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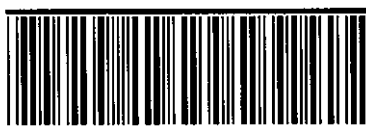
COMPANY NUMBER 539607

ROHDE & SCHWARZ U.K. LIMITED

Financial statements

Year ended

30 June 1997



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ROHDE & SCHWARZ U.K. LIMITED

Annual report and financial statements for the year ended 30 June 1997

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ROHDE & SCHWARZ U.K. LIMITED

DIRECTORS' REPORT

30 June 1997

The directors submit their report and financial statements for the year ended 30 June 1997.

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.

DIRECTORS

The directors who served during the year were:

C.G. Morrow
Dr H. Spiegel
Dr W. Winter

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

DIRECTORS' REPORT (continued)

30 June 1997

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

A handwritten signature in black ink, appearing to be 'W. Winter', written in a cursive style.

W. WINTER
Director

Date: 26 August 1997

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 14 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 1997 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

26 August 1997

ROHDE & SCHWARZ U.K. LIMITED**PROFIT AND LOSS ACCOUNT**

Year ended 30 June 1997

		1997	1996
	note	£	£
TURNOVER	2	14,764,954	19,048,826
Cost of sales		10,719,400	14,452,540
GROSS PROFIT		4,045,554	4,596,286
Personnel and related expenses		1,532,708	1,398,539
Selling costs		734,805	747,254
Establishment costs		507,342	474,242
		2,774,855	2,620,035
		1,270,699	1,976,251
Other income		352,007	273,877
OPERATING PROFIT		1,622,706	2,250,128
Interest receivable		228,577	254,881
Interest payable	3	(2,520)	(141)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAX	4	1,848,763	2,504,868
Tax on profit on ordinary activities	6	635,097	851,304
PROFIT ON ORDINARY ACTIVITIES AFTER TAX		1,213,666	1,653,564
Dividend	7	234,669	280,662
AMOUNT TRANSFERRED TO RESERVES	16	978,997	1,372,902

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 14 form part of these financial statements.

ROHDE & SCHWARZ U.K. LIMITED

BALANCE SHEET

30 June 1997

		1997	1996
	note	£	£
FIXED ASSETS			
Tangible assets	8	434,671	442,565
CURRENT ASSETS			
Stocks	9	1,236,823	1,221,143
Debtors	10	5,517,586	5,445,849
Cash at bank and in hand		4,544,369	5,628,451
		<u>11,298,778</u>	<u>12,295,443</u>
CREDITORS: amounts falling due within one year	11	4,391,362	6,381,324
NET CURRENT ASSETS		<u>6,907,416</u>	<u>5,914,119</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>7,342,087</u>	<u>6,356,684</u>
PROVISIONS FOR LIABILITIES AND CHARGES			
Provision for guarantee liability	13	(314,613)	(307,262)
Deferred tax	14	(4,089)	(5,034)
		<u>7,023,385</u>	<u>6,044,388</u>
CAPITAL AND RESERVES			
Called up share capital	15	175,000	175,000
Profit and loss account	16	6,848,385	5,869,388
SHAREHOLDERS' FUNDS - all equity interests		<u>7,023,385</u>	<u>6,044,388</u>

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



W. WINTER

Director

Date of approval: 26 August 1997

The notes on pages 7 to 14 form part of these financial statements.

CASH FLOW STATEMENT

Year ended 30 June 1997

		1997	1996
	note	£	£
Net cash outflow from operating activities	19	(135,454)	(766,375)
Returns on investment and servicing of finance			
Interest received		250,588	212,257
Interest paid		(2,520)	(141)
Net cash inflow from returns on investments and servicing of finance		248,068	212,116
Taxation			
UK corporation tax paid		(843,180)	(719,169)
Capital expenditure and financial investment			
Purchase of tangible fixed assets		(93,460)	(245,064)
Sale of tangible fixed assets		5,275	2,000
Net cash outflow from capital expenditure and financial investments		(88,185)	(243,064)
Equity dividends paid		(265,331)	(265,331)
Cash outflow before use of liquid resources	20	(1,084,082)	(1,781,823)
Management of liquid resources			
Cash withdrawn from/(transferred to) money market account		678,864	(843,070)
(Decrease)/increase in cash	21	<u>(405,218)</u>	<u>(2,624,893)</u>

The notes on pages 7 to 14 form part of these financial statements

NOTES ON THE FINANCIAL STATEMENTS

30 June 1997

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%
Motor vehicles 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 1997

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

Staff are eligible for membership of a pension and life assurance scheme operated by an associated company. 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 payroll costs.

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	1997 £	1996 £
	On bank overdraft	2,482	-
	Other interest	38	141
		<u>2,520</u>	<u>141</u>

4 PROFIT ON ORDINARY ACTIVITIES
BEFORE TAX

Is stated after charging/(crediting):

Depreciation and amortisation	107,133	80,598
Profit on sale of fixed assets	(5,275)	(2,000)
Auditors' remuneration	21,000	20,700
Directors' remuneration		
- Fees	2,894	1,103
- Other emoluments	52,000	63,761
Hire of equipment	10,649	9,243
	<u>107,133</u>	<u>80,598</u>

NOTES ON THE FINANCIAL STATEMENTS (continued)

30 June 1997

5	STAFF COSTS	1997	1996
		£	£
	Wages and salaries	1,240,622	1,168,140
	Social security costs	107,285	114,520
	Other pension costs	105,159	31,182
		<u>1,453,066</u>	<u>1,313,842</u>
	The average number of employees during the year was made up as follows:		
		Number	Number
	Sales	26	23
	Service	14	14
	Administration	9	9
		<u>49</u>	<u>46</u>
6	TAX ON PROFIT ON ORDINARY ACTIVITIES	1997	1996
		£	£
	The tax charge consists of:		
	UK corporation tax at 33% (1996: 33%)	642,468	836,443
	Deferred tax	35,166	1,605
		<u>677,634</u>	<u>838,048</u>
	Adjustments in respect of prior years:		
	Corporation tax	(6,426)	26,975
	Deferred tax	(36,111)	(13,719)
		<u>635,097</u>	<u>851,304</u>
7	DIVIDEND		
	Proposed dividend of 142.9p (1996: 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
		<u>234,669</u>	<u>280,662</u>

ROHDE & SCHWARZ U.K. LIMITED

NOTES ON THE FINANCIAL STATEMENTS (continued)
30 June 1997

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 1996	79,660	94,179	254,772	583,077	31,517	246,122	1,289,327
Additions	-	-	11,499	44,231	11,418	32,091	99,239
Disposals	-	-	-	1,265	17,050	-	18,315
At 30 June 1997	<u>79,660</u>	<u>94,179</u>	<u>266,271</u>	<u>626,043</u>	<u>25,885</u>	<u>278,213</u>	<u>1,370,251</u>
Depreciation							
At 1 July 1996	22,836	32,787	235,802	364,565	19,943	170,829	846,762
Disposals	-	-	-	1,265	17,050	-	18,315
Charge for year	<u>1,593</u>	<u>4,626</u>	<u>5,378</u>	<u>60,835</u>	<u>5,033</u>	<u>29,668</u>	<u>107,133</u>
At 30 June 1997	<u>24,429</u>	<u>37,413</u>	<u>241,180</u>	<u>424,135</u>	<u>7,926</u>	<u>200,497</u>	<u>935,580</u>
Net book value:							
At 30 June 1997	<u>55,231</u>	<u>56,766</u>	<u>25,091</u>	<u>201,908</u>	<u>17,959</u>	<u>77,716</u>	<u>434,671</u>
At 30 June 1996	<u>56,824</u>	<u>61,392</u>	<u>18,970</u>	<u>218,512</u>	<u>11,574</u>	<u>75,293</u>	<u>442,565</u>

ROHDE & SCHWARZ U.K. LIMITED

NOTES ON THE FINANCIAL STATEMENTS (continued) **30 June 1997**

9	STOCKS	1997	1996
		£	£
	Finished goods:		
	Goods for resale	1,196,802	1,181,122
	Stock of components	40,021	40,021
		<u>1,236,823</u>	<u>1,221,143</u>
10	DEBTORS		
		Amounts falling due within one year:	
	Trade debtors	3,670,357	4,501,019
	Amounts recoverable on contracts	-	76,833
	Amount due from group undertakings	1,548,765	586,339
	Other debtors	97,938	116,398
	Prepayments	138,026	118,091
		<u>5,455,086</u>	<u>5,398,680</u>
	Amounts falling due after more than one year:		
	Advance corporation tax recoverable	62,500	47,169
		<u>5,517,586</u>	<u>5,445,849</u>
11	CREDITORS		
		Amounts falling due within one year:	
	Payments on account	-	192,910
	Trade creditors	215,475	250,032
	Amounts owed to group undertakings	2,468,890	4,043,422
	Corporation tax	614,872	822,010
	Other taxes and social security costs	391,576	344,766
	Proposed dividend	250,000	265,331
	Other creditors	224,342	112,539
	Accruals	226,207	350,314
		<u>4,391,362</u>	<u>6,381,324</u>

ROHDE & SCHWARZ U.K. LIMITED

NOTES ON THE FINANCIAL STATEMENTS (continued)

30 June 1997

12 SECURED CREDITORS

Included in trade creditors are amounts totalling approximately £Nil (1996: £Nil) in respect of stock held at the balance sheet date which had been supplied under reservation of title.

13	PROVISION FOR GUARANTEE LIABILITY	1997 £	1996 £
	Provision at 1 July 1996	307,262	303,868
	Increase in provision in year	7,351	3,394
		<u>314,613</u>	<u>307,262</u>
	Provision at 30 June 1997	<u>314,613</u>	<u>307,262</u>

14 DEFERRED TAX

	1997		1996	
	Potential liability £	Amount provided £	Potential liability £	Amount provided £
Full provision has been made for deferred tax at 33% as follows:				
Accelerated capital allowances	4,089	4,089	3,861	3,861
Other timing differences	(143,747)	-	1,173	1,173
	<u>(139,658)</u>	<u>4,089</u>	<u>5,034</u>	<u>5,034</u>

15	CALLED UP SHARE CAPITAL	1997 £	1996 £
	Authorised, allotted and fully paid 175,000 ordinary shares of £1 each	<u>175,000</u>	<u>175,000</u>

16 RESERVES

Profit and loss account:

At 1 July 1996	5,869,388
Retained profit for the year	978,997
	<u>6,848,385</u>
At 30 June 1997	<u>6,848,385</u>

ROHDE & SCHWARZ U.K. LIMITED**NOTES ON THE FINANCIAL STATEMENTS (continued)****30 June 1997****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**

	1997 £	1996 £
Operating profit	1,622,706	2,250,128
Depreciation charges	107,133	80,598
Profit on sale of tangible fixed assets	(5,275)	(2,000)
(Increase)/decrease in stocks	(15,680)	(29,644)
(Increase) in debtors	(78,417)	(146,967)
(Decrease)/increase in creditors	(1,765,921)	(2,918,490)
	<u>(135,454)</u>	<u>(766,375)</u>

**20 RECONCILIATION OF NET CASH FLOW TO
MOVEMENT IN NET FUNDS**

	£
Decrease in cash in the period	(405,218)
Cash inflow from decrease in liquid resources	(678,864)
	<u>(1,084,082)</u>
Change in net funds resulting from cash flows	(1,084,082)
Net funds at 1 July 1996	<u>5,628,451</u>
Net funds at 30 June 1997	<u>4,544,369</u>

ROHDE & SCHWARZ U.K. LIMITED**NOTES ON THE FINANCIAL STATEMENTS (continued)****30 June 1997****21 ANALYSIS OF NET FUNDS**

	Opening balance £	Cashflow £	Closing balance £
Cash at bank and in hand	488,128	(405,218)	82,910
Debt	-	-	-
	<u> </u>	<u> </u>	<u> </u>
Total	<u>488,128</u>	<u>(405,218)</u>	<u>82,910</u>

22 COMMITMENTS UNDER OPERATING LEASES

As at 30 June 1997, the company had annual commitments under non-cancellable operating leases on land and buildings as set out below:

	1997 £	1996 £
Operating leases which expire:		
Within one year	-	-
In two to five years	-	-
Over five years	153,280	153,280
	<u>153,280</u>	<u>153,280</u>

23 ULTIMATE HOLDING COMPANY

The ultimate holding company is Rusint A.G. incorporated in Switzerland.