

B T S HOLDINGS LIMITED
DIRECTORS REPORT AND FINANCIAL
STATEMENTS

31 MARCH 1996

REGISTERED NUMBER 1517630



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BTS HOLDINGS LIMITED
REPORT OF THE DIRECTORS
TWELVE MONTHS ENDED 31st MARCH 1996

The Directors have pleasure in presenting their Report together with the Audited Financial Statements for the 12 months ended 31st March 1996.

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 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;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.
- make judgements and estimates that are reasonable and prudent.
- follow applicable accounting standards subject to any material departures disclosed and explained in the accounts.

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 are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Principal Activity

The principal activity of the Group continues to be that of developing and marketing telecommunications management systems and services.

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 balance on the Consolidated Profit and Loss Account of £230008 be carried forward.

Movement of Fixed Assets

The movement of Fixed Assets during the period is set out in Note 2.

Charitable and Political Contributions

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

BTS HOLDINGS LIMITED
REPORT OF THE DIRECTORS continued
TWELVE MONTHS ENDED 31st MARCH 1996

Review of Activities

The Group sustained its position as a leading UK supplier of telecommunications management systems and services.

Research and Development

During the 12 months to 31st March 1996 the expenditure of the Group on Design and Development amounted to £474003. At the Balance Sheet date the Group had 11 people fully engaged on Design and Development.

Future Developments

Leading the industry in quality management, with highly innovative service offerings, and new generation LAN - based telecommunications management systems, the Group is confident of success.

Close Company

In the opinion of the Directors the Company is a "close company" within the meaning of Section 414 of the Income and Corporation Taxes Act 1988.

Directors

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

	Ordinary Shares of £1 each	
	31 March 96	31 March 95
E A Davison	351	351
S Chopra	180	180
A Fenton	8	8
D Pope	0	0

Subsidiary Companies

The Company has 3 subsidiary undertakings. S Chopra is the only Director who has a shareholding in these companies holding 1 share jointly with BTS Holdings Limited. The 3 subsidiary companies being BTS Research Limited, BTS Sigma Limited, and Business Telecommunications Services Limited.

BTS HOLDINGS LIMITED
REPORT OF THE DIRECTORS continued
TWELVE MONTHS ENDED 31st MARCH 1996

Auditors

Messrs. Taylor & Bryant will be proposed for re-appointment in accordance with Section 384 of the Companies Act 1985.

By Order of the Board

BTS House
69-73 Manor Road
Wallington
SM6 0DD



13 December 1996

S Chopra
Secretary

**REPORT OF THE AUDITORS TO THE MEMBERS OF
BTS HOLDINGS LIMITED
TWELVE MONTHS ENDED 31st MARCH 1996**

We have audited the Accounts on Pages 5 to 13 which have been prepared under the historical cost convention and the accounting policies set out on pages 8 to 9.

Respective Responsibilities of Directors and Auditors

As described on Page 1 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

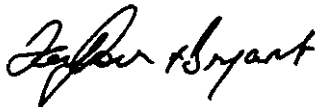
We conducted our audit in accordance with Auditing Standards issued by the Auditing Standards Board. An Audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements 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.

We planned and performed our audit so as to obtain all of 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 Company's affairs at 31st March 1996 and of the profit for the accounting period ended on that date and have been properly prepared in accordance with the Companies Act 1985.

Taylor & Bryant
Registered Auditor
18 London Road
Grays
Essex RM17 5XY



27 January 1997
~~13 December 1996~~

BTS HOLDINGS LIMITED
BALANCE SHEET
AS AT 31st MARCH 1996

Group	Company		Group	Company
31-Mar-95	31-Mar-95		31-Mar-96	31-Mar-96
		Fixed Assets		
1,382,111		Tangible Assets (Note 2)	1,258,178	
	255,354	Investments		255,354
		Investments in Subsidiaries (Note 3)		
<u>1,382,111</u>	<u>255,354</u>		<u>1,258,178</u>	<u>255,354</u>
		Current Assets		
216,670		Stocks (Note 1C and 4)	185,167	
842,307		Debtors (Note 5)	772,295	
332,649		Cash at Bank and in Hand	210,410	
<u>1,391,626</u>	<u>0</u>		<u>1,167,872</u>	<u>0</u>
		Creditors Due Within One Year		
56,000		Bank Loan (Note 8)	56,000	
472,327	300	Creditors and Accruals (Note 6)	360,840	300
1,202,737		Maintenance Income in Advance	1,038,202	
<u>1,731,064</u>	<u>300</u>		<u>1,455,042</u>	<u>300</u>
(339,438)	(300)	Net Current Liabilities	(287,170)	(300)
<u>1,042,673</u>	<u>255,054</u>	Total Assets Less Current Liabilities	<u>971,008</u>	<u>255,054</u>
		Creditors Due After One Year (Note 7)		
448,000		Bank Loan	392,000	
168,721		Provision for Liabilities & Charges		
		Warranty Provision	102,767	
<u>425,952</u>	<u>255,054</u>		<u>476,241</u>	<u>255,054</u>
		Financed By		
		Capital and Reserves:		
780	780	Called-up Share Capital (Note 10)	780	780
198,320	198,320	Share Premium	198,320	198,320
47,133		Revaluation Reserve (Note 2)	47,133	
179,719	55,954	Reserves	230,008	55,954
<u>425,952</u>	<u>255,054</u>	Shareholders Funds	<u>476,241</u>	<u>255,054</u>

Approved by the Board on 13 December 1996

 S Chopra - Director

The Notes on pages 8 to 13 form an integral part of these financial statements.

BTS HOLDINGS LIMITED
PROFIT AND LOSS ACCOUNT
TWELVE MONTHS ENDED 31st MARCH 1996

Group	Company		Group	Company
12 months to 31-Mar-95	12 months to 31-Mar-95		12 months to 31-Mar-96	12 months to 31-Mar-96
2,909,772		Gross Profit	2,703,508	
		Deduct:		
2,866,585		Administrative Costs	2,681,584	
43,187		Operating Profit	21,924	
72,959		Interest Receivable and other income	108,616	
(51,290)		Interest Payable	(50,668)	
64,856	0	Profit on Ordinary Activities Before Taxation (Note 11)	79,872	0
(13,552)	0	Taxation	(29,583)	0
51,304	0	Retained Profit for the Year	50,289	0
128,415	55,954	Retained Balance on Reserves Brought Forward	179,719	55,954
179,719	55,954	Retained Balance on Reserves Carried Forward	230,008	55,954

Continuing Operations

None of the Company's activities were acquired or discontinued during the above two financial years.

Total Recognised Gains & Losses

The Company has no recognised gains or losses other than the profits for the above two financial years.

BTS HOLDINGS LIMITED
CONSOLIDATED CASH FLOW STATEMENT FOR THE
TWELVE MONTHS ENDED 31st MARCH 1996

Group 12 months to 31-Mar-95		Group 12 months to 31-Mar-96
(223,969)	Net Cash Inflow from Operating Activities (Note 15)	33,129
	Returns on Investments and Servicing of Finance	
21,933	Interest received	7,609
(51,290)	Interest paid	(50,668)
(29,357)	Net Cash Inflow from Returns on Investments and Servicing of Finance	(43,059)
	Taxation	
(30,313)	Corporation Tax paid	(13,552)
(30,313)	Tax paid	(13,552)
	Investing Activities	
(187,485)	Payments to acquire Fixed Assets	(69,655)
55,949	Receipts from sales of Fixed Assets	26,898
(131,536)	Net Cash Outflow from Investing Activities	(42,757)
(415,175)	Net Cash Inflow before Financing	(66,239)
	Financing (Note 18)	
(56,000)	Bank Loan	(56,000)
(56,000)	Net Cash Inflow from Financing	(56,000)
(471,175)	Increase in Cash and Cash Equivalents (Note 16 and 17)	(122,239)

BTS HOLDINGS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
TWELVE MONTHS ENDED 31st MARCH 1996

1. Accounting Policies

A. Accounting Convention

The Group adopts the Historical Cost Convention and in accordance with applicable accounting standards.

B. Turnover

Turnover consists of goods and services charged to customers in the ordinary course of business at invoiced amounts excluding Value Added Tax and is derived solely in the United Kingdom.

Amounts representing the unexpired portion of periodic maintenance contracts are excluded from turnover.

C. 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.

D. Depreciation

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

Furniture and Fittings	20%
Computer, Scanning and Systems Equipment	33 1/3%
Motor Vehicles	25%

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

Expenditure on capital items costing less than £500 each is written off as incurred.

E. Amortisation of Leasehold/Freehold Premises

Amortisation of short leases is computed so as to write off the legal and other costs of acquisition over the life of the lease.

No depreciation is provided on freehold or long leasehold premises. It is the Group's practice to keep these assets in a continual state of sound repair and accordingly the directors consider that the lives of the assets are so long and residual values so high that depreciation is insignificant.

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. Leases

Operating lease payments are charged to profit and loss account as incurred.

BTS HOLDINGS LIMITED
NOTES TO THE FINANCIAL STATEMENTS continued
TWELVE MONTHS ENDED 31st MARCH 1996

H. Pension Costs

The Group operates a defined contribution scheme. The assets of the scheme are held separately from those of the Group. The amounts charged against profits represent the contributions payable to the scheme in respect of the accounting period.

I. Taxation

The charge for taxation is based on the profit for the year. Provision is made for deferred tax only to the extent that it is probable that an actual liability will crystallise.

BTS HOLDINGS LIMITED
NOTES TO THE FINANCIAL STATEMENTS continued
TWELVE MONTHS ENDED 31st MARCH 1996

2. Tangible Fixed Assets

Cost or Valuation*	Balance at 1-Apr-95	Additions in Period	Sub-Total	Disposals in Period	Balance at 31-Mar-96
Freehold Premises*	1,000,000		1,000,000		1,000,000
Long Leasehold Premises	35,399		35,399		35,399
Short Leasehold Premises	18,312		18,312		18,312
Furniture & Fittings	38,564		38,564		38,564
Computer Equipment	1,239,490	69,655	1,309,145	301,933	1,007,213
Scanning Equipment	23,686		23,686		23,686
Systems Equipment	159,916		159,916		159,916
Motor Vehicles	382,998		382,998	67,050	315,948
	<u>2,898,365</u>	<u>69,655</u>	<u>2,968,020</u>	<u>368,983</u>	<u>2,599,038</u>

Depreciation & Amortisation

Short Leasehold Premises	18,312		18,312		18,312
Furniture & Fittings	38,564		38,564		38,564
Computer Equipment	1,067,418	108,661	1,176,078	300,272	875,806
Scanning Equipment	23,686		23,686		23,686
Systems Equipment	159,916		159,916		159,916
Motor Vehicles	208,358	51,394	259,752	35,177	224,576
	<u>1,516,254</u>	<u>160,055</u>	<u>1,676,309</u>	<u>335,449</u>	<u>1,340,859</u>

Net Book Value

Freehold Premises	1,000,000				1,000,000
Long Leasehold Premises	35,399				35,399
Short Leasehold Premises	0				0
Furniture & Fittings	0				0
Computer Equipment	172,073				131,407
Scanning Equipment	0				0
Systems Equipment	0				0
Motor Vehicles	174,640				91,372
	<u>1,382,111</u>				<u>1,258,178</u>

The Freehold Premises were revalued on 31 March 1995 by Peter Wood F.S.V.A. The valuation basis used was market value.

Freehold Cost	952,867
Revaluation	<u>47,133</u>
	<u>1,000,000</u>

BTS HOLDINGS LIMITED
NOTES TO THE FINANCIAL STATEMENTS continued
TWELVE MONTHS ENDED 31st MARCH 1996

3. Fixed Asset Investments

Cost	Shares in group undertakings	Loans to group undertakings	Total
At 1 April 1995	300	255054	255,354
At 31 March 1996	300	255054	255,354

The principal companies in which the company's interest is more than 20% are as follows

Subsidiary Undertakings	Country of registration or incorporation	Principal Activity	Class and percentage of shares held
Business Telecommunications Services Limited	England	development and marketing of tele- communications systems	Ordinary 100
BTS Sigma Limited	England	dormant	Ordinary 100
BTS Research Limited	England	dormant	Ordinary 100

The aggregate of share capital and reserves and the profit for the year ended 31 March 1996 for the companies in which the company has more than a 20% interest are as follows

Company	Aggregate of share capital and reserves	Profit for the year
Business Telecommunications Services Limited	221287	79872
BTS Sigma Limited	100	-
BTS Research Limited	100	-

In the opinion of the directors the investments in and amount due from the company's subsidiary undertakings are worth the amounts at which they are stated in the balance sheet.

	Group 31-Mar-96	Group 31-Mar-95	Company 31-Mar-96	Company 31-Mar-95
4. Stocks				
Stocks and Work-in-Progress	185,167	216,670		
	<u>185,167</u>	<u>216,670</u>	<u>0</u>	<u>0</u>
5. Debtors				
Trade Debtors less Provision for Bad Debts	662,332	796,994		
Other Debtors and Prepayments	109,963	45,313		
	<u>772,295</u>	<u>842,307</u>	<u>0</u>	<u>0</u>

BTS HOLDINGS LIMITED
NOTES TO THE FINANCIAL STATEMENTS continued
TWELVE MONTHS ENDED 31st MARCH 1996

	Group 31-Mar-96	Group 31-Mar-95	Company 31-Mar-96	Company 31-Mar-95
6. Creditors and Accruals				
Trade Creditors	102,546	172,154		
Corporation Tax	29,583	13,552		
Other Taxes and Social Security	142,280	102,969		
Accrued Charges	86,431	183,652	300	300
	<u>360,840</u>	<u>472,327</u>	<u>300</u>	<u>300</u>

7. Creditors (Falling due after more than one year)

The bank loan is repayable in quarterly instalments. £112,000 of which is due after more than 5 years, payable in instalments of £14,000. The interest rate applicable is 3.0% per annum over Barclays Bank Base Rate.

8. Bank Loan

The bank loan and overdraft facility is secured by legal mortgage over the freehold property at Manor Road, Wallington, Surrey and by a debenture over all assets of the Group. Cross guarantees also are given by BTS Research Limited, BTS Sigma Limited and Business Telecommunications Services Limited.

9. Shareholders Funds

Retained Profit for the Year	50,289	51,304	0	0
Shareholders Funds Brought Forward	425,952	374,648	55,954	55,954
Shareholders Funds at Year End	<u>476,241</u>	<u>425,952</u>	<u>55,954</u>	<u>55,954</u>

10. 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>780</u>

11. Ordinary Activity Profit

has been arrived at after crediting:

Bank Interest	7,609	21,933
Rent Received	101,007	51,027

and after charging:

Auditors Remuneration	5,000	5,000
Loan Interest	45,998	46,162
Bank Charges and Interest	4,670	5,128
Depreciation and Amortisation (Notes 1D, 1E and 2)	160,055	171,642
Directors Emoluments (Note 13)	231,309	352,475
Loss on Disposal of Fixed Assets	6,635	10,850
Vehicle Hire	71,343	51,138

12. Staff Year Ended 31-Mar-96

	Total	Admin	Marketing	Technical
Average Number Employed	<u>75</u>	<u>6</u>	<u>14</u>	<u>55</u>
Gross Salaries	1,367,932	71,115	304,018	992,799
Social Security Costs	143,486	7,459	31,889	104,137
	<u>1,511,418</u>	<u>78,574</u>	<u>335,908</u>	<u>1,096,936</u>

BTS HOLDINGS LIMITED
NOTES TO THE FINANCIAL STATEMENTS continued
TWELVE MONTHS ENDED 31st MARCH 1996

Staff Year Ended 31-Mar-95	<u>Total</u>	<u>Admin</u>	<u>Marketing</u>	<u>Technical</u>
Average Number Employed	78	5	17	56
Gross Salaries	1,408,857	67,099	348,297	993,461
Social Security Costs	188,668	8,986	46,642	133,040
	<u>1,597,525</u>	<u>76,085</u>	<u>394,939</u>	<u>1,126,501</u>

13. Directors

The emoluments of Main Board Directors (including management charges submitted by their principal organisations) inclusive of taxable benefits but excluding Employer NI fell into the following bands:

	<u>31-Mar-96</u>	<u>31-Mar-95</u>
£ 15,001 - £ 20,000	2	2
£ 60,001 - £ 65,000	1	
£ 85,001 - £ 90,000		1
£ 95,001 - £100,000	1	
£150,001 - £155,000		1

The details in respect of the Chairman and highest paid Director are as follows:

Remuneration as taxable benefit	15,090	16,264
Management charge in respect of his services	82,637	136,094

14. Taxation

UK Corporation Tax at 25% (25% 1995)	29,583	13,552
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15. Reconciliation of Operating Profit to Net Cash Inflow from Operating Activities

Operating Profit (ie Ordinary Activity Result before Interest & Taxation)	122,931	94,214
Depreciation charges	160,055	171,642
Loss on Sale of Fixed Assets	6,635	10,850
Decrease in Stocks	31,503	(13,543)
Decrease in Debtors	70,012	(8,867)
Increase in Creditors (excluding Taxation)	(127,518)	(251,582)
Increase in Maintenance Revenue in Advance	(164,535)	(142,137)
Increase in Warranty Provision	(65,954)	(84,546)
Net Cash Inflow from Operating Activities	<u>33,129</u>	<u>(223,969)</u>

16. Analysis of Changes in Cash and Cash Equivalents

Balance Brought Forward	332,749	803,924
Net Cash Inflow	<u>(122,239)</u>	<u>(471,175)</u>
Balance Carried Forward	<u>210,510</u>	<u>332,749</u>

17. Analysis of the Balances of Cash and Cash Equivalents as shown in the Balance Sheet

Cash at bank and in hand	<u>210,510</u>	<u>332,749</u>
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18. Analysis of changes in Financing during the Year

	<u>Group</u> <u>31-Mar-96</u> <u>Share Capital</u>	<u>Group</u> <u>31-Mar-96</u> <u>Bank Loan</u>	<u>Group</u> <u>31-Mar-95</u> <u>Share Capital</u>	<u>Group</u> <u>31-Mar-95</u> <u>Bank Loan</u>
Balance Brought Forward	199,100	504,000	199,100	560,000
Cash Inflow/(outflow) from Financing	0	(56,000)	0	(56,000)
Balance Carried Forward	<u>199,100</u>	<u>448,000</u>	<u>199,100</u>	<u>504,000</u>