

**Beta Lasermike Limited**

**Directors' report and financial  
statements**

Registered number 895810

For the year ended 31 December 1999



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## Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 1999.

### Review of the business

The principal activity of the company during the year was the manufacture and sale of machinery, testing systems and instrumentation for use in the cable industry.

### Results and dividends

The profit after taxation for the year ended 31 December 1999 was £539,000 (1998: profit £825,000). The full results are shown in the profit and loss account on page 5.

The directors do not recommend the payment of a dividend (1998: £Nil).

### Directors

The directors who served during the year were as follows:

PI Lewis  
 JC Webster  
 P Fleming  
 S Hole  
 JMM Watts  
 MC Keatley

### Directors' interests

The directors had no beneficial interests in the share capital of the company or any other subsidiary company of Fairey Group plc at the year end.

The interests of Mr JC Webster in the shares of Fairey Group plc are disclosed in the financial statements of that company. At 31 December 1999 Mr JMM Watts held no shares in Fairey Group plc (1998: 1,718). None of the other directors had any interest in the issued share capital of Fairey Group plc.

At 31 December 1999 the other directors held the following options in the shares of Fairey Group plc:

Director	At 1.1.99	Options Granted	Matching Options Granted	Lapsed	At 31.12.99	Exercise Price	Date from which exercisable	Expiry Date
JMMWatts	4,500	-	-	-	4,500	565p	Mar-01	Mar-08
	10,000	-	-	-	10,000	245p	Sep-01	Sep-08
	10,000	-	-	-	10,000	5p	Mar-02	Sep-05
S Hole	4,500	-	-	-	4,500	565p	Mar-01	Mar-08
	3,000	-	-	-	3,000	245p	Sep-01	Sep-08
SAYE	7,040	-	-	-	7,040	245p	Dec-03	Jun-04
P Fleming	4,500	-	-	-	4,500	565p	Mar-01	Mar-08
	3,000	-	-	-	3,000	245p	Sep-01	Sep-08
SAYE	7,040	-	-	-	7,040	245p	Dec-03	Jun-04
M Keatley	3,000	-	-	-	3,000	245p	Sep-01	Sep-08
SAYE	281	-	-	-	281	245p	Dec-03	Jun-04
SAYE	-	498	-	-	498	406p	Dec-04	Jun-05

The market price of Fairey Group plc shares at 31 December 1999 was 505p (1998: 256.5p). The highest share price in the year was 541p and the lowest was 233p.

## Directors' report *(continued)*

### Directors' interests *(continued)*

Except where shown as SAYE, the above relates to the Group's Executive Share Option Schemes. Entitlement to exercise options granted under the Fairey Group 1996 Executive Share Plan is conditional upon the achievement of growth in normalised earnings per share (EPS) over three consecutive financial years between grant and exercise of at least 2% per annum in excess of growth in the retail price index. Entitlement to exercise Matching Options (5p) is conditional upon a performance criterion which requires compound growth in EPS over the three consecutive financial years following grant of the qualifying option of between 2% and 10% per annum in excess of growth in the retail price index in order to achieve a match of 20% to 100%.

In addition, at 31 December 1999, the directors were deemed to have a non-beneficial interest in 1,308,600 ordinary shares in the share capital of Fairey Group plc, the company's holding company, held by the Trustee of the Fairey Group plc Employee Benefit Trust and 32,300 ordinary shares held by the Trustee of the Fairey Group plc Qualifying Employee Share Ownership Trust of which they are among the class of discretionary beneficiaries. No other interests in the share capital of Fairey Group plc or any of its subsidiary undertakings were held by any of the directors.

### Research and development

The directors consider that product development and innovation play an important role in the success of the company and, accordingly, they continue to further the company's research and development programme.

### Payments to suppliers

It is the company's general policy to abide by the terms of payment agreed with its suppliers. The company had 57 days' purchases outstanding at 31 December 1999 (1998: 72 days).

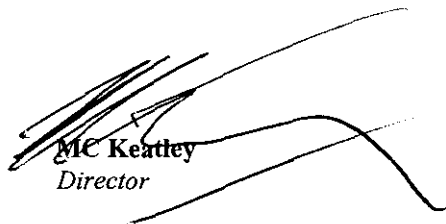
### Year 2000

No material adverse consequences arose with operations, customers or the supply chain as a result of the calendar date change.

While it is not inconceivable that residual risks and uncertainties may crystallise in the future, this is not expected to give rise to significant problems.

The revenue costs of addressing Year 2000 issues in 1999 were immaterial.

Approved by order of the board of directors on 3 March 2000 and signed on its behalf by:



M.C. Keatley  
Director

Sterling Road  
Cressex Business Park  
High Wycombe  
Buckinghamshire  
HP12 3RT

## Directors' responsibilities

Company law requires the directors to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the company and of the profit or loss 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 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 have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.



KPMG Audit Plc

2 Cornwall Street  
Birmingham  
B3 2DL

## Auditors report to the members of Beta Lasermike Limited

We have audited the financial statements on pages 5 to 14.

### *Respective responsibilities of directors and auditors*

The directors are responsible for preparing the directors' report and, as described on page 3, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

### *Basis of audit 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 the company's affairs as at 31 December 1999 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

*KPMG Audit Plc*

KPMG Audit Plc  
Chartered Accountants  
Registered Auditor

3 March 2000

## Profit and loss account

for the year ended 31 December 1999

	<i>Note</i>	<b>1999</b> <b>£000</b>	1998 £000
<b>Turnover</b>	<b>2</b>	<b>9,063</b>	9,269
Cost of sales		<b>(5,489)</b>	(6,373)
		<hr/>	<hr/>
<b>Gross profit</b>		<b>3,574</b>	2,896
Distribution costs		<b>(2,049)</b>	(1,504)
Administrative expenses		<b>(1,280)</b>	(562)
		<hr/>	<hr/>
<b>Operating profit</b>		<b>245</b>	830
Interest receivable	<b>3</b>	<b>10</b>	22
Interest payable	<b>4</b>	<b>(56)</b>	(47)
		<hr/>	<hr/>
<b>Profit on ordinary activities before taxation</b>	<b>5</b>	<b>199</b>	805
Taxation on profit on ordinary activities	<b>8</b>	<b>340</b>	20
		<hr/>	<hr/>
<b>Profit for the financial period</b>	<b>16</b>	<b>539</b>	825
		<hr/> <hr/>	<hr/> <hr/>

The movement in reserves is shown in note 17.

Turnover and results reported above all relate to continuing activities.

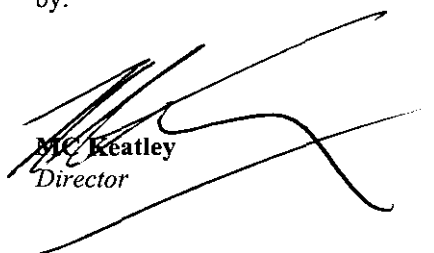
There were no recognised gains or losses other than the result for the year reported above and so a statement of total recognised gains and loss has not been present.

## Balance sheet

at 31 December 1999

	<i>Note</i>	1999 £000	1998 £000
<b>Fixed assets</b>			
Tangible assets	9	912	462
		<hr/>	<hr/>
<b>Current assets</b>			
Stocks	10	1,496	1,632
Debtors	11	2,439	1,379
Cash at bank and in hand		242	201
		<hr/>	<hr/>
		4,177	3,212
<b>Creditors: Amounts falling due within one year</b>	12	(3,063)	(2,187)
		<hr/>	<hr/>
<b>Net current assets</b>		1,114	1,025
		<hr/>	<hr/>
<b>Total assets less current liabilities</b>		2,026	1,487
<b>Creditors: Amounts falling due after more than one year</b>	13	(426)	(426)
		<hr/>	<hr/>
<b>Net Assets</b>		1,600	1,061
		<hr/> <hr/>	<hr/> <hr/>
<b>Capital and reserves</b>			
Called up share capital	15	1,000	1,000
Profit and loss account	16	600	61
		<hr/>	<hr/>
<b>Equity shareholders' funds</b>		1,600	1,061
		<hr/> <hr/>	<hr/> <hr/>

These financial statements were approved by the board of directors on 3 March 2000 and were signed on its behalf by:

  
M.C. Keatley  
Director



## Notes

*(forming part of the financial statements)*

### 1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements:

#### ***Basis of preparation***

The financial statements have been prepared using the historical cost convention and in accordance with applicable UK Accounting Standards.

#### ***Tangible fixed assets***

Tangible fixed assets are depreciated at rates calculated to write off the original cost less residual amounts in equal instalments over the expected useful life of the assets concerned.

Depreciation is provided at the following rates on a straight line basis:

Short leasehold properties	- over the term of the lease
Plant and equipment	- 10-20%
Motor vehicles	- 25%
Computers	- 33 1/3%

#### ***Leased assets***

Operating lease rentals are charged to the profit and loss account in the period to which they relate.

#### ***Stocks***

Stocks are valued at the lower of cost and net realisable value. Cost comprises the actual cost of raw materials, direct labour and attributable manufacturing overheads where appropriate. Net realisable value represents the estimated selling price less the costs of completion, marketing, selling and distribution.

Specific provisions are made against any obsolete or slow moving items.

#### ***Research and development***

Expenditure on research and development is written off in the period in which it is incurred.

#### ***Deferred taxation***

Deferred taxation is provided using the liability method in respect of timing differences except where the liability is not expected to arise in the foreseeable future.

#### ***Pensions***

Contributions in respect of defined contribution schemes are charged to the profit and loss account in the year incurred. The costs of defined benefit schemes are spread over the average remaining service lives of employees.

#### ***Foreign currencies***

Assets and liabilities denominated in foreign currencies are translated at rates ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction.

Exchange differences are dealt with in the profit and loss account.

#### ***Cash flow statements***

The company's ultimate parent company, Fairey Group plc, has complied with the requirements of FRS1 - Cash Flow Statements in producing a group cash flow statement. The company has taken advantage of the exemption available in FRS1 and does not present its own cash flow statement.

## Notes (continued)

### 2 Turnover

Turnover represents the invoiced amount of goods sold, excluding value added tax. The analysis of turnover by geographical area is as follows:

	1999 £000	1998 £000
United Kingdom	1,676	1,603
Asia	1,668	1,362
Europe	3,756	4,193
North America	1,930	2,081
Other	33	30
	<hr/> 9,063 <hr/>	<hr/> 9,269 <hr/>

### 3 Interest receivable

	1999 £000	1998 £000
<b>Interest receivable</b>		
Bank and other interest receivable	7	19
Interest receivable from group undertakings	3	3
	<hr/> 10 <hr/>	<hr/> 22 <hr/>

### 4 Interest payable

	1999 £000	1998 £000
On bank overdraft	-	2
Interest payable to group undertakings	56	45
	<hr/> 56 <hr/>	<hr/> 47 <hr/>

## Notes (continued)

### 5 Profit on ordinary activities before taxation

	1999 £000	1998 £000
<i>Profit on ordinary activities before taxation is stated after charging</i>		
Depreciation	99	52
Research and development expenditure	96	84
Operating lease rentals:		
Plant and equipment	36	42
Other	292	85
Auditors' remuneration:		
Audit fees	14	10
Other fees	2	3
	<u>          </u>	<u>          </u>

### 6 Staff numbers and costs

The average number of persons employed by the company (including directors) during the period, analysed by category, was as follows:

	Number of employees	
	1999	1998
Factory direct	28	26
Factory indirect	17	19
Sales and administration	42	44
	<u>          </u>	<u>          </u>
	87	89
	<u>          </u>	<u>          </u>

The aggregate payroll costs of these persons were as follows:

	£000	£000
Wages and salaries	1,865	1,848
Social security costs	185	195
Other pension costs	71	55
	<u>          </u>	<u>          </u>
	2,121	2,098
	<u>          </u>	<u>          </u>

## Notes (continued)

### 7 Directors' emoluments

	1999 £000	1998 £000
Remuneration as directors	209	306
Pension contributions to money purchase schemes	10	11
	<u>219</u>	<u>317</u>

Excluding pension contributions the emoluments of the highest paid director were £45,000 (1998: £88,000) and pension contributions were £7,000 (1998: £Nil).

Two directors participated in defined contribution pension schemes (1998: two).

### 8 Taxation on profit on ordinary activities

	1999 £000	1998 £000
The credit in respect of taxation comprises:		
Current year		
Group relief	(44)	(20)
Prior year		
Group relief	(296)	-
	<u>(340)</u>	<u>(20)</u>

## Notes (continued)

### 9 Tangible fixed assets

	Short leasehold properties £000	Plant and equipment £000	Motor vehicles £000	Computers £000	Total £000
<b>Cost</b>					
At beginning of year	396	97	47	106	646
Additions	236	4	11	298	549
Disposals	-	(50)	(17)	(19)	(86)
At end of year	632	51	41	385	1,109
<b>Depreciation</b>					
At beginning of year	-	89	41	54	184
Charge for the year	32	6	3	58	99
Disposals	-	(50)	(17)	(19)	(86)
At end of year	32	45	27	93	197
<b>Net book value</b>					
At 31 December 1999	600	6	14	292	912
At 31 December 1998	396	8	6	52	462

### 10 Stocks

	1999 £000	1998 £000
Raw materials	698	806
Work in progress	374	351
Finished goods	424	475
	1,496	1,632

### 11 Debtors

	1999 £000	1998 £000
Trade debtors	1,554	952
Amounts owed by group undertakings	620	289
Other debtors	119	88
Prepayments and accrued income	146	50
	2,439	1,379

## Notes (continued)

### 12 Creditors: Amounts falling due within one year

	1999 £000	1998 £000
Trade creditors	850	687
Amounts owed to group undertakings	1,636	509
Other taxes and social security	56	56
Other creditors	114	125
Accruals and deferred income	407	810
	<u>3,063</u>	<u>2,187</u>

### 13 Creditors: Amounts falling due after more than one year

	1999 £000	1998 £000
Amounts owed to group undertakings	426	426
	<u>426</u>	<u>426</u>

### 14 Deferred taxation

The amount for deferred taxation, provided and not provided, under the liability method calculated using a tax rate of 30% (1998: 31%) is as follows:

	1999		1998	
	Provided £000	Not provided £000	Provided £000	Not provided £000
Accelerated capital allowances	-	(25)	-	(25)
Short term timing differences	-	(125)	-	(598)
	<u>-</u>	<u>(125)</u>	<u>-</u>	<u>(598)</u>
Deferred taxation asset	-	(150)	-	(623)
	<u>-</u>	<u>(150)</u>	<u>-</u>	<u>(623)</u>

### 15 Share capital

	1999 £000	1998 £000
<i>Authorised, allotted, called up and fully paid:</i>		
1,000,000 ordinary shares of £1 each	1,000	1,000
	<u>1,000</u>	<u>1,000</u>

## Notes (continued)

### 16 Profit and loss account

	£000
At beginning of year	61
Profit for the year	539
	<hr/>
At end of year	600
	<hr/> <hr/>

### 17 Reconciliation of movement in equity shareholders' funds

	1999 £000	1998 £000
Profit for the financial year	539	825
Opening equity shareholders' funds	1,061	236
	<hr/>	<hr/>
Closing equity shareholders' funds	1,600	1,061
	<hr/> <hr/>	<hr/> <hr/>

### 18 Commitments

#### Capital expenditure

Future capital expenditure commitments for which no provision has been made in these financial statements are as follows:

	1999 £000	1998 £000
Contracted for	42	-
	<hr/> <hr/>	<hr/> <hr/>

#### Operating leases

The company has commitments under non-cancellable operating leases as follows:

	1999		1998	
	Land and buildings £000	Other £000	Land and buildings £000	Other £000
Expiring under one year	-	5	21	16
Expiring between two and five years	-	83	16	26
Expiring after five years	292	-	323	-
	<hr/>	<hr/>	<hr/>	<hr/>
	292	88	360	42
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

## Notes (continued)

### 19 Contingent liabilities

With other members of the Group, the company has guaranteed facilities made available to Fairey Group plc, in respect of which the following amounts were outstanding at 31 December 1999:

Senior Loan Notes	\$100,000,000	(1998: \$100,000,000)
Lloyds Bank PLC	£15,000,000	(1998: £Nil)
National Westminster Bank PLC	£12,328,000	(1998: £12,862,000)
National Westminster Bank PLC	£1,543,000	(1998: £1,499,000)

### 20 Pensions

Fairey Group plc operates a defined benefit pension plan in which the company participates. Pension contributions are invested through an independent trust fund. The plan is reviewed regularly by actuaries and is funded in accordance with their advice.

When last valued on 1 January 1997, the fund showed a surplus. The valuation was based on estimates of expenditure on benefits in future years and of the funding rate necessary to meet that expenditure.

The Fairey Group plc defined benefit pension plan was closed to new members from 1 January 1996. Contributions payable by the company to the scheme amounted to £5,000 for the year ended 31 December 1999 (1998: £5,000).

On 1 May 1996 Fairey Group plc established a defined contribution pension plan, membership of which is available to the qualifying UK employees of group companies. Contributions payable by the company to the plan amounted to £19,000 for the year ended 31 December 1999 (1998: £1,600). Further details are given in the accounts of Fairey Group plc.

Contributions totalling £47,000 (1998: £48,000) were also made to the personal pension schemes of certain employees.

### 21 Related party transactions

Under Financial Reporting Standard 8, the company is exempt from the disclosure of transactions with other group undertakings on the grounds that it is a wholly owned subsidiary of Fairey Group plc and its results are included in the consolidated financial statements of that company.

### 22 Ultimate parent company

The ultimate parent company and controlling party is Fairey Group plc. Copies of the consolidated financial statements of this company may be obtained from Companies House, Crown Way, Cardiff, CF1 1PC.