

BTS HOLDINGS LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2002



BTS Holdings Limited

COMPANY INFORMATION

DIRECTORS

E A Davison
S Chopra
D K Fowler

SECRETARY AND REGISTERED OFFICE

S Chopra
BTS House
69 - 73 Manor Road
Wallington
Surrey SM6 0DD

BANKERS

Barclays Bank Plc
1 North End
Croydon
Surrey CR9 1RN

SOLICITORS

Gowen & Stevens
Surrey House
Surrey Street
Croydon
Surrey CR9 1X2

KB - Law
27 Stambourne Way
West Wickham
Kent BR4 9NE

INDEPENDENT AUDITOR

Richard H Snelling
9 West Hill
Sanderstead
South Croydon
Surrey CR2 0SB

BTS Holdings Limited

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BTS HOLDINGS LIMITED

REPORT OF THE DIRECTORS for the year ended 31 March 2002

The directors present their report and the audited financial statements for the year ended 31 March 2002.

Directors' responsibilities statement

Company law requires 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 group and of the profit or loss of the group for that period. In preparing those financial statements, 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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company and the group will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company 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.

Principal activities

The principal activities of the group continue to be those of developing and marketing communication solutions.

Results and dividend

The results for the year are set out in detail on page 5. The directors recommend a dividend of £323,692 be paid for the year.

Review of the business and future developments

The group sustained its leading position in its chosen marketplace and continues to enhance its existing offerings and to develop new solutions to grow its business profitably.

Research and development

Expenditure of the group on research and development amounted to £787,006 in the year and at the year end the group employed 16 people fully engaged on research and development.

BTS HOLDINGS LIMITED**REPORT OF THE DIRECTORS (continued)
for the year ended 31 March 2002****Directors and Directors' interests**

The directors who served during the year and their beneficial interest in shares in the company were as follows:-

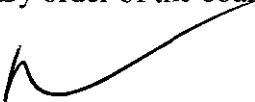
	Ordinary Shares of £1 each	
	31 March 2002	31 March 2001
E A Davison	32,900	329
S Chopra	18,900	189

The shareholdings comprise "B" ordinary shares apart from 200 "A" ordinary shares held by each director (2001: one "A" ordinary share).

Independent auditor

A resolution under section 384 of the Companies Act 1985 to re-appoint Richard H Snelling as auditor to the company will be proposed at the Annual General Meeting.

By order of the board



S Chopra
Secretary

Registered Office
BTS House
69 - 73 Manor Road
Wallington
SM6 0DD

Date: 29 January 2003

**INDEPENDENT AUDITOR'S REPORT
to the shareholders of BTS Holdings Limited**

I have audited the financial statements of BTS Holdings Limited for the year ended 31 March 2002 which comprise the profit and loss account, the balance sheet, the cash flow statement and the related notes 1 to 14. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

As described on page 1 the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards.

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

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

I read the directors' report and consider the implications for my report if I become aware of any apparent misstatements.

Basis of audit opinion

I conducted my 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 company's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me 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 my opinion I also evaluated the overall adequacy of the presentation of information in the financial statements.

INDEPENDENT AUDITOR'S REPORT (continued)
to the shareholders of BTS Holdings Limited

Opinion

In my opinion the financial statements give a true and fair view of the state of affairs of the company and the group as at 31 March 2002 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Richard H Snelling

Richard H Snelling

Date: 29 January 2003

Registered Auditor

BTS Holdings Limited

GROUP PROFIT AND LOSS ACCOUNT for the year ended 31 March 2002

	<i>Notes</i>	2002 £	2001 £
Turnover	2	4,466,567	3,899,853
Cost of sales		369,511	323,637
Gross profit		4,097,056	3,576,216
Administrative expenses		(3,614,417)	(3,238,875)
Other operating income		101,176	24,877
Operating profit		583,815	362,218
Net interest (payable) receivable	3	(11,870)	343
Profit on ordinary activities before taxation	4	571,945	362,561
Tax on profit on ordinary activities	7	(135,922)	(58,399)
Profit on ordinary activities after taxation		436,023	304,162
Dividends	8	(323,692)	(228,056)
Deemed distribution on purchase of own shares		-	(51,532)
Retained profit for the year	16	£112,331	£24,574

Continuing operations

Turnover and operating profit derive wholly from continuing operations.

Total recognised gains and losses

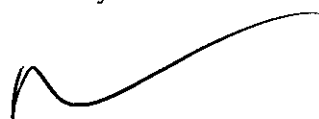
There were no recognised gains or losses either in the current or preceding year other than those recorded in the profit and loss account.

BTS Holdings Limited

BALANCE SHEETS as at 31 March 2002

		<i>Group</i>		<i>Company</i>	
	<i>Notes</i>	<i>2002</i>	<i>2001</i>	<i>2002</i>	<i>2001</i>
		£	£	£	£
Fixed assets					
Tangible assets	9	1,532,654	1,347,033	1,532,654	-
Investments					
Investments in subsidiaries	10	-	-	300	848,220
		<u>1,532,654</u>	<u>1,347,033</u>	<u>1,532,954</u>	<u>848,220</u>
Current assets					
Stocks	11	101,441	72,073	101,441	-
Debtors	12	1,071,104	849,201	1,071,104	-
Cash at bank and in hand		569,994	628,736	569,994	-
		<u>1,742,539</u>	<u>1,550,010</u>	<u>1,742,539</u>	<u>-</u>
Creditors: due within one year	13	<u>(2,170,596)</u>	<u>(1,823,669)</u>	<u>(2,170,896)</u>	<u>(300)</u>
Net current liabilities		<u>(428,057)</u>	<u>(273,659)</u>	<u>(428,357)</u>	<u>(300)</u>
Total assets less current liabilities		<u>1,104,597</u>	<u>1,073,374</u>	<u>1,104,597</u>	<u>847,920</u>
Creditors: due after one year	14	<u>(144,346)</u>	<u>(225,454)</u>	<u>(144,346)</u>	<u>-</u>
Net assets		<u>960,251</u>	<u>847,920</u>	<u>960,251</u>	<u>847,920</u>
Capital and reserves					
Called up share capital	15	74,200	742	74,200	742
Share premium account	16	124,862	198,320	124,862	198,320
Capital redemption reserve	16	38	38	38	38
Profit and loss account	16	761,151	648,820	761,151	648,820
Shareholders funds		<u>960,251</u>	<u>847,920</u>	<u>960,251</u>	<u>847,920</u>

The financial statements were approved by the board of directors on 29 January 2003 and signed on its behalf by :



S. Chopra
Director

BTS Holdings Limited

CASH FLOW STATEMENT for the year ended 31 March 2002

Reconciliation of operating profit to net cash inflow from operating activities

	<i>Notes</i>	<i>2002</i> £	<i>2001</i> £
Operating profit		583,815	362,218
Depreciation charges	9	241,604	191,202
(Loss) profit on sale of tangible fixed assets		(164)	6,266
Increase in stocks		(29,368)	(25,782)
(Increase) decrease in debtors		(221,903)	7,744
Increase (decrease) in creditors		133,018	(156,667)
Net cash inflow from operating activities		<u>£707,002</u>	<u>£384,981</u>

Cash flow statement

		£	£
Net cash inflow from operating activities		707,002	384,981
Cash (outflow) inflow from servicing of finance	3	(11,870)	343
Taxation		(57,237)	(53,729)
Capital expenditure	17	(427,062)	(225,933)
		<u>210,833</u>	<u>105,662</u>
Equity dividends paid	8	(323,692)	(228,056)
Repurchase of own shares		-	(51,530)
		<u>(112,859)</u>	<u>(173,924)</u>
Financing	17	54,117	(30,849)
Reduction in cash at bank and in hand	17	<u>(£58,742)</u>	<u>(£204,773)</u>

Reconciliation of net cash movement to movement in net funds

		£	£
Reduction in cash in the period	17	(58,742)	(204,773)
Cash (inflow) outflow from debt and lease financing	17	(54,117)	30,849
		<u>(112,859)</u>	<u>(173,924)</u>
Change in net funds resulting from cashflows			
Opening net funds	17	410,458	584,382
Closing net funds	17	<u>297,599</u>	<u>410,458</u>

BTS Holdings Limited

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 March 2002

1. ACCOUNTING POLICIES

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

(a) Basis of preparation

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

(b) Basis of consolidation

The consolidated financial statements include those of the parent company and its subsidiary undertakings.

As permitted by section 230 of the Companies Act 1985 the profit and loss account of the parent company is not presented.

(c) Turnover

Turnover consists of the net amounts invoiced to customers in respect of goods and services supplied during the financial year, excluding value added tax. The unexpired portion of warranties and service contracts are excluded from turnover.

(d) Fixed assets

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

Freehold and leasehold property	50 years
Computer equipment	3 years
Motor vehicles	4 years
Rental inventory	2 - 5 years

Freehold land is not depreciated. Expenditure on capital items costing less than £500 is written off as incurred.

(e) 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 includes an appropriate proportion of production overheads.

(f) Design and development

Design and development constitutes a significant part of the Group's activities and all expenditure thereon is written off as incurred.

(g) Leased assets

Expenditure under operating leases is charged to the profit and loss account as it is incurred.

Assets acquired under finance leases or hire purchase contracts are included in tangible fixed assets at the outright purchase price equivalent and depreciated in the same manner as other tangible fixed assets. The interest element of finance leases is charged to profit and loss account.

BTS Holdings Limited

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 March 2002

1. ACCOUNTING POLICIES (continued.)

(h) Deferred taxation

Deferred tax is provided in respect of all liabilities arising from timing differences between the recognition of gains and losses capable of reversal in the financial statements and their recognition for corporate tax purposes.

2. ANALYSIS OF TURNOVER BY ACTIVITY

	2002 £	2001 £
Systems	1,552,297	1,678,991
Service	2,914,270	2,220,862
	<u>4,466,567</u>	<u>3,899,853</u>

3. NET INTEREST (PAYABLE) RECEIVABLE

	2002 £	2001 £
Interest payable on bank loans and overdrafts	(18,828)	(23,324)
Interest payable on finance leases	(16,915)	(4,435)
Interest receivable	23,873	28,102
	<u>(11,870)</u>	<u>343</u>

4. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

	2002 £	2001 £
This is stated after charging / (crediting)		
Auditor's remuneration	7,461	5,500
Depreciation of tangible fixed assets:		
Owned	187,532	167,180
Leased	54,072	24,022
Loss (profit) on disposal of tangible fixed assets	164	(6,266)
Vehicle hire	51,394	99,091
Computer hire	60,598	-
Rental income	(101,176)	(24,877)

5. DIRECTORS' REMUNERATION

	2002 £	2001 £
Directors' emoluments including benefits in kind	<u>111,487</u>	<u>176,471</u>

BTS Holdings Limited

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 March 2002

6. STAFF NUMBERS AND COSTS

	<i>Number of employees</i>	
	2002	2001
The average number of persons (including directors) employed during the year analysed by category, was as follows:		
Technical	62	58
Marketing	11	16
Administration	5	4
	<u>78</u>	<u>78</u>

	2002	2001
	£	£
The aggregate payroll costs of these persons were as follows:		
Wages and salaries	1,926,438	1,677,448
Social security costs	224,710	181,620
	<u>2,151,148</u>	<u>1,859,068</u>

7. TAXATION

	2002	2001
	£	£
UK corporation tax:		
Current year at effective rate 25.52% (2001: 20%)	137,083	58,399
Prior years	(1,161)	-
Tax on profit on ordinary activities	<u>135,922</u>	<u>58,399</u>

No liability for deferred tax arises in respect of accelerated capital allowances as the tax written down value of applicable fixed assets exceeds their net book value.

Factors affecting tax charge for the year:

Profit on ordinary activities before tax	571,945	362,561
Tax @ 30% (2001: 20%)	<u>171,584</u>	<u>72,512</u>
Effects of:		
Expenses not deductible for tax purposes	4,465	4,388
Depreciation in excess of capital allowances	2,617	(741)
Design and development expenditure	(12,723)	(17,760)
Adjustment for marginal rates	(28,859)	-
Current tax charge for the year	<u>137,084</u>	<u>58,399</u>

BTS Holdings Limited

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 March 2002

8. DIVIDENDS

	2002 £	2001 £
Ordinary dividend on equity shares paid in year	323,692	228,056

9. TANGIBLE FIXED ASSETS - GROUP AND COMPANY

	<i>At 01-Apr-01</i> £	<i>Additions</i> £	<i>Disposals</i> £	<i>At 31-Mar-02</i> £
Cost				
Freehold land	152,867	-	-	152,867
Freehold premises	800,000	-	-	800,000
Long leasehold premises	35,399	-	-	35,399
Computer equipment	376,809	123,218	-	500,027
Motor vehicles	158,612	188,214	44,416	302,410
Rental inventory	286,057	124,030	-	410,087
	1,809,744	435,462	44,416	2,200,790
Depreciation & amortisation				
Freehold premises	16,000	16,000	-	32,000
Long leasehold premises	708	354	-	1,062
Computer equipment	221,300	111,802	-	333,102
Motor vehicles	97,685	63,548	36,179	125,054
Rental inventory	127,018	49,900	-	176,918
	462,711	241,604	36,179	668,136
Net book value			2002 £	2001 £
Freehold land			152,867	152,867
Freehold premises			768,000	784,000
Long leasehold premises			34,337	34,691
Computer equipment			166,925	155,509
Motor vehicles			177,356	60,927
Rental inventory			233,169	159,039
			1,532,654	1,347,033

The net book value of tangible fixed assets includes £284,186 (2001: £77,340) in respect of assets held under finance leases and hire purchase contracts. Depreciation for the year on these assets amounted to £54,072 (2001: £24,022).

BTS Holdings Limited

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 March 2002

10. FIXED ASSET INVESTMENTS

	<i>Subsidiary undertakings</i>		
	<i>Ordinary shares</i>	<i>Loans</i>	<i>Total</i>
	£	£	£
Cost			
At 1 April 2001	300	847,920	848,220
Repaid in year	-	(847,920)	(847,920)
At 31 March 2002	300	-	300

Fixed asset investments comprise three wholly owned subsidiary companies, all of which were incorporated in England and were dormant during the year, namely Business Telecommunications Services Limited, Commsview Limited and BTS Research Limited.

Business Telecommunications Services Limited traded up to 31 March 2001 and on 1 April 2001 hived its assets and liabilities to the parent company which carried on the subsidiary's former trade. Since the year end Business Telecommunications Services Limited has recommenced trading and Commsview Limited and BTS Research Limited have been dissolved.

11. STOCKS AND WORK IN PROGRESS

	<i>Group</i>		<i>Company</i>	
	<i>2002</i>	<i>2001</i>	<i>2002</i>	<i>2001</i>
	£	£	£	£
Stocks	101,441	72,073	101,441	-

12. DEBTORS

Trade debtors	1,050,867	814,451	1,050,867	-
Other debtors and prepayments	20,237	34,750	20,237	-
	1,071,104	849,201	1,071,104	-

13. CREDITORS - due within one year

Bank loan (note 14)	56,000	56,000	56,000	-
Trade creditors	48,651	59,767	48,651	-
Obligations under finance leases	108,721	26,546	108,721	-
Corporation tax	137,083	58,399	137,083	-
Other taxes and social security	180,075	183,815	180,075	-
Provision for warranties	67,035	-	67,035	-
Service fee invoice deferred	1,187,422	1,169,160	1,187,422	-
Accruals and deferred income	334,333	197,508	334,633	300
Other creditors	51,276	72,474	51,276	-
	2,170,596	1,823,669	2,170,896	300

BTS Holdings Limited

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 March 2002

14. CREDITORS : due after one year

	<i>Group</i>		<i>Company</i>	
	2002	2001	2002	2001
	£	£	£	£
Bank loan	56,000	112,000	56,000	-
Obligations under finance leases	51,674	23,732	51,674	-
Provision for warranties	25,996	89,722	25,996	-
Service fee income deferred	10,676	-	10,676	-
	<u>144,346</u>	<u>225,454</u>	<u>144,346</u>	<u>-</u>

The bank loan is repayable by quarterly instalments of £14,000 over two years. Interest is at the rate of 3% over Barclays Bank base rate. The bank loan and overdraft facility is secured by legal mortgage over the freehold property and by debenture over all assets of the group and cross guaranties from the subsidiaries.

The lease obligations mature within the period two to five years.

15. CALLED UP SHARE CAPITAL

	<i>Company</i>	
	2002	2001
	£	£
Authorised:		
"A" ordinary shares of £1 each	200	2
"B" ordinary shares of £1 each	199,800	199,998
	<u>200,000</u>	<u>200,000</u>
Issued and fully paid :		
"A" ordinary shares	200	2
"B" ordinary shares	74,000	740
	<u>74,200</u>	<u>742</u>

The authorised and issued share capital was altered during the year by the conversion of 198 of the unissued "B" ordinary shares into 198 "A" ordinary shares of £1 each.

Following on from the above £73,458 being part of the credit on the share premium account, was capitalised by the creation of 99 fully paid up "A" ordinary or "B" ordinary shares for each share in issue.

16. RESERVES

	<i>Called up share capital</i>	<i>Share premium account</i>	<i>Capital redemption reserve</i>	<i>Profit & loss account</i>
	£	£	£	£
Group and company				
At 1 April 2001	742	198,320	38	648,820
Issue of shares	73,458	(73,458)	-	-
Profit for the year	-	-	-	112,331
At 31 March 2002	<u>74,200</u>	<u>124,862</u>	<u>38</u>	<u>761,151</u>

BTS Holdings Limited

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 March 2002

17. NOTES TO CASH FLOW STATEMENT

	2002 £	2001 £
(a) Capital expenditure		
Payments to acquire tangible fixed assets	(435,462)	(239,683)
Receipts from sales of tangible fixed assets	8,400	13,750
Net cash outflow for capital expenditure	<u>(427,062)</u>	<u>(225,933)</u>

(b) Analysis of charges in net funds

	<i>At 1 April 2001 £</i>	<i>Cash flow £</i>	<i>At 31 March 2002 £</i>
Net cash:			
Cash at bank and in hand	628,736	(58,742)	569,994
Debt financing:			
Debt due within one year	(56,000)	-	(56,000)
Debt due after one year	(112,000)	56,000	(56,000)
Finance leases	(50,278)	(110,117)	(160,395)
	<u>(218,278)</u>	<u>(54,117)</u>	<u>(272,395)</u>
Total net funds	<u>410,458</u>	<u>(112,859)</u>	<u>297,599</u>

18. CAPITAL COMMITMENTS

The directors are committed to improving the freehold premises of BTS House over the following years at a minimum cost of £150,000.

19. OTHER FINANCIAL COMMITMENTS

At 31 March 2002 the group had annual commitments under operating leases as follows:

	2002 £	2001 £
Expiry date:		
Within one year	1,682	10,468
In the second to fifth years inclusive	6,100	24,153

20. RELATED PARTIES / DIRECTORS TRANSACTIONS

The bank loan is secured on a life policy upon a director, S Chopra. The sum assured will reduce over the policy term to reflect the reducing capital outstanding on the loan.