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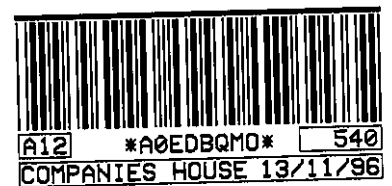
COMPANY NUMBER 539607

ROHDE & SCHWARZ U.K. LIMITED

Financial statements

Year ended

30 June 1996



ROHDE & SCHWARZ U.K. LIMITED

Annual report and financial statements for the year ended 30 June 1996

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ROHDE & SCHWARZ U.K. LIMITED

DIRECTOR'S REPORT

30 June 1996

The directors submit their report and financial statements for the year ended 30 June 1996.

PRINCIPAL ACTIVITY

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

RESULTS AND DIVIDEND

Details of the results for the year together with the proposed dividend are shown in the profit and loss account and the related notes.

FIXED ASSETS

Movements in fixed assets are shown in note 8 on the financial statements.

DIRECTORS

The directors who served during the year were:

C.G. Morrow

Dr H. Spiegel

W. Winter

(appointed 1 July 1995)

None of the directors had any interest in the ordinary shares of the company during the year.

DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for maintaining proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

ROHDE & SCHWARZ U.K. LIMITED

DIRECTOR'S REPORT (continued)

30 June 1996

AUDITORS

BDO Stoy Hayward have expressed their willingness to continue in office and a resolution to re-appoint them will be proposed at the Annual General Meeting.

By order of the board



W. WINTER

Director

Date: 27 September 1996

ROHDE & SCHWARZ U.K. LIMITED

REPORT OF THE AUDITORS

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

We have audited the financial statements on pages 4 to 15 which have been prepared under the accounting policies set out on pages 7 and 8.

Respective responsibilities of directors and auditors

As described on page 1 the company's directors are responsible for the preparation of 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. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company as at 30 June 1996 and of the company's profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



BDO STOY HAYWARD

Chartered Accountants and Registered Auditors
RICHMOND UPON THAMES

27 September 1996

ROHDE & SCHWARZ U.K. LIMITED

PROFIT AND LOSS ACCOUNT

Year ended 30 June 1996

		1996		1995	
	note	£	£	£	£
TURNOVER	2		19,048,826		19,169,706
Cost of sales			14,452,540		14,896,627
GROSS PROFIT			4,596,286		4,273,079
Personnel and related expenses		1,398,539		1,441,015	
Selling costs		747,254		621,696	
Establishment costs		474,242		420,011	
			2,620,035		2,482,722
			1,976,251		1,790,357
Other income			273,877		168,332
OPERATING PROFIT			2,250,128		1,958,689
Interest receivable			254,881		147,537
Interest payable	3		(141)		(447)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAX	4		2,504,868		2,105,779
Tax on profit on ordinary activities	6		851,304		712,078
PROFIT ON ORDINARY ACTIVITIES AFTER TAX			1,653,564		1,393,701
Dividend	7		280,662		265,331
AMOUNT TRANSFERRED TO RESERVES	16		1,372,902		1,128,370

All amounts relate to continuing activities.

All recognised gains and losses are included in the profit and loss account.

The notes on pages 7 to 15 form part of these financial statements.

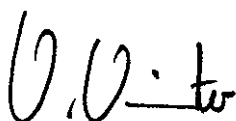
ROHDE & SCHWARZ U.K. LIMITED

BALANCE SHEET

30 June 1996

		1996		1995	
	note	£	£	£	£
FIXED ASSETS					
Tangible assets	8		442,565		278,099
CURRENT ASSETS					
Stocks	9	1,221,143		1,191,499	
Debtors	10	5,445,849		5,294,111	
Cash at bank and in hand		5,628,451		7,410,274	
		<u>12,295,443</u>		<u>13,895,884</u>	
CREDITORS: amounts falling due within one year	11	6,381,324		9,181,481	
NET CURRENT ASSETS			<u>5,914,119</u>		<u>4,714,403</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>6,356,684</u>		<u>4,992,502</u>
PROVISIONS FOR LIABILITIES AND CHARGES					
Provision for guarantee liability	13		(307,262)		(303,868)
Deferred tax	14		(5,034)		(17,148)
			<u>6,044,388</u>		<u>4,671,486</u>
CAPITAL AND RESERVES					
Called up share capital	15		175,000		175,000
Profit and loss account	16		5,869,388		4,496,486
			<u>6,044,388</u>		<u>4,671,486</u>

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



W. WINTER
Director

Date of approval: 27 September 1996

The notes on pages 7 to 15 form part of these financial statements.

ROHDE & SCHWARZ U.K. LIMITED

CASH FLOW STATEMENT

Year ended 30 June 1996

		1996		1995	
	note	£	£	£	£
Net cash (outflow)/inflow from operating activities	19		(766,375)		5,445,825
Returns on investment and servicing of finance					
Interest received		212,257		134,501	
Interest paid		(141)		(447)	
Dividends paid		(265,331)		(265,331)	
		<u> </u>		<u> </u>	
Net cash outflow from returns on investments and servicing of finance			(53,215)		(131,277)
Taxation					
UK corporation tax paid			(719,169)		(485,605)
Investing activities					
Purchase of tangible fixed assets	8	(245,064)		(122,504)	
Sale of tangible fixed assets		2,000		28,001	
		<u> </u>		<u> </u>	
Net cash outflow from investing activities			(243,064)		(94,503)
(Decrease)/increase in cash and cash equivalents	20		(1,781,823)		4,734,440
			<u> </u>		<u> </u>

The notes on pages 7 to 15 form part of these financial statements

NOTES ON THE FINANCIAL STATEMENTS

30 June 1996

1 ACCOUNTING POLICIES

The financial statements are prepared under the historical cost convention and in accordance with applicable accounting standards. The following accounting policies have been applied:

Translation of foreign currency

Foreign currency transactions are translated at the rates ruling when they occurred.

Foreign currency balances are translated to sterling at the exchange rates ruling at the balance sheet date.

Stocks

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

Depreciation and amortisation

Short leasehold premises are amortised over the unexpired portion of the lease. Other fixed assets are depreciated on a straight line basis over their estimated useful lives as follows:

	Annual rate
Freehold buildings	2%
Furniture and equipment	15%
Technical service and demonstration equipment and commercial vehicles	20%
Private cars and computer equipment	25%

Deferred tax

Deferred tax in respect of capital allowances and other timing differences is provided under the liability method except where such timing differences are expected, with reasonable probability, to continue in the foreseeable future.

Deferred tax assets are only recognised when they are expected to be recovered without replacement by equivalent debit balances.

Advance corporation tax which is expected to be recoverable is deducted from the provision for deferred tax.

NOTES ON THE FINANCIAL STATEMENTS (continued)
30 June 1996

1 ACCOUNTING POLICIES (continued)

Guarantee liability

In respect of contracts where the company has given a one year guarantee a provision of 1.5% of instrument sales for the year is carried forward. Where a guarantee on a contract extends over a period in excess of one year then the level of provision is increased proportionately. Liabilities arising under the guarantees are charged against the profits for the year.

Pension costs

Retirement benefits to employees of the company are provided by a defined contribution money purchase scheme which is funded by contributions paid to a separately administered fund. The current contribution rate is 5% of gross salary.

Long term contracts

Profit on long term contracts is taken as the work is carried out if the final outcome can be assessed with reasonable certainty. The profit included is calculated on a prudent basis to reflect the proportion of the work carried out at the year end, by recording turnover and related costs as contract activity progresses. Turnover is calculated as the proportion of total contract value which corresponds to the proportion of costs incurred at the year end compared to total expected costs for that contract. Full provision is made for losses on all contracts in the year in which they are first foreseen.

2 TURNOVER AND PROFIT ON ORDINARY ACTIVITIES BEFORE TAX

Turnover is stated net of value added tax and discounts given and represents amounts invoiced to third parties, except in respect of long-term contracts where turnover represents the sales value of work done in the year, including estimates in respect of amounts not invoiced.

Turnover and profit on ordinary activities before tax relate to the company's principal activities and arose wholly within the U.K.

3 INTEREST PAYABLE	1996 £	1995 £
On bank overdraft	-	-
Other interest	141	447
	141	447

ROHDE & SCHWARZ U.K. LIMITED

NOTES ON THE FINANCIAL STATEMENTS (continued)
30 June 1996

4	PROFIT ON ORDINARY ACTIVITIES BEFORE TAX	1996	1995
	Is stated after charging/(crediting):	£	£
	Depreciation and amortisation	80,598	67,684
	Profit on sale of fixed assets	(2,000)	(3,046)
	Auditors' remuneration	20,700	19,000
	Directors' remuneration		
	- Fees	1,103	1,337
	- Other emoluments	63,761	264,223
	Hire of equipment	9,243	7,668
		<u> </u>	<u> </u>
	Emoluments (excluding pension contributions paid on their behalf):		
	Chairman	1,103	1,337
	Highest paid director	63,761	236,103
		<u> </u>	<u> </u>
	Other directors' emoluments fell within the ranges:	Number	Number
	£0 - £5,000	1	-
		<u> </u>	<u> </u>
5	STAFF COSTS	£	£
	Wages and salaries	1,168,140	1,229,528
	Social security costs	114,520	123,641
	Other pension costs	31,182	75,064
		<u> </u>	<u> </u>
		1,313,842	1,428,233
		<u> </u>	<u> </u>

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

	Number	Number
Sales	23	21
Service	14	14
Administration	9	12
	<u> </u>	<u> </u>
	46	47
	<u> </u>	<u> </u>

ROHDE & SCHWARZ U.K. LIMITED

NOTES ON THE FINANCIAL STATEMENTS (continued)
30 June 1996

6	TAX ON PROFIT ON ORDINARY ACTIVITIES	1996	1995
		£	£
	The tax charge consists of:		
	Corporation tax at 33% (1995: 33%) based on results for the year	836,443	677,761
	Deferred tax	1,605	8,703
		838,048	686,464
	Adjustments in respect of prior years:		
	Corporation tax	26,975	25,614
	Deferred tax	(13,719)	-
		851,304	712,078
7	DIVIDEND		
	Proposed dividend of 142.9p (1995: 142.9p) per share	250,000	250,000
	Additional payments arising from foreign tax relief:		
	- current year	15,331	-
	- prior year	15,331	15,331
		280,662	265,331

NOTES ON THE FINANCIAL STATEMENTS (continued)
30 June 1996

8 FIXED ASSETS

Cost	Freehold premises and fittings £	Short leasehold premises £	Furniture and equipment £	Demonstration and service equipment £	Motor vehicles £	Computer equipment £	Total £
At 1 July 1995	79,660	92,604	241,236	423,572	35,242	192,234	1,064,548
Additions	-	1,575	13,536	176,065	-	53,888	245,064
Disposals	-	-	-	(16,560)	(3,725)	-	(20,285)
At 30 June 1996	79,660	94,179	254,772	583,077	31,517	246,122	1,289,327
Depreciation							
At 1 July 1995	21,243	28,161	226,473	339,232	20,775	150,565	786,449
Disposals	-	-	-	(16,560)	(3,725)	-	(20,285)
Charge for year	1,593	4,626	9,329	41,893	2,893	20,264	80,598
At 30 June 1996	22,836	32,787	235,802	364,565	19,943	170,829	846,762
Net book value:							
At 30 June 1996	56,824	61,392	18,970	218,512	11,574	75,293	442,565
At 30 June 1995	58,417	64,443	14,763	84,340	14,467	41,669	278,099

ROHDE & SCHWARZ U.K. LIMITED

NOTES ON THE FINANCIAL STATEMENTS (continued)
30 June 1996

9	STOCKS	1996 £	1995 £
	Finished goods:		
	Goods for resale	1,181,122	1,098,368
	Stock of components	40,021	93,131
		1,221,143	1,191,499
10	DEBTORS		
	Amounts falling due within one year:		
	Trade debtors	4,501,019	4,464,599
	Amounts recoverable on contracts	76,833	1,020
	Amount due from group undertakings	586,339	600,777
	Other debtors	116,398	76,592
	Prepayments	118,091	108,725
		5,398,680	5,251,713
	Amounts falling due after more than one year:		
	Advance corporation tax recoverable	47,169	42,398
		5,445,849	5,294,111
11	CREDITORS		
	Amounts falling due within one year:		
	Payments on account	192,910	-
	Trade creditors	250,032	373,172
	Amounts owed to group undertakings	4,043,422	6,211,815
	Corporation tax	822,010	672,990
	Other taxes and social security costs	344,766	1,217,053
	Proposed dividend	265,331	250,000
	Other creditors	112,539	368,541
	Accruals	350,314	87,910
		6,381,324	9,181,481

ROHDE & SCHWARZ U.K. LIMITED

NOTES ON THE FINANCIAL STATEMENTS (continued)
30 June 1996

12 SECURED CREDITORS

Included in trade creditors are amounts totalling approximately £Nil (1995: £75,449) in respect of stock held at the balance sheet date which had been supplied under reservation of title.

13 PROVISION FOR GUARANTEE LIABILITY

	1996	1995
	£	£
Provision at 1 July 1995	303,868	238,708
Increase in provision in year	3,394	65,160
Provision at 30 June 1996	307,262	303,868

14 DEFERRED TAX

Full provision has been made for deferred tax at 33% as follows:

Accelerated capital allowances	3,861	(4,899)
Other timing differences	1,173	22,047
	5,034	17,148

15 CALLED UP SHARE CAPITAL

Authorised, allotted and fully paid 175,000 ordinary shares of £1 each	175,000	175,000

16 RESERVES

Profit and loss account:

At 1 July 1995	4,496,486
Retained profit for the year	1,372,902
At 30 June 1996	5,869,388

ROHDE & SCHWARZ U.K. LIMITED

NOTES ON THE FINANCIAL STATEMENTS (continued)
30 June 1996

17 PENSIONS

The company operates a defined contribution pension scheme. The asset of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions payable to the company to the fund.

18 CONTINGENT LIABILITIES

Certain guarantees have been given by the company's bankers to third parties in the normal course of business. No loss is expected to arise as a result of these guarantees.

**19 RECONCILIATION OF OPERATING PROFIT
 TO NET CASH (OUTFLOW)/INFLOW FROM
 OPERATING ACTIVITIES**

	1996 £	1995 £
Operating profit	2,250,128	1,958,689
Depreciation charges	80,598	67,684
Profit on sale of tangible fixed assets	(2,000)	(3,046)
(Increase)/decrease in stocks	(29,644)	600,313
(Increase) in debtors	(146,967)	(1,994,023)
(Decrease)/increase in creditors	(2,918,490)	4,816,208
	<u>(766,375)</u>	<u>5,445,825</u>

**20 ANALYSIS OF CHANGES IN CASH AND CASH
 EQUIVALENTS DURING THE YEAR**

	£
Balance at 1 July 1995	7,410,274
Net cash outflow	(1,781,823)
	<u>5,628,451</u>
Balance at 30 June 1996	<u>5,628,451</u>

**21 ANALYSIS OF THE BALANCES OF CASH AND
 CASH EQUIVALENTS AS SHOWN IN THE
 BALANCE SHEET**

	1996 £	1995 £	Change in year £
Cash at bank and in hand	<u>5,628,451</u>	<u>7,410,274</u>	<u>(1,781,823)</u>

ROHDE & SCHWARZ U.K. LIMITED

NOTES ON THE FINANCIAL STATEMENTS (continued)
30 June 1996

22	ANALYSIS OF CHANGES IN FINANCING DURING THE YEAR	Share capital (including premium) £	Loans and finance leases obligations £
	Balance at 1 July 1995 and 30 June 1996	175,000	-
23	ULTIMATE HOLDING COMPANY		
	The ultimate holding company is Rusint A.G. incorporated in Switzerland.		
24	CLOSE COMPANY		
	The close company provisions of the Income and Corporation Taxes Act 1988 apply to the company.		