,523
Net income applicable to common shareholders	14,307	2,198
Earnings per share		
Basic	$ .63	$ .12
Diluted	$ .61	$ .12

RF MICROSYSTEMS, INC.

Effective April 30, 1996, REMEC acquired all of the outstanding common stock of RFM and certain other assets in exchange for cash consideration of approximately $4,066,000. RFM provided satellite communications engineering services to agencies of the U.S. Government. The acquisition was accounted for as a purchase, and accordingly, the total purchase price was allocated to the acquired assets and liabilities assumed at their estimated fair values in accordance with the provisions of APB No. 16. The excess of the purchase price over the net assets acquired of $3,559,000 was recorded as intangible assets, and was being amortized over an estimated life of 15 years. Upon completion of the acquisition, certain tangible and intangible assets associated with the design and production of commercial wireless products with a fair value of approximately $3.8 million were transferred to another subsidiary of REMEC. On August 26, 1997, REMEC sold its RFM subsidiary in exchange for cash consideration of $5.0 million. The sale resulted in an after-tax gain of $1,728,000 or $.08 per share. REMEC's consolidated financial statements include the results of RFM from April 30, 1996 through August 26, 1997.

3. FINANCIAL STATEMENT DETAILS

INVENTORIES

Inventories consist of the following:

	JANUARY 31, 1999	JANUARY 31, 1998
Raw Materials	$ 21,999,579	$ 19,529,388
Work in progress	16,406,379	17,873,537
	38,405,958	37,402,925
Less unliquidated progress payments	(94,431)	(674,984)
	$ 38,311,527	$ 36,727,941

Inventories related to contracts with prime contractors to the U.S. Government included capitalized general and administrative expenses of $2,076,000 at January 31, 1999 and 1998, respectively.

REMEC had a reserve for obsolete and unusable inventory of $3,804,000 and $3,210,000 as of January 31, 1999 and 1998, respectively.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consist of the following:

	JANUARY 31, 1999	JANUARY 31, 1998
Land, building and improvements	$ 3,361,097	$ 3,293,776
Machinery and equipment	74,261,052	58,533,070
Furniture and fixtures	4,153,572	3,270,147
Leasehold improvements	4,645,064	3,049,130
	86,420,785	68,146,123
Less accumulated depreciation and amortization	(41,714,028)	(33,387,189)
	$ 44,706,757	$ 34,758,934

3. FINANCIAL STATEMENT DETAILS (CONTINUED)

INTANGIBLE AND OTHER ASSETS

Intangible and other assets consist of the following:

	JANUARY 31, 1999	JANUARY 31, 1998
Acquired technology	$ 8,358,556	$ 8,358,556
Goodwill	7,775,775	7,775,775
Trademarks and other intangible assets	2,250,000	2,250,000
	18,384,331	18,384,331
Less accumulated amortization	(2,988,645)	(1,391,456)
	15,395,686	16,992,875
Other assets	1,828,746	239,366
	$ 17,224,432	$ 17,232,241

4. BANK REVOLVING TERM CREDIT FACILITY AND LINE-OF-CREDIT

REMEC has a $9,000,000 working capital line-of-credit with a bank, which expires July 3, 2000. Interest is due monthly on advances at a fixed spread over the London Interbank Offered Rate (6.2% at January 31, 1999). At January 31, 1999, there were no outstanding borrowings on the facility.

REMEC also has a $8,000,000 term credit facility with the bank which is available until July 1, 2000. Outstanding borrowings at July 1, 2000 under this facility automatically convert into a term note payable in 42 monthly installments. Interest is due monthly on advances under the facility at a fixed spread over the London Interbank Offered Rate. At January 31, 1999, there were no outstanding borrowings on the facility.

Advances under these agreements are secured by substantially all assets of REMEC. The agreements also contain covenants which require REMEC to maintain certain financial ratios, achieve specified levels of profitability, restrict the incurrence of additional debt, limit the payment of cash dividends, and include certain other restrictions. As of January 31, 1999, REMEC was in compliance with all covenants specified.

The Company's Airtech subsidiary had a working capital facility with a bank that expired on November 30, 1998, although the bank has continued to allow borrowings under this agreement until a new credit facility can be finalized. Interest accrues on borrowings under this facility at a rate of 1 1/4% over the banks base rate (6 1/4% at January 31, 1999). Borrowings under this facility are secured by substantially all of the assets of Airtech. At January 31, 1999, outstanding borrowings under this facility were approximately $75,000.

5. SHAREHOLDERS' EQUITY

EQUITY OFFERINGS

In March 1998, REMEC issued in a public offering an additional 1,990,000 shares of common stock. The net proceeds from this offering were $49,563,500. Certain shareholders also sold 1,000,000 shares of REMEC common stock as part of this offering.

5. SHAREHOLDERS' EQUITY (CONTINUED)

In January 1997, REMEC issued in a public offering an additional 3,618,750 shares of common stock. The net proceeds from this offering were $51,971,875. Certain shareholders also sold 1,125,000 shares as part of this offering.

In February 1996, REMEC completed an initial public offering of its common stock in which REMEC issued a total of 3,397,340 shares of common stock. The net proceeds from the offering were $15,649,209. Concurrent with the closing of REMEC's initial public offering, all of the then outstanding shares of REMEC's preferred stock were converted into 1,616,864 shares of common stock. In connection with REMEC's initial public offering, certain shareholders also sold 1,777,660 shares as part of the offering.

In October 1996, the Company's Airtech subsidiary completed an initial public offering of its common stock in which Airtech issued the equivalent of approximately 602,000 shares of REMEC common stock in exchange for net proceeds of approximately $16.3 million.

STOCK OPTION PLANS

REMEC's 1995 Equity Incentive Plan provides for the grant of incentive stock options, non-qualified stock options, restricted stock awards, stock purchase rights or performance shares to employees of REMEC. During fiscal 1998, REMEC's shareholders approved an increase in the number of shares available for issuance under the Plan by 2,250,000 shares to a total of 3,375,000 shares of common stock. The exercise price of the incentive stock options must at least equal the fair market value of the common stock on the date of grant, and the exercise price of non-qualified options may be no less than 85% of the fair market value of the common stock on the date of grant. Options granted under the plans vest over a period of three to four years and expire from four and one-half years to nine years from the date of grant.

REMEC also maintains the 1996 Nonemployee Directors Stock Option Plan under which 300,000 common shares have been reserved for non-qualified stock option grants to nonemployee directors of REMEC. Under the Plan, option grants are automatically made on an annual basis at the fair market value of the stock on the date of grant. Options granted under the Plan vest over three to four years and expire four and one-half to nine years from the date of grant.

REMEC had maintained previous stock option plans prior to the inception of the 1995 Equity Incentive Plan. These incentive plans were terminated upon the closing of REMEC's initial public offering in February 1996 and all outstanding options remain exercisable in accordance with their original terms.

5. SHAREHOLDERS' EQUITY (CONTINUED)

A summary of REMEC's stock option activity and related information is as follows:

	1999 OPTIONS	1999 WEIGHTED AVERAGE EXERCISE PRICE	1998 OPTIONS	1998 WEIGHTED AVERAGE EXERCISE PRICE	1997 OPTIONS	1997 WEIGHTED AVERAGE EXERCISE PRICE
	YEARS ENDED JANUARY 31,					
Outstanding--beginning of year	1,690,974	$ 16.86	928,538	$ 7.71	305,380	$ 2.25
Granted	1,141,120	15.99	1,024,214	22.42	668,012	9.90
Exercised	(93,801)	4.85	(170,965)	4.37	(37,649)	2.37
Forfeited	(362,822)	25.44	(90,813)	10.17	(7,205)	6.79
Outstanding--end of year	2,375,471	$ 15.60	1,690,974	$ 16.86	928,538	$ 7.71

The following table summarizes by price range the number, weighted average exercise price and weighted average life (in years) of options outstanding and the number and weighted average exercise price of exercisable options as of January 31, 1999:

PRICE RANGE	TOTAL OUTSTANDING NUMBER OF SHARES	WEIGHTED AVERAGE EXERCISE PRICE	WEIGHTED AVERAGE LIFE	TOTAL EXERCISABLE NUMBER OF SHARES	TOTAL EXERCISABLE WEIGHTED AVERAGE EXERCISE PRICE
$ 1.61-$ 7.40	128,497	$ 2.21	1.4	103,269	$ 2.28
$ 7.41-$11.10	995,750	$ 9.41	6.3	184,235	$ 9.59
$11.11-$14.80	319,051	$ 14.03	2.6	137,821	$ 14.07
$14.81-$22.20	486,383	$ 20.84	1.4	154,994	$ 20.40
$22.21-$25.90	191,125	$ 25.35	3.7	47,662	$ 25.47
$25.91-$37.00	254,665	$ 30.97	4.8	50,100	$ 32.90
Total Plan	2,375,471	$ 15.60	4.5	678,081	$ 14.70

At January 31, 1999, options for 863,985 shares of REMEC common stock were available for future grant.

Pro forma information regarding net income and net income per share is required by SFAS No. 123, and has been determined as if REMEC has accounted for its employee stock options and employee stock purchase plan shares under the fair value method of that statement. The fair value of these options or employee stock purchase rights was estimated at the date of grant using the Black-Scholes option pricing model with the following weighted average assumptions for 1999, 1998 and 1997, respectively: risk-free interest rates of 6.0%; dividend yields of 0%; volatility factors of the expected market price of REMEC's common stock of 76.0%, 71.3% and 90.9%, a weighted-average life of the option of 3.2 years; and a weighted-average life of the stock purchase rights of three months.

The Black-Scholes option valuation model was developed for use in estimating the fair value of traded options which have no vesting restrictions and are fully transferable. In addition, option valuation models require the input of highly subjective assumptions including the expected stock price

5. SHAREHOLDERS' EQUITY (CONTINUED)

volatility. Because REMEC's employee stock options and rights under the employee stock purchase plan have characteristics significantly different from those of trade options, and because changes in the subjective assumptions can materially affect the fair value estimate, in management's opinion, the existing models do not necessarily provide a reliable single measure of the fair market value of its employee stock options or the rights granted under the employee stock purchase plan.

For purposes of pro forma disclosures, the estimated fair value of the options and the shares granted under the employee stock purchase plan is amortized to expense over their respective vesting or option periods. The effects of applying SFAS No. 123 for pro forma disclosure purposes are not likely to be representative of the effects on pro forma net income in future years because they do not take into consideration pro forma compensation expense related to grants made prior to 1996. REMEC's pro forma information follows:

	YEARS ENDED JANUARY 31,		
	1999	1998	1997
Net income (loss) applicable to common shareholders:			
As reported	$ (4,831,334)	$ 14,754,358	$ 2,729,323
Pro forma	(11,267,648)	10,622,372	(159,811)
Earnings (loss) per share:			
As reported--			
Basic	$ (.20)	$ .65	$ .15
Diluted	$ (.20)	$ .64	$ .15
Pro forma--			
Basic	$ (.46)	$ .47	$ (.01)
Diluted	$ (.46)	$ .46	$ (.01)
Weighted average fair value of options granted during the year	$ 12.92	$ 11.48	$ 5.09

STOCK PURCHASE PLAN

REMEC's Employee Stock Purchase Plan provides for the issuance of shares of REMEC's common stock to eligible employees. During fiscal 1998, REMEC's shareholders approved an increase in the number of shares available for issuance under the Employee Stock Purchase Plan by 825,000 shares to a total of 1,200,000 shares of common stock. The price of the common shares purchased under the Employee Stock Purchase Plan will be equal to 85% of the fair market value of the common shares on the first or last day of the offering period, whichever is lower. As of January 31, 1999, 456,227 shares of REMEC common stock remain available for issuance under the Purchase Plan.

6. COMMITMENTS

DEFERRED SAVINGS PLAN

REMEC has established a Deferred Savings Plan for its employees, which allows participants to make contributions by salary reduction pursuant to section 401(k) of the Internal Revenue Code. REMEC matches contributions up to $100 per quarter, per employee, subject to the attainment of

6. COMMITMENTS (CONTINUED)

certain quarterly profit levels by REMEC. Employees vest immediately in their contributions and company contributions vest over a two-year period. REMEC has charged to operations contributions of approximately $272,000, $399,000 and $218,000 for the years ended January 31, 1999, 1998 and 1997, respectively.

REMEC's Canadian subsidiary maintains a separate defined contribution retirement savings plan for substantially all of its employees. Participants may contribute a portion of their annual salaries subject to statutory annual limitations. REMEC matches a percentage of the employees contributions as specified in the plan agreement. Contributions to this plan totalled $49,000 and $19,000 in 1999 and 1998, respectively.

REMEC's UK subsidiary maintains separate defined contribution retirement savings plans for substantially all of its employees. Participants may contribute a portion of their annual salaries subject to statutory annual limitations. REMEC matches a percentage of the employees contribution as specified in the plan agreements. Contributions to these plans totalled $271,000, $169,000 and $77,000 for the years ended January 31, 1999, 1998 and 1997, respectively.

REMEC's C&S Hybrid subsidiary maintained a separate defined contribution 401(k) retirement plan for substantially all of its employees. C&S Hybrid made contributions to this plan of $42,000 for fiscal 1997. This plan was merged into the REMEC plan in February 1998.

REMEC's Q-bit subsidiary maintained a separate defined contribution 401(k) retirement plan for substantially all of its employees. Q-bit made contributions to this plan of $95,000 for fiscal 1997. This plan was merged into the REMEC plan in April 1998.

LEASES

REMEC leases offices and production facilities under noncancelable agreements classified as operating leases. At January 31, 1999, future minimum payments under these operating leases are as follows:

<TABLE>
<CAPTION>

	OPERATING LEASES
2000	$ 2,799,000
2001	2,502,000
2002	2,159,000
2003	2,175,000
2004	1,553,000
Thereafter	413,000
Total minimum lease payments	$ 11,601,000

</TABLE>

Certain of these lease agreements include renewal options.

Rent expense totaled $3,775,000, $3,623,000, and $2,846,000 during fiscal 1999, 1998 and 1997, respectively.

6. COMMITMENTS (CONTINUED)

CAPITAL EXPENDITURE

REMEC has entered into an agreement for the purchase of land and a manufacturing facility in Costa Rica with a purchase price of $2,566,000. Deposits totalling $1,486,000 have been made in connection with this agreement. Such deposits are included in other assets in REMEC's consolidated balance sheet as of January 31, 1999.

7. INCOME TAXES

For financial reporting purposes, income before taxes includes the following components:

<TABLE>
<CAPTION>

	YEARS ENDED JANUARY 31,		
	1999	1998	1997
Pretax income (loss):			
United States	$ 10,209,758	$ 22,272,438	$ 8,869,450
Foreign	(13,168,009)	1,367,719	(2,232,460)
	$ (2,958,251)	$ 23,640,157	$ 6,636,990

</TABLE>

Temporary differences and carry forwards which give rise to a significant portion of the net deferred tax assets and liabilities included in the accompanying consolidated balance sheets at January 31, 1999 and 1998 are shown below. As of January 31, 1999, a valuation allowance of $4,795,000 has been recognized as an offset to the deferred tax assets related to the jurisdictions in which realization of such assets is uncertain. The valuation allowances arose due primarily to net operating losses of Airtech which are not deductible for US purposes and which the deductibility for UK purposes is uncertain.

<TABLE>
<CAPTION>

	JANUARY 31,	
	1999	1998
<S>	<C>	<C>
Deferred tax liabilities:		
Tax over book depreciation................................	$ 4,132,000	$ 4,270,000
Inventory costs capitalized...............................	1,037,000	846,000
Other...	36,000	2,000
Total deferred tax liabilities............................	5,205,000	5,118,000
Deferred tax assets:		
Inventory and other reserves..............................	3,493,000	3,696,000
Deferred rent...	--	65,000
Accrued expenses..	1,588,000	1,623,000
Net operating loss..	4,791,000	71,000
Other...	421,000	981,000
Total deferred tax assets..................................	10,293,000	6,436,000
Valuation allowance..	(4,795,000)	--
	5,498,000	6,436,000
Net deferred tax assets....................................	$ 293,000	$ 1,318,000

</TABLE>

7. INCOME TAXES (CONTINUED)

The provision for taxes based on income consists of the following:

<TABLE>
<CAPTION>

	YEARS ENDED JANUARY 31,		
	1999	1998	1997
<S>	<C>	<C>	<C>
Current:			
Federal.....................................	$ 1,165,000	$ 7,933,000	$ 3,910,000
Foreign.....................................	20,000	546,000	--
State.......................................	(306,000)	1,634,000	874,000
Deferred:			
Federal.....................................	1,085,000	(1,188,000)	(646,000)
Foreign.....................................	11,000	147,000	(237,000)
State.......................................	(102,000)	(186,000)	(121,000)
	$ 1,873,000	$ 8,886,000	$ 3,780,000

</TABLE>

A reconciliation of the effective tax rates and the statutory Federal income tax rate is as follows:

<TABLE>
<CAPTION>

	YEARS ENDED JANUARY 31,					
	1999		1998		1997	
	AMOUNT	%	AMOUNT	% --	AMOUNT	% --
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Tax at Federal rate...........................	$ (1,035,000)	35%	$ 8,274,000	35%	$ 2,323,000	35%
State income tax net of federal..............	747,000	(25)	941,000	4	605,000	9
Tax Credits..................................	(2,987,000)	101	--	--	--	--
Loss (Earnings) distributed to S Corporation shareholders................................	--	--	(642,000)	(3)	438,000	7
Increase in valuation-allowance..............	4,795,000	(162)	--	--	--	--

Non-deductible deferred compensation..........	--	--	--	--	402,000	6
Other..	353,000	(12)	313,000	1	12,000	--
	$ 1,873,000	(64)%	$ 8,886,000	57%	$ 3,780,000	57%

</TABLE>

Approximately $2.0 million of the above tax credits are related to the recognition of research and development tax credits pertaining to previously filed tax returns.

At January 31, 1999, the Company has approximately $14,917,000 of foreign net operating losses in the United Kingdom, which are available indefinitely.

Prior to its acquisition by REMEC in October 1997, Q-bit Corporation had elected to be treated as an "S corporation" for income tax purposes and, accordingly, any liability for income taxes was that of the shareholders and not Q-bit.

8. SEGMENT INFORMATION

Substantially all of the Company's operations are based in the United States. The Company's Airtech subsidiary is based in the United Kingdom and accounted for sales of $20,813,000, $34,951,000 and $13,089,000 in fiscal 1999, 1998 and 1997, respectively.

8. SEGMENT INFORMATION (CONTINUED)

Substantially all of the Company's long-lived assets are also based in the United States. The Company's Airtech subsidiary had long-lived assets totalling $2,547,000 and $2,770,000 at January 31, 1999 and 1998, respectively. The Company also had long-lived assets of $3,182,000 at its Costa Rican subsidiary at January 31, 1999.

During fiscal 1999, 1998 and 1997, one customer accounted for 12%, 11% and 12%, respectively, of REMEC's net sales.

Export sales were 5%, 6% and 6% of net sales for fiscal 1999, 1998 and 1997, respectively.

9. RELATED PARTY TRANSACTIONS

An officer of REMEC holds certain interests in various suppliers to one of REMEC's subsidiaries. Amounts paid to these suppliers in fiscal 1999, 1998 and 1997 totaled $1,122,000, $2,667,000 and $1,054,000, respectively.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, REMEC has duly caused this Annual Report on Form 10-K/A to be signed on its behalf by the undersigned, thereunto duly authorized, on July 23, 1999.

<TABLE>
<S> <C> <C>

REMEC, INC.

By: /s/ RONALD E. RAGLAND

Ronald E. Ragland
CHAIRMAN OF THE BOARD AND
CHIEF EXECUTIVE OFFICER

</TABLE>

Pursuant to the requirements of the Securities Exchange Act of 1934, this Annual Report on Form 10-K/A has been signed below by the following persons on behalf of REMEC and in the capacities and on the dates indicated.

<TABLE>
<CAPTION>

SIGNATURE	CAPACITY	DATE
<C>	<S>	<C>

/s/ RONALD E. RAGLAND ------------------------------ Ronald E. Ragland	Chairman of the Board and Chief Executive Officer (Principal Executive Officer)	July 23, 1999
* ------------------------------ Errol Ekaireb	President, Chief Operating Officer and Director	July 23, 1999
* ------------------------------ Jack A. Giles	Executive Vice President, President of REMEC Microwave Division and Director	July 23, 1999
* ------------------------------ Denny Morgan	Director, Senior Vice President and Chief Engineer	July 23, 1999
* ------------------------------ Joseph T. Lee	Executive Vice President and Director	July 23, 1999
/s/ MICHAEL D. MCDONALD ------------------------------ Michael D. McDonald	Chief Financial Officer, Senior Vice President and Secretary (Principal Financial and Accounting Officer)	July 23, 1999
* ------------------------------ Andre R. Horn	Director	July 23, 1999

</TABLE>

<TABLE>
<CAPTION>

SIGNATURE	CAPACITY	DATE
<C>	<S>	<C>
* ------------------------------ Jeffrey M. Nash	Director	July 23, 1999
* ------------------------------ Thomas A. Corcoran	Director	July 23, 1999
* ------------------------------ William H. Gibbs	Director	July 23, 1999

</TABLE>

<TABLE>
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*By: /s/ RONALD E. RAGLAND

Ronald E. Ragland
ATTORNEY-IN-FACT

</TABLE>

SCHEDULE II

REMEC, INC.
VALUATION AND QUALIFYING ACCOUNTS

<TABLE>
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CONTRACT LOSS RESERVE	BALANCE AT BEGINNING OF PERIOD	CHARGED TO COSTS AND EXPENSES	DEDUCTIONS	BALANCE AT END OF PERIOD
<S>	<C>	<C>	<C>	<C>
Year ended January 31, 1997..........................	$ 1,370,000	$ 821,991	$ (620,000)	$ 1,571,991
Year ended January 31, 1998..........................	1,571,991	478,009	--	2,050,000
Year ended January 31, 1999..........................	2,050,000	(345,781)	(754,219)	950,000

</TABLE>

<TABLE>
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	BALANCE AT BEGINNING OF	CHARGED TO COSTS AND		BALANCE AT END

RESERVE FOR OBSOLETE AND UNUSABLE INVENTORY	PERIOD	EXPENSES	DEDUCTIONS	OF PERIOD
Year ended January 31, 1997	$ 1,357,000	$ 655,000	$ (126,000)	$ 1,886,000
Year ended January 31, 1998	1,886,000	1,622,021	(298,000)	3,210,021
Year ended January 31, 1999	3,210,021	2,722,062	(2,128,160)	3,803,923

REMEC, INC.
ANNUAL REPORT ON FORM 10-K
FOR FISCAL YEAR ENDED JANUARY 31, 1999
EXHIBIT INDEX

EXHIBIT NO.	DESCRIPTION	SEQUENTIALLY NUMBERED PAGES
3.1(1)	Restated Articles of Incorporation	
3.2(1)	By-Laws, as amended	
10.1(1)	Equity Incentive Plan	
10.2(1)	Employee Stock Purchase Plan	
10.3(1)	Form of Indemnification Agreements between REMEC and its officers and directors	
10.4(2)	1996 Nonemployee Directors Stock Option Plan	
10.5(3)	Second Amended and Restated Loan Agreement between REMEC and The Union Bank of California, N.A., dated June 25, 1998, as amended	
10.6(3)	Participation Agreement dated as of August 25, 1998 among REMEC, Union Bank of California, N.A., and certain other parties identified therein	
10.7(3)	Master Lease dated as of August 25, 1998, between Union Bank of California, N.A., as Certificate Trustee, and REMEC	
10.8(3)	Lessee Guarantee executed by REMEC dated as of August 25, 1998	
21.1(4)	Subsidiaries of REMEC	
23.1(4)	Consent of Ernst & Young LLP, Independent Auditors	
23.2(4)	Consent of Ireland San Filippo LLP, Independent Public Accountants	
23.3(4)	Consent of Bray, Beck & Koetter, Independent Auditors	
23.4(4)	Consent of Arthur Andersen, Independent Auditors	
23.5(4)	Consent of Binder Hamlyn, Independent Auditors	
24.1	Power of Attorney (included on Page S-1 of this Annual Report on Form 10-K)	
27.1(4)	Financial Data Schedule	

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(1) Previously filed with the Securities and Exchange Commission on February 1, 1996 as an exhibit to REMEC's Registration Statement on Form S-1 (No. 333-80381) and incorporated by reference into this Amendment No. 1 to Annual Report on Form 10-K/A.

(2) Previously filed with the Securities and Exchange Commission on November 25, 1996 as an exhibit to REMEC's Registration Statement on Form S-8 (No. 333-16687) and incorporated by reference into this Amendment No. 1 to Annual Report on Form 10-K/A.

(3) Previously filed with the Securities and Exchange Commission on March 25, 1999 as an exhibit to REMEC's Annual Report on Form 10-K for the year ended January 31, 1999 and incorporated by reference into this Amendment No. 1 to Annual Report on Form 10-K/A.

(4) Filed with this Amendment No. 1 to Annual Report on Form 10-K/A.

EXHIBIT 21.1

SUBSIDIARIES OF THE REGISTRANT

SUBSIDIARY	JURISDICTION OF INCORPORATION
REMEC Microwave, Inc.	California
REMEC Wireless, Inc.	California
Humphrey, Inc.	California
REMEC Magnum, Inc.	California
Verified Technical Corporation	California
C&S Hybrid, Inc.	California
Q-bit Corporation	Florida
REMEC Canada Incorporated	Nova Scotia, Canada
REMECINC S.A.	Costa Rica
REMEC Foreign Sales Corporation	Barbados
Airtech plc	United Kingdom

EXHIBIT 23.1

CONSENT OF ERNST & YOUNG LLP, INDEPENDENT AUDITORS

We consent to the incorporation by reference in the Registration Statements on Form S-8 (No.'s 333-04224, 333-27353 and 333-37191) and Form S-3 (No.'s 333-25437, 333-30803, 333-45353, 333-45595 and 333-46891) of our report dated February 26, 1999, except for the first paragraph of Note 2, as to which the date is April 29, 1999, included in the Annual Report on Form 10-K of REMEC, Inc. for the year ended January 31, 1999, with respect to the consolidated financial statements and schedule, as amended, included in this Form 10-K/A.

Our audits also included the financial statement schedule of REMEC, Inc. listed in Item 14(a). This schedule is the responsibility of REMEC, Inc.'s management. Our responsibility is to express an opinion based on our audits. In our opinion, the financial statement schedule referred to above, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

/s/ ERNST & YOUNG LLP

San Diego, California
July 22, 1999

EXHIBIT 23.2

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

As independent public accountants, we hereby consent to the incorporation by reference in the registration statements on Form S-8 (Nos. 333-04224, 333-27353 and 333-37191) and Form S-3 (Nos. 333-25437, 333-30803, 333-45353, 333-45595 and 333-46891) of REMEC, Inc. of our report dated March 6, 1997, with respect to the financial statements of Radian Technology, Inc. as of December 27, 1996, and for the three years then ended, included in the consolidated financial statements of REMEC, Inc. in its Annual Report on Form 10-K/A for the year ended January 31, 1999.

/s/ IRELAND SAN FILIPPO LLP
July 22, 1999

EXHIBIT 23.3

CONSENT OF BRAY, BECK & KOETTER, INDEPENDENT AUDITORS

We consent to the incorporation by reference in the registration statements on Form S-8 (No.'s 333-04224, 333-27353 and 333-37191) and Form S-3 No.'s 333-25437, 333-30803, 333-45353, 333-45595 and 333-46891 of REMEC, Inc. of our report dated February 28, 1997, with respect to the financial statements of Q-bit Corporation as of December 31, 1996, and for the two years then ended, included in the consolidated financial statements of REMEC, Inc. in its Annual Report on Form 10-K/A for the year ended January 31, 1999.

/s/ BRAY, BECK & KOETTER

Melbourne, Florida
July 21, 1999

EXHIBIT 23.4

CONSENT OF ARTHUR ANDERSEN, INDEPENDENT AUDITORS

As independent auditors, we hereby consent to the incorporation of our report dated 24 March 1999 with respect to the financial statements of Airtech plc as of 31 December 1998 and 1997 and for the years then ended included in this Form 10-K/A, into REMEC, Inc.'s previously filed Registration Statements on Form S-8 (File No.'s 333-04224, 333-27353 and 333-37191) and Form S-3 (File No.'s 333-25437, 333-30803, 333-45353, 333-45595 and 333-46891).

/s/ ARTHUR ANDERSEN

Arthur Andersen
Chartered Accountants

St. Albans, England
22 July 1999

EXHIBIT 23.5

CONSENT OF BINDER HAMLYN, INDEPENDENT AUDITORS

As independent auditors, we hereby consent to the incorporation of our report dated 26 March 1997, except for Notes 28 and 29 as to which the date is 24 March 1999, with respect to the financial statements of Airtech plc for the year ended 31 December 1996 included in this Form 10-K/A, into REMEC, Inc.'s previously filed Registration Statements on Form S-8 (File No.'s 333-04224, 333-27353 and 333-37191) and Form S-3 (File No.'s 333-25437, 333-30803, 333-45353, 333-45595 and 333-46891).

/s/ BINDER HAMLYN

Chartered Accountants
London, England
22 July 1999

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