

**DICTAPHONE  
INTERNATIONAL LIMITED**

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 DECEMBER 2000



**DICTAPHONE INTERNATIONAL LIMITED**

**FINANCIAL STATEMENTS**

For the year ended 31 DECEMBER 2000

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Company registration number: 03056420

Registered office: 5th Floor Commonwealth House  
Chalk Hill Road  
Hammersmith  
London  
W6 8DN

Directors: P A E Bodson  
P Hauser  
T Ledwick  
D McGraw  
E Rucinski  
R G Schwager

Secretary: J McGreevy

Bankers: Barclays Bank plc  
PO Box 51  
Station Road  
Harlow  
Essex  
CM17 0BQ

Auditors: Grant Thornton  
Registered Auditors  
Chartered Accountants  
Grant Thornton House  
Melton Street  
Euston Square  
London  
NW1 2EP

# **DICTAPHONE INTERNATIONAL LIMITED**

## **FINANCIAL STATEMENTS**

For the year ended 31 DECEMBER 2000

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# **DICTAPHONE INTERNATIONAL LIMITED**

## **REPORT OF THE DIRECTORS**

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The directors present their report together with the audited financial statements for the year ended 31 December 2000.

### **Principal activities**

The principal activities of the group during the year were:

1. The marketing and maintenance of integrated voice and data management solutions in the United Kingdom and, through a branch in the Republic of Ireland.
2. Acting as an agent for sales made by various operating companies and distributors throughout the world.

### **Review of developments and future prospects**

The performance for the year and the company's financial position at the year end were in line with the directors expectations. Future performance is expected to show continued improvements.

### **Business review**

The loss for the year after taxation, amounting to £4,328,255 (1999: loss £7,810,207), has been deducted from reserves. The directors do not recommend the payment of a dividend.

### **Directors**

The membership of the Board is set out below.

M Langridge (resigned 2 March 2001)  
P A E Bodson (appointed 26 March 2001)  
P Hauser (appointed 26 March 2001)  
T Ledwick (appointed 17 December 2001)  
D McGraw (appointed 17 December 2001)  
E Rucinski (appointed 17 December 2001)  
R G Schwager (appointed 17 December 2001)  
R Elwell (resigned 28 February 2001)

None of the directors had any interest in the shares of the company as defined by the Companies Act 1985 at any time during the year. None of the directors held any right to subscribe for shares in the company.

### **Directors' responsibilities for the financial statements**

United Kingdom 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 of the profit or loss of the company 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

# DICTAPHONE INTERNATIONAL LIMITED

## REPORT OF THE DIRECTORS

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### Directors' responsibilities (continued)

- 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 keeping proper accounting records, for safeguarding the assets of the company and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

### Auditors

Grant Thornton were appointed auditors on 22 January 2002 to fill a casual vacancy in accordance with section 388(1) of the Companies Act 1985. Grant Thornton offer themselves for reappointment as auditors in accordance with section 385 of the Companies Act 1985.

BY ORDER OF THE BOARD

A handwritten signature in black ink, appearing to read 'J McGreevy', written over a horizontal line.

J McGreevy  
Company Secretary

**REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF  
DICTAPHONE INTERNATIONAL LIMITED**

We have audited the financial statements of Dictaphone International Limited for the year ended 31 December 2000 which comprise the principal accounting policies, the consolidated profit and loss account, the balance sheets, and notes 1 to 24 on pages 5 to 20. These financial statements have been prepared under the accounting policies set out therein.

**Respective responsibilities of directors and auditors**

The directors' responsibilities for preparing the directors' report and the financial statements in accordance with United Kingdom law and accounting standards are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom auditing standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read other information contained in the directors' report, and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

**Basis of opinion**

We conducted our audit in accordance with United Kingdom 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.

**REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF  
DICTAPHONE INTERNATIONAL LIMITED**

**Opinion**

In our opinion the financial statements give a true and fair view of the state of affairs of the company and the group as at 31 December 2000 and of the loss of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

A handwritten signature in black ink, appearing to read 'Grant Thornton', is positioned above the printed name of the firm.

**GRANT THORNTON  
REGISTERED AUDITORS  
CHARTERED ACCOUNTANTS**

LONDON

# **DICTAPHONE INTERNATIONAL LIMITED**

## **PRINCIPAL ACCOUNTING POLICIES**

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### **BASIS OF PREPARATION**

The financial statements have been prepared under the historical cost convention and in accordance with United Kingdom applicable accounting standards.

The principal accounting policies of the company have remained unchanged from the previous year and are set out below.

As disclosed in note 24 to the financial statements, the ultimate holding company is currently Dictaphone Corporation. On the 28 March 2002 Dictaphone Corporation formally emerged from Chapter 11 as an independent company and is no longer a subsidiary of its former parent Lernout & Hauspie Speech Products N.V. (L&H).

The official emergence follows the Company's recent announcement that its plan of reorganisation had been confirmed on March 13 2002 by the United States Bankruptcy Court for the District of Delaware. The Company also secured a \$30 million revolving credit facility to meet its ongoing working capital needs.

During the short period of ownership by L&H, Dictaphone was essentially managed as separate company with its cash flow remaining positive.

The UK directors have prepared profit and cash flow projections which have been incorporated into the plans of Dictaphone Corporation. These projections support the conclusion that the company is a going concern and the directors believe that it is appropriate to prepare the financial statements on a going concern basis. Management of Dictaphone Corporation have confirmed their intention of ongoing support for the UK operations.

The company has taken advantage of Financial Reporting Standard No 1 (revised) not to produce a cash flow statement as its ultimate parent undertaking prepares a consolidated cash flow statement.

The principal accounting policies of the company have remained unchanged from the previous year and are set out below.

### **BASIS OF CONSOLIDATION**

The group accounts incorporate the accounts of the company and its subsidiary.

### **ACQUISITIONS**

On the acquisition of a business, fair values are attributed to the group's share of net tangible assets. Where the cost of acquisition exceeds the values attributable to such net assets, the difference is treated as purchased goodwill.

### **TURNOVER**

Turnover represents the invoiced value of goods and services less discounts allowed and Value Added Tax, and commission receivable by acting as an agent for sales made by various operating companies and distributors throughout the world.

Income derived from maintenance contracts is credited on a straight line basis to turnover over the period of the contracts. Maintenance and warranty costs are charged to cost of sales as incurred.



# **DICTAPHONE INTERNATIONAL LIMITED**

## **PRINCIPAL ACCOUNTING POLICIES**

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### **INVESTMENTS**

Investments held as fixed assets are stated at cost less provision for impairment.

### **GOODWILL**

Goodwill is amortised over a period of 20 years on a straight line basis. Under Financial Reporting Standard No 11, where there is an indication of impairment identified, an impairment review is performed and goodwill is written down accordingly.

### **TANGIBLE FIXED ASSETS AND DEPRECIATION**

Depreciation is calculated to write down the cost less estimated residual value of all tangible fixed assets other than freehold land by equal annual instalments over their expected useful lives. The rates generally applicable are:

Short-term leasehold improvements	10%
Plant and equipment	12½ - 20%

### **LEASED ASSETS**

Assets held under finance leases and hire purchase contracts are capitalised in the balance sheet and depreciated over their estimated useful lives. The interest element of leasing payments represents a constant proportion of the capital balance outstanding and is charged to the profit and loss account over the period of the lease. All other leases are regarded as operating leases and the payment made under them are charged to the profit and loss account on a straight line basis.

### **STOCKS**

Stocks are stated at the lower of cost and net realisable value. Cost comprises direct material and freight and duty costs as applicable. Net realisable value is based on estimated selling price less all relevant marketing, selling and distribution costs.

### **DEFERRED TAXATION**

Deferred tax is provided for using the tax rates estimated to arise when the timing differences reverse and is accounted for to the extent that it is probable that a liability or asset will crystallise. Unprovided deferred tax is disclosed as a contingent liability.

Debit balances arising in respect of advance corporation tax on dividends payable or proposed are carried forward to the extent that they are expected to be recoverable.

### **FOREIGN CURRENCY**

Transactions in foreign currencies are translated at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities in foreign currencies are translated at the rates of exchange ruling at the balance sheet date. Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is included as an exchange gain or loss in the profit and loss account.

**CONTRIBUTIONS TO PENSION SCHEMES**

***Defined Benefit Scheme***

The pension costs charged against profits are based on actuarial methods and assumptions designed to spread the anticipated pension costs over the service lives of the employees in the scheme, so as to ensure that the regular pension cost represents a substantially level percentage of the current and expected future pensionable payroll. Variations from regular cost are spread over the average remaining service lives of current employees in the scheme.

# **DICTAPHONE INTERNATIONAL LIMITED**

## **CONSOLIDATED PROFIT AND LOSS ACCOUNT**

For the year ended 31 DECEMBER 2000

	Note	2000 £	1999 £
Turnover	1	12,100,509	13,271,760
Cost of sales		<u>(7,000,276)</u>	<u>(5,323,175)</u>
Gross profit		5,100,233	7,948,585
Sales, marketing and distribution costs		<u>(2,782,662)</u>	<u>(2,147,267)</u>
Administrative expenses		<u>(5,837,408)</u>	<u>(5,197,888)</u>
Exceptional write-off of goodwill		-	(7,570,724)
Other operating income		<u>-</u>	<u>1,102</u>
<b>Operating loss</b>		<b>(3,519,837)</b>	<b>(6,966,192)</b>
Interest payable and similar charges	4	<u>(817,778)</u>	<u>(978,389)</u>
Interest receivable	3	<u>36,250</u>	<u>14,017</u>
<b>Loss on ordinary activities before taxation</b>	2	<b>(4,301,365)</b>	<b>(7,930,564)</b>
Tax on profit on ordinary activities	6	<u>(26,890)</u>	<u>120,357</u>
<b>Loss for the financial year</b>		<b><u>(4,328,255)</u></b>	<b><u>(7,810,207)</u></b>

All transactions arose from continuing operations.

There were no recognised gains or losses other than the loss for the financial year.

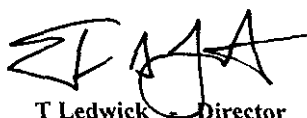
The accompanying accounting policies and notes form an integral part of these financial statements.

# **DICTAPHONE INTERNATIONAL LIMITED**

## **CONSOLIDATED BALANCE SHEET AT 31 DECEMBER 2000**

	Note	2000 £	1999 £
<b>Fixed assets</b>			
Tangible assets	9	<u>997,305</u>	<u>1,220,762</u>
		997,305	1,220,762
<b>Current assets</b>			
Stocks	11	376,515	876,477
Debtors	12	2,443,438	2,918,670
Cash at bank and in hand		<u>1,079,958</u>	<u>425,635</u>
		3,899,911	4,220,782
<b>Creditors: amounts falling due within one year</b>	13	<u>(7,362,288)</u>	<u>(5,136,547)</u>
<b>Net current liabilities</b>		<u>(3,462,377)</u>	<u>(915,765)</u>
<b>Total assets less current liabilities</b>		<u>(2,465,072)</u>	<u>304,997</u>
<b>Creditors: amounts falling due after more than one year</b>	14	<u>(8,865,050)</u>	<u>(7,306,864)</u>
		<u>(11,330,122)</u>	<u>(7,001,867)</u>
<b>Capital and reserves</b>			
Called up share capital	16	4,400,100	4,400,100
Profit and loss account - deficit	17	<u>(15,730,222)</u>	<u>(11,401,967)</u>
<b>Equity shareholders' deficit</b>		<u>(11,330,122)</u>	<u>(7,001,867)</u>

The financial statements were approved by the Board of Directors on 15th April 2002.

  
T Ledwick Director

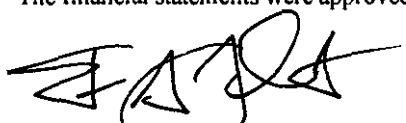
The accompanying accounting policies and notes form an integral part of these financial statements.

# **DICTAPHONE INTERNATIONAL LIMITED**

## **COMPANY BALANCE SHEET AT 31 DECEMBER 2000**

	Note	2000 £	1999 £
<b>Fixed assets</b>			
Tangible assets	9	462,322	577,683
Investments	10	<u>1,560,206</u>	<u>1,560,206</u>
		2,022,528	2,137,889
<b>Current assets</b>			
Debtors	12	294,272	334,544
Cash at bank and in hand		<u>681,348</u>	<u>127,827</u>
		975,620	462,371
<b>Creditors: amounts falling due within one year</b>	13	<u>(3,886,249)</u>	<u>(3,400,667)</u>
<b>Net current liabilities</b>		<u>(2,910,629)</u>	<u>(2,938,296)</u>
<b>Total assets less current liabilities</b>		<u>(888,101)</u>	<u>(800,407)</u>
<b>Creditors: amounts falling due after more than one year</b>	14	<u>(8,693,856)</u>	<u>(6,924,150)</u>
		<u>(9,581,957)</u>	<u>(7,724,557)</u>
<b>Capital and reserves</b>			
Called up share capital	16	4,400,100	4,400,100
Profit and loss account - deficit	17	<u>(13,982,057)</u>	<u>(12,124,657)</u>
<b>Equity shareholders' deficit</b>		<u>(9,581,957)</u>	<u>(7,724,557)</u>

The financial statements were approved by the Board of Directors on 15th April 2002.

  
 Tim Ledwick - Director

The accompanying accounting policies and notes form an integral part of these financial statements.

**DICTAPHONE INTERNATIONAL LIMITED****NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 DECEMBER 2000

**1 TURNOVER**

Turnover by geographical market is detailed:

	2000 £	1999 £
United Kingdom	5,795,479	6,996,701
Europe	1,530,779	1,761,555
Commissions from Dictaphone Inc., USA	4,774,251	4,513,504
	<u>12,100,509</u>	<u>13,271,760</u>

**2 OPERATING LOSS**

The loss on ordinary activities before taxation is stated after:

	2000 £	1999 £
Auditors' remuneration:		
Audit services	17,500	15,650
Non-audit services	-	6,647
Depreciation:		
Tangible fixed assets owned	316,080	304,549
Tangible fixed assets held under finance leases and hire purchase contracts	103,339	120,792
Other operating lease rentals		
Property	358,911	408,904
Other	3,652	1,063
Amortisation of goodwill	-	7,570,724
Profit/(loss) in disposal of fixed assets	<u>(12,335)</u>	<u>72,144</u>

**3 INTEREST RECEIVABLE**

	2000 £	1999 £
Bank interest	<u>36,250</u>	<u>14,017</u>

**4 INTEREST PAYABLE AND SIMILAR CHARGES**

	2000 £	1999 £
On bank loan and overdrafts	2,451	25,275
On finance leases	29,614	38,034
On long term inter-company loan finance	785,713	915,080
	<u>817,778</u>	<u>978,389</u>

**DICTAPHONE INTERNATIONAL LIMITED****NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 DECEMBER 2000

**5 DIRECTORS AND EMPLOYEES**

Staff costs during the year were as follows:

	2000 £	1999 £
Wages and salaries	3,908,357	4,566,490
Social security costs	364,067	341,647
Other pension costs	134,021	88,387
	<u>4,406,445</u>	<u>4,996,524</u>

The average number of employees of the company during the year was:

	2000 Number	1999 Number
United Kingdom	86	89
Europe	23	30
Rest of World	17	18
	<u>126</u>	<u>137</u>

Remuneration in respect of directors was as follows:

	2000 £	1999 £
Emoluments	340,717	357,146
Pension contributions to money purchase pension schemes	10,261	7,107
	<u>350,978</u>	<u>364,253</u>

During the year 1 director (1999: 2) participated in defined benefit pension scheme.

The amounts set out above include remuneration in respect of the highest paid director as follows:

	2000 £	1999 £
Emoluments	<u>205,221</u>	<u>126,379</u>

# DICTAPHONE INTERNATIONAL LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 DECEMBER 2000

### 6 TAX ON PROFIT ON ORDINARY ACTIVITIES

The tax charge is based on the profit for the year and represents:

	2000 £	1999 £
Overseas taxation	26,890	
Adjustments to prior years' tax provisions:		
Corporation tax	-	(120,357)
	<u>26,890</u>	<u>(120,357)</u>

There is no United Kingdom corporation tax charge for the year as a result of losses.

### 7 RESULTS OF THE PARENT COMPANY

As permitted by Section 230 of the Companies Act 1985, the profit and loss account of the parent company is not presented as part of these accounts. The parent company's loss for the financial year amounted to £1,875,400 (1999: loss £10,259,656).

### 8 GOODWILL

#### Group

	Total £
Cost	
At 1 January 2000 and 31 December 2000	<u>9,111,724</u>
Amortisation	
At 1 January 2000 and 31 December 2000	<u>9,111,724</u>
Net book amount at 31 December 2000	<u>-</u>
Net book amount at 31 December 1999	<u>-</u>

Included within the brought forward amortisation is an impairment charge brought forward of £7,570,724 (1999: £7,570,724) relating to the investment in Dictaphone Company Limited as shown in note 10.



**DICTAPHONE INTERNATIONAL LIMITED****NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 DECEMBER 2000

**9 TANGIBLE FIXED ASSETS****Group**

	<b>Short-term leasehold improve- ments £</b>	<b>Plant and equipment £</b>	<b>Total £</b>
Cost			
At 1 January 2000	240,497	2,114,769	2,355,266
Additions	87,651	164,950	252,601
Disposals	(1,090)	(219,733)	(220,823)
At 31 December 2000	<u>327,058</u>	<u>2,059,986</u>	<u>2,387,044</u>
Depreciation			
At 1 January 2000	64,506	1,069,998	1,134,504
Provided in the year	200,945	218,473	419,418
Disposals	(71)	(164,112)	(164,183)
At 31 December 2000	<u>265,380</u>	<u>1,124,359</u>	<u>1,389,739</u>
Net book amount at 31 December 2000	<u>61,678</u>	<u>935,628</u>	<u>997,306</u>
Net book amount at 31 December 1999	<u>175,991</u>	<u>1,044,771</u>	<u>1,220,762</u>

Included in the total net book value of tangible fixed assets held at 31 December 2000 is £323,440 (1999: £426,779) in respect of assets held under finance leases and hire purchase contracts.

**DICTAPHONE INTERNATIONAL LIMITED****NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 DECEMBER 2000

**TANGIBLE FIXED ASSETS (CONTINUED)****Company**

	<b>Short-term leasehold improve- ments £</b>	<b>Plant and equipment £</b>	<b>Total £</b>
Cost			
At 1 January 2000	240,497	968,493	1,208,990
Additions	87,651	33,373	121,024
Disposals	(1,090)	(57,741)	(58,831)
At 31 December 2000	<u>327,058</u>	<u>944,125</u>	<u>1,271,183</u>
Accumulated depreciation			
At 1 January 2000	64,506	566,801	631,307
Charge for the year	200,945	14,324	215,269
Disposals	(71)	(37,644)	(37,715)
At 31 December 2000	<u>265,380</u>	<u>543,481</u>	<u>808,861</u>
Net book amount at 31 December 2000	<u>61,678</u>	<u>400,644</u>	<u>462,322</u>
Net book amount at 31 December 1999	<u>175,991</u>	<u>401,692</u>	<u>577,683</u>

Included in the total net book value of tangible fixed assets held at 31 December 2000 is £19,792 (1999: £28,298) in respect of assets held under finance leases and hire purchase contracts.

**10 INVESTMENTS****Group**

The group holds an investment of 49% of the ordinary share capital of Dictaphone Netherlands B V which is incorporated in the Netherlands. The company is dormant. Full provision against this investment was made as at 31 December 1999. The carrying value at 31 December 2000 remained at £nil.

**DICTAPHONE INTERNATIONAL LIMITED****NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 DECEMBER 2000

**INVESTMENTS (CONTINUED)****Company**

£

Cost

At 1 January 2000 and 31 December 2000

10,671,930

Provision for impairment

At 1 January 2000 and 31 December 2000

9,111,724

Net book amount at 31 December 2000

1,560,206

Net book amount at 31 December 1999

1,560,206

The investment represents the cost of the entire share capital in Dictaphone Company Limited. Dictaphone Company Limited is registered in England and Wales. Its principal activity is the marketing and maintenance of office machinery and voice processing systems.

**11 STOCKS**

	<b>Group</b>		<b>Company</b>	
	<b>2000</b>	<b>1999</b>	<b>2000</b>	<b>1999</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Finished goods, goods for resale and spare parts	<u>376,515</u>	<u>876,477</u>	<u>-</u>	<u>-</u>

**12 DEBTORS**

	<b>Group</b>		<b>Company</b>	
	<b>2000</b>	<b>1999</b>	<b>2000</b>	<b>1999</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Trade debtors	1,643,127	1,972,508	-	-
Amounts owed by parent company	-	-	-	-
Amounts owed by fellow group companies	-	-	-	7,872
Other debtors	86,476	251,872	86,476	130,894
Prepayment and accrued income	713,835	694,290	102,796	108,278
Non-equity dividends receivable	-	-	105,000	87,500
	<u>2,443,438</u>	<u>2,918,670</u>	<u>294,272</u>	<u>334,544</u>

**DICTAPHONE INTERNATIONAL LIMITED****NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 DECEMBER 2000

**13 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	<b>Group</b>		<b>Company</b>	
	<b>2000</b>	<b>1999</b>	<b>2000</b>	<b>1999</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Bank loans	90,652	100,000	-	-
Trade creditors	619,342	429,402	187,094	166,345
Amounts owed to parent company	1,414,147	1,620,101	1,414,147	1,620,101
Amounts owed to subsidiary company	-	-	1,029,872	1,206,126
Amounts owed to fellow group companies	3,369,540	875,334	767,548	-
Corporation tax	26,890	-	-	-
Social security and other taxes	246,765	273,711	13,719	9,672
Other creditors	-	-	-	-
Accruals and deferred income	1,476,145	1,720,135	461,407	389,666
Obligations under finance leases	118,807	117,864	12,462	8,757
	<u>7,362,288</u>	<u>5,136,547</u>	<u>3,886,249</u>	<u>3,400,667</u>

**14 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR**

	<b>Group</b>		<b>Company</b>	
	<b>2000</b>	<b>1999</b>	<b>2000</b>	<b>1999</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Bank loans	-	77,623	-	-
Obligations under finance leases	188,095	330,347	16,901	25,256
Amounts owed to parent company	8,676,955	6,898,894	8,676,955	6,898,894
	<u>8,865,050</u>	<u>7,306,864</u>	<u>8,693,856</u>	<u>6,924,150</u>

**15 BORROWINGS**

Borrowings are repayable as follows:

	<b>Group</b>		<b>Company</b>	
	<b>2000</b>	<b>1999</b>	<b>2000</b>	<b>1999</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Bank loans	90,652	177,623	-	-
Obligations under finance leases	306,902	448,211	29,363	34,013
	<u>397,554</u>	<u>625,834</u>	<u>29,363</u>	<u>34,013</u>
Less: amounts falling due within one year	(209,459)	(217,864)	-	(8,757)
	<u>188,095</u>	<u>407,970</u>	<u>29,363</u>	<u>25,256</u>

# **DICTAPHONE INTERNATIONAL LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 DECEMBER 2000

### **BORROWINGS (CONTINUED)**

	<b>Group</b>		<b>Company</b>	
	<b>2000</b>	<b>1999</b>	<b>2000</b>	<b>1999</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Analysis of loan repayments:				
Bank loans				
In one year or less or on demand	<b>90,652</b>	100,000	-	-
In more than one year but not more than two years	-	77,623	-	-
	<b>90,652</b>	<b>177,623</b>	-	-
Obligations under finance leases				
In one year or less or on demand	<b>106,345</b>	117,864	<b>12,462</b>	8,757
In more than one year but not more than two years	-	126,654	<b>10,890</b>	9,659
In more than two years but not more than five years	<b>200,557</b>	203,693	<b>6,011</b>	15,597
	<b>306,902</b>	<b>448,211</b>	<b>29,363</b>	<b>34,013</b>
	<b>397,554</b>	<b>625,834</b>	<b>29,363</b>	<b>34,013</b>

The bank loans are unsecured and bear interest at floating rates.

Amounts under finance leases and hire purchase contracts are secured on the assets to which they relate.

### **16 CALLED UP SHARE CAPITAL**

	<b>2000</b>	<b>1999</b>
	<b>£</b>	<b>£</b>
Authorised, allotted and fully paid		
4,400,100 ordinary shares of £1 each	<b>4,400,100</b>	<b>4,400,100</b>

### **17 PROFIT AND LOSS ACCOUNT**

	<b>Group</b>		<b>Company</b>	
	<b>2000</b>	<b>1999</b>	<b>2000</b>	<b>1999</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
At 1 January 2000	<b>(11,401,967)</b>	(3,591,760)	<b>(12,124,657)</b>	(1,865,001)
Retained loss for the year	<b>(4,328,255)</b>	(7,810,207)	<b>(1,857,400)</b>	(10,259,656)
	<b>(15,730,222)</b>	<b>(11,401,967)</b>	<b>(13,982,057)</b>	<b>(12,124,657)</b>

# DICTAPHONE INTERNATIONAL LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 DECEMBER 2000

### 18 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	<b>Group</b>	
	<b>2000</b>	<b>1999</b>
	<b>£</b>	<b>£</b>
Loss for the financial year	<b>(4,328,255)</b>	<b>(7,810,207)</b>
Shareholders' funds at 1 January 2000	<b>(7,001,867)</b>	<b>808,340</b>
Shareholders' funds at 31 December 2000	<b><u>(11,330,122)</u></b>	<b><u>(7,001,867)</u></b>

### 19 CAPITAL COMMITMENTS

The company had no capital commitments at 31 December 2000 or 31 December 1999.

### 20 CONTINGENT LIABILITIES

There were no contingent liabilities at 31 December 2000 or 31 December 1999.

### 21 PENSIONS

The company operates a defined benefit pension scheme the assets of which are held in separately administered funds. The profit and loss account charge for pension costs is made in accordance with the Accounting Policy.

The pension costs for the year are based on the actuarial valuation as at 1 May 2000. The principal assumptions adopted were:

Method:	Projected Unit Method	
Assumptions:	Investment return	7.0%
	Salary increases	3.5%

The actuarial valuation at 1 May 2000 showed that the scheme had assets with an actuarial value of £7,792,000, representing 105% of accrued pension liabilities.

The employee contribution rates were continued at 5% of earnings during the year. The company paid contributions during the year in line with the actuary's recommendations. The net pension expense to the profit and loss account during the year in respect of the defined benefit scheme was £165,197 (1999: £121,000). The resulting pension asset at 31 December 2000 was £494,000 (1999: £548,010).

# DICTAPHONE INTERNATIONAL LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 DECEMBER 2000

### 22 LEASING COMMITMENTS

Operating lease payments amounting to £480,686 (1999: £326,985) are due within one year. The leases to which these amounts relate expire as follows:

	Property £	2000 Other £	Property £	1999 Other £
<b>Group</b>				
In one year or less	120,068	-	121,668	-
Between one and five years	323,624	3,652	-	3,652
In five years or more	33,342	-	201,665	-
	<u>477,034</u>	<u>3,652</u>	<u>323,333</u>	<u>3,652</u>
<b>Company</b>				
Between one and five years	322,508	3,652	-	-
After more than five years	-	-	176,372	-
	<u>322,508</u>	<u>3,652</u>	<u>176,372</u>	<u>-</u>

### 23 TRANSACTIONS WITH DIRECTORS /AND OTHER RELATED PARTIES

The company has taken advantage of the exemption in Financial Reporting Standard No. 8 "Related party disclosures" and has not disclosed transactions with group undertakings.

There are no other related party transactions.

### 24 ULTIMATE PARENT UNDERTAKING

The company is a wholly owned subsidiary undertaking of Dictaphone Corporation Inc., a company registered in the United States of America. Financial statements for Dictaphone Corporation Inc. can be obtained from the registered office at 3191 Broadbridge Avenue, Stratford. CT06614-2559 USA..

As the company is wholly owned by the group, it has taken advantage of the exemption under Financial Reporting Standard No 8 "Related Party Disclosures" not to disclose transactions with other companies in the group.

The largest group of undertakings for which group accounts have been drawn up is that headed by Dictaphone Corporation Inc, incorporated in the United States of America and the smallest such group of undertakings, including the company, is that headed by Dictaphone International Limited.