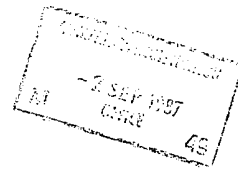


REGISTRAR

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BUSINESS TELECOMMUNICATIONS SERVICES LIMITED

DIRECTORS REPORT AND FINANCIAL STATEMENTS
YEAR ENDED 30TH SEPTEMBER 1986



Burdett Stevenson & Co
Chartered Accountants

BUSINESS TELECOMMUNICATIONS SERVICES LIMITED

REPORT OF THE DIRECTORS

YEAR ENDED 30TH SEPTEMBER 1986

The Directors have pleasure in presenting their report together with the Audited Financial Statements for the year ended 30th September 1986.

Principal Activity

The principal activity of the Company continues to be that of developing and marketing telephone management systems.

Results and Dividends

The results for the period are set out in the Profit and Loss Account on Page 6.

The Directors recommend that no dividend be paid and that the Profit and Loss Account Balance of £ 18,513 be retained and carried forward.

Movement of Fixed Assets

The movement of fixed assets during the period is set out in Note 2 on Page 9.

In addition a review of the anticipated useful life of tangible fixed assets has been undertaken resulting in a substantial additional depreciation charge for the period. The revised life expectancy is set out in Note 1E on Page 7 together with the additional depreciation charge arising.

Exports

During the period goods and services exported by the Company amounted to £ 4,261 (1985 - £ NIL)

Charitable and Political Contributions

The Company made no charitable or political contributions during the period.

Review of Activities

The period under review has been one of quiet stabilisation during which the Company has continued to strengthen its basic position by maintaining the policy of ploughing back earnings into market, product, staff and organizational development.

BUSINESS TELECOMMUNICATIONS SERVICES LIMITED
REPORT OF THE DIRECTORS continued
YEAR ENDED 30TH SEPTEMBER 1986

Review of Activities continued

In particular there has been a significant increase in staff levels. The marketing department has doubled to an average of 10 employees (1985 - 5) and technical departments have increased by 39% to an average of 39 employees (1985 - 28).

These increases are having an effect in product innovation, a function to which the Company continues to be heavily committed. In past years product innovation has been technically led. Increasingly this function has become market driven reflecting a more exact definition of market needs. At the balance sheet date a total of 11 full time staff and 2 part time staff were engaged in product research and development.

In the future the Company seeks to consolidate its position as the market leader in sophisticated communication management systems.

Close Company

In the opinion of the Directors the Company is a "close company" within the meaning of the Income and Corporation Taxes Act 1970.

Directors

The Directors who held office during the period together with their interest in the share capital of the Company were as follows:-

	<u>Ordinary Shares of £1 each</u>	
	<u>30th Sept.86</u>	<u>1st Oct 85</u>
E.A.Davison	45	45
S.Chopra	10	10
P.C.Kelly (Resigned 18th December 1985)	-	-
J.G.Wiltshire	-	-
A.G.Booth	-	-
B.Tytherleigh (Resigned 5th February 1986)	-	-
C.Rowlands (Appointed 5th February 1986)	-	-
A.Fenton (Appointed 17th March 1986)	-	-


BUSINESS TELECOMMUNICATIONS SERVICES LIMITED
REPORT OF THE DIRECTORS continued
YEAR ENDED 30TH SEPTEMBER 1986

Auditors

Messrs. Burdett Stevenson & Co offer themselves for re-appointment under Section 384 of the Companies Act 1985.

By Order of the Board

Royal Oak House
Brighton Road
Purley
Surrey
CR2 2BG
3rd July 1987

S. 

S. Chopra
Secretary

REPORT OF THE AUDITORS TO THE MEMBERS OF
BUSINESS TELECOMMUNICATIONS SERVICES LIMITED
YEAR ENDED 30TH SEPTEMBER 1986

We have audited the Financial Statements set out on Pages 5 to 14 which have been prepared under the historical cost convention. Our audit was conducted in accordance with approved auditing standards.

In our opinion the Financial Statements give, under the convention stated, a true and fair view of the state of the Company's affairs at 30th September 1986 and of the loss and source and application of funds for the accounting period ended on that date and comply with the Companies Act 1985.

Lloyds Bank Chambers
407 High Street
Stratford
London
E15 4QZ

Burdett Stevenson & Co
Chartered Accountants

3rd July 1987

BUSINESS TELECOMMUNICATIONS SERVICES LIMITEDBALANCE SHEETAT 30TH SEPTEMBER 198630.9.1985

	<u>Fixed Assets</u>	
378,673	Tangible Assets (Note 2)	365,547
	<u>Current Assets</u>	
438,684	Stocks (Note 1D & 3)	417,513
371,129	Debtors (Note 4)	464,198
2,243	Cash at Bank and in Hand	2,861
		<u>884,572</u>
812,056		
	<u>Liabilities Due Within One Year</u>	
54,825	Loans and Overdrafts (Note 5)	158,921
586,858	Payments Received on Account (Note 1B)	497,790
395,182	Creditors, Accruals and Deferred Income (Note 6)	536,661
1,036,865		<u>1,193,372</u>
(224,809)	<u>Net Current Liabilities</u>	(308,800)
<u>£ 153,864</u>	<u>Total Assets Less Current Liabilities</u>	<u>£ 56,747</u>
	<u>Representing</u>	
29,455	Liabilities Due After One Year:	19,534
	Loans (Note 7)	
34,420	Provisions:	18,600
37,103	Deferred Taxation (Note 12A)	-
	Warranty and Claims Remedial Work	<u>18,600</u>
71,523		
100	Capital and Reserves:	100
52,786	Called-up Share Capital (Note 8)	18,513
	Profit and Loss Account Surplus	<u>18,613</u>
52,886		

Approved by the Board on 3rd July 1987

..... E. A. Davison E.A. Davison)
 S. Chopra S. Chopra) Directors

£ 153,864£ 56,747

The Notes on Pages 7 to 13 form an integral part
 of these Financial Statements.

BUSINESS TELECOMMUNICATIONS SERVICES LIMITEDPROFIT AND LOSS ACCOUNTYEAR ENDED 30TH SEPTEMBER 1986

Year Ended 30.9.85		
2,951,310	Turnover (Note 1B)	2,809,548
(122,094)	Increase/(Decrease) in Stock and Work-in-Progress	(21,171)
2,829,216		2,788,377
1,455,574	<u>Deduct:</u>	
1,373,642	Materials and Charges	1,206,957
	<u>Gross Profit</u>	1,581,420
	<u>Deduct:</u>	
566,651	Staff Costs	755,691
128,129	Depreciation and Other Amounts	
479,019	Written Off	190,054
	Other Operating Charges	692,521
1,173,799		1,638,266
199,843	<u>Operating Profit/(Loss)</u>	(56,846)
18,311	<u>Interest Receivable and Other Similar Income</u>	24,341
218,154		(32,505)
(14,255)	<u>Interest Payable and Other Finance Charges</u>	(12,107)
	<u>Ordinary Activity Profit/(Loss)</u>	
203,899	<u>Before Taxation</u> (Note 9)	(44,612)
(34,432)	<u>Taxation</u> (Note 12B)	10,339
	<u>Ordinary Activity Profit/(Loss) After</u>	
169,467	<u>Taxation</u>	(34,273)
(116,681)	<u>Retained Profit/(Adverse Balance)</u>	52,786
	<u>Brought Forward</u>	
52,786	<u>Retained Profit Carried Forward</u>	£ 18,513

BUSINESS TELECOMMUNICATIONS SERVICES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 30TH SEPTEMBER 1986

1. Accounting Policies

A. Accounting Convention

The Company adopts the Historical Cost Convention.

B. Turnover

Turnover consists of goods and services charged to customers in the ordinary course of business at invoiced amounts excluding value added tax. Payments on account demanded of customers in advance of contract completion together with the unexpired portion of periodic maintenance contracts are also excluded.

C. Profits on Contracts

Profits on system contracts are only taken at the point of customer acceptance of the fully operational system.

For other products and services profits are taken at the point of delivery or performance.

D. Stock and Work-in-Progress

Stocks and work-in-progress are valued at the lower of cost or net realisable value after making due allowance for any obsolete or slow moving items of stock.

In the case of work-in-progress cost comprises direct materials and charges, attributable direct labour and an appropriate proportion of both fixed and variable production overheads.

E. Depreciation

Depreciation is provided on tangible fixed assets in order to write off their cost over their anticipated useful life at the following rates:

Furniture and Fittings	20% of cost per annum
Computers, Scanning Equipment and Systems Equipment	33 1/3% of cost per annum
Motor Vehicles:	
Less than 30,000 miles per annum	25% of cost per annum
Over 30,000 miles per annum	33 1/3% of cost per annum

If circumstances cause a change in the anticipated useful life of an asset the unamortized cost is charged to revenue over the useful life remaining.

Revision of estimated useful lives of Fixed Assets has resulted in an additional depreciation charge in this period of £ 107,892.

BUSINESS TELECOMMUNICATIONS SERVICES LIMITED
NOTES TO THE FINANCIAL STATEMENTS continued
YEAR ENDED 30TH SEPTEMBER 1986

1. Accounting Policies continued

F. Amortization of Leasehold Premises

Amortization is computed so as to write off the legal and other costs of acquisition over the life of the lease viz: 53 months from 25th December 1984 to 25th May 1989.

G. Research and Development

Although research and development is not separately identified within the accounting system of the Company any such expenditure is included within other expense headings and written off as incurred.

H. Warranty Provision

The Company's pricing structure and conditions of trade applicable to system contracts have been amended to incorporate a three month period of full maintenance cover. This replaces the former three month warranty obligation included in previous contract prices and conditions and, as a result, the provision for anticipated costs of executing remedial work during the warranty period is no longer required.

The unexpired portion of maintenance cover is now treated as deferred income in accordance with Statement 1(B) above.

BUSINESS TELECOMMUNICATIONS SERVICES LIMITED
NOTES TO THE FINANCIAL STATEMENTS continued
YEAR ENDED 30TH SEPTEMBER 1986

2. Tangible Fixed Assets

<u>Cost</u>	<u>Balance at 1.10.85</u>	<u>Additions In Period</u>	<u>Sub- Total</u>	<u>Disposals In Period</u>	<u>Balance at 30.9.86</u>
Leasehold Premises	4,133	-	4,133	-	4,133
Furniture & Fittings	11,656	8,363	20,019	-	20,019
Computer Equipment	187,925	101,579	289,504	22,667	266,837
Scanning Equipment	35,929	5,660	41,589	9,408	32,181
Systems Equipment	128,891	56,551	185,442	22,450	162,992
Motor Vehicles	177,681	90,893	268,574	10,825	257,749
	<u>£ 546,215</u>	<u>263,046</u>	<u>809,261</u>	<u>65,350</u>	<u>743,911</u>

Depreciation and Amortization

Leasehold Premises	702	936	1,638	-	1,638
Furniture & Fittings	956	3,353	4,309	-	4,309
Computer Equipment	65,920	87,521	153,441	1,601	151,840
Scanning Equipment	6,935	8,544	15,479	89	15,390
Systems Equipment	51,189	61,865	113,054	4,000	109,054
Motor Vehicles	41,840	61,059	102,899	6,766	96,133
	<u>£ 167,542</u>	<u>223,278</u>	<u>390,820</u>	<u>12,456</u>	<u>378,364</u>

Net Book Values

Leasehold Premises	3,431	2,495
Furniture & Fittings	10,700	15,710
Computer Equipment	122,005	114,997
Scanning Equipment	28,994	16,791
Systems Equipment	77,702	53,938
Motor Vehicles	135,841	161,616
	<u>£ 378,673</u>	<u>£ 365,547</u>

3. Stocks

	<u>30th.Sept 1986</u>	<u>1st.Oct 1985</u>
Raw Materials and Consumables	5,125	4,765
Work-in-Progress	412,388	433,919
	<u>£ 417,513</u>	<u>£ 438,684</u>

4. Debtors

Trade Debtors less Provision for Doubtful Debts	450,533	368,129
Other Debtors	5,089	3,000
Payments in Advance	8,576	-
	<u>£ 464,198</u>	<u>£ 371,129</u>

BUSINESS TELECOMMUNICATIONS SERVICES LIMITEDNOTES TO THE FINANCIAL STATEMENTS continuedYEAR ENDED 30TH SEPTEMBER 1986

	30th Sept 1986	1st Oct 1985
5. <u>Loans and Overdrafts</u>		
Bank Overdraft (Secured)	115,131	936
Hire Purchase Loans (Secured)	43,790	53,889
	<u>£ 158,921</u>	<u>£ 54,825</u>
6. <u>Creditors, Accruals, Deferred Income</u>		
Trade Creditors	81,087	113,805
Other Creditors: Directors Current Accounts	-	25,250
Corporation Tax	5,493	12
Sundry	38,318	74,360
Charges Accrued	73,212	87,256
Income Deferred (Note 1b)	338,551	94,499
	<u>£ 536,661</u>	<u>£ 395,182</u>
7. <u>Loans Due After One Year</u>		
Directors Loans	3,750	15,475
Hire Purchase Loans (Secured)	15,784	13,980
	<u>£ 19,534</u>	<u>£ 29,455</u>
8. <u>Share Capital</u>		
Authorised:		
Ordinary Shares of £1 each	<u>£ 200,000</u>	<u>£ 200,000</u>
Called-up and Fully Paid:		
Ordinary Shares of £1 each	<u>£ 100</u>	<u>£ 100</u>
9. <u>Ordinary Activity Profit/(Loss)</u>		
	12 Months to 30.9.86	12 Months to 30.9.85
Has been arrived after charging:		
Auditors Remuneration	£ 7,250	£ 6,000
Bad and Doubtful Debts	£ -	£ 27,624
Bank Charges and Interest	£ 897	£ 7,468
Depreciation and Amortization (Notes 1E, 1F and 2)	£ 223,278	£ 98,639
Directors Emoluments (Note 11)	£ 51,243	£ 56,026
Hire Purchase Charges	£ 11,142	£ 6,787
Loss on Disposal of Fixed Assets	£ -	£ 1,866

BUSINESS TELECOMMUNICATIONS SERVICES LIMITEDNOTES TO THE FINANCIAL STATEMENTS continuedYEAR ENDED 30TH SEPTEMBER 1986

	<u>12 Months to 30.9.86</u>	<u>12 Months to 30.9.85</u>
9. <u>Ordinary Activity Profit/(Loss) continued</u>		
and after crediting:		
Rents Receivable	£ 24,300	£ 18,270
Short Term Deposit Interest	£ 41	£ 41
Warranty and Claims Remedial Work	£ 37,103	£ 1,715
Profit on Disposal of Fixed Assets	£ 4,531	£ -
Doubtful Debts Provision written back	£ 28,693	£ -

10. Staff

	<u>Totals</u>	<u>Administration</u>	<u>Marketing</u>	<u>Technical</u>
<u>Twelve Months Ended 30th September 1986</u>				
Average Number Employed	<u>60</u>	<u>11</u>	<u>10</u>	<u>39</u>
Gross Salaries	642,402	74,128	185,299	382,975
Social Security Costs	60,725	7,007	17,516	36,202
	<u>£ 703,127</u>	<u>81,135</u>	<u>202,815</u>	<u>419,177</u>

The members of staff other than the Directors who were remunerated at higher rates as defined in Part VI of Schedule 5 of the Companies Act 1985 were as follows:

<u>Range of Remuneration</u>	<u>Number</u>
£ 30,001 - £ 35,000	1
£ 35,001 - £ 40,000	1

Twelve Months Ended 30th September 1985

	<u>42</u>	<u>9</u>	<u>5</u>	<u>28</u>
Average Number Employed				
Gross Salaries	469,901	60,971	115,964	292,966
Social Security Costs	41,076	6,372	6,420	28,284
	<u>£ 510,977</u>	<u>67,343</u>	<u>122,384</u>	<u>321,250</u>

There were no members of staff remunerated at higher rates as defined in Part VI of Schedule 5 of the Companies Act 1985.

BUSINESS TELECOMMUNICATIONS SERVICES LIMITEDNOTES TO THE FINANCIAL STATEMENTS continuedYEAR ENDED 30TH SEPTEMBER 198611. Directors

12 Months to 30.9.86	12 Months to 30.9.85
-------------------------	-------------------------

The emoluments of acting Directors, inclusive of taxable benefits but exclusive of Company's N.I.C. fell into the following bands:

	<u>Number of Directors</u>	
£ 0 - 5,000	5	4
£ 5,001 - 10,000	-	-
£ 10,001 - 15,000	1	-
£ 15,001 - 20,000	1	-
£ 20,001 - 25,000	1	1
£ 25,001 - 30,000	-	-
£ 30,001 - 35,000	-	1

In addition the services of some Directors, included above, were subject to management charges from their principal organizations and these charges fell into the following bands:

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

The details in respect of the Chairman were as follows:

Remuneration as a taxable benefit	£ 2,889	£ 1,312
Management Charge in respect of his services	£ 44,180	£ 39,183

12. Taxation

30th Sept 1986	30th Sept 1985
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A. Balance Sheet Provisions

Provision for deferred liability to Corporation Tax at current small companies' rate on the excess of the Net Book Value of tangible fixed assets over available balances of Inland Revenue Capital Allowances and Corporation Tax Losses

£ 18,600	£ 34,420
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BUSINESS TELECOMMUNICATIONS SERVICES LIMITED
NOTES TO THE FINANCIAL STATEMENTS continued
YEAR ENDED 30TH SEPTEMBER 1986

12. Taxation continued

	<u>30th Sept</u> <u>1986</u>	<u>30th Sept</u> <u>1985</u>
<u>B. Profit and Loss Account</u>		
Liability to Corporation Tax at current small companies' rate:		
(i) On results for the period	1,412	12
(ii) On results for the previous period	4,069	-
Adjustment to Provision for deferred liability to Corporation Tax	(15,820)	34,420
	<u>£ (10,339)</u>	<u>34,432</u>

13. Financial Commitments

Commitments for capital expenditure not provided for in the Accounts were as follows:

Contracts authorised and placed	£ 10,316	Nil
Expenditure authorised but contracts not placed	Nil	Nil

30/9/87

BUSINESS TELECOMMUNICATIONS SERVICES LIMITED
SOURCE AND APPLICATION OF FUNDS
YEAR ENDED 30TH SEPTEMBER 1986

1985

Source of Funds

203,899	Ordinary Activity Profit Before Taxation	-
	Adjustment for items not involving movement of funds:	
98,639	Depreciation and Amortization	223,278
1,866	Losses/(Profits) on Disposal of Fixed Assets	(4,531)
(1,715)	Warranty and Claims Remedial Work	(37,103)
302,689	Generated from Operations	181,644
	Generated from Other Sources:	
3,000	Directors Loans	-
54,847	Hire Purchase Loans	73,867
17,936	Proceeds from Disposal of Fixed Assets	57,425
378,472	Total Funds Generated	312,936

Application of Funds

-	Ordinary Activity Loss Before Taxation	44,612
257,109	Purchase of Fixed Assets	263,046
58,023	Reduction in Payments Received on Account	89,068
-	Repayment of Amounts owing to Directors	36,975
47,009	Repayment of Hire Purchase Loans	82,162
	Increase/(Decrease) in Working Capital:	
(122,094)	Stocks and Work-in-Progress	(21,171)
190,049	Debtors	93,069
(81,185)	Creditors	(161,248)
(13,230)		(89,350)
348,911		426,513
29,561	Increase/(Decrease) in Liquid Resources	£(113,577)

Movement in Liquid Resources

(121)	Increase/(Decrease) in Cash and Bank Balances	618
29,682	(Increase)/Decrease in Bank Overdraft	(114,195)
29,561		£(113,577)