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1990 was a year of change for Betacom. In the face of the difficult UK retail scene, sales were maintained, the cordless Venture telephone was launched to become one of Britain's leading models and a positive cash flow was produced. But the results were bad as they reflect the new management's decision to provide for the costs of restructuring the business.

The loss after tax for the year to 31 December 1990 was £2.2 million (7.05 pence per share) on sales of £16.6 million. This compares with a profit of £260,000 (0.84 pence per share) on similar sales of £16.5 million in 1989. In addition a provision for extraordinary costs of £653,000 (£607,000 in 1989) has been made.

A small operating profit was made in the second half of the year. But the year had revealed that some of the older products were becoming difficult to sell and only half the stock of fax machines had been sold following the decision to vacate that market place. In addition the development and approval of new models — telephones and answering machines — for the United Kingdom, Germany and Holland, had taken far longer than expected and had incurred cost penalties. At the end of the year the board decided to restructure the business.

Staff numbers were reduced and more than £750,000 was written off the value of old stock. This is being liquidated in 1991.

A hard look was taken at the potential sales of the new models being developed and, as a result, over £1 million was written off the development and tooling costs that had been capitalised. The board believes that the costs now carried forward will be recovered in the first two years of the new products' lives. Those exceptional costs totalled nearly £2 million.

The remaining stock of fax machines was written down by £1 million — this is shown as an extraordinary provision and was liquidated by the end of March 1991.

The chairman/chief executive, Mr Dennis Baylin, and the technical director, Mr Steve Birch, resigned in January 1991. I was appointed chairman and a new managing director, Mr David Wallace, joined us on 30 January. Clear objectives have been set and a strategy to recover the business is being developed. More than twenty new products will be launched in the next six months. These will ensure that the Company is well positioned to take advantage of any economic upturn when it comes; and will

provide the basis for the development of its joint ventures in continental Europe.

Mr Steve Birch, the technical director who resigned in January 1991, established Global Telecommunications Limited in 1983 and sold that company to Betacom in 1988. As technical director he increased the technical facilities substantially and managed the development of the new products over the last two years.

Mr Dennis Baylin founded Betacom in 1969 initially to trade in general merchandise. He had some success with calculators and then with electronic watches; but real success was achieved when he spotted the opportunity emerging in telecommunications in the UK. Betacom's first telephone for the retail market was approved in 1984 and the Company was quickly established as a significant force in the marketplace. Dennis managed spectacular growth in the Company under the wing of Cannon Street Investments and, as chairman and chief executive, took it public in 1988.

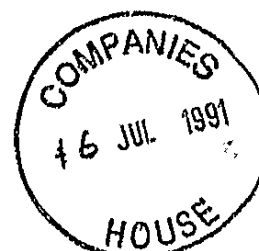
Subsequent results have been very disappointing to him and caused him to resign in January 1991. He leaves a company with no overdraft and significant new products about to be launched. We all owe him a debt. He will be sorely missed.

The people who work for Betacom have had a difficult year. Trading has been tough and the numbers employed have been reduced significantly. The resignation of the founder — and some of the staff have been with Dennis for 15 years — must have been a blow. But all staff have shown great resilience and I wish to record my appreciation of their performance.

The directors are recommending that no dividend be paid. Shareholders are being asked to approve a reduction in the share premium account which, when confirmed by the High Court, will then be applied to eliminate the deficit on the profit and loss account and place the Company in a position to consider recommending the payment of dividends in respect of future earnings.

Trading in the first quarter of 1991 is in accordance with the plan produced in January.

Roger Rowland
Chairman



The directors have pleasure in presenting their report together with the audited financial statements for the year ended 31 December 1990.

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 1.

Results and dividends

The loss for the year was £2,440,000 (1989—profit £278,000) before tax credit of £242,000 (1989—charge £18,000) and extraordinary charges of £653,000 (1989—£607,000). The loss for the year is after exceptional charges of £1,995,000 (1989—£500,000). Full details are set out in the consolidated profit and loss account on page 4 of these financial statements.

The directors are unable to recommend the payment of a dividend.

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 development expenditure are set out in note 14 to the financial statements.

Share capital

Details of the issued share capital are given in note 21 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 31 December 1990 were as follows:

	Ordinary shares of 10p each		Options over ordinary shares of 10p each	
	31 Dec 1990	1 Jan 1990	31 Dec 1990	1 Jan 1990
RS Rowland	5,000	5,000	—	—
PR Thorndyke	5,600	600	100,000	100,000
NP Salomon	5,500	500	100,000	100,000
PLA Jacobs	10,000	—	100,000	—
ID Pratt	1,000	1,000	—	—
DM Baylin (resigned 9 January 1991)	821,000	101,000	1,000,000	1,000,000
SP Birch (resigned 16 January 1991)	17,000	12,000	100,000	100,000

DA Wallace was appointed a director on 30 January 1991.

The only change in directors' interests during the period from 31 December 1990 to 31 March 1991 was a purchase of 100,000 ordinary shares of 10p each by Mr RS Rowland bringing his total holding to 105,000 shares. At the date of resignation Mr DM Baylin and Mr SP Birch both renounced rights to their options over ordinary shares of 10p each.

All the directors' interests referred to above are beneficially held:

Mr RS Rowland was appointed chairman following the resignation of Mr DM Baylin on 9 January 1991. He was formerly a non-executive director.

Mr DA Wallace was appointed managing director on 30 January 1991. Mr Wallace has a continuous service contract subject to 12 months' notice.

Directors and their interests
(continued)

Mr I D Pratt is a non-executive director who is also a director of Cannon Street Investments P.L.C.

Mr N P Salomon who retires by rotation has a service contract expiring in November 1991 with a six month notice period thereafter. Mr P R Thorndyke also has a service contract expiring in November 1991 with a six month notice period thereafter.

Mr P L A Jacobs does not have a service contract at present.

All employees of the Company, including executive directors, are potential beneficiaries of:

- (a) the Betacom 1988 Employee Share Ownership Plan Trust ("the ESOP") which has the beneficial ownership of 1,551,000 shares.
- (b) the 1988 Employee Share Option Scheme ("the ESOS"). The granting of these 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 will be paid for the grant of an option.

The number of options granted to directors from the ESOP was 60,000 up to 31 March 1991 and the number of options granted to directors from the ESOS was 240,000 up to 31 March 1991.

On the resignation of Mr D M Baylin the Company transferred to Mr Baylin the shares in D M Baylin Trading Co Limited (a dormant subsidiary) for consideration of £2.

The Company has purchased and maintained insurance for its directors and officers against liabilities in relation to the Company.

The Company had not been informed of any contract during the financial year in which any director of the Company had a material interest.

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 the year end or at 31 March 1991, save as disclosed below:

	Ordinary shares of 10p each	Percentage of share capital
Cannon Street Investments P.L.C.	9,302,898	29.86%
The Grande Telecommunications Ltd	2,597,247	8.34%
Betacom 1988 Employees Share Ownership Plan Trust (see note 25)	1,551,000	4.98%
Schroder Investment Management Ltd	1,400,681	4.50%
Midland Bank Plc A/c. 19727143 on behalf of Equitable Smaller Companies Trust	1,009,623	3.24%
Imperial Investments Ltd	1,000,000	3.21%
Alan M Sugar	935,000	3.00%

Fixed assets

Changes in fixed assets during the year are set out in notes 13, 14 and 15 to the financial statements.

Close company status

The Company is not a close company within the provisions of the Income and Corporation Taxes Act 1988.

Auditors

In accordance with Section 385 of the Companies Act 1985, a resolution proposing the re-appointment of KPMG Peat Marwick McLintock as auditors of the Company will be put to the Annual General Meeting.

By order of the Board

Philip G Gollop

Secretary

8 April 1991

Consolidated profit and loss account for the year ended 31 December 1990

	Note	1990 £'000	1989 £'000
Turnover	2	16,576	16,465
Cost of sales		(13,547)	(12,889)
Gross Profit		3,029	3,576
Distribution expenses		(1,227)	(908)
Administrative expenses		(1,698)	(1,818)
Share of (loss)/profits of associated undertakings		(67)	4
Other interest receivable and similar income		7	290
Interest payable and similar charges	7	(489)	(366)
(Loss)/Profit Before Exceptional Items	3	(445)	778
Exceptional items	4	(1,995)	(500)
(Loss)/Profit On Ordinary Activities Before Taxation		(2,440)	278
Tax on (loss)/profit on ordinary activities	8	242	(18)
(Loss)/Profit On Ordinary Activities After Taxation		(2,198)	260
Extraordinary items	9	(653)	(607)
Loss For The Financial Year		(2,851)	(347)
Dividends	11	—	(343)
Deficit For The Financial Year	22	(2,851)	(690)
(Loss)/earnings per share	12	(7.05p)	0.84p

The notes on pages 8 to 20 form part of these financial statements.

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Consolidated balance sheet at 31 December 1990

	Note	1990		1989	
		£'000	£'000	£'000	£'000
Fixed Assets					
Tangible assets	13		1,894		1,689
Intangible assets	14		370		476
Investments	15		680		646
			<u>2,944</u>		<u>2,811</u>
Current Assets					
Stocks	16	4,530		7,427	
Debtors	17	3,441		5,087	
Cash at bank and in hand			<u>161</u>		<u>6</u>
			<u>8,132</u>		<u>12,514</u>
Creditors: Amounts Falling Due Within One Year					
Bank loans and overdrafts	18	-		(1,606)	
Other	18	(4,282)		(3,821)	
			<u>(4,282)</u>		<u>(5,427)</u>
Net Current Assets			<u>3,850</u>		<u>7,087</u>
Total Assets Less Current Liabilities			<u>6,794</u>		<u>9,898</u>
Provisions For Liabilities And Charges	20		<u>(270)</u>		<u>(452)</u>
Net Assets			<u>6,524</u>		<u>9,446</u>
Capital And Reserves					
Called up share capital	21	3,116		3,116	
Share premium account		5,132		5,132	
Profit and loss account	22	(1,724)		1,198	
			<u>6,524</u>		<u>9,446</u>

The financial statements were approved by the board of directors on 8 April 1991.

RS Rowland
P L A Jacobs
Directors

RS Rowland
P L A Jacobs

The notes on pages 8 to 20 form part of these financial statements.

Balance sheet at 31 December 1990

	Note	1990		1989	
		£'000	£'000	£'000	£'000
Fixed Assets					
Tangible assets	13		1,497		1,270
Intangible assets	14		370		476
Investments	15		921		887
			2,788		2,633
Current Assets					
Stocks	16	4,526		6,086	
Debtors	17	3,885		4,243	
Cash at bank and in hand				201	
		8,411		10,530	
Crediters: Amounts Falling Due Within One Year					
Bank loans and overdrafts	18	(8)			
Other	18	(4,164)		(2,839)	
		(4,172)		(2,839)	
Net Current Assets			4,239		7,691
Total Assets Less Current Liabilities			7,027		10,324
Provisions For Liabilities And Charges	20		(832)		(1,007)
Net Assets			6,195		9,317
Capital And Reserves					
Called up share capital	21		3,116		3,116
Share premium account			5,132		5,132
Profit and loss account	22		(2,053)		1,069
			6,195		9,317

The financial statements were approved by the board of directors on 8 April 1991.

RS Rowland

P L A Jacobs

Directors

Consolidated statement of source and application of funds for the year ended 31 December 1990

	1990		1989	
	£'000	£'000	£'000	£'000
Absorption/Source Of Funds				
(Loss)/profit on ordinary activities before taxation		(2,440)		278
Extraordinary items before taxation		(653)		(782)
		(3,093)		(504)
Adjustments for items not involving the movement of funds:				
Depreciation and amortisation	1,462		326	
Loss/(profit) on sale of fixed assets	4		(55)	
Share of losses/(profits) of associated undertakings	67		(4)	
Provision for financing costs of the ESOP	-		270	
		1,533		537
Funds (Absorbed By)/Generated From Operations		(1,560)		33
Funds From Other Sources				
Proceeds of sale of fixed assets	50		480	
Proceeds from issue of shares	-		71	
Tax repaid	487		-	
		537		551
Application Of Funds				
Purchase of subsidiary undertaking (note 23)	(71)		(294)	
Investments in associated undertakings	(101)		(6)	
Goodwill on purchase of associated undertaking	-		(51)	
Purchase of tangible fixed assets	(680)		(1,061)	
Development expenditure	(935)		(368)	
Tax paid	(188)		(1,002)	
Dividends paid	(31)		(374)	
		(2,006)		(3,156)
Decrease in working capital		(3,029)		(2,572)
Components Of Decrease In Working Capital				
Stocks		(2,897)		843
Debtors		(1,245)		(391)
Creditors falling due within one year		(654)		2,954
Movement in net liquid funds:				
Cash at bank and in hand	161		(5,890)	
Bank loans and overdrafts	1,606		(88)	
		1,767		(5,978)
		(3,029)		(2,572)

The notes on pages 8 to 20 form part of these financial statements.

Notes to the financial statements

1. Accounting policies

- (a) The accounts 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:

	Rate p.a.	Method
Freehold buildings	3%	Straight line
Tools and equipment	50%	Straight line
Fixtures, fittings, office equipment and motor vehicles	25%	Reducing balance

- (d) Stock is stated at the lower of cost and net realisable value.
- (e) Deferred taxation is provided where it is considered probable that a liability will crystallise.
- (f) The profits of the Group comprise the results of the Company and its subsidiary undertakings up to 31 December 1990. In addition the results include the Group's share of the results of its associated undertakings.

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 accounts at their fair value to the Group.

- (g) The accounts of the overseas subsidiary undertaking have been translated as follows:
 - (i) Revenue items are translated at the average rate of exchange during the period. The exchange difference on translation of the retained profits at the closing rate is transferred to reserves; and
 - (ii) Assets and liabilities are translated at the rate of exchange ruling at the balance sheet date.
- (h) Research expenditure is written off in the year of expenditure. Development expenditure incurred on specific projects is carried forward when its recoverability can be foreseen with reasonable assurance and is amortised in relation to the sales from such projects. The directors consider this treatment results in proper matching of costs and revenue. All other development costs are written off in the year of expenditure.
- (i) Assets purchased under finance leases and hire purchase contracts have been capitalised and are depreciated in accordance with the Group's depreciation policy. The capital element of future payments is included in the balance sheet as obligations under finance leases and hire purchase contracts.

2. Turnover

There were no significant sales overseas during the year. As permitted by paragraph 55(5) of Schedule 4 of the Companies Act 1985, turnover by class of business is not disclosed because the directors are of the opinion that disclosure of this information would be prejudicial to the interests of the Company.

Notes to the financial statements (continued)

3. (Loss)/profit before exceptional items

(Loss)/profit before exceptional items is stated after charging the following:

	1990	1989
	£'000	£'000
Depreciation of tangible fixed assets	277	180
Amortisation of intangible fixed assets	166	146
Other research and development expenditure	60	168
Operating leases: land and buildings	54	54
Auditors' remuneration and expenses — audit work	26	30
Auditors' remuneration and expenses — other	6	24
Directors' emoluments (see note 5)	319	258

4. Exceptional items

A major restructuring of the Group took place on 31 December 1990 resulting in the following costs:

	1990	1989
	£'000	£'000
Stock provision	763	500
Additional depreciation of tangible fixed assets	144	—
Additional amortisation of intangible fixed assets	875	—
Compensation for directors' loss of office	133	—
Other restructuring costs	80	—
	1,995	500

5. Emoluments of directors

The emoluments of the chairman, who was the highest paid director, were £115,000 (1989: £107,000). The emoluments of the other directors were within the following ranges:

	1990	1989
	£'000	£'000
£0 - £5,000	1	1
£5,001 - £10,000	1	1
£10,001 - £15,000	—	1
£20,001 - £25,000	—	1
£25,001 - £30,000	—	1
£30,001 - £35,000	—	1
£35,001 - £40,000	—	1
£40,001 - £45,000	2	—
£45,001 - £50,000	1	1
£60,001 - £65,000	1	—

Notes to the financial statements (continued)

6. Staff numbers and costs

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

	1990	1989
Administration	32	29
Selling	13	12
Warehouse	43	34
Technical	42	33
	<u>130</u>	<u>108</u>

The aggregate payroll costs of these persons were as follows:

	1990	1989
	£'000	£'000
Wages and salaries	1,586	1,268
Social security costs	147	120
Other pension costs	19	4
Compensation for loss of office	140	-
	<u>1,892</u>	<u>1,392</u>

7. Interest payable and similar charges

	1990	1989
	£'000	£'000
On bank loans, overdrafts and other loans wholly repayable within five years	489	253
On other loans	-	113
	<u>489</u>	<u>366</u>

8. Taxation

	1990	1989
	£'000	£'000
Taxation based on the (loss)/profit on ordinary activities for the year:		
UK corporation tax at 34.25% (1989: 35%)	-	(73)
Double tax relief	-	(30)
	-	(103)
Overseas tax	-	30
Adjustments in respect of prior years	(50)	-
Deferred taxation	(192)	91
	<u>(242)</u>	<u>18</u>

Notes to the financial statements (continued)

9. Extraordinary items

	1990	1989
	£'000	£'000
Provision against facsimile machines following the decision to withdraw from the facsimile market	653	500
Amounts provided in respect of financing costs of the ESOP		270
Legal costs relating to the ESOP		12
Extraordinary items before taxation	653	782
Tax relief thereon		(175)
Extraordinary items after taxation	653	607

10. Profit for the financial year

In accordance with the exemption allowed by Section 230 of the Companies Act 1985, the Company has not presented its own profit and loss account. Of the loss for the financial year, £3,122,000 (1989: loss £1,317,000) has been dealt with in the accounts of the Company.

11. Dividends

	1990	1989
	£'000	£'000
Proposed at year end		31
Interim paid in year		312
		343

12. (Loss)/earnings per share

The (loss)/earnings per share has been based on the (loss)/profit for the year after taxation and before extraordinary items and on the average number of shares in issue of 31,160,156 (1989: 31,078,398).

Notes to the financial statements (continued)

13. Tangible fixed assets

The Group:

	Freehold property and improvements	Short leasehold property and improvements	Motor vehicles	Fixtures fittings tools and equipment	Total
	£'000	£'000	£'000	£'000	£'000
Cost					
At 1 January 1990	586	235	376	995	2,192
Additions	28	50	44	558	680
Disposals	—	—	(90)	(18)	(108)
At 31 December 1990	<u>614</u>	<u>285</u>	<u>330</u>	<u>1,535</u>	<u>2,764</u>
Depreciation					
At 1 January 1990	12	11	104	376	503
Charge for the year	16	14	70	321	421
Disposals	—	—	(37)	(17)	(54)
At 31 December 1990	<u>28</u>	<u>25</u>	<u>137</u>	<u>680</u>	<u>870</u>
Net Book Value					
At 31 December 1990	<u>586</u>	<u>260</u>	<u>193</u>	<u>855</u>	<u>1,894</u>
At 31 December 1989	<u>574</u>	<u>224</u>	<u>272</u>	<u>619</u>	<u>1,689</u>

The net book value of motor vehicles and fixtures, fittings, tools and equipment includes £27,800 (1989: £43,000) in respect of assets acquired under finance leases and hire purchase. Depreciation of £10,000 (1989: £10,000) has been charged during the year in respect of these assets.

Notes to the financial statements (continued)

13. Tangible fixed assets (continued)

The Company:

	Freehold property and improvements	Short leasehold property and improvements	Motor vehicles	Fixtures fittings tools and equipment	Total
	£'000	£'000	£'000	£'000	£'000
Cost					
At 1 January 1990	385	235	320	532	1,472
Additions	28	50	31	452	561
Transfers from group companies	-	-	-	205	205
Disposals	-	-	(64)	(18)	(82)
At 31 December 1990	<u>413</u>	<u>285</u>	<u>287</u>	<u>1,171</u>	<u>2,156</u>
Depreciation					
At 1 January 1990	1	11	90	100	202
Transfers from group companies	-	-	-	155	155
Charge for the year	12	14	58	261	345
Disposals	-	-	(26)	(17)	(43)
At 31 December 1990	<u>13</u>	<u>25</u>	<u>122</u>	<u>499</u>	<u>659</u>
Net Book Value					
At 31 December 1990	<u>400</u>	<u>260</u>	<u>165</u>	<u>672</u>	<u>1,497</u>
At 31 December 1989	<u>384</u>	<u>224</u>	<u>230</u>	<u>432</u>	<u>1,270</u>

14. Intangible fixed assets

Development expenditure
Group and Company:

	Cost	Amortisation	Net book value
	£'000	£'000	£'000
At 1 January 1990	703	(227)	476
Additions	935	-	935
Charge for the year	-	(1,041)	(1,041)
At 31 December 1990	<u>1,638</u>	<u>(1,268)</u>	<u>370</u>

Notes to the financial statements (continued)

15. Investments

i) The Group

	Shares in associated undertakings £'000	Loan to the ESOP* £'000	Total £'000
Cost			
At 1 January 1990	10	636	646
Additions in the year	101	-	101
Share of losses	(67)	-	(67)
At 31 December 1990	44	636	680
Net Book Value			
At 31 December 1990	44	636	680
At 31 December 1989	10	636	646

ii) The Company

	Shares in subsidiary undertakings £'000	Shares in associated undertakings £'000	Loan to the ESOP* £'000	Total £'000
Cost				
At 1 January 1990	521	10	636	1,167
Additions in the year	-	101	-	101
Share of losses	-	(67)	-	(67)
At 31 December 1990	521	44	636	1,201
Provision				
At 1 January 1990 and 31 December 1990	280	-	-	280
Net Book Value				
At 31 December 1990	241	44	636	921
At 31 December 1989	241	10	636	887

*See notes 20 and 25

At 31 March 1990 the market value of the shares held by the ESOP was approximately £260,000. No provision has been made for the diminution in value of the loan to the ESOP, as the directors are of the opinion that the fall in value is not permanent.

Notes to the financial statements (continued)

15. Investments (continued)

- iii) The principal subsidiary undertakings of the Company, which are wholly owned and are private limited companies, are as follows:

Company	Nature of business	Country of registration	Nominal value of shares in issue	Type of share
Betacom International Limited	Distribution of electronic consumer goods	Hong Kong	HK\$2	Ordinary
Global Telecommunication Laboratories Limited	Design, development and testing of telecommunications equipment	England	£27,100 £17,500	Ordinary Preference
Answercall Limited	Design and distribution of telephones and answering machines	England	£534,000	Ordinary

Answercall Limited did not trade during the year ended 31 December 1990. The business of Answercall Limited was conducted by Betacom Plc which is the appointed agent of Answercall Limited.

- (iv) The associated undertaking, Betacom Nederland BV, is owned 50% by Betacom Plc, with the remaining 50% being owned by Cannon Street Investments P.L.C. The company, which is incorporated in the Netherlands, has a share capital of NLG40,000. Its principal activity is the distribution of telecommunication equipment in the Netherlands. At 31 December 1990 the deficit on the profit and loss account of Betacom Nederland BV amounted to NLG410,000 and its loss for the period then ended amounted to NLG427,000. The share of the loss attributable to Betacom Plc has been credited to the cost of investment.

The other associated undertaking, Loewe Betacom GmbH, is owned 49% by Betacom Plc with the remaining 51% being owned by Loewe Opta GmbH. Its principal activity is the distribution of telecommunication equipment in Germany. Betacom Plc subscribed for 49% of the share capital in October 1990 and the company was incorporated in Germany in February 1991 and has a share capital of DM500,000. Since the year end the Company has loaned DM300,000 to Loewe Betacom GmbH.

Notes to the financial statements (continued)

16. Stocks

	Group		Company	
	1990	1989	1990	1989
	£'000	£'000	£'000	£'000
Finished goods and goods for resale	4,528	7,377	4,526	6,086
Work in progress	2	50		
	<u>4,530</u>	<u>7,427</u>	<u>4,526</u>	<u>6,086</u>

17. Debtors

	Group		Company	
	1990	1989	1990	1989
	£'000	£'000	£'000	£'000
Trade debtors	3,155	4,491	3,065	3,603
Amounts owed by subsidiary undertakings	—	—	562	83
Amounts owed by associated undertakings	102	5	102	5
Other debtors	23	—	23	—
Prepayments and accrued income	83	112	75	83
Corporation tax recoverable	78	479	58	469
	<u>3,441</u>	<u>5,087</u>	<u>3,885</u>	<u>4,243</u>

18. Creditors: Amounts falling due within one year

	Group		Company	
	1990	1989	1990	1989
	£'000	£'000	£'000	£'000
Obligations under finance leases and hire purchase contracts	6	22	4	—
Trade creditors	3,342	2,893	3,271	1,981
Amounts owed to subsidiary undertakings	—	—	79	320
Other creditors	7	2	—	—
Corporation tax	25	187	—	114
Other taxes and social security	139	146	63	93
Accruals and deferred income	763	540	747	300
Proposed dividend	—	31	—	31
	<u>4,282</u>	<u>3,821</u>	<u>4,164</u>	<u>2,839</u>

The bank loans and overdrafts are secured by a charge over the Group's assets.

Notes to the financial statements (continued)

19. Obligations under finance leases and hire purchase contracts

The Group

	1990	1989
	£'000	£'000
Amounts payable:		
within one year	4	26
within two to five years	—	—
	4	26
Less: interest allocated to future periods	—	(4)
	4	22
These amounts have been analysed as follows:		
Amounts falling due within one year	4	22
Amounts falling due after more than one year	—	—
	4	22

20. Provisions for liabilities and charges

The Group

	Deferred taxation	Other provisions	Total
	£'000	£'000	£'000
At 1 January 1990	182	270	452
Released in the year	(192)	—	(192)
Movement on ACT recoverable	10	—	10
At 31 December 1990	—	270	270
The Company			
At 1 January 1990	175	832	1,007
Released in the year	(185)	—	(185)
Movement on ACT recoverable	10	—	10
At 31 December 1990	—	832	832

The amount provided for deferred taxation is as follows:

	Group		Company	
	1990	1989	1990	1989
	£'000	£'000	£'000	£'000
Short term timing differences	—	163	—	163
Accelerated capital allowances	—	29	—	22
	—	192	—	185
Less: ACT recoverable	—	(10)	—	(10)
	—	182	—	175

Notes to the financial statements (continued)

20. Provisions for liabilities and charges (continued)

The amount of potential deferred tax not provided is £55,000 (1989: £45,000). This is in respect of a property valuation in a subsidiary undertaking. In addition the Company has unutilised tax losses of approximately £2,800,000 at 31 December 1990 to be carried forward against future profits.

Other provisions can be analysed as follows:

	Group		Company	
	1990	1989	1990	1989
	£'000	£'000	£'000	£'000
Amounts provided in respect of financing costs of the ESOP	270	270	270	270
Amounts provided against inter-company debt of a subsidiary undertaking	—	—	562	562
	<u>270</u>	<u>270</u>	<u>832</u>	<u>832</u>

21. Share capital

	1990		1989	
	No.	£'000	No.	£'000
Authorised:				
Ordinary shares of 10p each	38,700,000	3,870	38,700,000	3,870
Allotted issued and fully paid:				
Ordinary shares of 10p each	31,160,156	3,116	31,160,156	3,116

360,000 options to subscribe for shares have been granted under the Company's 1988 Employee Share Option Scheme on or after 26 October 1988 and are still outstanding. Of this amount, 280,000 options will be exercisable at a price of 60 pence per share and 80,000 options will be exercisable at a price of 19 pence per share at any time after the third anniversary up to the tenth anniversary of the date of the grant, subject to the rules of the Scheme.

22. Profit and loss account

	Group	Company
	£'000	£'000
At 1 January 1990	1,198	1,069
Deficit for the financial year	(2,851)	(3,122)
Goodwill written off on purchase of subsidiary undertaking	(71)	—
At 31 December 1990	<u>(1,724)</u>	<u>(2,053)</u>

Notes to the financial statements (continued)

23. Purchase of subsidiary undertaking

The acquisition of Answercall Limited in 1989 gave rise to goodwill of £1,127,000 in that year. Further costs relating to the acquisition have been incurred in 1990 giving rise to additional goodwill of £71,000. This was in excess of the provision of £115,000 which was created at acquisition in respect of unrecorded liabilities and which was fully utilised during the year ended 31 December 1990.

A stock provision of £285,000 was created at acquisition and of this amount £110,000 was carried forward into 1990. During 1990 £45,000 was released and credited to the profit and loss account with the remaining £65,000 utilised for its original purpose.

24. Financial commitments

a) Capital commitments

Capital commitments, for which no provision has been made in these accounts, were as follows:

	1990	1989
	£'000	£'000
Group and Company:		
Contracted	—	254
Authorised but not contracted	—	2

b) Operating lease commitments

Amounts due within one year under operating leases which expire after five years:

	1990	1989
	£'000	£'000
Group and Company:		
Contracted	58	58
Authorised but not contracted		

c) Guarantees

The Company has guaranteed 50% of the overdraft facility of Betacom Nederland BV of NLG2,000,000. Since the year end the Company's bankers have issued guarantees to the bankers of Loewe Betacom GmbH on behalf of the Company amounting to DM1,960,000.

Notes to the financial statements (continued)**25. The ESOP**

The Company established the ESOP at the time of the flotation of Betacom Plc. Cannon Street Investments P.L.C. sold 775,500 ordinary shares to the ESOP and 775,500 ordinary shares to a wholly owned subsidiary undertaking of the Bank of Scotland ("the Bank") in each case at the offer price of 82 pence. The purchase of shares by the ESOP was funded by an interest free loan from the Company. During the year ended 31 December 1989 the ESOP transferred the ownership of its shares to the Bank.

The ESOP entered into an agreement with the Bank to purchase the shares held by the Bank at a price which reflects the Bank's purchase price, carrying costs and a margin. As security for the ESOP's obligations to the Bank, the ESOP has granted the Bank a first charge over all the ordinary shares it holds.

In addition, the Company guaranteed the Bank's interest in the ESOP and the Company therefore has a contingent liability of approximately £600,000.

Report of the auditors to the members of Betacom Plc

We have audited the financial statements on pages 4 to 20 in accordance with auditing standards.

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and of the Group at 31 December 1990 and of the loss and source and application of funds of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Peat Marwick McLintock

8 April 1991
London

KPMG Peat Marwick McLintock
Chartered Accountants

Financial record

	Years ended			Thirteen months ended	Year ended
	31 Dec 1990	31 Dec 1989	31 Dec 1988	31 Dec 1987	30 Nov 1986
	£'000	£'000	£'000	£'000	£'000
Profit and loss account					
Turnover	16,576	16,465	17,845	13,355	5,793
Gross profit	3,029	3,576	4,613	3,685	1,426
(Loss)/profit before exceptional items	(445)	778	2,609	2,326	619
Exceptional items	(1,995)	(500)	—	—	—
(Loss)/profit before taxation	(2,440)	278	2,609	2,326	619
Taxation	242	(18)	(912)	(795)	(250)
(Loss)/profit after taxation	(2,198)	260	1,697	1,531	369
Extraordinary items	(653)	(607)	—	—	—
(Loss)/profit for period	(2,851)	(347)	1,697	1,531	369
Dividends	—	(343)	(362)	(690)	—
(Deficit)/retained profit for period	(2,851)	(690)	1,335	841	369
(Loss)/earning per share (pence)	(7.05)	0.84	7.77	7.19	1.73
Capital employed					
Fixed assets	2,944	2,811	1,637	317	344
Net operating assets	3,580	6,635	9,606	1,649	807
Net assets	6,524	9,446	11,243	1,966	1,151
Financed by					
Share capital	3,116	3,116	3,102	202	202
Share premium	5,132	5,132	5,075	—	—
Profit and loss account	(1,724)	1,198	3,066	1,764	949
	6,524	9,446	11,243	1,966	1,151

Notice of meeting

Notice is hereby given that the third Annual General Meeting of Betacom Plc will be held at Unit 1, Ponders End Industrial Estate, Duck Lees Lane, Enfield, Middlesex EN3 7TQ on 24 May 1991 at 11.00 a.m. for the following purposes:

Ordinary business

1. To receive and adopt the accounts of the Company, together with the report of the directors and of the auditors for the year ended 31 December 1990.
2. That Mr D A Wallace, who has been appointed to the board since the last Annual General Meeting, be re-elected as director.
3. That Mr N P Salomon, who retires by rotation, be re-elected as director.
4. To reappoint KPMG Peat Marwick McLintock as auditors 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 5 will be proposed as an ordinary resolution and resolution numbered 6 will be proposed as a special resolution:

5. That the directors be and they are hereby generally and unconditionally authorised pursuant to section 80 of the Companies Act 1985 to exercise the power of the Company to allot or grant options over any relevant securities (within the meaning of section 80 of the Companies Act 1985) up to an aggregate nominal amount of £753,984 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.
6. 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 7 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

Notice of meeting (continued)

- (b) to the allotment (otherwise than pursuant to sub-paragraph (a) above) of equity securities (as aforesaid) up to an aggregate nominal value of £155,100 and 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.

By order of the board
Philip G Gollop

Secretary

29 April 1991

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

Notes

- (a) A member entitled to attend and vote at the above meeting is entitled to appoint one or more proxies to attend and vote on a poll in his place. A proxy need not be a member of the Company.
- (b) There will be available for inspection at the Registered Office of the Company during normal business hours on any weekday (Saturday excepted) from the date of this notice until the date of the meeting and at the place of the meeting for fifteen minutes prior to and during the 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.