

HEIDENHAIN (GB) LIMITED

Company No: 949353

FINANCIAL STATEMENTS

- for the year ended -

31 DECEMBER 1997

FRIEND-JAMES
Chartered Accountants
169 Preston Road
Brighton, East Sussex BN1 6AG



HEIDENHAIN (GB) LIMITED

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HEIDENHAIN (GB) LIMITED

REPORT OF THE DIRECTORS

The directors present their report and the audited financial statements for the year ended 31 December 1997.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activity of the company remains that of distribution and service of precision electronic equipment and the whole of the company's turnover is attributed thereto.

DIVIDEND AND TRANSFER TO RESERVES

The directors do not recommend payment of a dividend.

It is proposed that the retained profit of £754,193 is transferred to reserves.

FIXED ASSETS

Full disclosure of all matters relating to fixed assets is set out in the notes to the financial statements.

DIRECTORS AND THEIR INTERESTS

The directors at the balance sheet date and their interests in the ultimate parent company at that date and at the beginning of the year (or on appointment if later), were as follows:

	<u>Class of share</u>	<u>Number of shares</u>	
		<u>1997</u>	<u>1996</u>
Mr M Smith	Ordinary shares	-	-
Dr L Wagatha	Ordinary shares	-	-

In accordance with the Articles of Association, Dr L Wagatha retires by rotation and, being eligible, offers himself for re-election.

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 the 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;
- 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 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 financial statements 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.

DONATIONS

During the year the company made £3,000 charitable donations in the United Kingdom (1996 £3,000).

HEIDENHAIN (GB) LIMITED

REPORT OF THE DIRECTORS (Continued)

AUDITORS

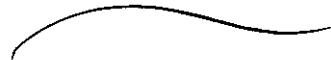
The auditors, Friend-James, are willing to be reappointed in accordance with section 385 of the Companies Act 1985.

By Order of the Board

Date: 1st March 1998

M A Laming
Secretary

M A Laming



HEIDENHAIN (GB) LIMITED

AUDITORS' REPORT

AUDITORS' REPORT TO THE SHAREHOLDERS OF HEIDENHAIN (GB) LIMITED

We have audited the financial statements on pages 4 to 14 which have been prepared under the historical cost convention and the accounting policies set out in note 1 to the financial statements.

Respective responsibilities of the directors and auditors

As described on the Directors' Report 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 31 December 1997 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Friend-James

FRIEND-JAMES
Chartered Accountants
Registered Auditors

169 Preston Road
Brighton
East Sussex BN1 6AG

Date: 9th March 1998.

HEIDENHAIN (GB) LIMITEDPROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 1997

	Notes	1997 £	1996 £
TURNOVER		7,876,325	7,964,034
Cost of sales		(6,444,236)	(7,011,309)
GROSS PROFIT		1,432,089	952,725
Administrative expenses		(805,031)	(788,794)
		627,058	163,931
Other operating income		399,675	499,642
OPERATING PROFIT	2	1,026,733	663,573
Other interest receivable	3	122,460	99,359
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		1,149,193	762,932
Tax on profit on ordinary activities	6	(395,000)	(353,175)
PROFIT FOR THE FINANCIAL YEAR		754,193	409,757

None of the company's activities were acquired or discontinued during the above two financial years.

The company has no recognised gains or losses other than those dealt with in the profit and loss account.

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

HEIDENHAIN (GB) LIMITEDBALANCE SHEET AT 31 DECEMBER 1997

	Notes	£	1997 £	£	1996 £
FIXED ASSETS					
Tangible assets	7		934,848		929,734
Investments	8		165,000		165,000
			<u>1,099,848</u>		<u>1,094,734</u>
CURRENT ASSETS					
Stocks	9	1,218,462		1,367,749	
Debtors	10	3,256,933		2,336,081	
Cash at bank and in hand		2,660,825		2,492,576	
		<u>7,136,220</u>		<u>6,196,406</u>	
CREDITORS: Amounts falling due within one year	11	(1,480,030)		(1,289,295)	
NET CURRENT ASSETS			<u>5,656,190</u>		<u>4,907,111</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>6,756,038</u>		<u>6,001,845</u>
CAPITAL AND RESERVES					
Called up share capital	12		250,000		250,000
Profit and loss account	13		6,506,038		5,751,845
			<u>6,756,038</u>		<u>6,001,845</u>

The financial statements were approved
by the board on and *1st March 1998*
signed on its behalf by

M Smith *[Signature]*)
Dr. L Wagatha *[Signature]*) Directors

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

HEIDENHAIN (GB) LIMITEDCASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 1997

	Notes	1997 £	1996 £
NET CASH INFLOW FROM OPERATING ACTIVITIES		501,093	918,424
Return on investments and servicing of finance:			
Interest received	122,460		99,359
NET CASH INFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		122,460	99,359
Taxation:			
Corporation tax paid	(352,000)		(343,174)
Group relief transferred	-		-
TAX PAID		(352,000)	(343,174)
Investing activities:			
Purchase of tangible fixed assets	(119,904)		(170,690)
Receipts from sale of tangible assets	16,600		11,000
NET CASHFLOW FROM INVESTING ACTIVITIES		(103,304)	(159,690)
NET CASH INFLOW BEFORE FINANCING		168,249	514,919
NET CASH INFLOW FROM FINANCING		-	-
INCREASE IN CASH AND CASH EQUIVALENTS		168,249	514,919
		168,249	514,919

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

HEIDENHAIN (GB) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 1997

1. ACCOUNTING POLICIES

1.1 BASIS OF ACCOUNTING

The financial statements have been prepared under the historical cost convention.

The financial statements present information about the company as an individual undertaking and not about its group, as group accounts are not required (see note 8).

1.2 TURNOVER

Turnover represents the total invoice value, excluding value added tax, of goods sold and services rendered during the year.

1.3 DEPRECIATION

Depreciation is provided using the following rates and bases to reduce by annual instalments the cost, less estimated residual value, of the tangible assets over their estimated useful lives:-

Freehold buildings	Straight line over fifty years
Fixtures and fittings	25% reducing balance
Computer and test equipment	25% straight line
Motor vehicles	33.3% reducing balance

1.4 STOCKS

Stocks are valued at cost after due provision for slow and obsolete items.

1.5 DEFERRED TAXATION

No provision is made for deferred taxation as it is immaterial to the appreciation of the financial statements.

1.6 FOREIGN EXCHANGE

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange prevailing at the accounting date. Transactions in foreign currencies are recorded at the date of the transactions. All differences are taken to the profit and loss account.

1.7 PENSIONS

Pension contributions are charged to the profit and loss account as incurred. These contributions are invested separately from the company's assets.

HEIDENHAIN (GB) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 1997

2.	OPERATING PROFIT	1997 £	1996 £
	The operating profit is stated after charging:		
	Depreciation	101,085	84,077
	Auditors' remuneration	13,800	13,800
		<u> </u>	<u> </u>
3.	INTEREST RECEIVABLE	1997 £	1996 £
	Bank and other interest receivable	122,460	99,359
		<u> </u>	<u> </u>
4.	DIRECTORS AND EMPLOYEES	1997 £	1996 £
	Staff costs:		
	Wages and salaries	687,339	610,475
	Social security costs	41,690	68,489
	Other pension costs	51,914	50,070
		<u> </u>	<u> </u>
		780,943	729,034
		<u> </u>	<u> </u>
	The average number of employees during the year was made up as follows:	Number	Number
	Sales	9	8
	Service	11	10
	Administration	6	6
		<u> </u>	<u> </u>
		26	24
		<u> </u>	<u> </u>
	Directors' emoluments:	£	£
	Remuneration for management services	65,488	66,127
		<u> </u>	<u> </u>

HEIDENHAIN (GB) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 1997

5. PENSION COSTS

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. Contributions payable by the company amounted to £55,682 (1996: £53,622).

6. TAX ON PROFIT ON ORDINARY ACTIVITIES

	1997 £	1996 £
The taxation charge comprises:		
U.K. corporation tax at 31.5% (1996 33%)	395,000	350,000
	<hr/>	<hr/>
	395,000	350,000
Adjustment in respect of prior years	-	3,175
	<hr/>	<hr/>
	395,000	353,175
	<hr/>	<hr/>

HEIDENHAIN (GB) LIMITEDNOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 1997

7. TANGIBLE ASSETS

	Land & buildings £	Fixtures & fittings £	Motor vehicles £	Total £
<u>Cost</u>				
At 1 January 1997	900,516	811,920	158,200	1,870,636
Additions	-	53,688	66,216	119,904
Disposals	-	-	(40,093)	(40,093)
At 31 December 1997	900,516	865,608	184,323	1,950,447
<u>Depreciation</u>				
At 1 January 1997	222,667	651,321	66,914	940,902
Charge for year	18,010	52,696	30,379	101,085
On disposals	-	-	(26,388)	(26,388)
At 31 December 1997	240,677	704,017	70,905	1,015,599
<u>Net book value at 31 December 1997</u>	659,839	161,591	113,418	934,848
<u>Net book value at 31 December 1996</u>	677,849	160,599	91,286	929,734
			1997 £	1996 £
Analysis of net book value of land and buildings:				
Freehold			659,839	677,849

HEIDENHAIN (GB) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 1997

8. INVESTMENTS

<u>Cost</u>	Beginning of year £	Additions £	End of year £
Shares:			
Group undertaking	165,000	-	165,000
	<u>165,000</u>	<u>-</u>	<u>165,000</u>
<u>Net book value</u>	<u>165,000</u>		<u>165,000</u>

The following was the subsidiary at the balance sheet date:

Subsidiary undertaking	Description and proportion of share capital owned	Country of incorporation	Nature of business
Acu-rite (GB) Ltd.	Ordinary 100%	England	Distribution and Service of Elect- ronic Equipment

The company is exempt from the obligations to prepare group financial statements as it is itself a subsidiary undertaking and its immediate parent undertaking is established under the law of a member state of the European Economic Area.

9. STOCKS

	1997 £	1996 £
Finished goods and goods for resale	1,218,462	1,367,749

10. DEBTORS

	1997 £	1996 £
Trade debtors	1,814,238	1,474,143
Amounts owed by group undertaking	1,331,762	815,999
Other debtors	21,223	12,785
Prepayments and accrued income	89,710	33,154
	<u>3,256,933</u>	<u>2,336,081</u>

HEIDENHAIN (GB) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 1997

11.	CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	1997 £	1996 £
	Trade creditors	74,401	67,078
	Amounts owed to group undertaking	496,752	411,850
	Corporation tax	393,000	350,000
	Other taxes and social security costs	390,966	323,878
	Other creditors	-	9,643
	Accruals and deferred income	124,911	126,846
		<u>1,480,030</u>	<u>1,289,295</u>
12.	SHARE CAPITAL	1997 £	1996 £
	<u>Authorised</u>		
	Equity interests:		
	250,000 Ordinary shares of £1 each	<u>250,000</u>	<u>250,000</u>
	<u>Allotted, called up and fully paid</u>		
	Equity interests:		
	250,000 Ordinary shares of £1 each	<u>250,000</u>	<u>250,000</u>
13.	PROFIT AND LOSS ACCOUNT	1997 £	1996 £
	Retained profits at 1 January 1997	5,751,845	5,342,088
	Profit for the financial year	<u>754,193</u>	<u>409,757</u>
	Retained profits at 31 December 1997	<u>6,506,038</u>	<u>5,751,845</u>

HEIDENHAIN (GB) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 1997

14. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	1997 £	1996 £
Profit for the financial year	754,193	409,757
Shareholders' funds at 1 January 1997	6,001,845	5,592,088
Shareholders' funds at 31 December 1997	<u>6,756,038</u>	<u>6,001,845</u>
Represented by:-		
Equity interests	<u>6,756,038</u>	<u>6,001,845</u>
	<u>6,756,038</u>	<u>6,001,845</u>

15. RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	1997 £	1996 £
Operating profit	1,026,733	663,573
Depreciation	101,085	84,077
Profit on disposal of fixed assets	(2,895)	2,999
Decrease in stocks	149,287	256,997
Increase in debtors	(920,852)	(119,565)
Increase in creditors due within one year	147,735	30,343
	<u>501,093</u>	<u>918,424</u>

16. ANALYSIS OF CHANGES IN CASH AND CASH EQUIVALENTS

	1997 £	1996 £
Cash at bank and in hand at 1 January 1997	2,492,576	1,977,657
Cash at bank and in hand at 31 December 1997	<u>2,660,825</u>	<u>2,492,576</u>
Net movement	<u>168,249</u>	<u>514,919</u>

HEIDENHAIN (GB) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 1997

17. ANALYSIS OF CHANGES IN FINANCING DURING THE YEAR

	1997 £	1996 £
Share capital at 1 January 1997	250,000	250,000
Share capital at 31 December 1997	<u>250,000</u>	<u>250,000</u>

18. CONTINGENT LIABILITIES

There were no contingent liabilities at the balance sheet date .

19. POST BALANCE SHEET EVENTS

There were no significant post balance sheet events to report.

20. ULTIMATE PARENT COMPANY

The company is a wholly owned subsidiary of Dr Johannes Heidenhain GmbH, of Dr. Johannes Heidenhain-Strasse 5, D-83301, Traunreut, Germany. The company is incorporated in Germany.