

Wavetek (G.B.) Limited

Registered No 1019807

AUDITORS

Ernst & Young
Cambridge House
26 Tombland
Norwich NR3 1RH

REGISTERED OFFICE

52 Hurricane Way
Norwich
NR6 6JB

ERNST & YOUNG



DIRECTORS' REPORT

The directors present their report and the audited accounts for the year ended 1 October 1994.

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 its subsidiary Wavetek Limited. No other subsidiaries traded during the year under review.

The group had an excellent year's trading and ended the year with satisfactory financial position. The directors anticipate that an acceptable level of activity and results will be maintained in the foreseeable future.

Since the end of the year, Wavetek Limited acquired the Communications Test Division of Schlumberger Technologies Limited, as part of an international acquisition by Wavetek Corporation.

RESULTS AND DIVIDENDS

The group made a profit for the year, after taxation, of £1,028,608 (1993:£257,951). An interim dividend of £1,543,300 (1993:Nil) was paid on 3 October 1994; the directors do not recommend the payment of a final dividend.

RESEARCH AND DEVELOPMENT

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

FIXED ASSETS

Changes in fixed assets are given in note 10 to the accounts.

DIRECTORS' REPORT

POST BALANCE SHEET EVENTS

The acquisition of assets and assumption of liabilities from Schlumberger Technologies Limited, referred to above, involved a consideration of approximately £0.3 million which was financed by the group's own resources and banking facility.

BASIS OF CONSOLIDATION

The consolidated accounts incorporate the accounts of the company and both of its subsidiary undertakings for the year ended 1 October 1994.

DIRECTORS AND THEIR INTERESTS

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

P A Stevenson

R J Berry

T J Gooding (USA)

B M Minton (Resigned 5/7/94)

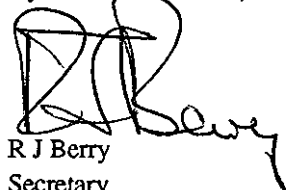
P J Cooke

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

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

9 December 1994

REPORT OF THE AUDITORS

to the members of Wavetek (G.B.) Limited

We have audited the accounts on pages 7 to 20, which have been prepared under the historical cost convention and on the basis of the accounting policies set out on page 11.

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.

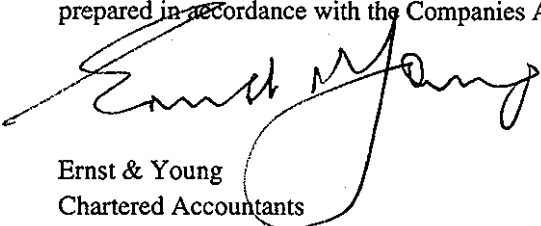
BASIS OF OPINION

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 1 October 1994, 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
Chartered Accountants
Registered Auditor
Norwich

19 December 1994

Wavetek (G.B.) Limited

CONSOLIDATED PROFIT AND LOSS ACCOUNT

for the year ended 1 October 1994

	<i>Notes</i>	<i>1994</i> £	<i>1993</i> £
TURNOVER	2	12,739,938	11,222,654
Cost of sales		<u>7,682,748</u>	<u>7,230,161</u>
GROSS PROFIT		5,057,190	3,992,493
Net operating expenses	3	<u>3,524,188</u>	<u>3,621,829</u>
OPERATING PROFIT	4	1,533,002	370,664
Interest receivable	5	28,548	46,613
Interest payable	6	<u>2,854</u>	<u>76,326</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		1,558,696	340,951
Taxation	7	<u>530,088</u>	<u>83,000</u>
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		1,028,608	257,951
RETAINED PROFIT FOR THE YEAR		<u>£1,028,608</u>	<u>£257,951</u>
STATEMENT OF RETAINED PROFITS			
Retained profits at 3 October 1993		530,537	272,586
Retained profit for the year		<u>1,028,608</u>	<u>257,951</u>
Retained profits at 1 October 1994		<u>£1,559,145</u>	<u>£530,537</u>

Of the retained profit for the year £1,461,684 (1993: £123,350) 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 11 to 20 form part of these accounts.

CONSOLIDATED BALANCE SHEET

at 1 October 1994

	Notes	1994 £	1993 £
FIXED ASSETS			
Tangible assets	10	862,509	924,330
CURRENT STOCKS			
Stocks	13	1,305,791	918,238
Debtors	14	1,920,547	2,456,484
Cash at bank and in hand		1,949,586	414,652
		<u>5,175,924</u>	<u>3,789,374</u>
CURRENT LIABILITIES			
Creditors: amounts falling due within one year	15	2,211,108	1,897,640
NET CURRENT LIABILITIES		<u>2,964,816</u>	<u>1,891,734</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>3,827,325</u>	<u>2,816,064</u>
PROVISION FOR LIABILITIES AND CHARGES			
Deferred taxation	18	-	17,347
		<u>£3,827,325</u>	<u>£2,798,717</u>
CAPITAL AND RESERVES			
Called up share capital	19	750,000	750,000
Share premium account		1,245,707	1,245,707
Profit and loss account		1,559,145	530,537
Capital reserve		272,473	272,473
		<u>£3,827,325</u>	<u>£2,798,717</u>

The accounts on pages 7 to 20 were approved by the board of directors on 9 December 1994 and signed on its behalf by:

P A Stevenson)

) Directors

R J Berry)



Wavetek (G.B.) Limited

BALANCE SHEET

at 1 October 1994

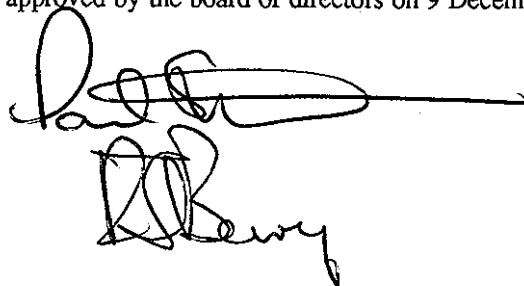
	Notes	1994 £	1993 £
FIXED ASSETS			
Investment in subsidiaries	12	1,031,018	1,031,018
CURRENT ASSETS			
Debtors	14	2,791,895	1,366,258
CURRENT LIABILITIES			
Creditors: amounts falling due within one year	15	50,000	86,047
NET CURRENT ASSETS			
		2,741,895	1,280,211
		<u>£3,772,913</u>	<u>£2,311,229</u>
CAPITAL AND RESERVES			
Called up share capital	19	750,000	750,000
Share premium account		1,245,707	1,245,707
Profit and loss account	21	1,777,206	315,522
		<u>£3,772,913</u>	<u>£2,311,229</u>

The accounts on pages 7 to 20 were approved by the board of directors on 9 December 1994 and signed on its behalf by:

P A Stevenson)

) Directors

R J Berry)



Wavetek (G.B.) Limited

CONSOLIDATED CASH FLOW STATEMENT

for the year ended 1 October 1994

	1994	1993
£	£	£
NET CASH INFLOW FROM		
OPERATING ACTIVITIES (Note 22)	1,660,519	1,153,857
RETURNS ON INVESTMENTS AND		
SERVICING OF FINANCE		
Interest received	58,676	15,559
Interest paid	(2,854)	(76,326)
NET CASH INFLOW/(OUTFLOW) FROM INVESTMENTS		
AND SERVICING OF FINANCE	55,822	(60,767)
TAXATION		
Corporation tax (paid)/received	(74,943)	24,552
INVESTING ACTIVITIES		
Purchase of fixed assets	(153,446)	(261,593)
Proceeds from sale of fixed assets	9,947	142,000
Reductions in loan to immediate		
parent undertaking	-	712,139
Purchase of business	-	(1,100,000)
NET CASH (OUTFLOW) FROM		
INVESTING ACTIVITIES	(143,499)	(507,454)
NET CASH INFLOW BEFORE FINANCING	1,497,899	610,188
FINANCING (Note 23)		
(Decrease) in short term borrowings	-	(123,931)
Decrease in medium term borrowings	-	(588,208)
NET CASH (OUTFLOW) FROM FINANCING	-	(712,139)
INCREASE/(DECREASE) IN CASH AND		
CASH EQUIVALENTS (Note 24)	<u>£1,497,899</u>	<u>£(101,951)</u>

NOTES TO THE ACCOUNTS

at 1 October 1994

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 appropriate rates varying from 2.86% to 4% per annum
Building improvements	-	At appropriate rates varying from 10% to 20% 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 and hire purchase contracts

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 scheme are charged in these accounts as part of employment costs.

Wavetek (G.B.) Limited

NOTES TO THE ACCOUNTS

at 1 October 1994

2. TURNOVER

	1994	1993
	£	£
Geographical markets supplied:		
United Kingdom & Republic of Ireland	3,743,552	3,598,796
Rest of Europe	5,064,526	3,982,905
United States of America	2,007,262	2,056,466
Rest of the World	1,924,598	1,584,487
	<u>£12,739,938</u>	<u>£11,222,654</u>

Turnover which is stated net of value added tax represents the amounts invoiced 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

	1994	1993
	£	£
Distribution costs	1,973,444	1,962,815
Administration costs	829,904	912,749
Research and development	671,024	820,024
	<u>3,474,372</u>	<u>3,695,588</u>
Other operating expenditure:		
Foreign exchange losses/(gains)	15,707	(98,012)
Sundry expenditure	34,109	24,253
	<u>£3,524,188</u>	<u>£3,621,829</u>

4. OPERATING PROFIT

	1994	1993
	£	£
Operating profit is stated after charging/(crediting):		
Depreciation of tangible fixed assets	210,776	209,846
Auditors' remuneration	20,000	20,000
- Audit		
- Other Service	1,000	1,000
Hire of plant and machinery	1,950	325
Leasing charges under operating leases	43,568	43,241
Directors' emoluments (see note 9)	154,767	169,227
Profit on disposal of fixed assets	(5,457)	(83,370)
	<u></u>	<u></u>

NOTES TO THE ACCOUNTS

at 1 October 1994

5. INTEREST RECEIVABLE

	1994	1993
	£	£
From immediate parent undertaking	13,208	42,499
Bank interest	15,340	4,114
	<u>£28,548</u>	<u>£46,613</u>

6. INTEREST PAYABLE

	1994	1993
	£	£
On bank overdraft	1,880	33,956
On bank loan repayable by instalments over maximum of 7 years	-	42,294
Other	974	76
	<u>£2,854</u>	<u>£76,326</u>

7. TAXATION

	1994	1993
	£	£
Corporation tax on the profit for the year at 33% (1993 : 33%)	534,558	73,933
Under/(over) provision in respect of prior year	12,877	(4,551)
Transfer (from)/to deferred tax	(17,347)	13,618
	<u>£530,088</u>	<u>£83,000</u>

8. STAFF COSTS

	1994	1993
	£	£
Particulars of employment costs (including executive directors):		
Wages and salaries	2,384,177	2,330,922
Social Security costs	238,511	221,976
Other pension costs	99,758	86,234
	<u>£2,722,446</u>	<u>£2,639,132</u>

The average weekly number of persons (including directors)
employed by the group during the year was:

Production	18	74
Distribution	15	17
Administration and Research and Development	37	38
	<u>132</u>	<u>129</u>

NOTES TO THE ACCOUNTS

at 1 October 1994

9. DIRECTORS' EMOLUMENTS

	1994 £	1993 £
Emoluments as directors of the company and its subsidiaries	-	18,126
Other emoluments in respect of the year (including pension contributions)	154,767	151,101
	<u>£154,767</u>	<u>£169,227</u>

Included within directors' emoluments is £Nil (1993 - £18,126) paid to a third party for the services of one of the directors.

Directors' emoluments disclosed in accordance with Part V of Schedule 5 of the Companies Act 1985, and excluding pension contributions, are as follows:

Emoluments of the highest paid director	<u>£69,102</u>	<u>£66,926</u>
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There is no chairman.

Number of directors whose emoluments were within the ranges:

	1994 No.	1993 No.
£0 - £5,000	3	1
£5,001 - £10,000	-	1
£15,001 - £20,000	-	1
£50,001 - £55,000	-	1
£55,001 - £60,000	1	-
£65,001 - £70,000	1	1
	<u>5</u>	<u>5</u>

Wavetek (G.B.) Limited

NOTES TO THE ACCOUNTS

at 1 October 1994

10. TANGIBLE FIXED ASSETS

	<i>Long term Leasehold Land and Buildings £</i>	<i>Plant Machinery and Equipment £</i>	<i>Total £</i>
Cost:			
At 3 October 1993	790,323	2,994,723	3,785,046
Additions	-	153,445	153,445
Disposals	-	(215,997)	(215,997)
At 1 October 1994	<u>790,323</u>	<u>2,932,171</u>	<u>3,722,494</u>
Depreciation:			
At 3 October 1993	316,485	2,544,231	2,860,716
Charge for the year	30,113	180,663	210,776
Disposals	-	(211,507)	(211,507)
At 1 October 1994	<u>346,598</u>	<u>2,513,387</u>	<u>2,859,985</u>
Net book value:			
At 1 October 1994	<u>£443,725</u>	<u>£418,784</u>	<u>£862,509</u>
At 2 October 1993	<u>£473,838</u>	<u>£450,492</u>	<u>£924,330</u>

11. CAPITAL COMMITMENTS

	<i>1994 £</i>	<i>1993 £</i>
Capital expenditure that has been contracted for but has not been provided for in the accounts	<u>£21,972</u>	<u>£32,878</u>
Capital expenditure that has been authorised by the directors but has not yet been contracted for	<u>Nil</u>	<u>£9,298</u>

Wavetek (G.B.) Limited

NOTES TO THE ACCOUNTS

at 1 October 1994

12. INVESTMENT IN SUBSIDIARIES

	<i>Loans</i>	<i>Shares</i>	<i>Total</i>
	<i>£</i>	<i>£</i>	<i>£</i>
Cost and Net Book Value:			
At 3 October 1993 and 1 October 1994	<u>£1,000,000</u>	<u>£31,018</u>	<u>£1,031,018</u>

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%

13. STOCKS

	<i>1994</i>	<i>1993</i>
	<i>£</i>	<i>£</i>
Stocks of the group comprise:		
Raw materials and consumables	294,947	267,672
Work in progress	477,174	262,555
Finished goods	358,574	270,398
Demonstration stocks	175,096	117,613
	<u>£1,305,791</u>	<u>£918,238</u>

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

14. DEBTORS

	<i>Group</i>		<i>Company</i>	
	<i>1994</i>	<i>1993</i>	<i>1994</i>	<i>1993</i>
	<i>£</i>	<i>£</i>	<i>£</i>	<i>£</i>
Trade debtors	1,253,826	1,603,839	-	-
Amounts owed by group undertakings	571,288	568,907	2,791,895	1,206,258
Other debtors	51,093	243,469	-	160,000
Prepayments and accrued income	44,340	40,269	-	-
	<u>£1,920,547</u>	<u>£2,456,484</u>	<u>£2,791,895</u>	<u>£1,366,258</u>

NOTES TO THE ACCOUNTS

at 1 October 1994

15. CREDITORS: amounts falling due within one year

	<i>Group</i>		<i>Company</i>	
	<i>1994</i>	<i>1993</i>	<i>1994</i>	<i>1993</i>
	£	£	£	£
Bank overdraft (see (a) below)	51,616	14,581	-	-
Trade creditors	751,314	680,376	-	-
Amounts owed to group undertakings	41,080	373,541	50,000	50,000
Other creditors including taxation and social security (see (b) below)	909,270	395,846	-	18,047
Accruals and deferred income	457,828	433,296	-	18,000
	<u>£2,211,108</u>	<u>£1,897,640</u>	<u>£50,000</u>	<u>£86,047</u>

(a) The bank overdraft is secured by a fixed charge over the leasehold land and buildings of the group.

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

	<i>Group</i>		<i>Company</i>	
	<i>1994</i>	<i>1993</i>	<i>1994</i>	<i>1993</i>
	£	£	£	£
United Kingdom corporation tax	545,742	73,251	-	18,047
Social security	68,816	66,467	-	-
Other creditors	294,712	256,128	-	-
	<u>£909,270</u>	<u>£395,846</u>	<u>Nil</u>	<u>£18,047</u>

16. 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 Trustees for the benefit of the members.

17. OTHER FINANCIAL COMMITMENTS

At 1 October 1994 the group had commitments under non-cancellable operating leases as set out below:

	<i>1994</i>	<i>1993</i>
	£	£
Operating leases which expire:		
within one year	5,335	19,013
within two to five years	41,348	6,360
	<u>£46,683</u>	<u>£25,373</u>

NOTES TO THE ACCOUNTS

at 1 October 1994

18. DEFERRED TAXATION

(a) Analysis of provision made:

	<i>Group and Company</i>			
	<i>1994</i>		<i>1993</i>	
	<i>Provided</i>	<i>Unprovided</i>	<i>Provided</i>	<i>Unprovided</i>
	<i>£</i>	<i>£</i>	<i>£</i>	<i>£</i>
Accelerated capital allowances	6,446	-	12,874	-
Other timing differences	(6,446)	(5,020)	4,473	-
	<u>Nil</u>	<u>£(5,020)</u>	<u>£17,347</u>	<u>Nil</u>

(b) The movement on the deferred tax provision is as follows:

	<i>£</i>
Provision at 3 October 1993	17,347
Transfer to the profit and loss account	(17,347)
Provision at 1 October 1994	<u>Nil</u>

19. CALLED UP SHARE CAPITAL

	<i>1994</i>	<i>1993</i>
Authorised and fully paid		
15,000,000 Ordinary shares of 5p each	<u>£750,000</u>	<u>£750,000</u>

20. RECONCILIATION OF SHAREHOLDERS FUND AND MOVEMENT ON RESERVES

<i>Group</i>	<i>Share Capital</i>	<i>Share Premium</i>	<i>Profit and Loss Account</i>	<i>Capital Reserve</i>	<i>Total</i>
	<i>£</i>	<i>£</i>	<i>£</i>	<i>£</i>	<i>£</i>
At 4 October 1992	750,000	1,245,707	272,586	272,473	2,540,766
Profit for the year	-	-	257,951	-	257,951
At 3 October 1993	<u>750,000</u>	<u>1,245,707</u>	<u>530,537</u>	<u>272,473</u>	<u>2,798,717</u>
Profit for the year	-	-	1,028,608	-	1,028,608
At 1 October 1994	<u>£750,000</u>	<u>£1,245,707</u>	<u>£1,559,145</u>	<u>£272,473</u>	<u>£3,827,325</u>

NOTES TO THE ACCOUNTS

at 1 October 1994

20. RECONCILIATION OF SHAREHOLDERS FUND AND MOVEMENT ON RESERVES (continued)

Company

	<i>Share Capital £</i>	<i>Share Premium £</i>	<i>Profit and Loss Account £</i>	<i>Total £</i>
At 4 October 1992	750,000	1,245,707	192,172	2,187,879
Profit for the year	-	-	123,350	123,350
At 3 October 1993	750,000	1,245,707	315,522	2,311,229
Profit for the year	-	-	1,461,684	1,461,684
At 1 October 1994	<u>£750,000</u>	<u>£1,245,707</u>	<u>£1,777,206</u>	<u>£3,772,913</u>

21. 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.

22. RECONCILIATION OF TRADING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	<i>1994 £</i>	<i>1993 £</i>
Operating profit	1,533,002	370,664
Depreciation charges	210,776	209,846
Profit on sale of fixed assets	(5,457)	(83,370)
(Increase) in stock	(387,553)	(30,934)
Decrease/(Increase) in debtors	505,809	(931,294)
(Decrease)/Increase in creditors	(196,058)	518,945
Amounts included in the above reclassified as investing activities	-	1,100,000
Net cash inflow from operating activities	<u>£1,660,519</u>	<u>£1,153,857</u>

23. ANALYSIS OF THE CHANGES IN FINANCING DURING THE YEAR

	<i>1994 £</i>	<i>1993 £</i>	<i>Change in Year £</i>
Short-term borrowings	-	-	-
Medium-term borrowings	-	-	-
	<u>Nil</u>	<u>Nil</u>	<u>Nil</u>

NOTES TO THE ACCOUNTS

at 1 October 1994

24. ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS AS SHOWN IN THE BALANCE SHEET

	1994	1993	Change in Year
	£	£	£
Cash at bank and in hand	1,949,586	414,652	1,534,934
Bank overdraft	(51,616)	(14,581)	(37,035)
	<u>£1,897,970</u>	<u>£400,071</u>	<u>£1,497,899</u>

25. CONTINGENT LIABILITIES

Contingent liabilities existed at 1 October 1994 in respect of guarantees arising in the ordinary course of business. The directors are satisfied that no provision needs to be made in the financial statements in respect of them.

26. ULTIMATE PARENT UNDERTAKING

The company's ultimate parent undertaking is Torrey Investments, a company incorporated in the United States of America.