

**Wavetek (G.B.) Limited** 1019807  
Report and Accounts

30 September 1998



Wavetek (G.B.) Limited

REPORT AND ACCOUNTS  
for the year ended 30 September 1998

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CONTENTS

	Page
Directors' report	4-5
Report of the auditors	6
Consolidated profit and loss account	7
Consolidated balance sheet	8
Balance sheet	9
Notes to the accounts	10-18

## Wavetek (G.B.) Limited

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Registered No 1019807

### **AUDITORS**

Ernst & Young  
Cambridge House  
26 Tombland  
Norwich NR3 1RH

### **REGISTERED OFFICE**

52 Hurricane Way  
Norwich  
NR6 6JB

# Wavetek (G.B.) Limited

## DIRECTORS' REPORT

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The directors present their report and the audited accounts for the year ended 30 September 1998.

### **DIRECTORS' RESPONSIBILITIES**

Company law requires the directors to prepare accounts 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 accounts, 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 accounts; and
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the accounts comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

### **PRINCIPAL ACTIVITIES AND BUSINESS REVIEW**

The group's principal activities remain the development, manufacture, sale and servicing of electronic test and measurement equipment through Wavetek Limited. No other subsidiaries traded during the year under review.

The year's results were not up to expectations, due mainly to competitive activity and weakness in the economies of a number of regions in which the Company sells. Sales and marketing programmes have been initiated to mitigate the effect of these and the Company continues to invest in product development. It is anticipated that these efforts will result in a return to growth in sales and profits.

### **RESULTS AND DIVIDENDS**

The group made a profit for the year, after taxation, of £446,265 (1997: £1,002,760). The directors do not recommend the payment of a final dividend for the year 1998.

### **RESEARCH AND DEVELOPMENT**

The group continues to make substantial investment in research and development of products and projects such that current levels will be at least maintained for the foreseeable future.

### **FIXED ASSETS**

Changes in fixed assets are given in note 11 to the accounts.

# Wavetek (G.B.) Limited

## DIRECTORS' REPORT

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### **BASIS OF CONSOLIDATION**

The consolidated accounts incorporate the accounts of the company and both of its subsidiary undertakings for the year ended 30 September 1998.

### **DIRECTORS AND THEIR INTERESTS**

The directors of the company who held office during the year were as follows:

A E Bayly (appointed 1 March 1998)  
P A Stevenson (resigned 31 March 1998)  
R J Berry  
T J Gooding (USA) (Chairman)  
D T Morikawa (USA)

None of the directors held any beneficial interest in the shares of the company or of its subsidiaries.

### **INTRODUCTION OF THE EURO**

The directors are of the opinion that the introduction of the Euro will not have a material effect on the financial statements of the company.

### **YEAR 2000**

As is well known, many computer and digital storage systems express dates using only the last two digits of the year and will thus require modification or replacement to accommodate the year 2000 and beyond in order to avoid malfunctions and resulting widespread commercial disruption. This is a complex and pervasive issue. The operation of our business depends not only on our own computer systems, but also to some degree on those of our suppliers and customers. This could expose us to further risk in the event that there is a failure by other parties to remedy their own Year 2000 issues.

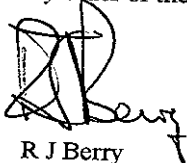
The directors are fully aware of the Year 2000 issues and have taken steps to address them. A comprehensive programme is in place to check, and correct where necessary, internal systems and those imbedded in instruments sold by the company. In addition, the programme is confirming with advisers and key suppliers that they have formulated appropriate strategies.

Given the complexity of the problem, it is not possible for any organisation to guarantee that no Year 2000 problems will remain, because at least some level of failure may still occur. However, the directors believe that they will achieve an acceptable state of readiness and have also provided resources to deal promptly with significant subsequent failures or issues that might arise.

### **AUDITORS**

A resolution to re-appoint Ernst & Young as auditors will be put to the members at the Annual General Meeting.

By order of the board,



R J Berry  
Secretary  
4 February 1999

**REPORT OF THE AUDITORS**  
**to the members of Wavetek (G.B.) Limited**

We have audited the accounts on pages 7 to 18, which have been prepared under the historical cost convention and on the basis of the accounting policies set out on page 10.

**Respective responsibilities of directors and auditors**

As described on page 4 the company's directors are responsible for the preparation of the accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you.

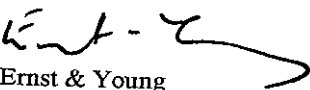
**Basis of opinion**

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 accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, 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 accounts 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 accounts.

**Opinion**

In our opinion the accounts give a true and fair view of the state of affairs of the company and of the group as at 30 September 1998, and of the profit of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

  
Ernst & Young  
Registered Auditor  
Norwich

10<sup>th</sup> February 1999

# Wavetek (G.B.) Limited

## CONSOLIDATED PROFIT AND LOSS ACCOUNT for the year ended 30 September 1998

	Notes	1998 £	1997 £
<b>TURNOVER</b>			
Cost of sales	2	14,679,232 9,143,850	18,295,599 11,201,488
<b>GROSS PROFIT</b>			
Net operating expenses	3	5,535,382 4,850,193	7,094,111 5,629,155
<b>OPERATING PROFIT</b>			
Interest receivable	4	685,189	1,464,956
Interest payable	5	5,912	17,386
	6	9,836	15,470
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>			
Taxation	7	681,265 235,000	1,466,872 464,112
<b>PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION</b>			
Dividends	8	446,265 -	1,002,760 800,000
<b>RETAINED PROFIT/(LOSS) FOR THE YEAR</b>		<u>446,265</u>	<u>£202,760</u>
<b>STATEMENT OF RETAINED PROFITS</b>			
Retained profits at 27 September 1997		1,522,322	1,319,562
Retained profit/(loss) for the year		446,265	202,760
Retained profits at 30 September 1998		<u>1,968,587</u>	<u>£1,522,322</u>

Of the retained profit for the year £Nil (1997:£Nil) was dealt with in the company's own accounts.

### STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

There are no other gains or losses other than those recognised above.

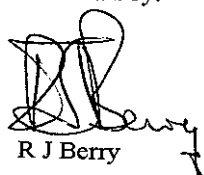
The notes on pages 10 to 18 form part of these accounts.

# Wavetek (G.B.) Limited

## CONSOLIDATED BALANCE SHEET at 30 September 1998

	Notes	1998 £	1997 £
<b>FIXED ASSETS</b>			
Tangible assets	11	1,725,571	2,058,697
<b>CURRENT ASSETS</b>			
Stocks	14	2,063,765	1,682,072
Debtors	15	2,929,469	2,904,628
Cash at bank and in hand		11,787	38,443
		5,005,021	4,625,143
<b>CURRENT LIABILITIES</b>			
CREDITORS: amounts falling due within one year	16	2,460,106	2,854,635
<b>NET CURRENT ASSETS</b>		2,544,915	1,770,508
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		4,270,486	3,829,205
<b>PROVISION FOR LIABILITIES AND CHARGES</b>			
Deferred taxation	19	33,719	38,703
		4,236,767	£3,790,502
<b>CAPITAL AND RESERVES</b>			
Called up share capital	20	750,000	750,000
Share premium account	21	1,245,707	1,245,707
Profit and loss account	21	1,968,587	1,522,322
Capital reserve	21	272,473	272,473
		4,236,767	£3,790,502

The accounts on pages 7 to 18 were approved by the board of directors on 4 February 1999 and signed on its behalf by:

  
R J Berry

Director



# Wavetek (G.B.) Limited

## BALANCE SHEET at 30 September 1998

	Notes	1998 £	1997 £
<b>FIXED ASSETS</b>			
Investment in subsidiaries	13	1,031,018	1,031,018
<b>CURRENT ASSETS</b>			
Debtors	15	1,248,595	1,248,595
<b>CURRENT LIABILITIES</b>			
CREDITORS: amounts falling due within one year	16	50,000	50,000
<b>NET CURRENT ASSETS</b>			
		1,198,595	1,198,595
		<u>£2,229,613</u>	<u>£2,229,613</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	20	750,000	750,000
Share premium account	21	1,245,707	1,245,707
Profit and loss account	21	233,906	233,906
		<u>£2,229,613</u>	<u>£2,229,613</u>

The accounts on pages 7 to 18 were approved by the board of directors on 4 February 1999 and signed on its behalf by:

  
R J Berry Director

# Wavetek (G.B.) Limited

## NOTES TO THE ACCOUNTS at 30 September 1998

### 1. ACCOUNTING POLICIES

#### *Basis of preparation*

The accounts are prepared under the historical cost convention and in accordance with applicable accounting standards. The consolidated accounts comprise the accounts of the company and its subsidiaries.

#### *Fixed assets and depreciation*

Fixed assets are stated at cost. Depreciation is calculated to write off the cost of assets on a straight line basis over their estimated useful lives at the following rates:

Long term leasehold land and buildings	-	At 2.86% per annum
Building improvements	-	At 10% per annum
Plant, machinery and equipment	-	At appropriate rates varying from 10% to 33% per annum

#### *Research and development*

Research and development expenditure is written off to the profit and loss account in the period in which it is incurred.

#### *Deferred taxation*

The group provides for deferred taxation on the liability method on all timing differences except where it can be reasonably demonstrated that no corporation tax liabilities will arise in the foreseeable future.

#### *Stocks and work in progress*

Stocks and work in progress are stated at the lower of cost and net realisable value. Work in progress and finished goods stock costs include direct materials, labour costs and relevant production overheads. Cost is calculated using the first in, first out method.

#### *Warranty costs*

The group's manufactured products are guaranteed for periods of up to 5 years from the date of sale and provision has been made for future claims based on the experience of costs actually incurred in this respect.

#### *Foreign currencies*

Foreign currencies are translated into sterling at the rate ruling on the day of the transaction. Assets and liabilities in foreign currencies are translated into sterling at the year end rate. All exchange differences are taken to the profit and loss account.

#### *Leases*

Operating lease expenses are charged in the profit and loss account on the basis of rentals charged.

#### *Pension scheme arrangements*

The group contributes to a defined contribution pension scheme for eligible employees. Payments made to the schemes are charged in these accounts as part of employment costs.

# Wavetek (G.B.) Limited

## NOTES TO THE ACCOUNTS

at 30 September 1998

### 2. TURNOVER

	1998 £'000	1997 £'000
Geographical markets supplied:		
United Kingdom & Republic of Ireland	5,094	4,896
Rest of Europe	1,984	5,823
United States of America	4,214	3,886
Rest of the World	3,387	3,690
	<u>14,679</u>	<u>£18,295</u>

Turnover represents the amounts invoiced net of VAT in respect of sales to external customers, less returns and credits.

In the opinion of the directors the group operates in one class of business.

### 3. NET OPERATING EXPENSES

	1998 £	1997 £
Distribution costs	2,739,271	2,684,057
Administration costs	888,292	792,636
Research and development	1,028,620	1,157,943
	<u>4,656,183</u>	<u>4,634,636</u>
Other operating expenditure:		
Foreign exchange (gains)/losses	29,239	(13,870)
Sundry expenditure	164,771	1,008,389
	<u>£4,850,193</u>	<u>£5,629,155</u>

### 4. OPERATING PROFIT

	1998 £	1997 £
Operating profit is stated after charging:		
Depreciation of tangible fixed assets	499,803	358,455
Auditors' remuneration	22,000	21,750
- audit	13,850	11,800
- other services	1,943	1,950
Hire of plant and machinery	44,690	40,699
Leasing charges under operating leases	134,300	668,216
Directors' emoluments (see note 10)	(1,115)	(1,929)
(Profit) on disposal of fixed assets		
	<u></u>	<u></u>

# Wavetek (G.B.) Limited

## NOTES TO THE ACCOUNTS at 30 September 1998

### 5. INTEREST RECEIVABLE

	1998 £	1997 £
Bank interest		
Other	5,912	17,383
	-	3
	<u>5,912</u>	<u>£17,386</u>

### 6. INTEREST PAYABLE

	1998 £	1997 £
To immediate parent undertaking		
On bank overdraft	-	2,467
Other	9,822	12,786
	14	217
	<u>9,836</u>	<u>£15,470</u>

### 7. TAXATION

	1998 £	1997 £
Corporation tax on the profit for the year at 31% (1997 : 32%)		
Deferred tax	256,572	443,297
(Over)/Under provision in respect of prior year	(4,984)	38,703
	(16,588)	(17,888)
	<u>£235,000</u>	<u>£464,112</u>

### 8. DIVIDENDS

	1998 £	1997 £
Interim paid		
	-	£800,000

### 9. STAFF COSTS

	1998 £	1997 £
Wages and salaries		
Social Security costs	3,550,073	3,733,145
Other pension costs	311,269	346,159
Compensation for cancellation of Parent Company Stock Options	116,458	151,849
	-	824,186
	<u>£3,977,800</u>	<u>£5,055,339</u>

# Wavetek (G.B.) Limited

## NOTES TO THE ACCOUNTS

at 30 September 1998

	1998 No.	1997 No.
<b>9. STAFF COSTS (continued)</b>		
The average weekly number of persons (including executive directors) employed by the group during the year was:		
Production	92	105
Distribution	30	31
Administration and Research and Development	36	38
	<u>158</u>	<u>174</u>

## 10. DIRECTORS' EMOLUMENTS

Directors' emoluments disclosed in accordance with Part I of Schedule 6 of the Companies Act 1985 are as follows:

	1998 £	1997 £
Emoluments	134,300	£668,216
Company pension contributions to money purchase scheme	71,654	£59,595
Compensation for loss of office	30,000	
	<u>235,954</u>	<u>£727,811</u>
Emoluments of the highest paid director	54,716	£537,574
Company pension contributions to money purchase scheme	9,901	£40,720
	<u>64,617</u>	<u>£578,294</u>

Contributions to money purchase scheme are paid for three directors.

Emoluments includes amounts paid in 1997 to directors as compensation for cancellation of parent company stock options.

# Wavetek (G.B.) Limited

## NOTES TO THE ACCOUNTS at 30 September 1998

### 11. TANGIBLE FIXED ASSETS

	<i>Long term Leasehold Land and Buildings £</i>	<i>Group Plant Machinery and Equipment £</i>	<i>Total £</i>
Cost:			
At 27 September 1997	795,624	4,739,002	5,534,626
Additions	583	169,411	169,994
Disposals	(2,098)	(129,376)	(131,474)
At 30 September 1998	794,109	4,779,037	5,573,146
Depreciation:			
At 27 September 1997	422,622	3,053,307	3,475,929
Charge for the year	22,435	477,368	499,803
Disposals	(2,098)	(126,059)	(128,157)
At 30 September 1998	442,959	3,404,616	3,847,575
Net book value:			
At 30 September 1998	351,150	1,374,421	1,725,571
At 27 September 1997	£373,002	£1,685,695	£2,058,697

### 12. CAPITAL COMMITMENTS

	<i>1998 £</i>	<i>Group 1997 £</i>
Capital expenditure that has been contracted for but has not been provided for in the accounts	27,651	£107,360

# Wavetek (G.B.) Limited

## NOTES TO THE ACCOUNTS at 30 September 1998

### 13. INVESTMENT IN SUBSIDIARIES

	<i>Loans</i> £	<i>Company Shares</i> £	<i>Total</i> £
Cost and Net Book Value: At 27 September 1997 and 30 September 1998	£ 1,000,000	£31,018	£1,031,018

The subsidiaries are as follows:

<i>Name of Subsidiary</i>	<i>Country of registration</i>	<i>Class of shares held</i>	<i>Proportion held</i>
Wavetek Ltd	England	Ordinary and deferred	100%
Datron Instruments Ltd	England	Ordinary	100%

### 14. STOCKS

	<i>1998</i> £	<i>Group 1997</i> £
Stocks of the group comprise:		
Raw materials and consumables	749,517	722,058
Work in progress	507,038	442,567
Finished goods	471,751	220,822
Demonstration stocks	335,459	296,625
	<u>£2,063,765</u>	<u>£1,682,072</u>

The replacement cost of stocks is not significantly different from their production cost.

### 15. DEBTORS

	<i>1998</i> £	<i>Group 1997</i> £	<i>1998</i> £	<i>Company 1997</i> £
Trade debtors	2,077,771	1,947,275	-	-
Amounts owed by group undertakings	591,388	565,315	1,148,595	1,193,595
Other debtors	130,190	266,048	-	55,000
Prepayments and accrued income	130,120	125,990	-	-
	<u>£2,929,469</u>	<u>£2,904,628</u>	<u>1,148,595</u>	<u>£1,248,595</u>

# Wavetek (G.B.) Limited

## NOTES TO THE ACCOUNTS

at 30 September 1998

### 16. CREDITORS: amounts falling due within one year

	1998 £	Group 1997 £	1998 £	Company 1997 £
Bank overdraft	60,603	90,528		-
Trade creditors	823,434	1,187,999		-
Amounts owed to group undertakings	485,850	296,550	50,000	50,000
Other creditors including taxation and social security (see below)	750,433	888,450		-
Accruals and deferred income	339,786	391,108		-
	<u>£2,460,106</u>	<u>£2,854,635</u>	<u>£50,000</u>	<u>£50,000</u>

"Other creditors including taxation and social security" is made up as follows:

	1998 £	Group 1997 £	1998 £	Company 1997 £
United Kingdom corporation tax	261,572	298,297	-	-
Social security	91,632	90,054	-	-
Other creditors	397,229	500,099	-	-
	<u>£750,433</u>	<u>£888,450</u>	<u>£Nil</u>	<u>£Nil</u>

### 17. PENSION COMMITMENTS

The group operates a defined contribution pension scheme for its directors and employees. Contributions are invested in insurance policies by the company as Trustee for the benefit of the members.

### 18. OTHER FINANCIAL COMMITMENTS

At 30 September 1998 the group had annual commitments under non-cancellable operating leases as set out below:

	1998 £	1997 £
Operating leases which expire:		
within one year	9,300	-
within two to five years	27,780	39,588
in over five years	24,000	24,000
	<u>51,080</u>	<u>63,588</u>

Leases expiring in over five years relate to the lease of land.



# Wavetek (G.B.) Limited

## NOTES TO THE ACCOUNTS

at 30 September 1998

### 19. DEFERRED TAXATION

Analysis of provision made:

	<i>Group</i>			
	<i>Provided</i>	<i>1998</i> <i>Unprovided</i>	<i>Provided</i>	<i>1997</i> <i>Unprovided</i>
	<i>£</i>	<i>£</i>	<i>£</i>	<i>£</i>
Accelerated capital allowances	55,399	-	66,639	-
Other timing differences	(21,680)	-	(27,936)	-
	<u>£33,719</u>	<u>£Nil</u>	<u>£38,703</u>	<u>£Nil</u>

### 20. CALLED UP SHARE CAPITAL

	<i>1998</i> <i>£</i>	<i>1997</i> <i>£</i>
Authorised and fully paid 15,000,000 Ordinary shares of 5p each	<u>£750,000</u>	<u>£750,000</u>

### 21. RECONCILIATION OF SHAREHOLDERS FUND AND MOVEMENT ON RESERVES

#### *Group*

	<i>Share</i> <i>Capital</i> <i>£</i>	<i>Share</i> <i>Premium</i> <i>£</i>	<i>Profit</i> <i>and Loss</i> <i>Account</i> <i>£</i>	<i>Capital</i> <i>Reserve</i> <i>£</i>	<i>Total</i> <i>£</i>
At 28 September 1998	750,000	1,245,707	1,319,562	272,473	3,587,742
Profit for the year			1,002,760		1,002,760
Dividend			(800,000)		(800,000)
At 27 September 1997	750,000	1,245,707	1,522,322	272,473	3,790,502
Profit for the year			446,265		446,265
At 30 September 1998	<u>750,000</u>	<u>1,245,707</u>	<u>1,968,587</u>	<u>272,473</u>	<u>4,236,767</u>

#### *Company*

	<i>Share</i> <i>Capital</i> <i>£</i>	<i>Share</i> <i>Premium</i> <i>£</i>	<i>Profit</i> <i>and Loss</i> <i>Account</i> <i>£</i>	<i>Total</i> <i>£</i>
At 28 September 1996	750,000	1,245,707	233,906	2,229,613
Profit for the year			800,000	800,000
Dividend			(800,000)	(800,000)
At 27 September 1997	75,000	1,245,707	233,906	2,229,613
Profit for the year			-	-
At 30 September 1998	<u>75,000</u>	<u>1,245,707</u>	<u>233,906</u>	<u>2,229,613</u>

## Wavetek (G.B.) Limited

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### NOTES TO THE ACCOUNTS

at 30 September 1998

**22. PARENT UNDERTAKING'S PROFIT FOR THE YEAR**

As permitted by section 230 of the Companies Act 1985, the parent undertaking's profit and loss account has not been included in these financial statements.

**23. CONTINGENT LIABILITIES**

Contingent liabilities existed at 30 September 1998 in respect of guarantees arising in the ordinary course of the group's business. The directors are satisfied that no provision needs to be made in the financial statements in respect of them.

**24. ULTIMATE PARENT UNDERTAKING**

The ultimate parent undertaking is Wavetek Wandel & Goltermann, Inc., a company incorporated in the United States of America. Public inspection of the report and accounts is available at The United States Securities and Exchange Commission, Room 1024, 450 Fifth Street, N.W., Washington D.C. 20549.