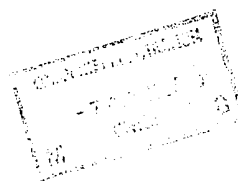


BUSINESS TELECOMMUNICATIONS SERVICES LIMITED

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DIRECTORS REPORT AND FINANCIAL STATEMENTS
SIX MONTHS ENDED 31ST MARCH 1987



Burdett Stevenson & Co

Chartered Accountants

BUSINESS TELECOMMUNICATIONS SERVICES LIMITED

REPORT OF THE DIRECTORS

SIX MONTHS ENDED 31ST MARCH 1987

The Directors have pleasure in presenting their Report together with the Audited Financial Statements for the six months ended 31st March 1987.

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 5.

The Directors recommend that no dividend be paid and that the adverse balance on the Profit and Loss Account of £ 14,204 be carried forward.

Movement of Fixed Assets

The movement of fixed assets during the period is set out in Note 2 on Page 8.

Exports

During the period goods and services exported by the Company amounted to £ 3,774 (1986 - £ 4,261).

Charitable and Political Contributions

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

Review of Activities

The Company continued in the period under review the task of targeting selected export markets and development projects with a view to sustaining revenue expansion. Additional finance of £ 99,000 was raised by way of a Rights Issue in order to provide the basis for future growth.

There has been no significant movement in staff levels and at the balance sheet date the Company employed ten full time and two part time staff engaged in research and development.

Given the Company's commitment to staff, product and market development the Board views the coming year with cautious confidence.

BUSINESS TELECOMMUNICATIONS SERVICES LIMITED
REPORT OF THE DIRECTORS continued
SIX MONTHS ENDED 31ST MARCH 1987

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>31st Mar 87</u>	<u>1st Oct 86</u>
E.A.Davison	126	45
S.Chopra	55	10
J.G.Wiltshire	5	-
A.G.Booth	-	-
C.Rowlands	-	-
A.Fenton	3	-

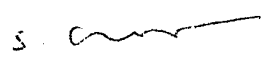
Auditors

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

1st September 1987


 S.Chopra
 Secretary

REPORT OF THE AUDITORS TO THE MEMBERS OF
BUSINESS TELECOMMUNICATIONS SERVICES LIMITED
SIX MONTHS ENDED 31ST MARCH 1987

We have audited the Financial Statements set out on Pages 4 to 13 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 1987 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

1st September 1987

BUSINESS TELECOMMUNICATIONS SERVICES LIMITEDBALANCE SHEETAT 31ST MARCH 1987

30.9.1986			
	<u>Fixed Assets</u>		
365,547	Tangible Assets (Note 2)		402,314
	<u>Current Assets</u>		
417,513	Stocks (Note 1D and 3)	552,880	
464,198	Debtors (Note 4)	548,734	
2,861	Cash at Bank and in Hand	6,462	
884,572			1,108,076
	<u>Liabilities Due Within One Year</u>		
158,921	Loans and Overdrafts (Note 5)	83,492	
497,790	Payments Received on Account (Note 1B)	557,186	
536,661	Creditors, Accruals and Deferred Income (Note 6)	743,363	
1,193,372			1,384,041
(308,800)	<u>Net Current Liabilities</u>		(275,965)
£ 56,747	<u>Total Assets Less Current Liabilities</u>		£ 126,349
	<u>Representing</u>		
	Liabilities Due After One Year:		
19,534	Loans (Note 7)		30,453
	Provisions:		
18,600	Deferred Taxation (Note 13A)		11,000
	Capital and Reserves:		
100	Called-up Share Capital (Note 8)	280	
-	Share Premium (Note 9)	98,820	
18,513	Profit and Loss Account Surplus/ (Deficit)	(14,204)	
18,613			84,896
	Approved by the Board on 1st September 1987		
E.A.Davison)		
S.Chopra)		
	Directors		
£ 56,747			£ 126,349

The Notes on Pages 6 to 12 form an integral part of these financial statements.

BUSINESS TELECOMMUNICATIONS SERVICES LIMITED
PROFIT AND LOSS ACCOUNT
SIX MONTHS ENDED 31ST MARCH 1987

Year Ended			
30.9.86			
2,809,548	Turnover (Note 1B)		1,225,841
(21,171)	Increase/(Decrease) in Stock and Work-in-Progress		135,367
2,788,377			1,361,208
	<u>Deduct:</u>		
1,206,957	Materials and Charges		545,176
1,581,420	<u>Gross Profit</u>		816,032
	<u>Deduct:</u>		
755,691	Staff Costs	436,518	
190,054	Depreciation and Other Amounts Written Off	91,112	
692,521	Other Operating Charges	326,422	
1,638,266			854,052
(56,846)	<u>Operating Profit/(Loss)</u>		(38,020)
24,341	<u>Interest Receivable and Other Similar Income</u>		10,137
(32,505)			(27,883)
(12,107)	<u>Interest Payable and Other Finance Charges</u>		(6,794)
	<u>Ordinary Activity Profit/(Loss)</u>		
(44,612)	<u>Before Taxation</u> (Note 10)		(34,677)
10,339	<u>Taxation</u> (Note 13B)		7,600
	<u>Ordinary Activity Profit/(Loss) After</u>		
(34,273)	<u>Taxation and Before Extraordinary Charges</u>		(27,077)
-	<u>Extraordinary Charges</u> (Note 15)		(5,640)
(34,273)	<u>Profit/(Loss) for the Period</u>		(32,717)
52,786	<u>Retained Profit Brought Forward</u>		18,513
18,513	<u>Retained Profit/(Adverse Balance) Carried</u>	E (14,204)
	<u>Forward</u>		

BUSINESS TELECOMMUNICATIONS SERVICES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
SIX MONTHS ENDED 31ST MARCH 1987

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. 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.

BUSINESS TELECOMMUNICATIONS SERVICES LIMITED
NOTES TO THE FINANCIAL STATEMENTS continued
SIX MONTHS ENDED 31ST MARCH 1987

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.

BUSINESS TELECOMMUNICATIONS SERVICES LIMITEDNOTES TO THE FINANCIAL STATEMENTS continuedSIX MONTHS ENDED 31ST MARCH 19872. Tangible Fixed Assets

<u>Cost</u>	<u>Balance at</u> <u>1.10.86</u>	<u>Additions</u> <u>in Period</u>	<u>Sub-</u> <u>Total</u>	<u>Disposals</u> <u>in Period</u>	<u>Balance at</u> <u>31.3.87</u>
Leasehold Premises	4,133	-	4,133	-	4,133
Furniture & Fittings	20,019	446	20,465	-	20,465
Computer Equipment	266,837	57,143	323,980	8,044	315,936
Scanning Equipment	32,181	-	32,181	8,495	23,686
Systems Equipment	162,992	8,655	171,647	732	170,915
Motor Vehicles	257,749	108,182	365,931	76,790	289,141
	<u>£ 743,911</u>	<u>174,426</u>	<u>918,337</u>	<u>94,061</u>	<u>824,276</u>

Depreciation and Amortization

Leasehold Premises	1,638	468	2,106	-	2,106
Furniture & Fittings	4,309	2,077	6,386	-	6,386
Computer Equipment	151,840	35,886	187,726	2,186	185,540
Scanning Equipment	15,390	3,213	18,603	2,858	15,745
Systems Equipment	109,054	16,778	125,832	20	125,812
Motor Vehicles	96,133	37,727	133,860	47,487	86,373
	<u>£ 378,364</u>	<u>96,149</u>	<u>474,513</u>	<u>52,551</u>	<u>421,962</u>

Net Book Values

Leasehold Premises	2,495	2,027
Furniture & Fittings	15,710	14,079
Computer Equipment	114,997	130,396
Scanning Equipment	16,791	7,941
Systems Equipment	53,938	45,103
Motor Vehicles	161,616	202,768
	<u>£ 365,547</u>	<u>£ 402,314</u>

3. Stocks

	<u>31st Mar</u> <u>1987</u>	<u>1st Oct</u> <u>1986</u>
Raw Materials and Consumables	7,400	5,125
Work-in-Progress	545,480	412,388
	<u>£ 552,880</u>	<u>£ 417,513</u>

4. Debtors

Trade Debtors less Provision for Doubtful Debts	531,029	450,533
Other Debtors	2,339	5,089
Payments in Advance	15,366	8,576
	<u>£ 548,734</u>	<u>£ 464,198</u>

BUSINESS TELECOMMUNICATIONS SERVICES LIMITEDNOTES TO THE FINANCIAL STATEMENTS continuedSIX MONTHS ENDED 31ST MARCH 1987

	<u>31st Mar 1987</u>	<u>1st Oct 1986</u>
<u>5. Loans and Overdrafts</u>		
Bank Overdraft (Secured)	6,883	115,131
Hire Purchase Loans (Secured)	76,609	43,790
	<u>£ 83,492</u>	<u>£ 158,921</u>
<u>6. Creditors, Accruals, Deferred Income</u>		
Trade Creditors	205,205	81,087
Other Creditors: Corporation Tax	5,481	5,493
Sundry	49,947	38,318
Charges Accrued	57,410	73,212
Income Deferred (Note 1B)	425,320	338,551
	<u>£ 743,363</u>	<u>£ 536,661</u>
<u>7. Loans Due After One Year</u>		
Directors Loans	-	3,750
Hire Purchase Loans (Secured)	30,453	15,784
	<u>£ 30,453</u>	<u>£ 19,534</u>
<u>8. 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>£ 280</u>	<u>£ 100</u>
In order to strengthen its Capital base and to cater for the increased finance requirements resulting from its expansion, the Company, during the period issued 180 Ordinary Shares of £1 each by way of a Rights Issue at £ 550 per share.		
<u>9. Share Premium</u>		
As a result of the Rights Issue mentioned in Note 8 above a premium of £ 549 per share was received on 180 shares.		
Total amount of Premium received	<u>£ 98,820</u>	

BUSINESS TELECOMMUNICATIONS SERVICES LIMITEDNOTES TO THE FINANCIAL STATEMENTS continuedSIX MONTHS ENDED 31ST MARCH 1987

	<u>6 Months to 31.3.87</u>	<u>12 Months to 30.9.86</u>
10. <u>Ordinary Activity Profit/(Loss)</u>		
has been arrived at after charging:		
Auditors Remuneration	£ 5,250	£ 7,250
Bad and Doubtful Debts	£ 316	£ -
Bank Charges and Interest	£ 1,840	£ 897
Depreciation and Amortization (Notes 1E, 1F and 2)	£ 96,149	£ 223,278
Directors Emoluments (Note 12)	£ 27,980	£ 51,243
Hire Purchase Charges	£ 4,890	£ 11,142
and after crediting:		
Rents Receivable	£ 10,125	£ 24,300
Short Term Deposit Interest	£ 12	£ 41
Warranty and Claims Remedial Work	£ -	£ 37,103
Profit on Disposal of Fixed Assets	£ 5,353	£ 4,531
Doubtful Debts Provision written back	£ -	£ 28,693

11. <u>Staff</u>	<u>Totals</u>	<u>Administration</u>	<u>Marketing</u>	<u>Technical</u>
<u>Six Months Ended 31st March 1987</u>				
Average Number Employed	<u>59</u>	<u>11</u>	<u>12</u>	<u>36</u>
Gross Salaries	369,667	37,965	134,169	197,533
Social Security Costs	38,348	13,918	3,938	20,492
	<u>£ 408,015</u>	<u>51,883</u>	<u>138,107</u>	<u>218,025</u>

No members of staff other than the Directors were remunerated for the six month period ended 31st March 1987 at higher rates as defined in Part VI of Schedule 5 of the Companies Act 1985.

Twelve Months Ended
30th September 1986

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

BUSINESS TELECOMMUNICATIONS SERVICES LIMITEDNOTES TO THE FINANCIAL STATEMENTS continuedSIX MONTHS ENDED 31ST MARCH 198712. Directors

6 Months	12 Months
<u>to 31.3.87</u>	<u>to 30.9.86</u>

The emoluments of acting Directors for the six month period ended 31st March 1987 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	4	5
£ 5,001 - 10,000	-	-
£ 10,001 - 15,000	1	1
£ 15,001 - 20,000	1	1
£ 20,001 - 25,000	-	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:

£ 0 - 5,000	1	-
£ 5,001 - 10,000	-	1
£ 10,001 - 15,000	1	1
£ 15,001 - 20,000	1	-
£ 20,001 - 25,000	1	-
£ 30,001 - 35,000	-	2
£ 40,001 - 45,000	-	1

The details in respect of the Chairman are as follows:

Remuneration as a taxable benefit	£ 1,608	£ 2,889
Management Charge in respect of his services	£ 23,325	£ 44,180

13. Taxation

31st Mar	30th Sept
<u>1987</u>	<u>1986</u>

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

£ 11,000	£ 18,600
<u> </u>	<u> </u>

BUSINESS TELECOMMUNICATIONS SERVICES LIMITEDNOTES TO THE FINANCIAL STATEMENTS continuedSIX MONTHS ENDED 31ST MARCH 198713. Taxation continued

	<u>31st Mar 1987</u>	<u>30th Sept 1986</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
(ii) On results for the previous period	-	4,069
Adjustment to Provision for deferred liability to Corporation Tax	(7,600)	(15,820)
	<u>£ (7,600)</u>	<u>(10,339)</u>

14. Financial Commitments

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

Contracts authorised and placed	£ 18,594	10,316
Expenditure authorised but contracts not placed	Nil	Nil

15. Extraordinary charges include the costs relating to the Rights
Issue as mentioned in Note 8 to these Accounts.

BUSINESS TELECOMMUNICATIONS SERVICES LIMITEDSOURCE AND APPLICATION OF FUNDSSIX MONTHS ENDED 31ST MARCH 198712 Months
Ended
30.9.1986Source of Funds

-	Ordinary Activity Profit Before Taxation	-
	Adjustment for items not involving movement of funds:	
223,278	Depreciation and Amortization	96,149
(4,531)	Losses/(Profits) on Disposal of Fixed Assets	(5,353)
(37,103)	Warranty and Claims Remedial Work	(-)
181,644	Generated from Operations	90,796
	Generated from Other Sources:	
-	Share Capital and Premium	99,000
73,867	Hire Purchase Loans	106,283
57,425	Proceeds from Disposal of Fixed Assets	46,863
-	Increase in Payments Received on Account	59,396
312,936	Total Funds Generated	402,338

Application of Funds

44,612	Ordinary Activity Loss Before Taxation	34,677
263,046	Purchase of Fixed Assets	174,426
-	Rights Issue and Other Expenses	5,640
89,068	Reduction in Payments Received on Account	-
36,975	Repayment of Amounts owing to Directors	3,750
82,162	Repayment of Hire Purchase Loans	58,795
-	Corporation Tax Paid	12
(21,171)	Increase/(Decrease) in Working Capital:	
93,069	Stocks and Work-in-Progress	135,367
(161,248)	Debtors	84,536
	Creditors	(206,714)
(89,350)		13,189
426,513		290,489
(113,577)	<u>Increase/(Decrease) in Liquid Resources</u>	<u>£ 111,849</u>

Movement in Liquid Resources

618	Increase/(Decrease) in Cash and Bank Balance	3,601
(114,195)	(Increase)/Decrease in Bank Overdraft	108,248
(113,577)		<u>£ 111,849</u>