



Companies House

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The poor quality has been noted, but unfortunately steps taken to improve them were unsuccessful.

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Dear Shareholder,

The year ended 31 December 1991 proved to be a very difficult one for producers of consumer goods. The turnover for the year including joint ventures was £19.3 million (1990: £18.3 million) and there was a profit before exceptional items of £39,000. After deducting exceptional items of £554,000 in respect of product costs, there was a loss before tax of £515,000 compared with £2,440,000 in the previous year.

Sales in the UK fell by more than 30% to £11.2 million, but sales generated by the joint ventures in Germany and Holland expanded rapidly. Betacom's difficulties stemmed from lower consumer spending as a result of the economic recession in the UK and a market which became increasingly price competitive, at a time when the Company was launching higher featured, more expensive products. Sales of the Venture cordless telephone, which achieved a market share in excess of 30% in the first half of the year, reduced dramatically in the second half as competitors responded with fierce price cutting.

The situation is different in Germany and Holland where our joint ventures operate. Sales grew nearly four fold during the year as the product ranges were released on to the markets in these countries. The German joint venture with Loewe contributed a reasonable profit and the directors are confident of a further significant increase in the current year. The Dutch joint venture showed a small loss.

The Board countered the fall in UK sales by reducing overheads by 33%. Clearly, in the present situation, the Board is not in a position to recommend the payment of a dividend.

The extraordinary charge of £0.7 million reflects the decision to provide against the loans made to the Trustees of the ESOP.

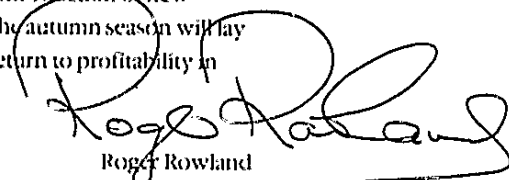
The cash outflow in the year was £2.0 million comprising £0.4 million in respect of UK operations, £0.5 million of financing costs and £1.1 million of investments. The main investment made in the year was in our German joint venture. Immediately after the year end, the Company was obliged to repay a loan in respect of the ESOP resulting in a further cash outflow of £1.0 million.

I would like to place on record my appreciation of the dedication and commitment of all the people who work for the Betacom group. Reductions in headcount have placed additional work pressures on employees and the perseverance and resilience shown by all have impressed me greatly.

Trading in the UK in the first five months of 1992 has continued to be affected adversely by the extremely competitive nature of the market. In Germany the results to date this year have been very good, while in Holland they have been rather disappointing. Overall, the Company is currently trading at a loss.

On 28 May 1992 the Board announced a proposal to raise £8.4 million (after expenses) by way of a rights issue and subscription for new shares by the Company's major shareholder, Amstrad plc. The Board is pleased to report that the proposal was approved by shareholders at an Extraordinary General Meeting on 22 June 1992.

The Board anticipates that the injection of equity capital and the introduction of new products planned for the autumn season will lay the foundations for a return to profitability in the future.


Roger Rowland
Chairman

The directors have pleasure in presenting their report together with the audited financial statements for the year ended 31 December 1991.

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 £515,000 (1990: — loss £2,460,000) before tax credit of £153,000 (1990: — tax credit £212,000) and extraordinary charges of £713,000 (1990: — £653,000). 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 and post balance sheet event

Details of the issued share capital are given in note 20 to the financial statements. On 22 June 1992, shareholders approved a rights issue and subscription for new shares by Amstrad plc, details of which are given in note 29 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 1991 were as follows:

	Ordinary shares of 10p each		Options over ordinary shares of 10p each	
	31 Dec 1991	1 Jan 1991	31 Dec 1991	1 Jan 1991
R S Rowland	105,000	5,000	200,000	
D A Wallace (appointed 30 January 1991)	50,000		500,000	
P R Thorndyke	5,600	5,600	100,000	100,000
P L A Jacobs	10,000	10,000	100,000	100,000
R Binks (appointed 19 July 1991, resigned 28 February 1992)				

The following directors resigned during the year and their interests in the share capital of the Company at their dates of resignation were as follows:—

	Date of resignation	Ordinary shares of 10p each	Options over ordinary shares of 10p each
D M Baylin	9 January 1991	821,000	1,000,000
S P Birch	16 January 1991	17,000	100,000
I D Pratt	19 July 1991	1,000	
N P Salomon	20 August 1991	5,500	100,000

At their dates of resignation Mr D M Baylin, Mr S P Birch and Mr N P Salomon each renounced rights to their options over ordinary shares of 10p each.

Directors and their interests
(continued)

Mr K Ashcroft was appointed non-executive director on 3 March 1992. He is also a director of Amstrad plc. There were no changes in directors' interests during the period from 31 December 1991 to 31 May 1992. All the directors' interests referred to above are beneficially held.

Mr R S Rowland was appointed Chairman following the resignation of Mr D M Baylin on 9 January 1991. He was formerly a non-executive director. Mr Rowland has a continuous service contract subject to 12 months' notice.

Mr D A Wallace was appointed Managing Director on 30 January 1991. Mr Wallace has a continuous service contract subject to 12 months' notice.

Mr P R Thorndyke has a service contract terminable at six months' notice on or after 31 December 1992.

Mr P L A Jacobs has a continuous service contract subject to 12 months' notice.

Mr I D Pratt and Mr R Binks were non-executive directors as well as being directors 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 1988 Executive 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 40,000 as at 31 May 1992 and the number of options granted to directors from the ESOS was 860,000 as at 31 May 1992.

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 a consideration of £2.

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

The Company has 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 May 1992, save as disclosed below:

	31 December 1991		31 May 1992	
	Ordinary shares of 10p each	Percentage of share capital	Ordinary shares of 10p each	Percentage of share capital
Amstrad plc			9,185,000	29.48%
Binatone Holdings Limited*	5,763,217	18.50%	5,278,217	16.94%
Binatone International Holdings Limited*			185,000	1.56%
Betacom 1988 Employee Share Ownership Plan Trust (see note 25)	1,551,000	4.98%	1,551,000	4.98%
Cannon Street Investments P.L.C.	9,302,898	29.86%	1,052,898	3.38%
Midland Bank A/c 19727143 on behalf of Equitable Smaller Companies Trust	1,009,623	3.24%	1,009,623	3.24%
Imperial Investments Ltd	1,000,000	3.21%	1,000,000	3.21%
Alan M Sugar	935,000	3.00%		
*under common control				

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 as auditors of the Company will be put to the Annual General Meeting.

By order of the board

Philip G Gollop

Secretary

23 June 1992

Consolidated profit and loss account for the year ended 31 December 1991

	Note	1991 £'000	1990 £'000
Turnover Including Associated Undertakings	2	19,253	18,283
Turnover Excluding Associated Undertakings	2	11,228	16,576
Cost of sales		(8,913)	(13,547)
Gross Profit		2,315	3,029
Distribution expenses		(514)	(1,227)
Administrative expenses		(1,455)	(1,698)
Operating Profit	3	346	104
Share of profits/(losses) of associated undertakings		144	(67)
Other interest receivable and similar income		29	7
Interest payable and similar charges	7	(480)	(489)
Profit/(Loss) Before Exceptional Items		39	(445)
Exceptional Items	4	(554)	(1,995)
Loss On Ordinary Activities Before Taxation		(515)	(2,440)
Tax on loss on ordinary activities	8	153	242
Loss On Ordinary Activities After Taxation		(362)	(2,198)
Extraordinary items	9	(713)	(653)
Loss For The Financial Year		(1,075)	(2,851)
Dividends	11		
Deficit For The Financial Year	23	(1,075)	(2,851)
Loss per share	12	(1.16p)	(7.05p)

Consolidated balance sheet at 31 December 1991

	Note	1991		1990	
		£'000	£'000	£'000	£'000
Fixed Assets					
Tangible assets	13		1,368		1,894
Intangible assets	14		206		370
Investments	15		1,511		680
			3,085		2,944
Current Assets					
Stocks	16	4,030		4,530	
Debtors	17	3,278		3,441	
Cash at bank and in hand				161	
		7,308		8,132	
Creditors: Amounts Falling Due Within One Year					
Bank loans and overdrafts	18	(1,873)			
Other	18	(3,071)		(4,282)	
		(4,944)		(4,282)	
Net Current Assets			2,364		3,850
Total Assets Less Current Liabilities			5,449		6,794
Provisions For Liabilities And Charges	19				(270)
Net Assets			<u>5,449</u>		<u>6,524</u>
Capital And Reserves					
Called up share capital	20		3,116		3,116
Share premium account	21		1,881		5,132
Special capital reserve	22				
Profit and loss account	23		452		(1,724)
			<u>5,449</u>		<u>6,524</u>

The financial statements were approved by the board of directors on 23 June 1992.

RS Rowland

P L A Jacobs

Directors

The notes on pages 1 to 20 form part of these financial statements.

Balance sheet at 31 December 1991

	Note	1991		1990	
		£'000	£'000	£'000	£'000
Fixed Assets					
Tangible assets	13		992		1,497
Intangible assets	14		206		370
Investments	15		1,752		921
			2,950		2,788
Current Assets					
Stocks	16		4,018		4,526
Debtors	17		3,761		3,885
Cash at bank and in hand			7,779		8,411
Creditors: Amounts Falling Due Within One Year					
Bank loans and overdrafts	18		(2,099)		(8)
Other	18		(3,083)		(4,164)
			(5,182)		(4,172)
Net Current Assets			2,597		4,239
Total Assets Less Current Liabilities			5,547		7,027
Provisions For Liabilities And Charges	19		(562)		(832)
Net Assets			<u>4,985</u>		<u>6,195</u>
Capital And Reserves					
Called up share capital	20		3,116		3,116
Share premium account	21		1,881		5,132
Special capital reserve	22		1,198		
Profit and loss account	23		(1,210)		(2,053)
			<u>4,985</u>		<u>6,195</u>

The financial statements were approved by the board of directors on 23 June 1992.

RS Rowland

P L A Jacobs

Directors

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

Cash flow statement for the year ended 31 December 1991

	Note	1991		1990	
		£'000	£'000	£'000	£'000
Net Cash (Outflow)/Inflow From Operating Activities	26		(451)		3,740
Returns On Investments And Servicing Of Finance					
Interest received		22		7	
Interest paid (including bank charges)		(479)		(511)	
Dividends paid				(31)	
Net Cash Outflow From Returns On Investments And Servicing Of Finance			(457)		(535)
Taxation					
UK corporation tax received		22		210	
Overseas tax paid		(5)		(11)	
Net Tax Received			17		299
Net Cash Outflow From Investing Activities	27		(1,124)		(1,737)
Net Cash (Outflow)/Inflow Before Financing			(2,015)		1,767
Financing — expenses paid in connection with share premium reorganisation			(19)		
(Decrease)/Increase In Cash And Cash Equivalents	28		<u>(2,034)</u>		<u>1,767</u>

The notes on pages 8 to 20 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 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 results of the Group comprise the results of the Company and its subsidiary undertakings up to 31 December 1991. 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 financial statements at their fair value to the Group.

- (g) The financial statements 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.

Notes to the financial statements (continued)**2. Turnover**

Turnover is analysed as follows:

	1991	1990
	£'000	£'000
United Kingdom	11,228	16,576
Associated undertakings — Germany	7,065	1,232
— Holland	960	475
	<u>19,253</u>	<u>18,283</u>

The directors consider that all turnover derives from one class of business.

3. Operating profit

Operating profit is stated after charging the following:

	1991	1990
	£'000	£'000
Depreciation of tangible fixed assets	330	277
Amortisation of intangible fixed assets	159	166
Other research and development expenditure	66	60
Operating leases: land and buildings	57	54
Auditors' remuneration and expenses — audit work	27	26
Auditors' remuneration and expenses — other	10	6
Directors' emoluments (see note 5)	300	319
Compensation for directors' loss of office	20	

4. Exceptional items

A review of the Group's product range was carried out on 31 December 1991 resulting in additional depreciation and amortisation of the carrying values of certain product costs.

On 31 December 1990 there was a major restructuring of the Group. The exceptional costs arising from the review and the restructuring were as follows:

	1991	1990
	£'000	£'000
Stock provision		763
Additional depreciation of tangible fixed assets	243	144
Additional amortisation of intangible fixed assets	311	875
Compensation for directors' loss of office		133
Other restructuring costs		80
	<u>554</u>	<u>1,995</u>

Notes to the financial statements (continued)**5. Emoluments of directors**

The emoluments of the chairman excluding pension contributions were £39,000 (1990: £115,000). The emoluments of the highest paid director were £87,000 (1990: £115,000). The emoluments of the directors including the above were within the following ranges:

	1991	1990
	£'000	£'000
£0 - £5,000	4	1
£5,001 - £10,000		1
£10,001 - £25,000	1	
£25,001 - £30,000	1	2
£30,001 - £40,000	1	1
£40,001 - £50,000	1	1
£50,001 - £65,000		1
£65,001 - £70,000	1	
£70,001 - £85,000	1	
£85,001 - £100,000		1
£100,001 - £115,000		1

The highest paid director waived a guaranteed bonus of £10,000 (1990: nil).

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.

	1991	1990
Administration	25	32
Selling	11	13
Warehouse	28	43
Technical	33	42
	<u>97</u>	<u>130</u>

The aggregate payroll costs of these persons were as follows:

	1991	1990
	£'000	£'000
Wages and salaries	1,301	1,586
Social security costs	128	147
Other pension costs	26	19
Compensation for loss of office	20	140
	<u>1,475</u>	<u>1,892</u>

7. Interest payable and similar charges

	1991	1990
	£'000	£'000
On bank loans, overdrafts and other loans wholly repayable within five years	<u>480</u>	<u>489</u>

Notes to the financial statements (continued)

8. Taxation

	1991	1990
	£'000	£'000
Taxation based on the loss on ordinary activities for the year:		
UK corporation tax credit at 33.25% (1990: 34.25%)	220	
Overseas tax	(5)	
Share of taxation of associated undertakings	(62)	
Adjustments in respect of prior years	-	50
Deferred taxation credit		192
	<u>153</u>	<u>242</u>

9. Extraordinary items

	1991	1990
	£'000	£'000
Provision against loan to the ESOP (see note 25)	550	
Provision in respect of financing costs of the ESOP (see note 25)	97	
Provision against facsimile machines following the decision to withdraw from the facsimile market		653
Extraordinary items before taxation	747	653
Tax relief thereon	(34)	
Extraordinary items after taxation	<u>713</u>	<u>653</u>

10. Loss 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, a loss of £1,210,000 (1990: loss £3,122,000) has been dealt with in the financial statements of the Company.

11. Dividends

No dividend has been paid during the year and none is proposed at the year end (1990: nil).

12. Loss per share

The loss per share has been based on the loss for the year after taxation and before extraordinary items and on the average number of shares in issue of 31,160,156 (1990: 31,160,156).

Notes to the financial statements (continued)

13. Tangible fixed assets

i) 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 1991	614	285	330	1,535	2,764
Additions			60	121	181
Disposals			(185)	(48)	(233)
At 31 December 1991	<u>614</u>	<u>285</u>	<u>205</u>	<u>1,608</u>	<u>2,712</u>
Depreciation					
At 1 January 1991	28	25	137	680	870
Charge for the year	16	17	47	493	573
Disposals			(99)		(99)
At 31 December 1991	<u>44</u>	<u>42</u>	<u>85</u>	<u>1,173</u>	<u>1,344</u>
Net Book Value					
At 31 December 1991	<u>570</u>	<u>243</u>	<u>120</u>	<u>435</u>	<u>1,368</u>
At 31 December 1990	<u>586</u>	<u>260</u>	<u>193</u>	<u>855</u>	<u>1,894</u>

Notes to the financial statements (continued)

13. Tangible fixed assets (continued)

ii) 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 1991	413	285	287	1,171	2,156
Additions			56	69	125
Disposals			(177)	(48)	(225)
At 31 December 1991	<u>413</u>	<u>285</u>	<u>166</u>	<u>1,192</u>	<u>2,056</u>
Depreciation					
At 1 January 1991	13	25	122	897	1,057
Charge for the year	13	17	34	434	497
Disposals			(92)		(92)
At 31 December 1991	<u>26</u>	<u>42</u>	<u>64</u>	<u>932</u>	<u>1,064</u>
Net Book Value					
At 31 December 1991	<u>387</u>	<u>243</u>	<u>102</u>	<u>260</u>	<u>992</u>
At 31 December 1990	<u>400</u>	<u>260</u>	<u>165</u>	<u>672</u>	<u>1,497</u>

14. Intangible fixed assets

Development expenditure
Group and Company:

	Cost	Amortisation	Net book value
	£'000	£'000	£'000
At 1 January 1991	1,638	(1,268)	370
Additions	306		306
Charge for the year		(470)	(470)
At 31 December 1991	<u>1,944</u>	<u>(1,738)</u>	<u>206</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 1991	44	636	680
Additions in the year	763	636	1,399
Share of profits after tax	82		82
At 31 December 1991	<u>889</u>	<u>1,272</u>	<u>2,161</u>
Provision			
At 1 January 1991			
Provided in the year		650	650
At 31 December 1991		<u>650</u>	<u>650</u>
Net Book Value			
At 31 December 1991	<u>889</u>	<u>622</u>	<u>1,511</u>
At 31 December 1990	<u>44</u>	<u>636</u>	<u>680</u>

ii) The Company

	Shares in subsidiary undertakings £'000	Shares in associated undertakings £'000	Loan to the ESOP* £'000	Total £'000
Cost				
At 1 January 1991	607	44	636	1,287
Additions in the year		763	636	1,399
Share of profits after tax		82		82
At 31 December 1991	<u>607</u>	<u>889</u>	<u>1,272</u>	<u>2,768</u>
Provision				
At 1 January 1991	366			366
Provided in the year			650	650
At 31 December 1991	<u>366</u>		<u>650</u>	<u>1,016</u>
Net Book Value				
At 31 December 1991	<u>241</u>	<u>889</u>	<u>622</u>	<u>1,752</u>
At 31 December 1990	<u>241</u>	<u>44</u>	<u>636</u>	<u>921</u>

*See note 25.



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 telecommunication 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 1991. The business of Answercall Limited was conducted by Betacom Plc which is the appointed agent of Answercall Limited. Betacom Plc and the other subsidiary undertakings operate in the United Kingdom.

- iv) The principal activities of the associated undertakings, Loewe Betacom GmbH and Betacom Nederland BV, are the marketing and distribution of telecommunication equipment in Germany and Holland respectively. Betacom Plc owns 49% of the share capital of Loewe Betacom GmbH and 50% of the share capital of Betacom Nederland BV. The companies are incorporated in the countries in which they operate.

The balance sheets of the associated undertakings at 31 December 1991 are summarised as follows:

	Loewe Betacom GmbH		Betacom Nederland BV	
	£'000	£'000	£'000	£'000
Fixed assets		515		74
Current assets	2,518		1,124	
Creditors falling due within one year	(2,511)		(1,058)	
Net current assets		7		66
Provisions for liabilities and charges		(126)		
Net assets		396		140
Share capital		176		325
Profit and loss account				
Opening balance	(5)		(131)	
Profit/loss before tax	351		(57)	
Tax	(126)		3	
		220		(185)
Capital and reserves		396		140
Depreciation charges for the year		105		13

Notes to the financial statements (continued)

15. Investments (continued)

Betacom Plc's investment at 31 December 1991 is analysed as follows:

	Loewe Betacom GmbH	Betacom Nederland BV	Total
	£'000	£'000	£'000
Share of net assets	194	70	264
Loans	611		611
Other		14	14
	<u>805</u>	<u>84</u>	<u>889</u>

16. Stocks

	Group		Company	
	1991	1990	1991	1990
	£'000	£'000	£'000	£'000
Finished goods and goods for resale	4,018	4,528	4,018	4,526
Work in progress	12	2		
	<u>4,030</u>	<u>4,530</u>	<u>4,018</u>	<u>4,526</u>

17. Debtors

	Group		Company	
	1991	1990	1991	1990
	£'000	£'000	£'000	£'000
Trade debtors	2,417	3,155	2,356	3,065
Amounts owed by subsidiary undertakings			562	562
Amounts owed by associated undertakings	367	102	367	102
Other debtors	13	23	13	23
Prepayments and accrued income	138	83	138	75
Corporation tax recoverable	343	78	325	58
	<u>3,278</u>	<u>3,441</u>	<u>3,761</u>	<u>3,885</u>

Included within debtors of the Company and the Group is an amount of £100,000 (1990: nil) owed by associated undertakings which is recoverable after more than one year.

18. Creditors: Amounts falling due within one year

	Group		Company	
	1991	1990	1991	1990
	£'000	£'000	£'000	£'000
Obligations under finance leases and hire purchase contracts		6		4
Trade creditors	1,599	3,342	1,576	3,271
Amounts owed to subsidiary undertakings			170	79
Other creditors	5	7		
Corporation tax	58	25		
Other taxes and social security	119	139	64	63
Accruals and deferred income	287	763	270	747
ESOP creditor (see note 25)	1,003		1,003	
	<u>3,071</u>	<u>4,282</u>	<u>3,083</u>	<u>4,161</u>

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

Notes to the financial statements (continued)

19. Provisions for liabilities and charges

	Group		Company	
	ESOP financing costs	ESOP financing costs	Inter-company debt of a subsidiary undertaking	Total
	£'000	£'000	£'000	£'000
At 1 January 1991	270	270	562	832
Released in the year	(270)	(270)		(270)
At 31 December 1991			562	562

The provision for ESOP financing costs is explained in note 25.

The amount of potential deferred tax not provided is £45,000 (1990: £45,000). This is in respect of a property valuation in a subsidiary undertaking. In addition the Company has unutilised tax losses of approximately £3,100,000 at 31 December 1991 to be carried forward against future profits.

20. Share capital

	1991		1990	
	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

980,000 options to subscribe for shares have been granted under the Company's 1988 Executive Share Option Scheme on or after 26 October 1988 and are still outstanding. Of this amount, 200,000 options will be exercisable at a price of 60 pence per share, 80,000 options at a price of 19 pence per share and 700,000 options at a price of 16.5 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.

21. Share premium account

	1991	1990
	£'000	£'000
At 1 January 1991	5,132	5,132
Transferred to special capital reserve	(3,251)	
At 31 December 1991	1,881	5,132

On 24 May 1991 a special resolution was passed at an extraordinary general meeting of the Company to reduce the amount standing to the credit of the share premium account by £3,251,000. This was confirmed by the High Court on 8 July 1991. The amount was transferred to a special capital reserve against which has been offset the deficit on the Company's profit and loss account as at 1 January 1991. In the Group's financial statements, goodwill previously written off against the profit and loss account has now been written off against the special capital reserve.

Notes to the financial statements (continued)

22. Special capital reserve

	Group	Company
	£'000	£'000
At 1 January 1991		
Transferred from share premium account	3,251	3,251
Transfer of deficit from profit and loss account	(2,053)	(2,053)
Goodwill previously written off transferred from profit and loss account	(1,198)	
At 31 December 1991		1,198

23. Profit and loss account

	Group	Company
	£'000	£'000
At 1 January 1991	(1,724)	(2,053)
Deficit transferred to special capital reserve	2,053	2,053
Deficit for the financial year	(1,075)	(1,210)
Goodwill previously written off transferred to special capital reserve	1,198	
At 31 December 1991	452	(1,210)

The accumulated goodwill arising on acquisitions written off against reserves is as follows:

	1991	1990
	£'000	£'000
Profit and loss account	39	1,237
Special capital reserve	1,198	
	1,237	1,237

24. Financial commitments

a) Capital commitments

There were no capital commitments either contracted or authorised, other than those provided in these financial statements.

b) Operating lease commitments

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

	1991	1990
	£'000	£'000
Group and Company:		
Contracted	57	58
Authorised but not contracted		

Notes to the financial statements (continued)

24. Financial commitments (continued)

c) Guarantees

The Company has guaranteed 50% of the overdraft facility of Betacom Nederland BV of NLG2,000,000 (£625,000) and has subordinated DM980,000 (£345,000) of its loans to Loewe Betacom GmbH to the bankers of Loewe Betacom GmbH. In addition, at 31 December 1991, the Company's bank had issued guarantees to the bankers of Loewe Betacom GmbH on behalf of the Company amounting to DM1,960,000 (£690,000) in respect of which the Company has counter indemnified its bank.

25. The ESOP

The Company established the ESOP at the time of its flotation. 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.

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. In December 1991 the Bank exercised its rights under the agreement and decided to sell its whole shareholding to the ESOP.

The purchase of the Bank's shares by the ESOP was completed in January 1992 and was funded by an interest free loan from the Company. The consideration for the transaction was £1,003,000 comprising £636,000 for the book value of the shares at 82 pence and £367,000 for the Bank's financing costs. Of the financing costs of £367,000, £270,000 had been provided at 31 December 1990 and £97,000 has been included within extraordinary items in the profit and loss account for the year ended 31 December 1991.

The total loan to the ESOP at 31 December 1991 was £1,272,000 represented by 1,551,000 shares at the offer price of 82 pence. At 31 May 1992 the Company's share price was 18.5 pence. The directors consider it prudent to provide an amount of £650,000 against the loan. This results in a valuation of the ESOP loan of £622,000. The provision of £650,000 has been included within extraordinary items in the profit and loss account for the year ended 31 December 1991.

26. Reconciliation of operating profit to net cash (outflow)/inflow from operating activities

	1991	1990
	£'000	£'000
Operating profit	346	104
Exceptional items	(554)	(1,995)
Extraordinary stock provision		(653)
Depreciation and amortisation charges	1,043	1,462
Loss on sale of tangible fixed assets	8	4
Decrease in stocks	500	2,897
Decrease in debtors	457	1,245
(Decrease)/increase in other creditors (excluding ESOP)	(2,251)	676
Net cash (outflow)/inflow from operating activities	(451)	3,740

Notes to the financial statements (continued)

27. Investing activities

	1991		1990	
	£'000	£'000	£'000	£'000
Purchase of tangible fixed assets		(181)		(680)
Purchase of intangible fixed assets		(306)		(935)
Purchase of subsidiary undertaking				(71)
Investment in associated undertakings		(763)		(101)
ESOP movements				
Loan to the ESOP	(636)			
ESOP creditor	1,003			
ESOP provision	(270)			
Extraordinary financing costs	(97)			
Sale of tangible fixed assets		126		50
Net cash outflow from investing activities		<u>(1,124)</u>		<u>(1,737)</u>

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

	1991	1990
	£'000	£'000
At 31 December 1990	161	(1,606)
Net cash (outflow)/inflow	(2,034)	1,767
At 31 December 1991	<u>(1,873)</u>	<u>161</u>

The amounts are included in the balance sheet as follows:

	1991	1990
	£'000	£'000
Cash at bank and in hand		161
Bank loans and overdrafts	(1,873)	
	<u>(1,873)</u>	<u>161</u>

29. Post balance sheet event

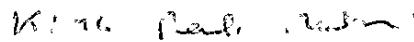
At an extraordinary general meeting of the Company on 22 June 1992, shareholders approved the Board's proposal to raise a total of approximately £8.4 million (after expenses) by way of a rights issue of up to 23,370,127 new ordinary shares of 10p each at a price of 18p per share and a subscription by Amstrad plc for 23,950,000 new ordinary shares of 10p each also at a price of 18p per share. The rights issue is being made on the basis of three new ordinary shares for every four ordinary shares held and has been fully underwritten by Amstrad plc. Details of the rights issue and subscription were included in a circular which was despatched to shareholders on 28 May 1992.

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 1991 and of the loss and cash flows of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

23 June 1992
London



KPMG Peat Marwick
Chartered Accountants

Registered Auditor

Financial record

	Years ended				Thirteen months ended
	31 Dec 1991	31 Dec 1990	31 Dec 1989	31 Dec 1988	31 Dec 1987
	£'000	£'000	£'000	£'000	£'000
Profit and loss account					
Turnover including associated undertakings	19,253	18,283	16,531	17,845	13,355
Turnover excluding associated undertakings	11,228	10,576	10,465	17,845	13,355
Gross profit	2,315	3,029	3,576	4,613	3,685
Profit/(loss) before exceptional items	39	(445)	778	2,609	2,326
Exceptional items	(554)	(1,995)	(500)		
(Loss)/profit before taxation	(515)	(2,440)	278	2,609	2,326
Taxation	153	242	(18)	(912)	(795)
(Loss)/profit after taxation	(362)	(2,198)	260	1,697	1,531
Extraordinary items	(713)	(653)	(607)		
(Loss)/profit for period	(1,075)	(2,851)	(347)	1,697	1,531
Dividends			(343)	(362)	(690)
(Deficit)/retained profit for period	(1,075)	(2,851)	(690)	1,335	841
(Loss)/earnings per share (pence)	(1.16)	(7.05)	0.84	7.77	7.19
Capital employed					
Fixed assets	3,085	2,944	2,811	1,037	317
Net operating assets	2,364	3,580	6,635	9,606	1,049
Net assets	5,449	6,524	9,446	11,243	1,966
Financed by					
Share capital	3,116	3,116	3,116	3,102	202
Share premium	1,881	5,132	5,132	5,075	
Profit and loss account	452	(1,724)	1,198	3,066	1,764
	5,449	6,524	9,446	11,243	1,966

Notice of meeting

Notice is hereby given that the fourth Annual General Meeting of the Company will be held at Unit 1, Ponders End Industrial Estate, Duck Lees Lane, Enfield, Middlesex EN3 7TQ on 21 July 1992 at 11.00 a.m. for the following purposes:—

Ordinary business

1. To receive and adopt the accounts of the Company for the year ended 31 December 1991 and the reports of the directors and auditors thereon.
2. To re-elect Mr K Ashcroft, who has been appointed to the board since the last Annual General Meeting, as a director.
3. To re-appoint KPMG Peat Marwick 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 resolution which will be proposed as a special resolution:

4. That the power conferred upon the directors by a special resolution passed at the Extraordinary General Meeting of the Company held on 22 June 1992, to make certain allotments of equity securities as if Section 89(1) of the Companies Act 1985 did not apply to any such allotment, be and is hereby extended so that it shall expire on 20 October 1993, unless previously renewed or extended and shall permit the allotment after the date hereof (otherwise than for the purposes of sub-paragraphs (i) and (ii) of that special resolution) of equity securities up to an aggregate nominal value of £392,401.

By order of the board
Philip G Gollop

Secretary

25 June 1992

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

Notice of meeting (continued)

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 place. A proxy need not be a member of the Company.
2. To be valid an instrument of proxy and any letter or power of attorney (or a duly certified copy thereof) must (failing previous registration with the Company) be lodged with the Company's Registrar, Bank of Scotland, Registrar Department, 26A York Place, Edinburgh EH1 0AA at least 48 hours before the time appointed for holding the Annual General Meeting.
3. Completion and return of a Form of Proxy does not preclude a member from subsequently attending and voting 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 (Saturday excepted) from the date of this notice until the date of the Annual General Meeting and at the place of the meeting for fifteen minutes prior to and during 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.