

KPMG Peat Marwick

1306335

VideoLogic Limited

**Directors' report and consolidated
financial statements**

31 March 1994

Registered number 1306335



VideoLogic Limited

Directors' report and consolidated financial statements

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VideoLogic Limited

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 March 1994.

Principal activities and business review

The company's principal activity, which has remained unchanged during the year, was that of the design and supply of multimedia enabling equipment.

The results for the year are shown on page 6. The directors do not recommend payment of a dividend for the year ended 31 March 1994 (1993: £nil). Movements on tangible fixed assets during the year are shown in note 11 to the financial statements. The directors are confident that the company will trade profitably and is well placed to expand in the future.

Post balance sheet event

The development of VideoLogic's new generation of mass-market products has required significant funding which, to date, has been provided by the parent company, Avesco plc. The further development of the company's products will require significant additional funding which Avesco plc are no longer able to provide. The board of Avesco plc has concluded, therefore, that VideoLogic should be demerged from the Avesco group in order to allow it to raise the funds it requires on independent terms. On 30 March 1994 the board of Avesco plc announced its intention to demerge VideoLogic from the Avesco group.

The demerger is to be effected by Avesco plc declaring a dividend to be satisfied by the transfer to a new company, VideoLogic Group Plc, of the whole of the issued share capital of VideoLogic Limited in exchange for the issue of the fully paid shares in VideoLogic Group Plc to Avesco plc shareholders. VideoLogic Group Plc will become the new parent company of VideoLogic Limited.

The demerger was approved at a general meeting of Avesco plc shareholders on 30 June 1994 together with a Placing of VideoLogic Group Plc shares, incorporating a priority subscription Offer to Avesco plc shareholders. This Placing and Offer are fully underwritten and are anticipated to result in net proceeds of approximately £13 million for the VideoLogic group, after repayment of inter-company funding not capitalised by Avesco plc as part of the arrangements for demerger. The £13 million will be used to provide additional investment funding and working capital for the newly formed group.

Future developments

It is the intention of the directors to exploit opportunities as they may arise from the development of existing and new market areas.

Research and development

The company will continue to undertake research and development activities to retain its technological advantage and competitive position in the market.

VideoLogic Limited

Directors' report *(continued)*

Directors and directors' interests

The directors who held office during the year were as follows:

DAE Maclaren
 RM Livesey
 AE Maclaren
 CA Maxwell
 RA Murray
 J Pepper
 BLH Powell (appointed 21 July 1993)
 MC Walsh
 T Wing
 MH Yassaie

The directors who held office at the end of the financial year had the following interests in the ordinary shares of the company's ultimate holding company, Avesco plc:

	31 March 1994		31 March 1993 or date of appointment	
	Ordinary shares	Options to subscribe for ordinary shares	Ordinary shares	Options to subscribe for ordinary shares
DAE Maclaren	50,000	-	292,569	-
RM Livesly	-	10,776	88,611	-
AE Maclaren	50,000	107,760	424,993	-
J Pepper	38,350	10,776	-	10,000
BLH Powell	-	-	-	-
MC Walsh	-	10,776	-	10,000
T Wing	-	37,716	-	30,000
MH Yassaie	-	53,880	-	50,000

CA Maxwell and RA Murray are directors of Avesco plc and their interests in the ordinary shares are disclosed in the accounts of that company.

VideoLogic Limited

Directors' report (continued)

Directors and directors' interests (continued)

The directors who held office at the end of the financial year had the following interests in the ordinary shares of the company, as recorded in the register of directors' share and debenture interests:

	31 March 1994 and 31 March 1993
	Options to subscribe for ordinary shares
DAE Maclaren	1,500
RM Livesly	1,750
AE Maclaren	3,000
J Pepper	500
MC Walsh	500
T Wing	750
MH Yassaie	2,000

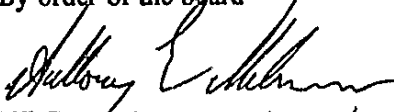
Liability insurance

During the year the company maintained liability insurance for its officers.

Auditors

Pursuant to a shareholders' resolution, the company is not obliged to reappoint its auditors annually and KPMG Peat Marwick will therefore continue in office.

By order of the board


NS Conn AE MACLAREN
SECRETARY DIRECTOR,

Venture House
Davis Road
Chessington
Surrey
KT9 1TT

VideoLogic Limited

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and the group and of the profit or loss for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for maintaining proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and the group and to enable them to ensure that the financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

Auditors' report to the members of VideoLogic Limited

We have audited the financial statements on pages 6 to 29.

Respective responsibilities of directors and auditors

As described on page 4 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the affairs of the company and the group at 31 March 1994 and of the loss of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

The financial statements include proforma balance sheets on pages 7 and 8 to illustrate what would have been the effects of the events referred to in Note 26 on the state of affairs of the company and the group if these events had taken place on 31 March 1994. In our opinion, these proforma balance sheets have, so far as the calculations are concerned, been properly compiled on the basis set out in Note 1.

KPMG Peat Marwick

KPMG Peat Marwick
Chartered Accountants
Registered Auditors

30th June, 1994

VideoLogic Limited

Consolidated profit and loss account for the year ended 31 March 1994

	Note	1994 £000	1993 As restated (see Note 2) £000
Turnover	3	9,166	10,420
Cost of sales		(4,874)	(4,790)
Gross profit		4,292	5,630
Research and development expenses		(2,740)	(2,273)
Sales and administrative expenses		(7,000)	(4,608)
Other operating income	5	103	612
Operating loss		(5,345)	(639)
Net interest payable and similar charges	8	(535)	(764)
Loss on ordinary activities before taxation	4	(5,880)	(1,403)
Tax on profit on ordinary activities	9	-	-
Retained loss for the financial year		(5,880)	(1,403)

In both years the group made no material acquisitions and had no discontinued operations.

A statement of the movement on reserves is set out in note 19 to these accounts.

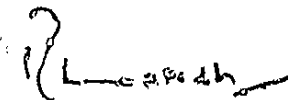
VideoLogic Limited

Consolidated balance sheet at 31 March 1994

	Note	1994 £000	1994 Unaudited proforma £000	1993 As restated (see Note 2) £000
Fixed assets				
Intangible assets	10	163	163	160
Tangible assets	11	1,719	1,719	1,649
		<u>1,882</u>	<u>1,882</u>	<u>1,809</u>
Current assets				
Stocks	13	2,575	2,575	1,871
Debtors	14	2,023	2,023	2,972
Cash at bank and in hand		88	88	85
		<u>4,686</u>	<u>4,686</u>	<u>4,928</u>
Creditors: amounts falling due within one year	15	(11,901)	(2,745)	(6,137)
Net current (liabilities)/assets		<u>(7,215)</u>	<u>1,941</u>	<u>(1,209)</u>
Total assets less current liabilities		<u>(5,333)</u>	<u>3,823</u>	<u>600</u>
Creditors: amounts falling due after more than one year	16	-	-	(39)
Net (liabilities)/assets		<u>(5,333)</u>	<u>3,823</u>	<u>561</u>
Capital and reserves				
Called up share capital	18	4,100	13,256	4,100
Profit and loss account	19	(9,433)	(9,433)	(3,539)
		<u>(5,333)</u>	<u>3,823</u>	<u>561</u>

The basis of preparation of the proforma consolidated balance sheet included above is outlined in Note 1.

These financial statements were approved by the board of directors on 30th June, 1994 and were signed on its behalf by:



BLH Powell
Director

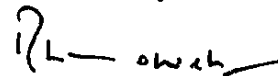
VideoLogic Limited

Balance sheet at 31 March 1994

	Note	1994 £000	1994 Unaudited proforma £000	1993 As restated (see Note 2) £000
Fixed assets				
Intangible assets	10	163	163	160
Tangible assets	11	1,301	1,301	1,194
Investments	12	1,778	1,778	1,658
		<u>3,242</u>	<u>3,242</u>	<u>3,012</u>
Current assets				
Stocks	13	2,156	2,156	1,195
Debtors	14	3,956	3,956	3,837
Cash at bank and in hand		39	39	1
		<u>6,151</u>	<u>6,151</u>	<u>5,033</u>
Creditors: amounts falling due within one year	15	(11,836)	(2,680)	(5,902)
Net current (liabilities)/assets		<u>(5,685)</u>	<u>3,471</u>	<u>(869)</u>
Total assets less current liabilities		<u>(2,443)</u>	<u>6,713</u>	<u>2,143</u>
Creditors: amounts falling due after more than one year	16	-	-	(39)
Net (liabilities)/assets		<u>(2,443)</u>	<u>6,713</u>	<u>2,104</u>
Capital and reserves				
Called up share capital	18	4,100	13,256	4,100
Profit and loss account	19	(6,543)	(6,543)	(1,996)
		<u>(2,443)</u>	<u>6,713</u>	<u>2,104</u>

The basis of preparation of the proforma balance sheet included above is outlined in Note 1.

These financial statements were approved by the board of directors on 30th June, 1994 and were signed on its behalf by:



BLH Powell
Director

VideoLogic Limited

Consolidated cash flow statement for the year ended 31 March 1994

	Note	1994		1993	
		£000	£000	£000	£000
Net cash (outflow) from operating activities	23		(4,492)		(501)
Return on investments and servicing of finance					
External interest paid		(56)		(37)	
Interest paid to group companies		(469)		(660)	
Interest received		4		2	
		<u> </u>		<u> </u>	
Net cash (outflow) from returns on investment and servicing of finance			(521)		(695)
Investing activities					
Purchase of intangible fixed assets		(48)		(63)	
Purchase of tangible fixed assets		(779)		(775)	
Sale of tangible fixed assets		38		-	
		<u> </u>		<u> </u>	
Net cash (outflow) from investing activities			(789)		(838)
Net cash (outflow) before financing			(5,802)		(2,034)
Financing					
Issue of cumulative redeemable preference shares		-		4,000	
Capital element of finance lease rental payments	25	(73)		(66)	
Movement in capital element of group loan		6,284		(3,545)	
		<u> </u>		<u> </u>	
Net cash inflow from financing			6,211		389
Increase/(decrease) in cash and cash equivalents	24		409		(1,645)

VideoLogic Limited

Consolidated statement of total recognised gains and losses for the year ended 31 March 1994

	1994	1993 As restated (see Note 2)
	£000	£000
Loss for the financial year	(5,880)	(1,403)
Unrealised loss on translation of foreign currency net assets	(14)	(157)
Total recognised gains and losses relating to the financial year	(5,894)	(1,560)

Note on prior year adjustment

	£000
Total gains and losses relating to the year (see above)	(5,894)
Prior year adjustment (see note 2)	(873)
Total gains and losses recognised since the last annual report	(6,767)

For each of the years the historical cost loss is not materially different from the reported loss.

Reconciliations of movements in shareholders' funds for the year ended 31 March 1994

	Group		Company	
	1994	1993	1994	1993
	£000	£000	£000	£000
Loss for the financial year	(5,880)	(1,403)	(4,547)	(875)
Unrealised loss on translation of foreign currency net assets	(14)	(157)	-	-
New share capital subscribed	-	4,000	-	4,000
Net addition to shareholders' funds	(5,894)	2,440	(4,547)	3,125
Opening shareholders' funds as previously stated	1,434	(969)	2,977	(111)
Prior year adjustment	(873)	(910)	(873)	(910)
As restated (see note 2)	561	(1,879)	2,104	(1,021)
Closing shareholders' funds	(5,333)	561	(2,443)	2,104

VideoLogic Limited

Notes (forming part of the financial statements)

1 Accounting policies

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

Basis of preparation

The summarised financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules.

Included in the financial statements are proforma balance sheets for both the group and the company which incorporate certain adjustments to share capital at 31 March 1994 to reflect the capitalisation of intercompany balances on the demerger of VideoLogic from the Avesso group. The demerger is further detailed in Note 26 to these accounts.

Basis of consolidation

The consolidated financial statements include the company and all of its subsidiary undertakings. Sales between group undertakings together with the related profits have been eliminated on consolidation.

The consolidated financial statements include the results of the following companies for the periods shown:

VideoLogic Limited
VideoLogic Inc
VideoLogic GmbH
VideoLogic Laboratories Limited (dormant)

throughout
throughout
from 9 August 1993 (date of incorporation)
from 6 August 1993 (date of acquisition)

VideoLogic Laboratories Limited did not trade either before or after acquisition.

Fixed assets and depreciation

Depreciation is provided by the company to write off the cost less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

Finance leases
Plant and equipment
Motor vehicles

- Equally over the period of the lease
- 20 per cent to 33 per cent on cost
- 20 per cent on cost

Foreign currencies

Transactions in foreign currencies are translated at the rates of exchange ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at rates of exchange ruling at the balance sheet dates.

On consolidation, results of foreign subsidiary undertakings are translated at the average rates of exchange for the year. The assets and liabilities are translated at rates ruling at the balance sheet dates. Differences on exchange arising on translation of the net assets and results of foreign subsidiary undertakings are taken to reserves.

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VideoLogic Limited

Notes (continued)

1 Accounting policies (continued)

Government grants

Grants are taken to the profit and loss account in the period when the relevant expenditure was incurred.

Research and development expenditure

Costs of basic and applied research and product development expenditure are written off in the period in which they are incurred.

Leased assets

Assets acquired under finance leases are included in the balance sheet at cost less depreciation and the present value of future rentals is shown as a liability. The interest element of rental obligations is charged to the profit and loss account over the period of the lease in proportion to the balance of capital repayments outstanding. Rentals payable under operating leases are charged to the profit and loss account as incurred.

Intellectual property right and patents

Trade marks and patents are capitalised at cost of acquisition and protection including attributable overheads and depreciated over the anticipated period of profitable exploitation.

Stocks

Stocks and work in progress are valued at the lower of cost and net realisable value. Work in progress and finished goods include direct costs and attributable overheads based on the normal level of activity.

Deferred taxation

Provision is made for deferred taxation using the liability method on all timing differences, except for those which are not expected to reverse in the foreseeable future.

Turnover

Turnover represents the net value of goods sold and services provided by the company excluding value added tax.

VideoLogic Limited

Notes (continued)

2 Prior year adjustment

During the year the company has changed its accounting policy for software development costs. Until 31 March 1993 these costs were capitalised in fixed assets and amortised over the expected period of exploitation in accordance with the accounting policies of the ultimate holding company, Avesco plc. Software development costs are now recharged to the profit and loss account as incurred.

The prior year adjustment gives rise to a cumulative debit adjustment to reserves of £873,000 in the 1994 accounts of which £37,000 credit relates to 1993 and the balance of £910,000 relates to 1992 and prior years. The comparative figures have been restated in accordance with the new policy, resulting in an increase in the profit for the financial year of £37,000.

3 Turnover and segmental analysis

Turnover represents the amount derived from sales of multimedia enabling equipment.

Turnover is analysed by geographical area of sales as follows:

	1994 £000	1993 £000
United Kingdom and Europe	3,374	4,761
North America	5,241	4,842
Rest of world	551	817
	<hr/> 9,166	<hr/> 10,420

Turnover is analysed by geographical area of origin of sale as follows:

	1994 £000	1993 £000
United Kingdom and Europe	<hr/> 9,166	<hr/> 10,420

VideoLogic Limited

Notes (continued)

4 Loss on ordinary activities before taxation

	1994 £000	1993 £000
<i>Loss on ordinary activities before taxation is stated</i>		
<i>after charging</i>		
Depreciation of owned tangible and intangible assets	644	533
Depreciation of leased tangible fixed assets	69	69
Loss on disposal of fixed assets	10	-
Auditors' remuneration:		
Audit	25	21
Other services	12	10
Operating lease rentals:		
Hire of plant and machinery	22	18
Other operating leases	212	211

5 Other operating income

Other operating income represents Government grants receivable in respect of certain research and development projects.

VideoLogic Limited

Notes (continued)

6 Remuneration of directors

	1994 £000	1993 £000
Directors' emoluments:		
Remuneration as executives	<u>451</u>	<u>327</u>

The emoluments, excluding pension contributions, of the chairman were £53,000 (1993:£40,000) and those of the highest paid director were £83,000 (1993:£85,000).

The number of directors (including the chairman and the highest paid director) who received emoluments in the following ranges were:

	Number of directors	
	1994	1993
£0 - £ 5,000	2	3
£35,001 - £40,000	-	1
£40,001 - £45,000	2	1
£45,001 - £50,000	-	1
£50,001 - £55,000	2	1
£55,001 - £60,000	3	1
£80,001 - £85,000	1	-
£85,001 - £90,000	<u>-</u>	<u>1</u>

No pension contributions were paid on behalf of the directors (including the chairman and highest paid director) in the current or preceding year.

VideoLogic Limited

Notes (continued)

7 Staff numbers and costs

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

	Number of employees	
	1994	1993
Research and development	46	38
Production	15	14
Administration	23	20
Marketing	51	45
	<u>135</u>	<u>117</u>

The aggregate payroll costs of these persons were as follows:

	1994 £000	1993 £000
Wages and salaries	3,615	2,771
Social security costs	359	273
Other pension costs (see note 21)	39	22
	<u>4,013</u>	<u>3,066</u>

8 Net interest payable and similar charges

	1994 £000	1993 £000
On loan from fellow subsidiary undertaking repayable within five years	481	660
On bank overdrafts and other loans wholly repayable within five years	47	15
Exchange loss on foreign currency borrowings	-	71
Finance lease charges	12	20
	<u>540</u>	<u>766</u>
Less: Interest receivable and similar income	(5)	(2)
	<u>535</u>	<u>764</u>

VideoLogic Limited

Notes (continued)

9 Taxation

No charge has arisen due to trading losses incurred during the current and preceding years.

10 Intangible fixed assets

Patents and trade marks £000

Group and company

Cost

At beginning of year

209

Additions

48

At end of year

257

Amortisation

At beginning of year

49

Charged in year

45

At end of year

94

Net book value

At 31 March 1994

163

At 31 March 1993

160

VideoLogic Limited

Notes (continued)

11 Tangible fixed assets

	Leasehold improvements £000	Plant and equipment £000	Software £000	Motor cars £000	Total £000
Group					
<i>Cost</i>					
At beginning of year (as previously stated)	72	2,793	1,653	393	4,911
Prior year adjustment (see note 2)	-	-	(1,653)	-	(1,653)
As restated	72	2,793	-	393	3,258
Additions	110	638	-	31	779
Disposals	-	(26)	-	(75)	(101)
Exchange differences	-	11	-	1	12
At end of year	182	3,416	-	350	3,948
<i>Depreciation</i>					
At beginning of year (as previously stated)	35	1,367	781	207	2,390
Prior year adjustment (see note 2)	-	-	(781)	-	(781)
As restated	35	1,367	-	207	1,609
Charge for year	4	597	-	67	668
On disposals	-	(19)	-	(34)	(53)
Exchange differences	-	5	-	-	5
At end of year	39	1,950	-	240	2,229
<i>Net book value</i>					
At 31 March 1994	143	1,466	-	110	1,719
At 31 March 1993	37	1,426	-	186	1,649
Net book value of leased assets included above:					
At 31 March 1994		50	-	6	56
At 31 March 1993		117	-	8	125

VideoLogic Limited

Notes (continued)

11 Tangible fixed assets (continued)

Company	Leasehold improvements £000	Plant and equipment £000	Software £000	Motor cars £000	Total £000
<i>Cost</i>					
At beginning of year (as previously stated)	72	2,093	1,653	372	4,190
Prior year adjustment (see note 2)	-	-	(1,653)	-	(1,653)
As restated	72	2,093	-	372	2,537
Additions	110	520	-	31	661
Disposals	-	(26)	-	(75)	(101)
At end of year	182	2,587	-	328	3,097
<i>Depreciation</i>					
At beginning of year (as previously stated)	35	1,122	781	186	2,124
Prior year adjustment (see note 2)	-	-	(781)	-	(781)
As restated	35	1,122	-	186	1,343
Charge for year	4	435	-	67	506
On disposals	-	(19)	-	(34)	(53)
At end of year	39	1,538	-	219	1,796
<i>Net book value</i>					
At 31 March 1994	143	1,049	-	109	1,301
At 31 March 1993	37	971	-	186	1,194
Net book value of leased assets included above:					
At 31 March 1994		50	-	6	56
At 31 March 1993		117	-	8	125

VideoLogic Limited

Notes (continued)

12 Fixed asset investments

Shares in group undertakings

£000

Company

Cost

At beginning of year

1,658

Additions

120

At end of year

1,778

Shares in group undertakings comprise entirely of shares held in subsidiary undertakings.

The company owns 100% of the ordinary share capital of the following companies:

	Country of registration or incorporation	Principal activity
<i>Subsidiary undertakings</i>		
VideoLogic Inc	USA	Supply of multimedia enabling equipment
VideoLogic GmbH	Germany	Supply of multimedia enabling equipment
VideoLogic Laboratories Limited	England and Wales	Dormant

VideoLogic Limited

Notes (continued)

13 Stocks

	Group		Company	
	1994	1993	1994	1993
	£000	£000	£000	£000
Raw materials	102	213	102	213
Finished goods	2,473	1,658	2,054	982
	<u>2,575</u>	<u>1,871</u>	<u>2,156</u>	<u>1,195</u>

14 Debtors

	Group		Company	
	1994	1993	1994	1993
	£000	£000	£000	£000
<i>Amounts falling due within one year</i>				
Trade debtors	1,302	1,897	629	1,103
Amounts owed by subsidiary undertakings	-	-	2,753	1,786
Other debtors	292	308	243	288
Prepayments and accrued income	429	767	331	660
	<u>2,023</u>	<u>2,972</u>	<u>3,956</u>	<u>3,837</u>

VideoLogic Limited

Notes (continued)

15 Creditors: amounts falling due within one year

	Group		Company	
	1994	1993	1994	1993
	£000	£000	£000	£000
Bank loans and overdrafts	972	1,380	972	1,380
Obligations under finance leases	39	73	39	73
Trade creditors	1,379	1,428	1,263	1,263
Amounts owed to group undertakings	9,156	2,860	9,256	2,860
Other creditors including taxation and social security:				
Taxation and social security	78	75	78	75
Other creditors	26	90	6	20
Accruals and deferred income	251	231	222	231
	<u>11,901</u>	<u>6,137</u>	<u>11,836</u>	<u>5,902</u>

	Group		Company	
	1994	1993	1994	1993
	£000	£000	£000	£000
<i>The amounts owed to group undertakings comprise:</i>				
Fellow subsidiary undertakings	9,156	2,860	9,156	2,860
Subsidiary undertakings	-	-	100	-
	<u>9,156</u>	<u>2,860</u>	<u>9,256</u>	<u>2,860</u>

Amounts of £9,156,000 (1993:£2,856,000) owed to Avesco Finance Limited are secured by unlimited debentures over the assets of VideoLogic Limited and its subsidiaries.

VideoLogic Limited

Notes (continued)

16 Creditors: amounts falling due after more than one year

	Group		Company	
	1994	1993	1994	1993
	£000	£000	£000	£000
Obligations under finance leases	-	39	-	39

17 Finance leases

	Group		Company	
	1994	1993	1994	1993
	£000	£000	£000	£000
Amounts payable under finance leases are as follows:				
Within one year	39	73	39	73
Between one and two years	-	39	-	39
	<u>39</u>	<u>112</u>	<u>39</u>	<u>112</u>

18 Called up share capital

	1994	1993
	£000	£000
<i>Authorised, allotted, called up and fully paid</i>		
100,000 ordinary shares of £1 each	100	100
4,000,000 5% cumulative preference shares of £1 each redeemable at any time at par at the option of either party	4,000	4,000
	<u>4,100</u>	<u>4,100</u>

VideoLogic Limited

Notes (continued)

19 Profit and loss account

Group	1994		1993	
	£000	£000	£000	£000
At beginning of year				
- as previously stated	(2,666)		(1,069)	
- prior year adjustment (see note 2)	(873)		(910)	
- restated		(3,539)		(1,979)
Retained loss for the year		(5,880)		(1,403)
Exchange adjustments		(14)		(157)
At end of year		(2,433)		(3,539)

Company	1994		1993	
	£000	£000	£000	£000
At beginning of year				
- as previously stated	(1,123)		(211)	
- prior year adjustment (see note 2)	(873)		(910)	
- restated		(1,996)		(1,121)
Retained loss for the year		(4,547)		(875)
At end of year		(6,543)		(1,996)

20 Contingent liabilities

The company is contingently liable under indemnities given on behalf of the group in the normal course of business amounting to £158,000 at 31 March 1994 (1993:£62,000).

VideoLogic Limited

Notes (continued)

21 Commitments

- (i) Capital commitments at the end of the financial year for which no provision has been made.

	Group		Company	
	1994 £000	1993 £000	1994 £000	1993 £000
Contracted	15	-	15	-

- (ii) Annual commitments under non-cancellable operating leases are as follows:

Group	1994		1993	
	Land and buildings £000	Other £000	Land and buildings £000	Other £000
Operating leases which expire:				
Within one year	-	3	-	2
In the second to fifth years inclusive	-	27	-	-
Over five years	310	-	275	-
	<u>310</u>	<u>30</u>	<u>275</u>	<u>2</u>

Company	1994		1993	
	Land and buildings £000	Other £000	Land and buildings £000	Other £000
Operating leases which expire:				
Within one year	-	3	-	2
In the second to fifth years inclusive	-	20	-	-
Over five years	200	-	200	-
	<u>200</u>	<u>23</u>	<u>200</u>	<u>2</u>

VideoLogic Limited

Notes (continued)

22 Pension scheme

VideoLogic Limited is a member of the Avesco plc defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost of £39,000 (1993:£22,000) represents contributions paid by the company to the fund.

23 Reconciliation of operating profit to net cash (outflow) from operating activities

	1994 £000	1993 £000
Operating loss	(5,345)	(639)
Depreciation charge	713	602
Loss on sale of fixed assets	10	-
(Increase)/decrease in stocks	(696)	645
(Increase)/decrease in debtors	962	(1,044)
(Decrease) in creditors	(136)	(65)
Net cash (outflow) from operating activities	<u>(4,492)</u>	<u>(501)</u>

VideoLogic Limited

Notes (continued)

24 Analysis of changes in cash and cash equivalents

	1994 £000	1993 £000
Balance brought forward	(1,295)	338
Net cash inflow/(outflow) before adjustments for foreign exchange changes	409	(1,645)
Effect of foreign exchange rate changes	2	12
	<hr/>	<hr/>
Balance carried forward	(884)	(1,295)
<i>Represented by</i>		
Cash at bank and in hand	88	85
Bank overdraft	(972)	(1,380)
	<hr/>	<hr/>
	(884)	(1,295)
	<hr/>	<hr/>
<i>Change in the period</i>		
Cash at bank and in hand	3	(271)
Bank overdraft	408	(1,362)
	<hr/>	<hr/>
	411	(1,633)
	<hr/>	<hr/>

VideoLogic Limited

Notes (continued)

25 Analysis of changes in financing during the year

	Share capital (including premium) £000	Loans and finance lease obligations £000	Loans from Avesco group companies £000
Balance at 1 April 1993	4,100	112	2,860
Cash inflow/(outflow) from financing	-	(73)	6,284
Net cash transactions with Avesco group companies	-	-	12
Balance at 31 March 1994	4,100	39	9,156

26 Post balance sheet events

At a general meeting on 30 June 1994 the shareholders of the parent company, Avesco plc, approved the demerger of VideoLogic Limited.

Prior to the demerger, Avesco plc will subscribe for additional ordinary shares in VideoLogic Limited the consideration from which will be used to repay part of the loan from Avesco Finance Limited (estimated at £3,345,000). The demerger is to effected by Avesco plc declaring a dividend to be satisfied by the transfer to a new company, VideoLogic Group Plc, of the whole of the issued share capital of VideoLogic Limited in exchange for the issue of the fully paid shares in VideoLogic Group Plc to Avesco plc shareholders. VideoLogic Group Plc will become the new parent company of VideoLogic Limited.

The Avesco plc shareholders also approved a Placing of VideoLogic Group Plc shares, incorporating a priority subscription Offer to Avesco plc shareholders. This Placing and Offer are fully underwritten and are anticipated to result in net proceeds of approximately £13 million for the VideoLogic group, after repayment of inter-company funding not satisfied by the additional share subscription proceeds from Avesco plc referred to above. The £13 million will be used to provide additional investment funding and working capital for the newly formed group.

VideoLogic Limited

Notes (continued)

26 Post balance sheet events (continued)

Were the transaction to have been effected at 31 March 1994, the effect on both the consolidated balance sheet and the balance sheet of VideoLogic Limited would have been:

	£000
Additional share capital	<u>9,156</u>
Repayment of inter-company borrowings:	
Estimated additional amount capitalised by Avesco plc prior to demerger	3,345
Balance, being additional share capital subscribed by VideoLogic Group	
Plc to repay remainder of intercompany borrowings	<u>5,811</u>
	<u>9,156</u>

27 Ultimate parent company and parent undertaking of larger group

The company is a subsidiary undertaking of Avesco plc which is the ultimate parent company. Avesco plc is registered in England and Wales.

The only group in which the results of the company are consolidated is that headed by Avesco plc. The consolidated accounts of this company are available to the public and may be obtained from Venture House, Davis Road, Chessington, Surrey KT9 1TT.