

**Betacom Plc
Annual Report
& Accounts
1996**

Amstrad

/// Betacom
.....

Answercall

FIDELITY

SINCLAIR

INTEGRA



CHAIRMAN'S STATEMENT	2
CORPORATE GOVERNANCE	3
REPORT OF THE DIRECTORS	4
REPORT OF THE REMUNERATION COMMITTEE	6
STATEMENT OF DIRECTORS' RESPONSIBILITIES.....	8
REPORT OF THE AUDITORS.....	9
CONSOLIDATED PROFIT AND LOSS ACCOUNT.....	10
CONSOLIDATED BALANCE SHEET	11
COMPANY BALANCE SHEET	12
CONSOLIDATED CASH FLOW STATEMENT.....	13
NOTES TO THE FINANCIAL STATEMENTS.....	14
FINANCIAL RECORD	22
NOTICE OF MEETING	23
FORM OF PROXY	25

Directors	Norman Becker BA Paul Jacobs BSC(Econ) ACA Philip Thorndyke Jeoff Samson F.Inst.P,C. Phys	Chairman and chief executive Finance director Sales director Non-executive director
Company secretary and registered office	Paul Jacobs, Unit 1, Ponders End Industrial Estate, Duck Lees Lane, Enfield, Middlesex EN3 7TQ	
Stockbrokers	Beeson Gregory Limited, The Registry, Royal Mint Court, London EC3N 4EY	
Registered auditors	Deloitte & Touche, Chartered Accountants, Hill House, 1 Little New Street, London EC4A 3TR	
Solicitors	Travers Smith Braithwaite, 10 Snow Hill, London EC1A 2AL	
Bankers	Lloyds Bank Plc, City Office, 72 Lombard Street, London EC3P 3BT	
Registrar and transfer office	Independent Registrars Group Limited, Balfour House, 390/398 High Road, Ilford, Essex IG1 1NQ	
Company number	Registered in England and Wales No. 955321	

Dear shareholder,

Results for the year

Sales for the 12 months to 30th June, 1996 were £16.0 million compared with £16.3 million in the 12 months to 30th June, 1995. Operating profit was £404,000, after an exceptional charge of £92,000 in respect of restructuring costs, compared with £237,000 the previous year. The accounts show a profit before tax of £606,000 compared with £433,000 in the 12 months to 30th June, 1995. The Board does not recommend a dividend payment for the year ended 30th June, 1996 (1995: nil).

The Company's cash reserves were £3.9 million at 30th June, 1996 compared with £4.1 million at 30th June, 1995.

Trading

Following a difficult first half in the UK, it is particularly pleasing to report a strong performance for the year as a whole. Operating profit continues to grow at a steady rate, almost doubling each year for the last three years. This year's improvement has been achieved despite the completion last year of a major contract in Africa. The overall margin has improved as the result of a shift towards higher margin products and costs have been carefully controlled.

As reported at the interim, the UK telephone equipment market was highly price competitive in the first half of the year with the cordless sector being particularly difficult. We, together with most of our competitors, lost share of the cordless market to BT which reduced the retail pricing of its key products in this sector of the market. To date, the action taken by BT as a result of the Oftel directive which requires it to cease unfair subsidies of its telephone equipment supply business has not been significant. However, our introduction of new products has enabled us to rebuild our market share in the second half of the year, particularly in the important cordless sector.

The telecoms market in Continental Europe has been particularly depressed and our performance there has been affected accordingly. Sales to our German distributor, although stronger in the second half than the first half, were disappointing. The level of European turnover was augmented towards the end of the year by the launch of a number of new telephone products through our distributor in France.

Outlook

It was announced on 1st July, 1996 that we had reached agreement with Amstrad plc to supply under licence all Amstrad, Sinclair, Fidelity and Integra branded audio, television, VCR, telecom and consumer products. The supply arrangements commenced on 1st August, 1996 and the licences will continue for a minimum period of three years. No capital payments have been made in respect of this transaction.

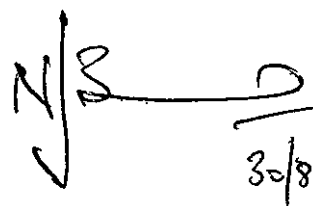
This initiative allows us to expand into related consumer markets and to use our existing infrastructure as a base to revitalise the Amstrad and Fidelity brands particularly in the UK retail market. We are in the process of assimilating some of the existing Amstrad management with relevant expertise into the Company. Two new product marketing groups, one for telecommunications and one for consumer products, have been set up to spearhead new product introductions with dedicated sales teams for each of the divisions.

We will continue to operate from our premises in Enfield but have decided to outsource our warehousing and distribution operation. This will enable us to expand our successful spares, customer care, helpline, quality control and after sales service activities to handle the increased scale of business.

This agreement represents a significant growth opportunity for the Company which can be financed from the Group's existing resources. However, this precludes the payment of a dividend at this stage although the Board intends to review the policy at the time of the next interim results.

From the consumers' viewpoint, the Amstrad name represents one of the strongest consumer electronics brands in Europe. We intend to use our strength in retail distribution to capitalise on this for the benefit of all our shareholders.

Norman Becker
Chairman



30/8/96

Following the resignation of Mr. D. Rogers as non-executive director, Mr. J. Samson, a director of Amstrad plc, was appointed a non-executive director of the Company. The directors believe that the Company's scale and resources are not sufficient at this time to justify the recruitment of an independent non-executive director who would be able to assume the role of Chairman.

As the Company has only one non-executive director, it is unable to comply with the recommendations contained within the Cadbury Code of Best Practice concerning the composition of sub-committees of the Board. The Board has two sub-committees, an audit committee and a remuneration committee, both of which are chaired by the non-executive director. The Chairman and Chief Executive is the other member of the audit committee and the finance director the other member of the remuneration committee.

After making enquiries, the directors have formed a judgement, at the time of approving the financial statements, that there is a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason, the directors continue to adopt the going concern basis in preparing the financial statements.

The directors are responsible for the Company's system of internal financial control. Although no system of internal financial control can provide absolute assurance against material misstatement or loss, the Company's system is designed to provide the directors with reasonable assurance that problems are identified on a timely basis and dealt with appropriately. Key procedures that have been established and are designed to provide effective financial control include:

- a monthly system of financial reporting, including comparisons against budget;
- appropriate authority limits for all transactions, including Board approval for major transactions;
- segregation of duties wherever practicable;
- arrangements to ensure the security of data on the Company's computer systems;
- clear documentation of all financial control procedures in the Company's procedures manual;
- audit committee's review of external and internal audit reports.

The Board has reviewed the effectiveness of the system of internal financial control for the accounting period and the period to the date of approval of the financial statements.

Other than the matters referred to above concerning the composition of the Board and its sub-committees, the Company complied with the Code of Best Practice throughout the period.

The directors have pleasure in presenting their report together with the audited financial statements for the year ended 30th June, 1996.

Principal activities

The principal activities of the Group are the design, development, marketing and distribution of telecommunication and other consumer electronic products.

Business review and future developments

A review of the Group's business and future developments is contained within the Chairman's statement on page 2.

Results and dividends

The profit for the year on ordinary activities before tax was £606,000 (1995: £433,000) and tax payable for the year was £31,000 (1995: £35,000). Full details are set out in the consolidated profit and loss account on page 10 of these financial statements.

The directors do not recommend the payment of a dividend (1995: nil)

Research and development

The Group carries out research and development as part of its day to day activities in relation to its products according to the markets in which it operates. Details of research and development expenditure are set out in note 3 to the financial statements.

Share capital

Details of issued share capital are given in note 16 to the financial statements.

Directors and their interests

The directors of the Company who held office during the year and their interests in the share capital of the Company at 30th June, 1996 are included in the report of the remuneration committee on pages 6 and 7.

Post balance sheet event

On 1st August, 1996 the Company began to supply under licence Amstrad, Sinclair, Fidelity and Integra branded audio, television, VCR, telecom and household consumer products. More information is contained in the Chairman's statement and in note 23 to the financial statements.

Substantial interests

The directors are not aware of any shareholders beneficially interested in three per cent. or more of the issued share capital of the Company at 30th June, 1996 or at 23rd August, 1996, save as disclosed below:

	30th June, 1996		23rd August, 1996	
	Ordinary shares of 10p each	Percentage of share of capital	Ordinary shares of 10p each	Percentage of share of capital
Amstrad plc	44,073,109	66.17%	44,073,109	66.02%
Binatone Holdings Limited*	5,278,247	7.92%	5,278,247	7.91%
Binatone International Holdings Limited*	485,000	0.73%	485,000	0.73%
Mr. Gulu Lalvani*	100,000	0.15%	100,000	0.15%

*under common control

Supplier payment policy

It is the Company's normal practice to pay suppliers promptly provided that the suppliers meet their obligations.

Auditors

On 1st February, 1996 our auditors changed the name under which they practise to Deloitte & Touche and, accordingly they have signed their report in their new name. A resolution to re-appoint Deloitte & Touche as auditors and to authorise the directors to fix their remuneration will be proposed at the annual general meeting.

By order of the Board

Paul Jacobs
Secretary

30th August, 1996

A handwritten signature in black ink, appearing to read 'P. Jacobs', with a long, sweeping horizontal line extending from the bottom of the signature.

The remuneration committee of the Board has pleasure in submitting its report for the year ended 30th June, 1996. Except as described below, the Company has complied with Section A of the best practice provisions concerning directors' remuneration annexed to The London Stock Exchange's listing rules.

Composition of the committee

The committee comprises the non-executive director and the finance director and is chaired by the non-executive director. The Company is unable to comply with the best practice provisions which require that remuneration committees consist exclusively of non-executive directors.

Remuneration policy

In framing its remuneration policy, the committee has given full consideration to section B of the best practice provisions annexed to the listing rules. The committee has ensured that the total remuneration packages of the executive directors, which are reviewed annually, are structured to attract, retain and motivate directors of the quality required to ensure the Company is managed successfully for the benefit of shareholders. Consideration is given to pay and employment conditions in other companies.

Performance related bonuses

Executive directors participate in the Company's bonus scheme which rewards performance based on achievement in relation to budgeted levels of profitability and return on capital employed. Budgets, which are prepared annually, are stretching and are designed to enhance the business.

Directors' emoluments

The emoluments of the directors, excluding pension contributions, for the year ended 30th June, 1996 were as follows:

	Salary £'000	Benefits in kind £'000	Performance related bonuses £'000	Total for year ended 30th June, 1996 £'000	Total for year ended 30th June, 1995 £'000
N. J. Becker	83	10	37	130	119
P. L. A. Jacobs	68	7	24	99	76
P. R. Thorndyke	57	6	25	88	70
A. T. Burns	39	6	—	45	44
K. Ashcroft	—	—	—	—	10

Mr. Becker is the Chairman and the highest paid director. No fees were paid for the services of Mr. Rogers and Mr. Samson. Pension contributions of £4,095, £3,433 and £2,360 were made in respect of Mr. Jacobs, Mr. Thorndyke and Mr. Burns respectively (1995: £3,985, £3,341 and £2,213).

Compensation for directors' loss of office amounted to £42,488 (1995: £7,500). This amount was payable to Mr. A. Burns (1995: Mr. K. Ashcroft).

Mr. Becker and Mr. Thorndyke have continuous service contracts subject to 12 months' notice. The Company has not been informed of any contract during the period in which any director of the Company had a material interest.

Directors and their shareholdings

The directors of the Company, who held office during the year, and their interests in the share capital of the Company at 30th June, 1996 were as follows:

	<i>Ordinary shares of 10p each</i>	
	<i>30th June, 1996 (or date of resignation)</i>	<i>1st July, 1995 (or date of appointment)</i>
N. J. Becker	—	—
P. L. A. Jacobs	10,000	10,000
P. R. Thorndyke	5,600	5,600
D. C. W. Rogers (resigned 12th January, 1996)	—	—
A. T. Burns (resigned 11th March, 1996)	—	—
J. E. Samson (appointed 25th March, 1996)	—	—

Mr. Jacobs will be resigning as a director of the Company on 6th September, 1996. There were no changes in directors' interests during the period from 30th June, 1996 to 23rd August, 1996.

Mr. Samson has many years experience working with Plessey Company plc, Standard Telephones and Cables plc (where he was a main board director) and General Electric Company plc (where he was Managing Director Hotpoint from 1983 to 1989), a member of GEC Management Board (1984 to 1989) and Managing Director GEC Consumer Products Group (1985 to 1989). Mr. Samson was Group Managing Director of Yale and Valor plc between 1989 and 1991 and is a non-executive director of a number of companies including Amstrad plc and Moss Bros Group plc.

Directors' share options

The Company believes that the holding of options by executive directors strengthens the link between their personal interests and those of shareholders.

All employees of the Company, including executive directors, are potential beneficiaries of the 1988 Executive Share Option Scheme. The granting of options is limited to a period of six weeks from the dealing day following the announcement by the Company of its annual or half-yearly results. The options are not transferable and no price is paid for the grant of an option.

The following options to subscribe for shares have been granted to directors:

	<i>Date of grant</i>	<i>No. of shares</i>	<i>Option price</i>	<i>Exercisable after</i>	<i>Exercisable to</i>
N. J. Becker	14.03.94	750,000	15p	14.03.97	14.03.04
N. J. Becker	20.03.96	450,000	11.5p	20.03.99	20.03.06
P. R. Thorndyke	26.10.88	80,000	60p	—	26.10.98
P. R. Thorndyke	14.03.94	250,000	15p	14.03.97	14.03.04
P. R. Thorndyke	20.03.96	250,000	11.5p	20.03.99	20.03.06
P. L. A. Jacobs	30.04.90	80,000	19p	—	06.09.97
P. L. A. Jacobs	14.03.94	250,000	15p	06.09.96	14.09.97
P. L. A. Jacobs	20.03.96	250,000	11.5p	06.09.96	20.09.99

No options were exercised by directors during the year. The mid-market price of the Company's shares during the year ranged from 9.5p to 14.5p and was 14.5p at the year end.

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 Company and the Group and of the profit or loss of the Group 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 Group 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 the Group 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 the Group and hence for taking steps for the prevention and detection of fraud and other irregularities.

We have audited the financial statements on pages 10 to 21, which have been prepared under the accounting policies set out on page 14, and the detailed information disclosed in respect of any directors' remuneration, share options and bonus schemes set out in the report of the remuneration committee on pages 6 and 7.

Respective responsibilities of directors and auditors

As described on page 8, 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 and the Group'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 and the Group as at 30th June, 1996 and of the profit of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche

Deloitte & Touche
Chartered Accountants
and Registered Auditors
Hill House
1 Little New Street
London EC4A 3TR

Deloitte & Touche

30th August, 1996

Consolidated profit and loss account**Betacom Plc**

		<i>Year ended 30th June, 1996 £'000</i>	<i>Year ended 30th June, 1995 £'000</i>
	<i>Note</i>		
Turnover from continuing operations	2	16,025	16,334
Cost of sales		<u>(13,336)</u>	<u>(13,682)</u>
Gross profit		2,689	2,652
Distribution costs		<u>(859)</u>	<u>(939)</u>
Administrative expenses		<u>(1,426)</u>	<u>(1,476)</u>
Net operating expenses		<u>(2,285)</u>	<u>(2,415)</u>
Operating profit from continuing operations	3	404	237
Profit on sale of fixed assets		<u>—</u>	<u>64</u>
Profit on ordinary activities before interest		404	301
Interest receivable		<u>202</u>	<u>132</u>
Profit on ordinary activities before taxation		606	433
Tax on profit on ordinary activities	6	<u>(31)</u>	<u>(35)</u>
Profit for the financial year transferred to reserves	7	<u>575</u>	<u>398</u>
Earnings per share	8	<u>0.86p</u>	<u>0.60p</u>

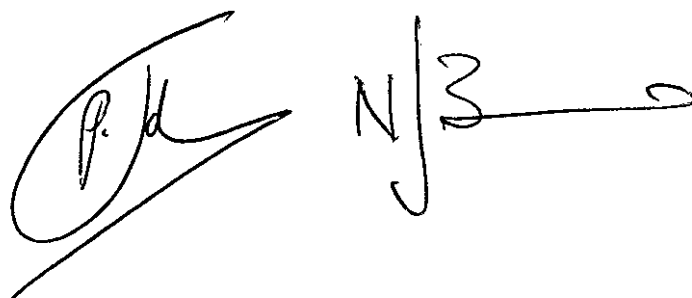
There are no recognised gains or losses other than those included within the profit and loss account.

Consolidated balance sheet**Betacom Plc**

		30th June, 1996 £'000	30th June, 1995 £'000
	Note		
Fixed assets			
Tangible assets	9	<u>549</u>	<u>847</u>
Current assets			
Stocks	11	3,666	3,517
Debtors	12	3,505	2,518
Cash at bank and in hand	13	<u>3,871</u>	<u>4,099</u>
		<u>11,042</u>	<u>10,134</u>
Creditors: amounts falling due within one year	14	<u>(1,562)</u>	<u>(1,626)</u>
Net current assets		<u>9,480</u>	<u>8,508</u>
Total assets less current liabilities		10,029	9,355
Provisions for liabilities and charges	15	<u>(233)</u>	<u>(134)</u>
Net assets		<u>9,796</u>	<u>9,221</u>
Equity shareholders' funds			
Called up share capital	16	6,660	6,660
Share premium account	17	96	96
Profit and loss account	17	<u>3,040</u>	<u>2,465</u>
	18	<u>9,796</u>	<u>9,221</u>

The financial statements were approved by the board of directors on 30th August, 1996.

N. J. Becker
P. L. A. Jacobs
Directors

The image shows two handwritten signatures. The signature on the left is a stylized, cursive signature, likely belonging to N. J. Becker. The signature on the right is a more formal, blocky signature, likely belonging to P. L. A. Jacobs.

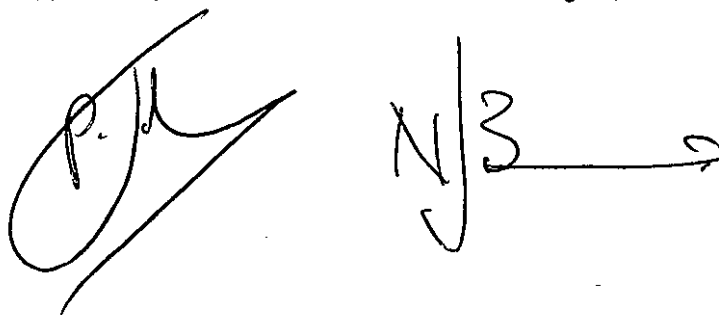
Company balance sheet

Betacom Plc

	Note	30th June, 1996 £'000	30th June, 1995 £'000
Fixed assets			
Tangible assets	9	549	715
Investments	10	68	68
		<u>617</u>	<u>783</u>
Current assets			
Stocks	11	3,666	3,517
Debtors	12	3,505	2,518
Cash at bank and in hand	13	3,871	4,099
		<u>11,042</u>	<u>10,134</u>
Creditors: amounts falling due within one year	14	<u>(1,633)</u>	<u>(1,697)</u>
Net current assets		<u>9,409</u>	<u>8,437</u>
Total assets less current liabilities		10,026	9,220
Provisions for liabilities and charges	15	<u>(233)</u>	<u>(134)</u>
Net assets		<u>9,793</u>	<u>9,086</u>
Called up share capital	16	6,660	6,660
Share premium account	17	96	96
Special capital reserve	17	1,198	1,198
Profit and loss account	17	<u>1,839</u>	<u>1,132</u>
Equity shareholders' funds		<u>9,793</u>	<u>9,086</u>

The financial statements were approved by the board of directors on 30th August, 1996.

N. J. Becker
P. L. A. Jacobs
Directors



Consolidated cash flow statement

Betacom Plc

		Year ended 30th June, 1996 £'000	Year ended 30th June, 1995 £'000
	Note		
Net cash (outflow)/inflow from operating activities	19	(422)	490
Net cash inflow from returns on investments		202	139
UK corporation tax (paid)/received		(25)	24
Purchase of tangible fixed assets		(278)	(285)
Sale of tangible fixed assets		295	298
Net cash inflow from investing activities		17	13
(Decrease)/increase in cash and cash equivalents	20	(228)	666

1. Accounting policies

- (a) The financial statements are prepared in accordance with the historical cost convention and in accordance with applicable accounting standards.
- (b) Turnover comprises invoiced sales and services less returns and VAT.
- (c) (i) Fixed assets are capitalised at cost; and
- (ii) Short leasehold premises and improvements are amortised over the period of the lease. Other tangible fixed assets are depreciated over their estimated useful lives as follows:

	<i>Rate p.a.</i>	<i>Method</i>
Freehold buildings	3%	Straight line
Special tools	50%	Straight line
Fixtures, fittings, office equipment and motor vehicles	25%	Straight line

- (d) Stock is stated at the lower of cost and net realisable value.
- (e) The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Deferred taxation is provided where it is considered probable that a liability will crystallise.
- (f) The results for the Group comprise the results of the Company and its subsidiary undertakings up to 30th June, 1996. Goodwill arising on consolidation, which is the excess of the fair value of the consideration paid over the fair value of the net assets acquired, is written off directly to reserves. Assets of companies acquired are incorporated in the consolidated financial statements at their fair value to the Group.
- (g) Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction except where a transaction is covered by a related or matching forward contract in which case the rate of exchange specified in the contract is used. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date, or where appropriate the rate of exchange specified in a related or forward contract, and the gains and losses on translation are included in the profit and loss account.
- (h) Research and development expenditure is written off as incurred except for expenditure on specific development projects which is carried forward if its recoverability can be foreseen with reasonable assurance. Any expenditure carried forward is amortised in relation to the sales from specific projects. The directors consider this treatment results in proper matching of costs and revenue.
- (i) Provision is made for costs relating to anticipated sales returns of products within their warranty period.

2. Turnover

All turnover derives from continuing operations and from one class of business. An analysis of turnover by geographical destination is as follows:

	<i>Year ended 30th June, 1996 £'000</i>	<i>Year ended 30th June, 1995 £'000</i>
UK	14,025	11,842
Other European countries	1,884	2,097
Africa	116	2,395
	<u>16,025</u>	<u>16,334</u>

3. Operating profit from continuing operations

Operating profit from continuing operations is stated after charging the following:

	<i>Year ended 30th June, 1996 £'000</i>	<i>Year ended 30th June, 1995 £'000</i>
Depreciation of tangible fixed assets	272	246
Research and development expenditure	118	148
Operating leases: land and buildings	82	72
Auditors' remuneration and expenses—audit work	24	22
Auditors' remuneration and expenses—other	7	6
Directors' emoluments excluding pension contributions	362	319
Pension contributions in respect of directors	10	10
Restructuring costs	92	—

4. Emoluments of directors

The emoluments, including bonus payments of £86,041 (1995: £47,000) but excluding pension contributions, of the directors were within the following ranges:

	<i>Year ended 30th June, 1996 No.</i>	<i>Year ended 30th June, 1995 No.</i>
£ 0 — £ 5,000	2	1
£ 5,001 — £ 10,000	—	1
£ 40,001 — £ 45,000	—	1
£ 45,001 — £ 50,000	1	—
£ 70,001 — £ 75,000	—	1
£ 75,001 — £ 80,000	—	1
£ 85,001 — £ 90,000	1	—
£ 95,001 — £100,000	1	—
£115,001 — £120,000	—	1
£125,001 — £130,000	1	—

Details of directors' emoluments and directors' share options are included in the report of the remuneration committee.

5. Staff numbers and costs

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

	<i>Year ended 30th June, 1996 No.</i>	<i>Year ended 30th June, 1995 No.</i>
Administration	19	20
Sales and marketing	6	6
Warehousing, service and distribution	27	30
Technical and product management	6	8
	<u>58</u>	<u>64</u>

The aggregate payroll costs of these persons were as follows:

	<i>Year ended 30th June, 1996 £'000</i>	<i>Year ended 30th June, 1995 £'000</i>
Wages and salaries, including bonuses	1,165	1,176
Social security costs	104	114
Other pension costs	28	10
	<u>1,297</u>	<u>1,300</u>

6. Tax on profit on ordinary activities

	<i>Year ended 30th June, 1996 £'000</i>	<i>Year ended 30th June, 1995 £'000</i>
Tax based on the profit on ordinary activities for the year:		
UK corporation tax at 33% (1995: 33%)	34	33
Adjustments in respect of prior years	(3)	2
	<u>31</u>	<u>35</u>

The tax charge is low in the year due to the availability of brought forward losses.

7. Profit for the year

In accordance with the exemption allowed by Section 230(4) of the Companies Act 1985, the Company has not presented its own profit and loss account. Of the profit for the year, £707,000 has been dealt with in the financial statements of the Company (1995: £398,000).

8. Earnings per share

The earnings per share has been based on the profit for the year after taxation and on the number of shares in issue during the year of 66,602,608 (1995: 66,602,608). There would be no material dilution of earnings per share if the share options were exercised.

9. Tangible fixed assets

	<i>Freehold property and improvements £'000</i>	<i>Short leasehold property and improvements £'000</i>	<i>Motor vehicles £'000</i>	<i>Fixtures, fittings, tools and equipment £'000</i>	<i>Total £'000</i>
Group					
<i>Cost</i>					
At 1st July, 1995	614	330	199	1,756	2,899
Additions	—	—	122	156	278
Disposals	(614)	—	(157)	(1)	(772)
At 30th June, 1996	<u>—</u>	<u>330</u>	<u>164</u>	<u>1,911</u>	<u>2,405</u>
<i>Depreciation</i>					
At 1st July, 1995	389	179	75	1,409	2,052
Charge for the year	—	15	51	206	272
Disposals	(389)	—	(78)	(1)	(468)
At 30th June, 1996	<u>—</u>	<u>194</u>	<u>48</u>	<u>1,614</u>	<u>1,856</u>
<i>Net book value</i>					
At 30th June, 1996	<u>—</u>	<u>136</u>	<u>116</u>	<u>297</u>	<u>549</u>
At 30th June, 1995	<u>225</u>	<u>151</u>	<u>124</u>	<u>347</u>	<u>847</u>
Company					
<i>Cost</i>					
At 1st July, 1995	488	330	199	1,762	2,779
Additions	—	—	122	156	278
Disposals	(488)	—	(157)	(1)	(646)
At 30th June, 1996	<u>—</u>	<u>330</u>	<u>164</u>	<u>1,917</u>	<u>2,411</u>
<i>Depreciation</i>					
At 1st July, 1995	395	179	75	1,415	2,064
Charge for the year	—	15	51	206	272
Disposals	(395)	—	(78)	(1)	(474)
At 30th June, 1996	<u>—</u>	<u>194</u>	<u>48</u>	<u>1,620</u>	<u>1,862</u>
<i>Net book value</i>					
At 30th June, 1996	<u>—</u>	<u>136</u>	<u>116</u>	<u>297</u>	<u>549</u>
At 30th June, 1995	<u>93</u>	<u>151</u>	<u>124</u>	<u>347</u>	<u>715</u>

10. Investments

Investments of the Company at 30th June, 1996 and 30th June, 1995 comprise shares in subsidiary undertakings at cost of £607,000 less provisions of £539,000. None of the subsidiary undertakings of the Company traded during the year. The trade of one of the subsidiary undertakings, Answercall Limited, is conducted by Betacom Plc which is the appointed agent of Answercall Limited. All of the subsidiary undertakings are wholly owned by Betacom Plc.

11. Stocks

All stocks of the Group and the Company at 30th June, 1996 and 30th June, 1995 comprise finished goods and goods for resale.

12. Debtors

	<i>Group</i>		<i>Company</i>	
	<i>30th June, 1996</i>	<i>30th June, 1995</i>	<i>30th June, 1996</i>	<i>30th June, 1995</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Trade debtors	3,311	1,967	3,311	1,967
Amounts due from parent company	30	445	30	445
Other debtors	65	50	65	50
Prepayments and accrued income	99	56	99	56
	<u>3,505</u>	<u>2,518</u>	<u>3,505</u>	<u>2,518</u>

13. Cash at bank and in hand

Specific charges over the Company's cash deposits have been granted to Lloyds Bank, the amount of these charges being limited to the value of documentary credits less an agreed overdraft facility and other credit lines made available at any time.

14. Creditors: amounts falling due within one year

	<i>Group</i>		<i>Company</i>	
	<i>30th June, 1996</i>	<i>30th June, 1995</i>	<i>30th June, 1996</i>	<i>30th June, 1995</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Trade creditors	898	748	898	748
Amounts owed to subsidiary undertakings	—	—	71	71
Corporation tax payable	39	33	39	33
Other taxes and social security	243	313	243	313
Accruals and deferred income	382	532	382	532
	<u>1,562</u>	<u>1,626</u>	<u>1,633</u>	<u>1,697</u>

15. Provisions for liabilities and charges

Provisions, which are in respect of goods returned under warranty, were as follows for the Group and Company:

	30th June, 1996 £'000	30th June, 1995 £'000
At 1st July, 1995	134	132
Provided in the year	99	2
At 30th June, 1996	<u>233</u>	<u>134</u>

The amount of potential deferred tax not provided is nil (1995: nil). The Company has losses of approximately £3.5 million at 30th June, 1996 (1995: £4.0 million) to be carried forward for tax purposes against future profits.

16. Share capital

	30th June, 1996		30th June, 1995	
	No.	£'000	No.	£'000
<i>Authorised:</i>				
Ordinary shares of 10p each	88,122,793	8,812	88,122,793	8,812
<i>Allotted, issued and fully paid:</i>				
Ordinary shares of 10p each	66,602,608	6,660	66,602,608	6,660

The following options to subscribe for shares have been granted under the Company's 1988 Employee Share Option Scheme and were outstanding at 30th June, 1996:

Date of grant	No. of ordinary shares		Option price	Exercisable after	Exercisable to
	Directors	Others			
26th October, 1988	—	80,000	60p	—	11th March, 1997
26th October, 1988	80,000	24,000	60p	—	26th October, 1998
30th April, 1990	80,000	—	19p	—	6th September, 1997
14th March, 1994	1,000,000	400,000	15p	14th March, 1997	14th March, 2004
14th March, 1994	250,000	—	15p	6th September, 1996	14th September, 1997
14th March, 1994	—	200,000	15p	—	14th September, 1997
2nd November, 1994	—	48,000	8p	—	2nd May, 1998
20th March, 1996	700,000	300,000	11.5p	20th March, 1999	20th March, 2006
20th March, 1996	250,000	—	11.5p	6th September, 1996	20th September, 1999

Options over 100,000 ordinary shares lapsed during the year. Since the year end, options over 150,000 shares have been exercised at the option price of 15p.

17. Reserves

	Share premium account £'000	Special capital reserve £'000	Profit and loss account £'000	Total £'000
Group				
At 1st July, 1995	96	—	2,465	2,561
Profit for the financial year	—	—	575	575
At 30th June, 1996	96	—	3,040	3,136
Accumulated goodwill written off against reserves	—	1,198	39	1,237
Company				
At 1st July, 1995	96	1,198	1,132	2,426
Profit for the financial year	—	—	707	707
At 30th June, 1996	96	1,198	1,839	3,133

18. Reconciliation of movements in shareholders' funds

	Year ended 30th June, 1996 £'000	Year ended 30th June, 1995 £'000
At 1st July, 1995	9,221	8,823
Profit for the year	575	398
At 30th June, 1996	9,796	9,221

19. Reconciliation of operating profit from continuing operations to net cash (outflow)/inflow from operating activities

	Year ended 30th June, 1996 £'000	Year ended 30th June, 1995 £'000
Operating profit from continuing operations	404	237
Depreciation	272	246
Loss on sale of tangible fixed assets	9	—
Increase in stocks	(149)	(3)
(Increase)/decrease in debtors	(987)	491
Decrease in creditors	(70)	(483)
Increase in provisions	99	2
Net cash (outflow)/inflow from operating activities	(422)	490

20. Analysis of changes in cash and cash equivalents during the year

	Year ended 30th June, 1996 £'000	Year ended 30th June, 1995 £'000
At 1st July, 1995	4,099	3,433
Net cash (outflow)/inflow	(228)	666
At 30th June, 1996	3,871	4,099

21. Financial commitments

(a) Capital commitments

There was no capital expenditure contracted for but not provided in these financial statements (1995: nil). There were no contracted commitments, other than those provided in the financial statements (1995: nil).

(b) Operating lease commitments

Amounts due by the Group and the Company within one year under operating leases on land and buildings which expire after five years was £74,000 at 30th June, 1996 (1995: £75,000).

(c) Guarantees

The Company has granted a guarantee and indemnity to Amstrad plc and General Surety and Guarantee Company Limited for a total of £700,000 in respect of the deferment of duty and VAT payments to HM Customs and Excise on the importation of products into the UK.

22. Related party transactions

Sales of telecoms products to Amstrad plc during the year amounted to £1,814,000 (1995: £1,983,000). Purchases of telecoms products from Amstrad plc during the year amounted to £365,000 (1995: nil). The amount due from Amstrad plc at 30th June, 1996 was £30,000 (1995: £445,000).

23. Post balance sheet event

It was announced on 1st July, 1996 that the Company had reached agreement with Amstrad plc to supply under licence all Amstrad, Sinclair, Fidelity and Integra branded audio, television, VCR, telecom and household consumer products. The supply arrangements commenced on 1st August, 1996 and the licences will continue for a minimum period of three years. No capital payments have been made in respect of this transaction.

24. Ultimate parent company

The Company is a subsidiary undertaking of Amstrad plc, which is its ultimate parent company and is registered in England and Wales. The largest group in which the accounts of the Company are consolidated is that headed by Amstrad plc. The consolidated accounts are available to the public and may be obtained from Brentwood House, 169 Kings Road, Brentwood, Essex CM14 4EF.

Financial record**Betacom Plc**

	<i>Year ended</i>	<i>Year ended</i>	<i>Year ended</i>	<i>Year ended</i>	<i>Six months</i>
	<i>30th June,</i>	<i>30th June,</i>	<i>30th June,</i>	<i>30th June,</i>	<i>ended</i>
	<i>1996</i>	<i>1995</i>	<i>1994</i>	<i>1993</i>	<i>30th June,</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>1992</i>
					<i>£'000</i>
Profit and loss account					
Turnover from continuing operations	<u>16,025</u>	<u>16,334</u>	<u>13,524</u>	<u>12,088</u>	<u>4,246</u>
Gross profit/(loss)	2,689	2,652	2,168	2,141	(799)
Net operating expenses	<u>(2,285)</u>	<u>(2,415)</u>	<u>(2,030)</u>	<u>(2,084)</u>	<u>(2,718)</u>
Operating profit/(loss) from continuing operations	404	237	138	57	(3,517)
Profit/(loss) on sale of fixed assets	—	64	(55)	213	—
Share of losses of associated undertakings	—	—	—	—	(175)
Net interest receivable/(payable)	<u>202</u>	<u>132</u>	<u>120</u>	<u>246</u>	<u>(226)</u>
Profit/(loss) before taxation	606	433	203	516	(3,918)
Taxation	<u>(31)</u>	<u>(35)</u>	<u>—</u>	<u>107</u>	<u>61</u>
Profit/(loss) after taxation	575	398	203	623	(3,857)
Dividends	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Retained profit/(deficit) for the period	<u>575</u>	<u>398</u>	<u>203</u>	<u>623</u>	<u>(3,857)</u>
Earnings/(loss) per share	<u>0.86p</u>	<u>0.60p</u>	<u>0.30p</u>	<u>0.83p</u>	<u>(12.38p)</u>
Capital employed					
Fixed assets	549	847	1,042	833	1,718
Net operating assets/(liabilities)	<u>9,247</u>	<u>8,374</u>	<u>7,781</u>	<u>7,787</u>	<u>(126)</u>
Net assets	<u>9,796</u>	<u>9,221</u>	<u>8,823</u>	<u>8,620</u>	<u>1,592</u>
Financed by					
Share capital	6,660	6,660	6,660	6,660	3,116
Reserves	<u>3,136</u>	<u>2,561</u>	<u>2,163</u>	<u>1,960</u>	<u>(1,524)</u>
Equity shareholders' funds	<u>9,796</u>	<u>9,221</u>	<u>8,823</u>	<u>8,620</u>	<u>1,592</u>

NOTICE IS HEREBY GIVEN that the eighth annual general meeting of the Company will be held at Unit 1, Ponders End Industrial Estate, Duck Lees Lane, Enfield, Middlesex EN3 7TQ on 27th September, 1996 at 11.00 a.m. for the transaction of the following business:

Ordinary business

1. To receive and adopt the financial statements of the Company for the year ended 30th June, 1996 and the reports of the directors and auditors thereon.
2. To re-appoint Deloitte & Touche as auditors of the Company and to authorise the directors to fix their remuneration.

Special business

To consider and, if thought fit, pass the following resolutions of which resolution numbered 3 will be proposed as an ordinary resolution and resolution numbered 4 will be proposed as a special resolution:

3. That the directors be and are hereby generally and unconditionally authorised pursuant to section 80 of the Companies Act 1985 to exercise the power of the Company to allot relevant securities (within the meaning of section 80 of the Companies Act 1985) up to an aggregate nominal amount of £2,152,018 on and subject to such terms as the directors shall determine provided that this authority shall expire on the date of the next annual general meeting of the Company after the passing of this resolution, save that the Company may before such expiry make any offer or agreement which would or might require relevant securities to be allotted after such expiry and the directors may allot relevant securities in pursuance of such offer or agreement as if the authority conferred hereby had not expired.
4. That the directors be and they are hereby further empowered pursuant to section 95 of the Companies Act 1985 to allot equity securities (within the meaning of section 94 of that Act) pursuant to the authority referred to in resolution 3 of the notice of this meeting as if section 89(1) of the Companies Act 1985 did not apply to such allotment provided that this power shall be limited;
 - (a) to the allotment of equity securities as aforesaid in connection with a rights issue, where it is, in the opinion of the directors, reasonably necessary or expedient to allot equity securities (as aforesaid) otherwise than in accordance with section 89(1) of the Companies Act 1985 for the purpose of dealing with fractional entitlements or legal or practical problems under the laws of any territory or the requirements of any recognised regulatory body in any territory; and
 - (b) to the allotment (otherwise than pursuant to sub-paragraph (a) above) of equity securities (as aforesaid) up to an aggregate nominal value of £330,000.

provided that the authority hereby conferred shall expire on the date of the next annual general meeting of the Company after the passing of this resolution, save that the Company may before such expiry make an offer or agreement which would or might require equity securities (as aforesaid) to be allotted after such expiry and the directors may allot equity securities (as aforesaid) in pursuance of such an offer or agreement as if the power conferred hereby had not expired.

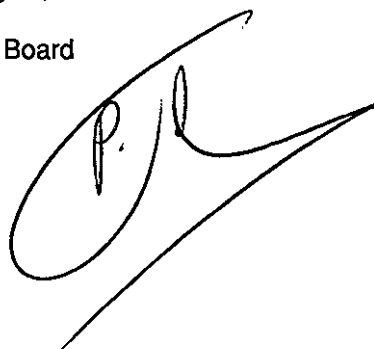
Notes:

1. A member entitled to attend and vote at the annual general meeting may appoint one or more proxies to attend and, on a poll, to vote in his/her place. A proxy need not be a member of the Company.
2. To be valid, an instrument of proxy and any power of attorney under which it is signed (or a notarially certified copy thereof) must (failing previous registration with the Company) be lodged with the Company's registrars, Independent Registrars Group Limited, Balfour House, 390/398 High Road, Ilford, Essex IG1 1NQ at least 48 hours before the time appointed for holding the meeting.
3. Completion and return of a proxy does not preclude a member from subsequently attending and voting in person at the annual general meeting.
4. There will be available for inspection at the registered office of the Company during normal business hours on any weekday (Saturdays and public holidays excluded) from the date of this notice until the date of the annual general meeting, the register of directors' interests in the capital of the Company together with copies of all service contracts between the directors and the Company.

Dated 30th August, 1996

By order of the Board

Paul Jacobs
Secretary

A handwritten signature in black ink, appearing to be 'P. Jacobs', written over a large, stylized, sweeping line that extends from the left and curves upwards and to the right.

Registered office:
Unit 1
Ponders End Industrial Estate
Duck Lees Lane
Enfield
Middlesex
EN3 7TQ

Betacom Plc

FORM OF PROXY

I/We
being (a) member(s) of Betacom Plc hereby appoint the chairman of the meeting (see note 1) or

.....
as my/our proxy to vote for me/us and on my/our behalf at the annual general meeting of the Company to be held on Friday, 27th September, 1996 and at any adjournment thereof. This proxy is to be used as follows:

RESOLUTIONS	FOR	AGAINST
1. To receive and adopt the financial statements for the year ended 30th June, 1996 and the directors' and auditors' reports thereon.	<input type="checkbox"/>	<input type="checkbox"/>
2. To re-appoint Deloitte & Touche as auditors of the Company and to authorise the directors to fix their remuneration.	<input type="checkbox"/>	<input type="checkbox"/>
3. To give the directors authority, until the next annual general meeting, to allot shares.	<input type="checkbox"/>	<input type="checkbox"/>
4. To disapply pre-emption rights (special resolution).	<input type="checkbox"/>	<input type="checkbox"/>

Signature Date

Notes:

1. If you wish to appoint some other person, please insert his/her name and address, initial the insertion and strike out the words "chairman of the meeting".
2. Please indicate with an X how you wish your vote to be cast. Unless otherwise instructed, the proxy will vote or abstain as he/she thinks fit.
3. A corporation proxy must be executed under its Common Seal or under the hand of a duly appointed officer or attorney.
4. To be valid, this proxy must be lodged with the Registrar not less than 48 hours before the time fixed for the meeting.
5. In the case of joint holders, the signature of any one holder will be sufficient but the names of all joint holders should be stated.
6. Completion and return of the form of proxy will not preclude ordinary shareholders attending and voting at the meeting should they subsequently decide to do so.

Second fold

BUSINESS REPLY SERVICE
LICENCE No. IY 592

2



Independent Registrars Group Limited
Balfour House
390/398 High Road
Ilford
Essex
IG1 1BR

First fold

Third fold and tuck in op