



BETACOM PLC
ANNUAL REPORT AND ACCOUNTS
~ 1989 ~



Betacom was established in 1969 and has been operating in the consumer electronics market since the mid-1970s. In 1983 the Company identified a new and expanding market for telecommunication products and in the following year received its first BABT telephone approval. The Company achieved rapid growth and in November 1988 its shares were floated on the International Stock Exchange, London. In 1989 Betacom acquired a second brand name, Answercall.

The Group is now the leading supplier of telephones and answering machines to the UK retail market. Betacom's prominent position will be further enhanced by the launch in 1990 of a new range of products incorporating state-of-the-art design and technical features. The new models, which have a distinctive "European" appearance, will be marketed not only in the UK, but also through joint ventures in Holland and Germany, and the rest of the world directly from the Far East.

Betacom and Answercall are recognised brand names which offer innovative designs, a wide range of quality products and a comprehensive after-sales service. The Group's commitment to quality and product development will clearly differentiate its brands in a competitive market place and will provide the foundation for long-term growth for the benefit of its shareholders.

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Dear Shareholder,

Our Company has had a very difficult year. As I warned in my interim statement, the economic climate in general and the slowdown in the high street, where we have for many years been so successful, had a direct negative effect on turnover and margins.

The introduction of our low price facsimile machine proved a major disappointment. Our traditional outlets were not successful in selling this product, or, indeed, any facsimile machines while in our newly established dealer network, competition proved ferocious. Along with many other suppliers we were left with large stocks, which were difficult to sell.

Our overseas joint ventures have started at a lower pace than anticipated due to extensive approval procedures. The results for 1989 reflect only one month's trading from the joint venture in Holland but I am pleased to report that at this early stage the operation has started well.

Pre-tax profits for the year of £278,000 (1988 £2,609,000) are after deducting an exceptional charge of £500,000 for the write down of certain stock lines. Provisions have also been made as extraordinary items for the closure of our facsimile machine business (£500,000) and for financing costs in respect of the loan to the Employee Share Ownership Plan (£282,000). The tax relief on the extraordinary items was £175,000.

While continuing to invest in the development of new products we have now put into place a programme to reduce stock levels and overhead expenditure. As a result, we expect our borrowings to be reduced in the first half of 1990.

In order to preserve our balance sheet strength, your Board is only able to recommend a dividend of 0.1p. Taken with the interim dividend of 1p this represents 1.1p for the year. Your Board believes that it would not be in the long term interest of shareholders to pay the dividend forecast at the time of flotation of 2.6p net per share to the detriment of the Group's overall financial position.

Acquisitions

The acquisition of Answercall, with its well-established brand name, in July 1989 has proved to be very beneficial and has been successfully integrated into our existing operations. The addition of a second brand, with minimal increases in overhead expenditure, provides great potential for future growth.

Products

The year under review has been an important one for product development. Due to the considerable gap between the development and start of production, the first of our new products will only impact on results in the second half of 1990 after which there will be a steady flow of new and exciting releases.

Our new range will be aimed at both the business and consumer telecommunications market and has a distinctive "European" appearance. We are confident, from the initial reactions of our customers both in the UK and overseas, that these models will be highly successful.

We have recently commenced test marketing a range of camera and monitoring security devices aimed at the small to medium-sized business and larger homes. Should these tests prove successful, we have the ability to grow the range quickly.

Export

We have established a joint venture in Holland and have already obtained seven approvals for products for the Dutch market. We have established a further joint venture in Germany where approvals are being sought and trading should commence in the second half of 1990 in this very large untapped market. Other joint venture opportunities are currently being investigated. In addition, we are examining opportunities for direct export from the Far East to other world markets for our new range. The growth of export business will lessen our dependence on the UK market.

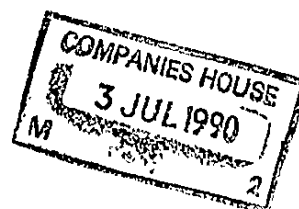
Research and Development

In 1988, we purchased Global Telecommunication Laboratories. This company remains at the forefront of our development activity and has enabled us both to develop and approve our new product range while also developing and approving suitable circuitry for other countries. In 1990 we intend to market more actively their services to third parties and to increase the range of services offered. Your Board believes that this will result in substantially increased revenue.

With Global Telecommunication Laboratories, we also acquired Phonemend, which is now our Group telephone service operation. During 1989, we expanded the freehold premises in Bristol occupied by Phonemend, allowing us to grow the business. I am confident that this operation is one of the best available in our industry and the service



Dennis Baylin, Chairman and Chief Executive of Betacom plc.



we offer both to the individual consumer and to the larger corporate customer is of the highest calibre. In 1990 it is our intention to begin marketing Phonemend's services to third parties in order to increase significantly its revenue.

Sales and Marketing

By dealing with major retailers and distributors we have kept a small sales force and we intend to continue this policy. Our marketing department has a major workload with the imminent launch of our new products. As in previous years, national newspaper colour supplement advertising, which we have found to be extremely effective, will be the main thrust of our campaign. This will commence in late April and will cover our range of new answering machines and the new, slim Mercury-compatible cordless telephone. Answering machines and cordless telephones are both major growth sectors in the telecommunications market.

A new logo and corporate identity, new style packaging and literature, a two year extended warranty package on selected products, and a more aggressive and targeted approach to marketing are all part of our strategy to raise our image. Our two brands, Betacom and Answercall, had an 18.8% share of the domestic retail market for telephone products and answering machines in

1989, measured in terms of the number of units sold (source: AGB Ick-trink). The Group is the leading supplier to the UK retail market.

Management and Staff

Your Board has been strengthened with the addition of Paul Jacobs, our new finance Director, replacing Brian Korel who left in July 1989. Although the year under review has been a disappointing one for the Board, the staff have made a considerable effort to lessen the impact of the extremely difficult trading conditions. I would like to record here my appreciation of their efforts.

Summary

Trading in the current year continues to be difficult and a loss for the first half may result. However, with the advent of our exciting new product range increased export business and aggressive approach to marketing we expect to be profitable in the second half and to improve substantially our results in 1991.

Dennis Baylin
Chairman and Chief Executive

Directors and advisors

Directors

D M Baylin	Chairman and Chief Executive
P L A Jacobs ACA	Finance Director
P R Thorndyke	Sales Director
N P Salomon	Marketing Director
S P Birch	Technical Director
I D Pratt ACA	Non-Executive Director
R S Rowland ACA	Non-Executive Director

all of Unit 1, Ponders End Industrial Estate, Duck Lees Lane, Enfield, Middlesex EN3 7TQ

Company secretary and registered office

P G Gollop FCIS, Unit 1, Ponders End Industrial Estate, Duck Lees Lane, Enfield, Middlesex EN3 7TQ

Stockbrokers

Beeson Gregory, The Registry, Royal Mint Court, London EC3N 4EY

Auditors

KPMG Peat Marwick McLintock, Chartered Accountants, 1 Puddle Dock, London EC4V 3PD

Solicitors

Clifford Chance, Royex House, Aldermanbury Square, London EC2V 7LD

Principal bankers

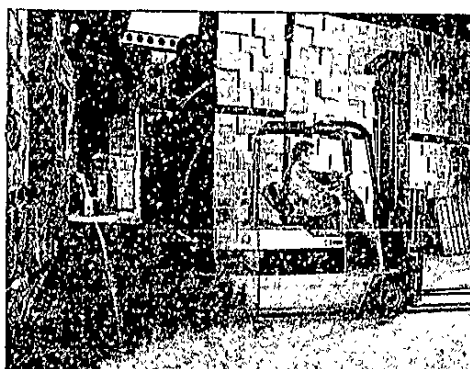
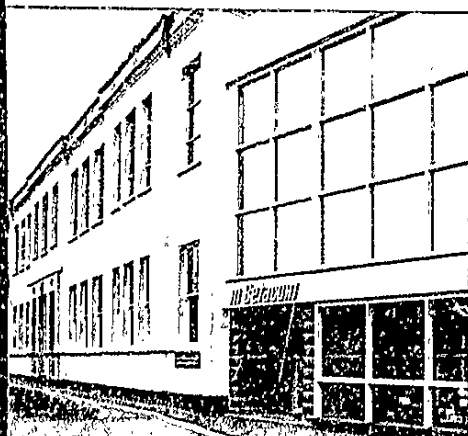
Bank of Scotland, Glasgow Chief Office, 110 St Vincent Street, Glasgow G2 5EJ

Registrar and transfer office

Bank of Scotland, Registrar Department, 26A York Place, Edinburgh EH1 3EY

New Headquarters

In February 1990 we moved our Headquarters to a refurbished office building in Enfield, North London, close to our warehouse facility.



Left and above: the Betacom Headquarters in Enfield, North London and the nearby warehouse facility.

Sales and Marketing

In 1990 we expect further growth in the UK telecommunications market and particularly the domestic sector. This growth should occur in both value and unit terms. Of particular note are the cordless telephone and telephone answering machine sectors which in 1989 grew by 15% and 33% respectively. Household penetration of these products is still relatively low and it is expected

In 1989 we began to lay the foundations for the marketing of our new product range for the 1990s. We have created a new corporate identity and logo from packaging to point of sale. The UK operation is acting as the marketing support arm for our Dutch and German joint ventures and is creating a standard corporate identity and branding throughout Europe.



The new product range is spearheaded by the Ventura, a Mercury-compatible cordless telephone.

Betacom[®]



Selected new Betacom products will carry the added benefit of a two year warranty.

that these sectors will show significant growth in 1990 and beyond. Our new product range includes a number of cordless telephones and telephone answering machines.

In the retail sector the major electrical multiple stores and mail order companies, who dominate a considerable proportion of retail distribution of telecommunication products, remained major buyers from Betacom. The independent sector is indirectly served by a network of distributors and wholesalers.

Above: the new Betacom logo; a foundation stone for the marketing of the new product range for the 1990s.

New designs for packaging, user guides and brochures present the product with impact and style.



Product Development

An important decision was taken early in 1989 to design and develop a distinctive range of telecommunication products using our own designs.

The new range of telephones and answering machines comprises more than 30 models all with state-of-the-art design and technical features. These products will be launched at the International Comms '90 Exhibition in April and subsequently at our own press and key customer event on 1 May 1990 at the Science Museum in London.

Some of the new products are now available in the UK and the rest will be rolled out during 1990. We are most encouraged by initial reactions from our major customers and are confident that with these new products, we will maintain our position as UK market leader and improve further our share of the growing market for telephones and answering machines.

The new products have been designed with a distinctive "European" appearance which, we believe, will have international appeal.

The ownership of our own designs will allow us to sell our products throughout the world and we intend to exploit this opportunity as vigorously as possible.

Further product development is continuing to ensure that we maintain a leading edge in the

market. We are also investigating other product areas and have recently commenced test marketing a range of camera and monitoring security devices.

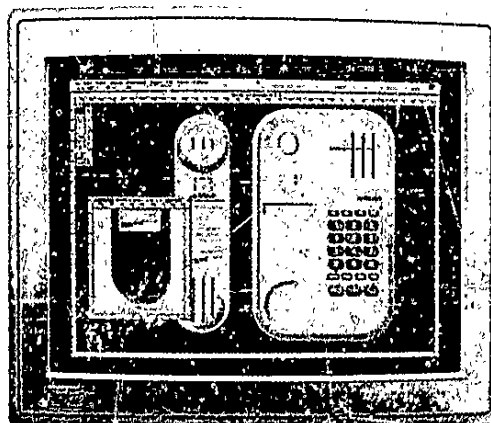


The development of more than 30 new models with state-of-the-art design and technology has been at the core of our activities.



In competitive markets a commitment to quality is essential. We have improved our quality assurance procedures at all stages of design, manufacture

and shipping, and have paid particular attention to the quality of the new product range. The importance we attach to quality is demonstrated by the recruitment in 1989 of a Quality Assurance Manager.



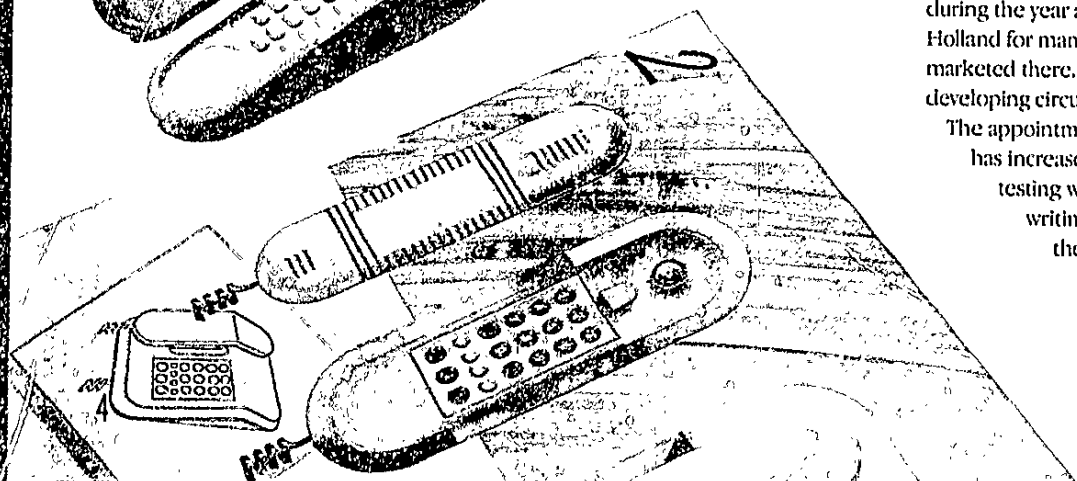
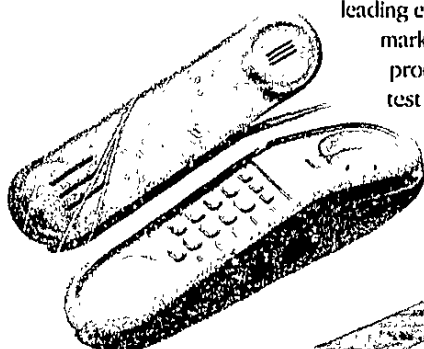
Global Telecommunication Laboratories

Global Telecommunication Laboratories, based in Bristol, is a leading developer of consumer telecommunications products in the UK.

Global expanded its expertise and resources during the year and has gained approvals in Holland for many of the Betacom products now marketed there. Work has also started on developing circuits for the West German market.

The appointment in 1989 of a Software Manager has increased the efficiency and scope of testing within the laboratories, including writing software for testing to some of the new European standards.

Staff numbers in the laboratories increased from 12 to 15 in

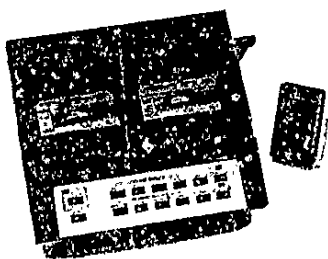




1989 and, while this investment does not produce a short-term return, we believe that it is essential for the longer term development of the Group continually to develop new products for world markets.

Answercall

Answercall was acquired in July 1989 and action was taken immediately to integrate the operation into Betacom in order to achieve economies of scale. The integration has been completed successfully and all staff have now been trained to deal with both Betacom and Answercall products.



The acquisition of Answercall gave the Group a second brand name which is associated with more sophisticated and business-related products. It is our intention to continue to promote and develop the Answercall brand alongside the Betacom brand.

From its acquisition in July until 31 December 1989, Answercall contributed a gross profit of £689,000. We believe that Answercall was an excellent investment and will continue to contribute significantly to the Group.

International Markets

The UK telecommunications industry was liberalised in 1981 but this process did not begin in the rest of Europe until the beginning of 1989. Significant growth is expected in the world telephone market over the next few years; in Europe alone unit sales of telephones are forecast to grow by 34% from 33.1 million in 1989 to 44.3 million in 1993. We identified this growth potential as a major opportunity for Betacom and in 1989 recruited an Export Manager to spearhead potential ventures overseas, thereby lessening our dependence on the UK market.

The Dutch market was liberalised early in 1989 and by November 1989 we had begun supplying this market through a joint venture with a subsidiary of Cannon Street Investments P.L.C. The initial trading results of the joint venture company, Betacom Nederland BV, have been encouraging.



The Headquarters of Betacom Nederland BV in Aodorp, near Almelo, Holland.

During 1989 we entered into an agreement with Loewe Opta GmbH, a leading German manufacturer of TV and video products, to establish a joint venture company, Loewe-Betacom GmbH, in Germany. The company was established in March 1990 and plans to launch its products in July 1990 when the German market will be liberalised. The German market is larger than the UK and we believe that our joint venture company in Germany has tremendous potential.

We are in the process of establishing a subsidiary in Hong Kong, Betacom Far East Limited, which will supply Original Equipment Manufacturers world-wide, using our own designs.



Above and left: Global Telecommunication Laboratories, part of the Betacom Group, is one of the UK's leading developers of consumer telecommunication products.



Betacom and Loewe branded products will be marketed in Germany by Loewe-Betacom GmbH.

The Directors have pleasure in presenting their report together with the audited financial statements for the year ended 31 December 1989.

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 and Review of Operations on pages 1 to 5. In July 1989, the Company acquired the whole of the issued share capital of Answercall Limited for a consideration of £294,000. In addition the bank loans and overdrafts of £1,433,000 were taken over by the Company.
Results and dividends	<p>The profit for the year was £278,000 (1988—£2,609,000) before tax of £18,000 (1988—£912,000) and extraordinary charges of £607,000 (1988—£nil). Full details are set out in the profit and loss account on page 8 of these financial statements.</p> <p>The Directors recommend the payment of a final dividend of 0.1p per ordinary share of 10p (payable on 28 May 1990 to shareholders registered on 11 May 1990) which, together with the interim dividend of 1.0p will make a total distribution for 1989 of £343,000. The sum of £690,000 has been transferred from reserves.</p>
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 13 to the financial statements.
Share capital	Details of the increase in the issued share capital is 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 1989 were as follows:

	Ordinary shares of 10p each		Option over ordinary shares of 10p each	
	31 Dec 1989	1 Jan 1989*	31 Dec 1989	1 Jan 1989
D M Baylin	101,000	101,000	1,000,000	1,000,000
P R Thorndyke	600	600	100,000	100,000
N P Salomon	500	500	100,000	100,000
S P Birch	12,000	12,000	100,000	100,000
A D Pratt	1,000	1,000	—	—
P L A Jacobs (appointed 2 October 1989)	—	—	—	—
R S Rowland (appointed 24 April 1989)	5,000	—	—	—

B M Korel resigned 28 July 1989.

* Or date of appointment as Director if later.

There were no changes in any of the foregoing interests during the period from 31 December 1989 to 30 March 1990.

Directors and their interests
(continued)

Mr. P R Thorndyke who retires by rotation 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.

Mr. R S Rowland is a Non-Executive Director who joined the Board during the year to give the benefit of his wide commercial experience to the Group. Mr Rowland was the Chairman of Pepe Group at the year end.

Mr. I D Pratt is a Non-Executive Director who is also a Director of Cannon Street Investments P.L.C.

All employees of the Company, including Executive Directors, are potential beneficiaries of the Betacom 1988 Employee Share Ownership Plan Trust, ("the ESOP") which has the beneficial ownership of 1,551,000 Shares.

The number of options granted to Directors from the ESOP was 260,000 up to 30 March 1990.

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 five per cent or more of the issued share capital of the Company at the year end or at 30 March 1990, save as disclosed below:

	Ordinary shares of 10p each	Percentage of share capital
Cannon Street Investments P.L.C.	9,302,898	29.99%
Betacom 1988 Employee Share Ownership Plan Trust (See note 26)	1,551,000	5.00%

Fixed assets

Changes in tangible fixed assets during the year are set out in note 12 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

On 1 January 1990 our auditors changed the name under which they practise to KPMG Peat Marwick McLintock and accordingly have signed their audit report in their new name. In accordance with Section 384 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 Gollup

Secretary

5 April 1990

Consolidated profit and loss account for the year ended 31 December 1989

	Note	1989 £'000	1988 £'000
Turnover	2	16,465	17,845
Cost of sales		(13,389)	(13,232)
Gross Profit		3,076	4,613
Distribution expenses		(908)	(791)
Administrative expenses		(1,818)	(882)
Share of profit of related company		4	-
Other interest receivable and similar income		290	46
Interest payable and similar charges	6	(366)	(377)
Profit On Ordinary Activities Before Taxation	3	278	2,609
Tax on profit on ordinary activities	7	(18)	(912)
Profit On Ordinary Activities After Taxation		260	1,697
Extraordinary items	8	(607)	-
(Loss)/Profit For The Financial Year		(347)	1,697
Dividends	10	(343)	(362)
(Deficit)/Retained Profit For The Financial Year	23	(690)	1,335
Earnings per share	11	0.84p	7.77p

The notes on pages 12 to 23 form part of these financial statements.

Consolidated balance sheet at 31 December 1989

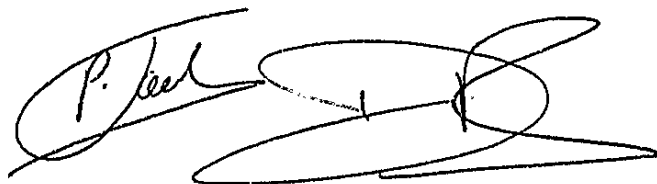
	Note	1989		1988	
		£'000	£'000	£'000	£'000
Fixed Assets					
Tangible assets	12		1,689		747
Intangible assets	13		476		254
Investments	14		646		636
			<u>2,811</u>		<u>1,637</u>
Current Assets					
Stocks	15	7,427		5,866	
Debtors	16	5,087		4,479	
Cash at bank and in hand				5,890	
		<u>12,514</u>		<u>16,235</u>	
Creditors: Amounts Falling Due Within One Year	17	<u>(5,427)</u>		<u>(6,468)</u>	
Net Current Assets			<u>7,087</u>		<u>9,767</u>
Total Assets Less Current Liabilities			9,898		11,404
Creditors: Amounts Falling Due After One Year	18				(81)
Provisions For Liabilities And Charges	20		<u>(452)</u>		<u>(80)</u>
Net Assets			<u>9,446</u>		<u>11,243</u>
Capital And Reserves					
Called up share capital	21		3,116		3,102
Share premium account	22		5,132		5,075
Profit and loss account	23		<u>1,198</u>		<u>3,066</u>
			<u>9,446</u>		<u>11,243</u>

The financial statements were approved by the board of directors on 5 April 1990.

D M Baylin

P L A Jacobs

Directors



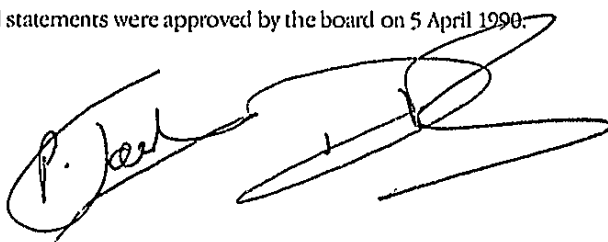
The notes on pages 12 to 23 form part of these financial statements.

Balance sheet at 31 December 1989

	Note	1989		1988	
		£'000	£'000	£'000	£'000
Fixed Assets					
Tangible assets	12		1,270		482
Intangible assets	13		476		254
Investments	14		887		877
			<u>2,633</u>		<u>1,613</u>
Current Assets					
Stocks	15	6,086		5,827	
Debtors	16	4,243		3,812	
Cash at bank and in hand		<u>201</u>		<u>5,554</u>	
		10,530		15,193	
Creditors: Amounts Falling Due Within One Year	17	<u>(2,839)</u>		<u>(5,772)</u>	
Net Current Assets			<u>7,691</u>		<u>9,421</u>
Total Assets Less Current Liabilities			10,324		11,034
Provisions For Liabilities And Charges	20		<u>(1,007)</u>		<u>(77)</u>
Net Assets			<u>9,317</u>		<u>10,957</u>
Capital And Reserves					
Called up share capital	21		3,116		3,102
Share premium account	22		5,132		5,075
Profit and loss account	23		<u>1,069</u>		<u>2,780</u>
			<u>9,317</u>		<u>10,957</u>

The financial statements were approved by the board on 5 April 1990.

D M Baylin
P L A Jacobs
Directors



Statement of source and application of funds for the year ended 31 December 1989

	1989		1988	
	£'000	£'000	£'000	£'000
Absorption/Source Of Funds				
Profit on ordinary activities before taxation		278		2,609
Loss on extraordinary items before taxation		(782)		-
		(504)		2,609
Adjustments for items not involving the movement of funds:				
Depreciation and amortisation	326		150	
Profit on sale of fixed assets	(55)		(15)	
Share of profit of related company	(4)		-	
Foreign currency translation	-		5	
Provision for financing costs of the ESOP	270		-	
		537		140
Funds generated from operations		33		2,749
Funds From Other Sources				
Proceeds of sale of fixed assets	480		62	
Proceeds from issue of shares	71		7,975	
		551		8,037
Application Of Funds				
Purchase of subsidiary company *	294		241	
Purchase of related company	6		-	
Goodwill on purchase of related company	51		-	
Purchase of tangible fixed assets	1,061		435	
Development expenditure	368		188	
Tax paid	1,002		877	
Dividends paid	374		990	
Loan to the ESOP	-		636	
		(3,156)		(3,367)
(Decrease)/increase in working capital		(2,572)		7,419
Components Of (Decrease)/Increase In Working Capital				
Stocks		843		2,207
Debtors		(391)		8
Creditors falling due within one year		2,954		(1,360)
Movement in net liquid funds:				
Cash at bank and in hand	(5,890)		5,700	
Bank loans and overdrafts	(88)		864	
		(5,978)		6,564
		(2,572)		7,419

*See note 24 relating to 1989.

The notes on pages 12 to 23 form part of these financial statements.

Notes to the financial statements

1. Accounting policies

- (a) The financial statements are prepared in accordance with the historical cost convention.
- (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 using the liability method where it is considered probable that a liability will crystallise.
- (f) The profits of the Group comprise the results of the Company and its subsidiaries up to 31 December 1989 and include, from the date of acquisition, the results of subsidiaries acquired during the year. In addition the results include the Group's share of the results of its related company.

Goodwill arising on consolidation, which is the excess 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) Transactions denominated in foreign currencies are translated into sterling and recorded at the rate of exchange ruling at the date of the transaction.
- (h) The accounts of the overseas subsidiary 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.
- (i) 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.
- (j) 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.

Notes to the financial statements (continued)

3. Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after charging the following:

	1989	1988
	£'000	£'000
Depreciation of tangible fixed assets	180	87
Amortisation of intangible fixed assets	146	63
Other research and development expenditure	168	19
Operating leases: land and buildings	54	46
Auditors' remuneration and expenses	30	25
Directors' emoluments (see note 4)	258	196
Exceptional stock provision	500	-

4. Emoluments of Directors

The emoluments of the Chairman, who was the highest paid Director, were £107,000 (1988: £101,000). The emoluments of the other Directors were within the following ranges:

	1989	1988
	£'000	£'000
£0 - £5,000	1	2
£5,001 - £10,000	1	-
£10,001 - £15,000	1	2
£20,001 - £25,000	1	-
£25,001 - £30,000	1	-
£30,001 - £35,000	1	1
£35,001 - £40,000	-	1
£40,001 - £45,000	1	-

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:

	1989	1988
Administration	29	18
Selling	12	6
Warehouse	34	18
Technical	33	10
	108	52

The aggregate payroll costs of these persons were as follows:

	1989	1988
	£'000	£'000
Wages and salaries	1,268	589
Social security costs	120	58
Other pension costs	4	1
	1,392	648

One employee's emoluments were in the band of £30,000 - £35,000 (1988: none).

Notes to the financial statements (continued)

6. Interest payable and similar charges

	1989	1988
	£'000	£'000
On bank loans, overdraft and other loans wholly repayable within five years	253	306
On other loans	113	71
	<u>366</u>	<u>377</u>

7. Taxation

	1989	1988
	£'000	£'000
Taxation based on the profit on ordinary activities for the year:		
UK corporation tax at 35%	(73)	857
Double tax relief	(30)	(51)
	<u>(103)</u>	<u>806</u>
Overseas tax	30	51
Adjustments in respect of prior years	-	(46)
Deferred taxation	91	101
	<u>18</u>	<u>912</u>

8. Extraordinary items

	1989	1988
	£'000	£'000
Provision against facsimile machines following the decision to withdraw from the facsimile market	500	-
Amounts provided in respect of financing costs of the ESOP	270	-
Legal costs relating to the ESOP	12	-
Extraordinary items before taxation	<u>782</u>	<u>-</u>
Tax relief thereon	(175)	-
Extraordinary items after taxation	<u>607</u>	<u>-</u>

9. Profit for the financial year

In accordance with the exemption allowed by Section 228(7) of the Companies Act, 1985, the Company has not presented its own Profit and Loss Account. Of the loss on ordinary activities after taxation and extraordinary items for the year, £ 1,317,000 (1988: profit £1,507,000) has been dealt with in the accounts of the Company.

The acquisition of Answercall Limited has contributed £689,000 to the gross profit for the year.

Notes to the financial statements (continued)

10. Dividends

	1989	1988
	£'000	£'000
Proposed	31	62
Paid	312	300
	<u>343</u>	<u>362</u>

An interim dividend of 1.0p per ordinary share of 10p was paid during the year. A final dividend of 0.1p per ordinary share of 10p is proposed. (1988: interim £150 per ordinary share of £1, final 0.2p per ordinary share of 10p).

11. Earnings per share

The earnings per share has been based on the profit on ordinary activities after taxation for the year and on the average number of shares in issue of 31,078,398 (1988: 21,844,061).

12. 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 1989	201	127	274	354	956
Additions	385	108	132	436	1,061
On acquisition of subsidiary	445	-	-	235	680
Disposals	(445)	-	(30)	(30)	(505)
At 31 December 1989	<u>586</u>	<u>235</u>	<u>376</u>	<u>995</u>	<u>2,192</u>
Depreciation					
At 1 January 1989	7	5	52	145	209
Charge for the year	5	6	67	102	180
On acquisition of subsidiary	8	-	-	186	194
Disposals	(8)	-	(15)	(57)	(80)
At 31 December 1989	<u>12</u>	<u>11</u>	<u>104</u>	<u>376</u>	<u>503</u>
Net Book Value					
At 31 December 1989	<u>574</u>	<u>224</u>	<u>272</u>	<u>619</u>	<u>1,689</u>
At 31 December 1988	<u>194</u>	<u>122</u>	<u>222</u>	<u>209</u>	<u>747</u>

The net book value of motor vehicles and fixtures, fittings, tools and equipment includes £43,000 (1988: £26,000) in respect of assets acquired under finance leases and hire purchase contracts. Depreciation of £10,000 (1988: £3,000) has been charged during the year in respect of these assets.

Of the above, £293,000 relates to land and is not depreciated.

Notes to the financial statements (continued)

12. 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 1989	-	127	242	211	580
Additions	385	108	108	321	922
Disposals	-	-	(30)	-	(30)
At 31 December 1989	<u>385</u>	<u>235</u>	<u>320</u>	<u>532</u>	<u>1,472</u>
Depreciation					
At 1 January 1989	-	5	43	50	98
Charge for the year	1	6	61	50	118
Disposals	-	-	(14)	-	(14)
At 31 December 1989	<u>1</u>	<u>11</u>	<u>90</u>	<u>100</u>	<u>202</u>
Net Book Value					
At 31 December 1989	<u>384</u>	<u>224</u>	<u>230</u>	<u>432</u>	<u>1,270</u>
At 31 December 1988	<u>-</u>	<u>122</u>	<u>199</u>	<u>161</u>	<u>482</u>

13. Intangible fixed assets

Development expenditure
Group and Company:

	Cost	Amortisation	Net book value
	£'000	£'000	£'000
At 1 January 1989	335	(81)	254
Additions	368	-	368
Charge for the year	-	(146)	(146)
At 31 December 1989	<u>703</u>	<u>(227)</u>	<u>476</u>

Notes to the financial statements (continued)

14. Investments

i) The Group

	Shares in related company	Loan to the ESOP*	Total
	£'000	£'000	£'000
Cost			
At 1 January 1989	-	636	636
Addition in the year	6	-	6
Share of profit of related company	4	-	4
At 31 December 1989	<u>10</u>	<u>636</u>	<u>646</u>
Net Book Value			
At 31 December 1989	<u>10</u>	<u>636</u>	<u>646</u>
At 31 December 1988	<u>-</u>	<u>636</u>	<u>636</u>

ii) The Company

	Shares in subsidiaries	Shares in related company	Loan to the ESOP*	Total
	£'000	£'000	£'000	£'000
Cost				
At 1 January 1989	241	-	636	877
Additions in the year	280	6	-	286
Share of profit of related company	-	4	-	4
At 31 December 1989	<u>521</u>	<u>10</u>	<u>636</u>	<u>1,167</u>
Provision				
At 1 January 1989	-	-	-	-
Charge for the year	280	-	-	280
At 31 December 1989	<u>280</u>	<u>-</u>	<u>-</u>	<u>280</u>
Net Book Value				
At 31 December 1989	<u>241</u>	<u>10</u>	<u>636</u>	<u>887</u>
At 31 December 1988	<u>241</u>	<u>-</u>	<u>636</u>	<u>877</u>

*See Notes 20 and 26

At 30 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. The ESOP has been reclassified from debtors in 1988.

Notes to the financial statements (continued)

- iii) The principal subsidiaries 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
Addition during the year:				
Answercall Limited	Design and distribution of telephones and answering machines	England	£534,000	Ordinary

- iv) The related company, Betacom Nederland BV, is owned 50% by Betacom plc, with the remaining 50% being owned by Cannon Street Investments R.L.C. The Company, which is incorporated in the Netherlands, has a share capital of Dfl. 40,000. Its principal activity is the distribution of telecommunication equipment in the Netherlands. At 31 December 1989 the aggregate of share capital and reserves of Betacom Nederland BV amounted to Dfl. 57,000, and its profit for the period then ended amounted to Dfl. 17,000. The proportion of the costs incurred on the set up of the Company borne by Betacom plc has been written off to reserves during the year (see note 23).

15. Stocks

	Group		Company	
	1989	1988	1989	1988
	£'000	£'000	£'000	£'000
Finished goods and goods for resale	7,377	5,827	6,086	5,827
Work in progress	50	39	-	-
	<u>7,427</u>	<u>5,866</u>	<u>6,086</u>	<u>5,827</u>

16. Debtors

	Group		Company	
	1989	1988	1989	1988
	£'000	£'000	£'000	£'000
Trade debtors	4,491	4,385	3,603	3,657
Amounts owed by subsidiaries	-	-	83	63
Amount owed by related company	5	-	5	-
Prepayments and accrued income	112	94	83	92
Corporation tax recoverable	479	-	469	-
	<u>5,087</u>	<u>4,479</u>	<u>4,243</u>	<u>3,812</u>

Notes to the financial statements (continued)

17. Creditors: Amounts falling due within one year

	Group		Company	
	1989	1988	1989	1988
	£'000	£'000	£'000	£'000
Bank loans and overdrafts (secured)	1,606	11	-	-
Obligations under finance leases and hire purchase contracts	22	10	-	-
Trade creditors	2,893	4,893	1,981	4,336
Amounts owed to subsidiaries	-	-	320	45
Other creditors	2	216	-	210
Corporation tax	187	969	114	845
Other taxes and social security	146	230	93	212
Accruals and deferred income	540	77	300	62
Proposed dividend	31	62	31	62
	<u>5,427</u>	<u>6,468</u>	<u>2,839</u>	<u>5,772</u>

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

18. Creditors: Amounts falling due after more than one year

The Group

	1989	1988
	£'000	£'000
Bank loans	-	74
Obligations under finance leases and hire purchase contracts	-	7
	<u>-</u>	<u>81</u>

19. Obligations under finance leases and hire purchase contracts

The Group

	1989	1988
	£'000	£'000
Amounts payable:		
within one year	26	12
within two to five years	-	9
	<u>26</u>	<u>21</u>
Less: interest allocated to future periods	(4)	(4)
	<u>22</u>	<u>17</u>
These amounts have been analysed as follows:		
Amounts falling due within one year	22	10
Amounts falling due after more than one year	-	7
	<u>22</u>	<u>17</u>

Notes to the financial statements (continued)

20. Provisions for liabilities and charges

The Group

	Deferred taxation	Other provisions	Total
	£'000	£'000	£'000
At 1 January 1989	80	-	80
Charge for the year	91	270	361
Movement on ACT recoverable	11	-	11
At 31 December 1989	182	270	452

The Company

	Deferred taxation	Other provisions	Total
	£'000	£'000	£'000
At 1 January 1989	77	-	77
Charge for the year	87	832	919
Movement on ACT recoverable	11	-	11
At 31 December 1989	175	832	1,007

The amount provided for deferred taxation is as follows:

	Group		Company	
	1989	1988	1989	1988
	£'000	£'000	£'000	£'000
Short term timing differences	163	89	163	89
Accelerated capital allowances	29	12	22	9
	192	101	185	98
Less: ACT recoverable	(10)	(21)	(10)	(21)
	182	80	175	77

The amount of potential deferred tax not provided is £45,000 (1988: £45,000). This is in respect of a property valuation in a subsidiary.

Other provisions can be analysed as follows:

	Group		Company	
	1989	1988	1989	1988
	£'000	£'000	£'000	£'000
Amounts provided in respect of financing costs of the ESOP	270	-	270	-
Amounts provided against third party debts of a subsidiary company	-	-	562	-
	270	-	832	-

Notes to the financial statements (continued)

21. Share capital

	1989		1988	
	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	31,020,000	3,102

The increase in share capital during the year of 140,156 shares at 51p each was part payment of the consideration due on the acquisition of Answercall Limited (see note 24).

A total of 1,240,000 options to subscribe for shares were granted under the Company's Employee Share Option Scheme on 26 October 1988 and 11 November 1988 and will be exercisable at a price of 60 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. Share premium

	£'000
At 1 January 1989	5,075
Premium on share issue during the year	57
At 31 December 1989	5,132

The premium arose on the issue of 140,156 shares of 10p each at a premium of 41p per share.

23. Profit and loss account

	Group	Company
	£'000	£'000
At 1 January 1989	3,066	2,780
Deficit for the financial year	(690)	(1,660)
Goodwill written off - on acquisition of subsidiary	(1,127)	-
- on related company	(51)	(51)
At 31 December 1989	1,198	1,069

Notes to the financial statements (continued)

24. Analysis of the acquisition of Answercall Limited

Answercall Limited was purchased in July 1989 for a consideration of £294,000 including acquisition costs, being satisfied by £223,000 cash and the issue of 140,156 shares at a price of 51p each (market value). This gave rise to goodwill of £1,127,000. There is a future commitment to pay to the vendors 5% of the pre-tax profits of Answercall Limited for each of the years ended 31 July 1990 and 1991. This has not been provided for in these accounts.

	Book value	Revaluation	Other provisions	Fair value to the Group
	£'000	£'000	£'000	£'000
Fixed Assets	567	(81) (a)	-	486
Current Assets				
Stock	1,003	-	(285) (b)	718
Debtors	520	-	-	520
Total Assets	<u>2,090</u>	<u>(81)</u>	<u>(285)</u>	<u>1,724</u>
Current Liabilities				
Bank loans and overdrafts	1,433	-	-	1,433
Other creditors	890	-	234 (c)	1,124
Total Liabilities	<u>2,323</u>	<u>-</u>	<u>234</u>	<u>2,557</u>
Net Liabilities	<u>233</u>	<u>81</u>	<u>519</u>	<u>833</u>

(a) The Directors considered that a provision of £81,000 was required against fixed assets whose realisable value was below that of book value.

(b) Additional provisions were thought to be necessary by the Directors against slow moving and obsolete stock based on the historical financial performance of Answercall Limited.

(c) Other provisions comprise unrecorded liabilities at the time of acquisition, redundancy payments and other costs incurred arising directly from the acquisition.

Other provisions have been substantially utilised during the period subsequent to acquisition for the purpose for which they were created. There was no significant change in the provision of £115,000 for unrecorded liabilities during the period subsequent to acquisition.

£175,000 of the increase in stock provision was released to the profit and loss account during the year, with the remaining £110,000 being carried forward to 1990.

Notes to the financial statements (continued)

25. Financial commitments

a) Capital commitments

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

	1989	1988
	£'000	£'000
Group and Company:		
Contracted	254	25
Authorised but not contracted	2	-

b) Operating lease commitments

Amounts due within one year under operating leases for land and buildings which expire after five years:

	1989	1988
	£'000	£'000
Group and Company:		
Contracted	58	44
Authorised but not contracted	-	-

26. The ESOP

The Company established the ESOP at the time of the flotation of Betacom plc. Cannon Street Investments PLC sold 775,000 ordinary shares to the ESOP and 775,000 ordinary shares to a wholly owned subsidiary 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 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, since the year end the Company agreed to guarantee the Bank's interest in the ESOP and the Company therefore has a contingent liability of approximately £500,000.

Report of the Auditors to the members of Betacom plc

We have audited the financial statements on pages 8 to 23 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 1989 and of the result 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.

5 April 1990
London

KPMG Peat Marwick McLintock
Chartered Accountants

Financial record

	Years ended		Thirteen months ended	Years ended	
	31 Dec 1989	31 Dec 1988	31 Dec 1987	30 Nov 1986	30 Nov 1985
	£'000	£'000	£'000	£'000	£'000
Profit and loss account					
Turnover	16,465	17,845	13,355	5,793	3,979
Gross profit	3,076	4,613	3,685	1,426	899
Profit before taxation	278	2,609	2,326	619	201
Taxation	(18)	(912)	(795)	(250)	(73)
Profit after taxation	260	1,697	1,531	369	128
Extraordinary items	(607)	-	-	-	-
(Loss)/profit for period	(347)	1,697	1,531	369	128
Dividends	(343)	(362)	(690)	-	-
(Deficit)/retained profit for period	(690)	1,335	841	369	128
Earnings per share (pence)	0.84	7.77	7.19	1.73	0.60
Capital employed					
Fixed assets	2,811	1,637	317	344	136
Net operating assets	6,635	9,606	1,649	807	645
Net assets	9,446	11,243	1,966	1,151	781
Financed by					
Share capital	3,116	3,102	202	202	202
Share premium	5,132	5,075	-	-	-
Profit and loss account	1,198	3,066	1,764	949	579
	9,446	11,243	1,966	1,151	781

Notice of meeting

Notice is hereby given that the second Annual General Meeting of Betacom plc will be held at Unit 1, Ponders End Industrial Estate, Duck Lees Lane, Enfield, Middlesex EN3 7TQ on 21 May 1990 at 10.00 am 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 1989.
2. To declare a final dividend on the ordinary shares.
3. That Mr R S Rowland, who has been appointed to the Board since the last Annual General Meeting, be re-elected as Director.
4. That Mr P L A Jacobs, who has been appointed to the Board since the last Annual General Meeting, be re-elected as Director.
5. That Mr P R Thorndyke, who retires by rotation, be re-elected as Director.
6. 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 7 will be proposed as an ordinary Resolution and Resolution numbered 8 will be proposed as a Special Resolution:

7. 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.
8. 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. Gollan

Secretary

23 April 1990

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, copies of all service contracts between the Directors and the Company.

The Betacom Group

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