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BUSINESS TELECOMMUNICATIONS SERVICES LIMITED
REPORT OF THE DIRECTORS
TWELVE MONTHS ENDED 31st MARCH 1989

The Directors have pleasure in presenting their Report together with the Audited Financial Statements for the 12 months ended 31st March 1989.

Principal Activity

The principal activity of the Company continues to be that of developing and marketing Telephone Management Systems. The Company sees its future as being in the large system sector of this market, which is increasingly identified with Network Management.

Results and Dividends

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

The Directors recommend that no dividend be paid and that the adverse balance on the Profit and Loss Account of £78207 be carried forward.

Movement of Fixed Assets

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

Exports

During the period goods and services exported by the company amounted to £3039 (12 months to 31st March 1988 = £2573).

Charitable and Political Contributions

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

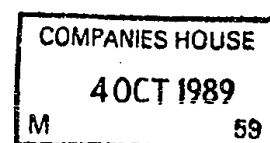
Review of Activities

The Company returned to profit in the period.

Liquidity was considerably strengthened as measured by the Acid Test Ratio of Cash & Trade Debtors against the aggregate of Trade, Sundry & Hire Purchase Creditors and the Overdraft.

Labour Productivity exceeded Budget on each of 4 Key Indicators used by the Company in its routine Management Reporting.

Additional finance was raised in the prior period by way of a Rights Issue in order to provide the basis for future growth. The Rights Issue was finalised on 8th July 1988.



BUSINESS TELECOMMUNICATIONS SERVICES LIMITED
REPORT OF THE DIRECTORS continued
TWELVE MONTHS ENDED 31st MARCH 1989

A Group structure was created with the intention of commencing subsidiary company activities on 1 April 1989. The Directors believe the new structure will provide improved career opportunities and better focus on key activities. As a result of the adoption of a Group structure 3 Directors, Messrs Wiltshire, Crouch and Revy resigned from the Main Board and were appointed to the Board of a Subsidiary Company.

Significant changes were made in management style:

- There was a strengthening of Line against Function; in particular Staff Development was made the clear responsibility of Line Management.
- Product Development procedures were substantially improved. The Marketing / Development link was strengthened. Quality Assurance procedures were intensified in design, software writing and both in-house and beta site testing.

The average number of employees for the 12 months to 31st March 1989 was 72 (12 months to 31st March 1988 = 70). At the Balance Sheet date the Company employed 17 full time staff engaged in research and development.

Prospects

The Company has taken a new lease on its Headquarters at Royal Oak House and has proceeded with an extensive refurbishment. In addition the Company has taken a lease on a listed building as a select and exclusive location for its Development Operation in the North East.

The Company has already made a considerable investment in computerising its own administrative activities and will continue with this work in order to generate further gains in labour effectiveness.

In 1989/90 the Company will bring to market a number of new network management products, developed from the base of its highly successful ISOCOM product range, and the Directors are confident that this will bear out the wisdom of taking the long-term view on product development at the expense of short-term profits.

The Company's pioneering decision to bring all products into conformance with international standards was made in 1985. Since then the Company has invested over 50 man years of development in ISOCOM technology and is now the only company in the industry with an OSI (open systems interconnect) capability.

BUSINESS TELECOMMUNICATIONS SERVICES LIMITED
REPORT OF THE DIRECTORS continued
TWELVE MONTHS ENDED 31st MARCH 1989

This highly strategic investment will now allow the Company rapidly to bring to market a new generation of competitive network management products, conceived in close liaison with its User Association to satisfy the increasingly sophisticated needs of communications managers in large organisations.

Close Company

In the opinion of the Directors the Company is a "close company" within the meaning of Section 424 of the Income and Corporation Taxes Act 1980.

Directors

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

	Ordinary Shares of £1 each	
	31 March 89	31 March 88
E A Davison	351	126
S Chopra	153	55
A Fenton	8	3
J G Wiltshire (resigned 14/2/89)	14	5
J J C Crouch (resigned 14/2/89)	6	2
F A Revy (resigned 14/2/89)	6	2

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
CR2 2BG



S Chopra
Secretary

24 August 1989

REPORT OF THE AUDITORS TO THE MEMBERS OF
BUSINESS TELECOMMUNICATIONS SERVICES LIMITED
TWELVE MONTHS ENDED 31st MARCH 1989

We have audited the Financial Statements set out on Pages 5 to 12 which have been prepared under the historical cost convention. Our audit was conducted in accordance with approved auditing standards.

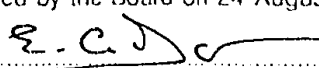

In our opinion the Financial Statements give, under the convention stated, a true and fair view of the state of the Company's affairs at 31st March 1989 and of the profit and source and application of funds for the accounting period ended on that date and comply with the Companies Act 1985.

Lloyds Bank Chambers,
407, High Street,
Stratford,
London,
E15 4QZ.

24 August 1989

Purdett Stevenson & Co
Chartered Accountants

BUSINESS TELECOMMUNICATIONS SERVICES LIMITED
BALANCE SHEET
AS AT 31st MARCH 1989

31-Mar-88		31-Mar-89
	Fixed Assets	
<u>401,170</u>	Tangible Assets (Note 2)	428,155
	Current Assets	
878,303	Stocks (Note 1D and 3)	977,709
551,298	Debtors (Note 4)	773,173
768	Cash at Bank and in Hand	363
<u>1,430,369</u>		<u>1,751,245</u>
	Liabilities Due Within One Year	
266,396	Loans and Overdrafts (Note 5)	120,614
202,258	Creditors and Accruals (Note 6)	416,938
715,950	Amounts Billed to Customers in Advance of Contract Completion (Note 1B)	765,992
340,147	Maintenance Revenue in Advance	536,373
<u>1,524,751</u>		<u>1,839,917</u>
(94,382)	Net Current Liabilities	(88,672)
	Investment in Subsidiaries	300
<u>306,788</u>	Total Assets Less Current Liabilities	<u>339,783</u>
	Financed By	
	Liabilities Due After One Year:	
26,955	Loans (Note 7)	52,576
	Provisions:	
162,388	Warranty Provision (Note 1H)	165,388
	Capital and Reserves:	
280	Called-up Share Capital (Note 8)	780
98,820	Share Premium	198,320
99,200	Share Application	
(80,855)	Deficit on Reserves	(77,281)
<u>117,445</u>		<u>121,819</u>
	Approved by the Board on 24 August 1989	
	 E. A. Davison)	
) Directors
	 S. Chopra)	
)
<u>306,788</u>		<u>339,783</u>

The Notes on pages 8 to 12 form an integral part of these financial statements

BUSINESS TELECOMMUNICATIONS SERVICES LIMITED
 PROFIT AND LOSS ACCOUNT
 TWELVE MONTHS ENDED 31st MARCH 1989

12 month end 31-Mar-88			12 month end 31-Mar-89
3,001,004	Turnover (Note 1B)		3,638,461
325,423	Increase/(Decrease) in Stock and Work-in-Progress		99,406
<u>3,326,427</u>			<u>3,737,867</u>
1,255,614	Deduct: Materials and Charges		1,524,389
<u>2,070,813</u>	Gross Profit		<u>2,213,478</u>
1,074,961	Deduct: Staff Costs	1,111,116	
199,150	Depreciation and Other Amounts Written Off	224,043	
843,432	Other Operating Charges	<u>829,599</u>	
<u>2,117,543</u>			<u>2,164,758</u>
(46,730)	Operating Profit / (Loss)		48,720
<u>(31,302)</u>	Interest Payable and Other Finance Charges		<u>(28,408)</u>
(78,032)	Ordinary Activity Profit / (Loss) Before Taxation (Note 10)		20,312
<u>11,381</u>	Taxation (Note 13B)		<u>(16,738)</u>
(66,651)	Ordinary Activity Profit / (Loss) After Taxation		3,574
(14,204)	Retained Deficit on Reserves Brought Forward		(80,855)
<u>(80,855)</u>	Retained Deficit on Reserves Carried Forward		<u>(77,281)</u>

BUSINESS TELECOMMUNICATIONS SERVICES LIMITED
SOURCE AND APPLICATION OF FUNDS
TWELVE MONTHS ENDED 31st MARCH 1989

12 month end 31-Mar-88			12 month end 31-Mar-89
	Source of Funds		
(78,032)	Ordinary Activity Profit / (Loss) Before Taxation		20,312
	Adjustment for items not involving movement of funds:		
197,674	Depreciation and Amortization		217,338
1,792	Losses / (Profits) on Disposal of Fixed Assets		6,705
<u>121,434</u>	Funds Generated from Operations		<u>244,355</u>
	Funds from Other Sources:		
99,290	Arising from Share Issue	800	
	Directors Loans	29,822	
123,645	Hire Purchase Loans	125,738	
57,377	Proceeds from Disposal of Fixed Assets	98,916	
	Proceeds from Sale of Investments	9,263	
60,834	Increase in Warranty Provision	3,000	
16,381	Increase in Maintenance Revenue in Advance	196,226	
158,764	Increase in Contract Payments on Account	50,042	
<u>516,201</u>			<u>513,807</u>
<u>637,635</u>	Total funds from all Sources		<u>758,162</u>
	Application of Funds		
255,697	Purchase of Fixed Assets	349,945	
9,263	Purchase of Investments	300	
126,773	Repayment of Hire Purchase Loans	149,565	
5,101	Corporation Tax Paid		
<u>396,834</u>			<u>499,810</u>
<u>240,801</u>			<u>258,352</u>
	Increase/(Decrease) in Working Capital:		
325,422	Stocks	99,406	
3,305	Debtors	231,138	
100,301	Creditors and Accruals	(197,942)	
<u>429,028</u>			<u>132,602</u>
<u>(188,227)</u>			<u>125,750</u>
	Movement in liquid resources		
(5,693)	Increase/(Decrease) in Cash and Bank Balance		(405)
(182,534)	Increase/(Decrease) in Bank Overdraft		126,155
<u>(188,227)</u>			<u>125,750</u>

BUSINESS TELECOMMUNICATIONS SERVICES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
TWELVE MONTHS ENDED 31st MARCH 1989

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 invoiced to 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. Stocks 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.

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.

G. Research and Development

All research and development expenditure is charged to revenue in the period in which it is incurred.

H. Warranty Provision

The Company's Standard Terms and Conditions of Contract applicable to systems were amended with effect from 1 January 1988 to restore Warranty in place of the former Inclusive Full Maintenance Cover. The Warranty Provision is now shown separately and is no longer included in deferred revenues.

BUSINESS TELECOMMUNICATIONS SERVICES LIMITED
NOTES TO THE FINANCIAL STATEMENTS - continued
TWELVE MONTHS ENDED 31st MARCH 1989

2. Tangible Fixed Assets

Cost	Balance at 1-Apr-88	Additions in Period	Sub-Total	Disposals in Period	Balance at 31-Mar-89
Leasehold Premises	4,133		4,133		4,133
Furniture & Fittings	25,576	6,775	32,351		32,351
Computer Equipment	409,124	192,767	601,891	49,314	552,577
Scanning Equipment	23,686		23,686		23,686
Systems Equipment	163,273		163,273	3,358	159,916
Motor Vehicles	347,775	150,402	498,178	101,669	396,509
	<u>973,566</u>	<u>349,945</u>	<u>1,323,511</u>	<u>154,340</u>	<u>1,169,171</u>

Depreciation & Amortization

Leasehold Premises	3,042	936	3,978		3,978
Furniture & Fittings	11,366	5,964	17,330		17,330
Computer Equipment	269,570	103,726	373,296	8,852	364,443
Scanning Equipment	23,686		23,686		23,686
Systems Equipment	141,126	17,653	158,778	1,471	157,307
Motor Vehicles	123,607	89,060	212,668	38,395	174,273
	<u>572,397</u>	<u>217,338</u>	<u>789,735</u>	<u>48,719</u>	<u>741,016</u>

Net Book Value

Leasehold Premises	1,091				155
Furniture & Fittings	14,210				15,021
Computer Equipment	139,554				188,134
Scanning Equipment					
Systems Equipment	22,147				2,609
Motor Vehicles	224,168				222,236
	<u>401,170</u>				<u>428,155</u>

31-Mar-89 31-Mar-88

3. Stocks

Raw Materials and Consumables	11,855	10,650
Work-in-Progress	965,854	867,653
	<u>977,709</u>	<u>878,303</u>

4. Debtors

Trade Debtors less Provision for Doubtful Debts	768,082	530,795
Other Debtors		5,878
Payments in Advance	5,091	5,362
Short Term Investment		9,263
	<u>773,173</u>	<u>551,298</u>

5. Loans and Overdrafts

Bank Overdraft (Secured)	63,262	189,417
Hire Purchase Loans (Secured)	57,352	76,979
	<u>120,614</u>	<u>266,396</u>

BUSINESS TELECOMMUNICATIONS SERVICES LIMITED
NOTES TO THE FINANCIAL STATEMENTS continued
TWELVE MONTHS ENDED 31st MARCH 1989

	<u>31-Mar-89</u>	<u>31-Mar-88</u>
6. Creditors and Accruals		
Trade Creditors	242,710	121,264
Other Creditors: Corporation Tax	16,738	
Other Creditors: Sundry	77,988	27,021
Charges Accrued	79,502	53,973
	<u>416,938</u>	<u>202,258</u>
7. Loans Due After One Year		
Directors Loans	29,822	
Hire Purchase Loans (Secured)	22,755	26,955
	<u>52,576</u>	<u>26,955</u>
8. Share Capital		
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>780</u>	<u>280</u>
9. Share Premium	<u>198,320</u>	<u>98,820</u>
	<u>12 months to 31-Mar-89</u>	<u>12 months to 31-Mar-88</u>
10. Ordinary Activity Profit / (Loss)		
has been arrived at after charging:		
Auditors Remuneration	1,500	9,000
Bank Charges and Interest	10,938	11,611
Depreciation and Amortization (Notes 1E, 1F and 2)	217,338	197,674
Directors Emoluments (Note 12)	97,579	75,380
Hire Purchase Interest	17,470	19,691
Loss on Disposal of Fixed Assets	6,705	1,792
and after crediting:		
Doubtful Debts Provision written back		316

BUSINESS TELECOMMUNICATIONS SERVICES LIMITED
NOTES TO THE FINANCIAL STATEMENTS continued
TWELVE MONTHS ENDED 31st MARCH 1989

11. Staff Year Ended 31-Mar-89	Total	Admin	Marketing	Technical
Average Number Employed	72	7	14	51
Gross Salaries	925920	66661	265356	593903
Social Security Costs	93373	6829	26726	59817
	<u>1019292</u>	<u>73,490</u>	<u>292,082</u>	<u>653,720</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:

£30,001 - £35,000	2			
£35,001 - £40,000	1			
Year Ended 31-Mar-88	Total	Admin	Marketing	Technical
Average Number Employed	70	6	16	48
Gross Salaries	913,664	54,615	304,848	554,201
Social Security Costs	92,117	5,595	30,704	55,819
	<u>1,005,782</u>	<u>60,210</u>	<u>335,552</u>	<u>610,019</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:

£35,001 - £40,000	1		
		12 months to 31-Mar-89	12 months to 31-Mar-88

12. Directors

The emoluments of acting Directors for the twelve month period ended 31st March 1989 inclusive of taxable benefits but exclusive of the Company's NIC fell into the following bands:

£ 0 - £ 5,000	2	3
£ 5,001 - £10,000		2
£20,001 - £25,000		1
£25,001 - £30,000	2	1
£35,001 - £40,000	1	

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

£ 5,001 - £10,000	1	1
£35,001 - £40,000		1
£45,001 - £50,000	1	2
£75,001 - £80,000	1	

The details in respect of the Chairman are as follows:

Remuneration as taxable benefit	4,917	2,958
Management charge in respect of his services	75,726	49,779

BUSINESS TELECOMMUNICATIONS SERVICES LIMITED
NOTES TO THE FINANCIAL STATEMENTS continued
TWELVE MONTHS ENDED 31st MARCH 1989

31-Mar-89 31-Mar-88

13. Taxation

A. Balance Sheet Provisions

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

0 0

B. Profit and Loss Account

Liability to Corporation Tax at current small companies' rate:

(i) On results for the period

16,738

(ii) On results for the previous period

(381)

Adjustment to Provision for deferred liability to Corporation Tax

(11,000)

16,738 (11,381)

14. Financial Commitments

Commitments for capital expenditure not provided for in the Accounts:

Contracts authorised and placed

13,051 1,252

Expenditure authorised but contracts not placed

0 0