



**Brite Voice Systems Group Limited**  
and subsidiary undertaking

Accounts 31 December 1998  
together with directors' and auditors' reports

Registered number: 2601740



## Directors' report

For the year ended 31 December 1998

The directors present their annual report on the affairs of the group, together with the accounts and auditors' report, for the year ended 31 December 1998.

### Directors' responsibilities

Company law requires the directors to prepare accounts for each financial year which give a true and fair view of the state of affairs of the group and of the profit of the group for that year. In preparing those accounts, the 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 accounts; and
- prepare the accounts on the going concern basis unless it is inappropriate to presume that 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 are also responsible for safeguarding the assets of the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

### Principal activities and business review

The group specialises in the manufacture and marketing of integrated systems for call centre solutions and value added services for network operators including the emerging Intelligent Networks.

Group turnover increased by £7,973,017 (37%) to £29,510,290 for the financial year.

Significant growth was achieved in 1998 due to continued investment in products for the call centre and network markets, the skills and commitment of the staff, and successful positioning of the group as a solutions provider in the very high growth markets in which it is active.

Alongside the continued success of the VSD multi application platform, delivering value added services to fixed, mobile and intelligent networks and the Brite connect platform for IVR/CTI solutions to call centres, 1998 saw the launch of BriteStar. BriteStar is an innovative pre-paid service, which has been greeted with widespread acclaim.

The group continues to invest substantially in the development of new products and technologies to maintain its market leadership.

The group profit for the year was £277,707 (1997 loss - £368,704).

## Directors' report (continued)

### Principal activities and business review (continued)

The shareholders of the company's immediate parent undertaking, Brite Voice Systems Inc. are currently in the advanced stages of negotiations with Inter Voice Inc, a US telecommunications supplier to sell all of their interests. Completion is expected during August 1999.

### Results and dividends

Group results, dividends and recommended transfers to reserves are as follows:

|                                     | £                |
|-------------------------------------|------------------|
| Retained profit at 31 December 1997 | 2,456,334        |
| Profit for the year                 | 277,707          |
| Exchange differences                | 57,288           |
| Retained profit at 31 December 1998 | <u>2,791,329</u> |

The directors do not recommend payment of a dividend.

### Research and development

The Board considers that research continues to play a vital role in the group's success. Costs associated with the development of new products or enhancements of existing products are expensed as incurred. The cost of research and development during the year was £2,730,416 (1997 - £3,795,194).

### Directors and their interests

The directors who served during the year were as follows:

|                        |                          |
|------------------------|--------------------------|
| S. Hallam              | (resigned 6 August 1998) |
| S.G. Brannan (USA)     |                          |
| G.A. Etherington (USA) |                          |
| D. Hare                | (resigned 3 June 1998)   |
| D. Gergacz             |                          |

The directors do not have any interests in the shares of the company required to be disclosed under Schedule 7 of the Companies Act 1985.

## Directors' report (continued)

### **Year 2000 and the euro**

The Year 2000 issue, relating to date sensitive calculations, is one which affects all companies which are reliant on computer based technologies. The company is giving high priority to the impact of the millennium and is taking significant and positive steps to minimise the effect of the Year 2000 date change on the company's ability to maintain its systems and to continue to provide services to customers. Any costs incurred in achieving this will be charged to operating costs.

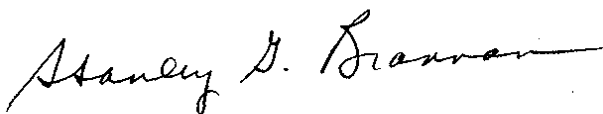
The directors are investigating the likely impact of the euro on the company. Their brief is to ensure that the company is fully prepared in readiness for the introduction of the euro and, in particular, for the business implication of the United Kingdom's potential entry into EMU.

### **Supplier payment policy**

It is the company's policy to comply with the terms of payment agreed with its suppliers.

Gateway House  
Styal Road  
Wythenshawe  
Manchester  
M22 5WX  
England

By order of the Board,



S.G. Brannan

Director

17 August 1999

# ARTHUR ANDERSEN

## Auditors' report

Manchester

### To the Shareholders of Brite Voice Systems Group Limited:

We have audited the accounts on pages 5 to 20 which have been prepared under the historical cost convention and the accounting policies set out on pages 8 to 10.

### Respective responsibilities of directors and auditors

As described on page 1 the group's directors are responsible for the preparation of the accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you.

### Basis of opinion

We conducted our audit in accordance with 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 accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts and of whether the accounting policies are appropriate to the group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the accounts 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 accounts give a true and fair view of the state of affairs of the company and of the group at 31 December 1998 and of the group's profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

  
Arthur Andersen

Chartered Accountants and Registered Auditors

Bank House  
9 Charlotte Street  
Manchester  
M1 4EU

17 August 1999

## Consolidated profit and loss account

For the year ended 31 December 1998

|   | Notes | 1998<br>£    | 1997<br>£    |
|---|-------|--------------|--------------|
| <b>Turnover</b>   | 2     | 29,510,290   | 21,537,273   |
| <b>Cost of sales</b>  |       | (9,225,257)  | (6,412,253)  |
| <b>Gross profit</b>   |       | 20,285,033   | 15,125,020   |
| <b>Other operating expenses</b>                             | 3     | (19,295,281) | (15,077,460) |
| <b>Operating profit</b>                                     |       | 989,752      | 47,560       |
| <b>Exceptional reorganisation costs</b>                     |       | -            | (164,371)    |
| <b>Investment income</b>                                    | 4     | 35,119       | 43,269       |
| <b>Interest payable and similar charges</b>                 | 5     | (530,146)    | (306,015)    |
| <b>Profit (loss) on ordinary activities before taxation</b> | 6     | 494,725      | (379,557)    |
| <b>Tax on profit (loss) on ordinary activities</b>          | 8     | (217,018)    | 10,853       |
| <b>Profit (loss) for the financial year</b>                 |       | 277,707      | (368,704)    |

A statement of movements on reserves is given in note 18.

The accompanying notes are an integral part of this consolidated profit and loss account.

## Consolidated statement of total recognised gains and losses

For the year ended 31 December 1998

|   | 1998<br>£ | 1997<br>£ |
|---|-----------|-----------|
| <b>Profit (loss) for the year</b>                             | 277,707   | (368,704) |
| <b>Profit (loss) on foreign currency translation</b>          | 57,288    | (67,617)  |
| <b>Total recognised gains and losses relating to the year</b> | 334,995   | (436,321) |

The accompanying notes are an integral part of this consolidated statement of recognised gains and losses.

# Consolidated balance sheet

31 December 1998

|  | Notes | 1998<br>£           | 1997<br>£          |
|--|-------|---------------------|--------------------|
| <b>Fixed assets</b>  |       |                     |                    |
| Intangible assets  | 9     | 22,704              | 41,148             |
| Tangible assets  | 10    | 3,594,055           | 2,336,117          |
|  |       | <u>3,616,759</u>    | <u>2,377,265</u>   |
| <b>Current assets</b>  |       |                     |                    |
| Stocks   | 12    | 8,276,985           | 5,089,288          |
| Debtors  | 13    |                     |                    |
| - due within one year  |       | 15,282,563          | 9,167,601          |
| - due after one year   |       | -                   | 970,041            |
| Cash at bank and in hand                                       |       | 1,483,159           | 562,822            |
|  |       | <u>25,042,707</u>   | <u>15,789,752</u>  |
| <b>Creditors: Amounts falling due within one year</b>          | 14    | <u>(18,368,137)</u> | <u>(8,189,979)</u> |
| <b>Net current assets</b>                                      |       | <u>6,674,570</u>    | <u>7,599,773</u>   |
| <b>Total assets less current liabilities</b>                   |       | <u>10,291,329</u>   | <u>9,977,038</u>   |
| <b>Creditors: Amounts falling due after more than one year</b> | 15    | <u>(5,000,000)</u>  | <u>(5,000,000)</u> |
| <b>Provisions for liabilities and charges</b>                  | 16    | <u>-</u>            | <u>(20,704)</u>    |
| <b>Net assets</b>  |       | <u>5,291,329</u>    | <u>4,956,334</u>   |
| <b>Capital and reserves</b>                                    |       |                     |                    |
| Called-up share capital  | 17    | 2,500,000           | 2,500,000          |
| Profit and loss account  | 18    | 2,791,329           | 2,456,334          |
| <b>Equity shareholders' funds</b>                              |       | <u>5,291,329</u>    | <u>4,956,334</u>   |

Signed on behalf of the Board

*Stanley S. Brannan*

S.G. Brannan

Director

17 August 1999

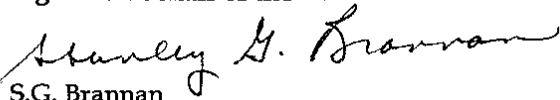
The accompanying notes are an integral part of this consolidated balance sheet.

# Company balance sheet

31 December 1998

|  | Notes | 1998<br>£           | 1997<br>£          |
|--|-------|---------------------|--------------------|
| <b>Fixed assets</b>  |       |                     |                    |
| Intangible assets  | 9     | 22,704              | 41,148             |
| Tangible assets  | 10    | 3,518,073           | 2,241,591          |
| Investments  | 11    | 17,065              | 17,065             |
|  |       | <u>3,557,842</u>    | <u>2,299,804</u>   |
| <b>Current assets</b>  |       |                     |                    |
| Stocks   | 12    | 8,265,889           | 5,062,405          |
| Debtors  |       |                     |                    |
| - due within one year  | 13    | 15,321,947          | 9,468,639          |
| - due after one year   | 13    | -                   | 970,041            |
| Cash at bank and in hand                                       |       | 1,189,291           | 518,206            |
|  |       | <u>24,777,127</u>   | <u>16,019,291</u>  |
| <b>Creditors: Amounts falling due within one year</b>          | 14    | <u>(18,082,026)</u> | <u>(8,299,222)</u> |
| <b>Net current assets</b>                                      |       | <u>6,695,101</u>    | <u>7,720,069</u>   |
| <b>Total assets less current liabilities</b>                   |       | <u>10,252,943</u>   | <u>10,019,873</u>  |
| <b>Creditors: Amounts falling due after more than one year</b> | 15    | <u>(5,000,000)</u>  | <u>(5,000,000)</u> |
| <b>Provisions for liabilities and charges</b>                  | 16    | <u>-</u>            | <u>(20,704)</u>    |
| <b>Net assets</b>  |       | <u>5,252,943</u>    | <u>4,999,169</u>   |
| <b>Capital and reserves</b>                                    |       |                     |                    |
| Called-up share capital  | 17    | 2,500,000           | 2,500,000          |
| Profit and loss account  | 18    | 2,752,943           | 2,499,169          |
| <b>Equity shareholders' funds</b>                              |       | <u>5,252,943</u>    | <u>4,999,169</u>   |

Signed on behalf of the Board

  
S.G. Brannan

Director

17 August 1999

The accompanying notes are an integral part of this balance sheet.



## Notes to the accounts

31 December 1998

### 1 Accounting policies

A summary of the principal accounting policies, all of which have been applied consistently throughout the year and the preceding year, is set out below.

#### *a) Basis of accounting*

The group accounts are prepared under the historical cost convention. The group accounts have been prepared in accordance with applicable accounting standards.

#### *b) Basis of consolidation*

The group accounts consolidate the accounts of Brite Voice Systems Group Limited and its subsidiary undertaking made up to 31 December 1998. The acquisition method of accounting has been adopted. Under this method, the results of the subsidiary undertaking are included in the consolidated profit and loss account from the date of acquisition.

In the company's accounts, the investment in the subsidiary undertaking is stated at cost. Only dividends received and receivable are credited to the company's profit and loss account.

No profit and loss account is presented for Brite Voice Systems Group Limited as provided by section 230 of the Companies Act 1985. The company's profit for the year, determined in accordance with the Act, was £253,774 (1997 - loss £322,808).

#### *c) Intangible fixed assets*

Business development costs capitalised are written off over the estimated useful life of the existing product range. The current estimated life is 10 years from the date of capitalisation.

Purchased goodwill representing the excess of consideration paid over the fair value of the net assets acquired, is capitalised and amortised over the estimated useful economic life. The current estimated life is 10 years from the date of capitalisation.

#### *d) Tangible fixed assets*

Tangible fixed assets are shown at original historical cost as set out in note 10, net of depreciation.

Depreciation is provided at rates calculated to write off the cost, less estimated residual value, of each asset on a straight-line basis over its expected useful life as follows:

|                       |                    |
|-----------------------|--------------------|
| Motor vehicles        | 25 - 33% per annum |
| Fixtures and fittings | 10 - 25% per annum |
| Plant and equipment   | 10 - 25% per annum |

Residual value is calculated on prices prevailing at the date of acquisition. Profits or losses on the disposal of fixed assets are included in the calculation of operating profit.

## Notes to the accounts (continued)

### 1 Accounting policies (continued)

#### e) Stocks

Stocks are stated at the lower of cost and net realisable value.

Cost incurred in bringing each product to its present location and condition is based on purchase cost on a first-in, first-out basis for raw materials and work-in-progress.

Net realisable value is based on estimated normal selling price, less further costs expected to be incurred to completion and disposal. Provision is made for obsolete, slow-moving or defective items where appropriate.

Amounts recoverable on long-term contracts, which are included in debtors, are stated at the net sales value of the work done less amounts received as progress payments on account. Excess progress payments are included in creditors as payments on account. Cumulative costs incurred net of amounts transferred to cost of sales, less provision for contingencies and anticipated future losses on contracts are included as long-term contract balances in stock.

#### f) Taxation

Corporation tax payable is provided on taxable profits at the current rate.

Deferred taxation (which arises from differences in the timing of the recognition of items, principally depreciation, in the accounts and by the tax legislation) has been calculated on the liability method. Deferred taxation is provided on timing differences which will probably reverse, at the rates of tax likely to be in force at the time of the reversal. Deferred taxation is not provided on timing differences which, in the opinion of the directors, will probably not reverse. However, the amount of all deferred taxation, including that which will probably not reverse, is shown in note 16.

#### g) Pension costs

The group provides pensions to certain employees through a money purchase pension scheme. The amount charged to the profit and loss account represents the employer's contribution payable in the year.

#### h) Foreign currency

In the accounts of individual undertakings, transactions denominated in foreign currencies are recorded in the local currency at actual exchange rates as of the date of the transaction (or, where appropriate, at the rate of exchange in a related forward exchange contract). Monetary assets and liabilities denominated in foreign currencies at the year end are reported at the rates of exchange prevailing at the year end (or, where appropriate, at the rate of exchange in a related forward exchange contract). Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is included as an exchange gain or loss in the profit and loss account.

For the purposes of consolidation the closing rate method is used, under which translation gains or losses are shown as a movement on reserves. The profit and loss account of the overseas subsidiary undertaking is translated at an average exchange rate for the year.

## Notes to the accounts (continued)

### 1 Accounting policies (continued)

#### i) Turnover

Group turnover comprises the value of sales, excluding VAT and trade discounts, of goods and services provided in the normal course of business. Profit is recognised on long term contracts, if the final outcome can be assessed with reasonable certainty, by including in the profit and loss account, turnover and related costs as contract activity progresses. Turnover is calculated as that proportion of the total contract value which costs incurred bear to total expected costs for that contract.

#### j) Leases

The group enters into operating leases as described in note 20a. Rentals under operating leases are charged to the profit and loss account on a straight-line basis over the lease term.

#### k) Warranty expense

The group accrues an allowance for future warranty services, parts replacement and fault recognition during the warranty period.

#### l) Cash flow statement

Under the provisions of the revised Financial Reporting Standard No 1 (Revised - 1996), the group has not prepared a cashflow statement. Its ultimate parent undertaking, Brite Voice Systems Inc, which is incorporated in the United States of America, has prepared group accounts which include the results of the company, are available to the public and which include a consolidated cashflow statement.

#### m) Investments

Fixed asset investments are shown at cost.

### 2 Turnover

Contributions to group turnover by geographical area were as follows:

|                          | 1998<br>£         | 1997<br>£         |
|--------------------------|-------------------|-------------------|
| United Kingdom           | 12,985,749        | 10,065,078        |
| Other European countries | 8,258,606         | 7,534,492         |
| Rest of the world        | 8,265,935         | 3,937,703         |
|                          | <u>29,510,290</u> | <u>21,537,273</u> |

### 3 Other operating expenses

|                             | 1998<br>£         | 1997<br>£         |
|-----------------------------|-------------------|-------------------|
| Selling and marketing costs | 7,341,962         | 4,751,045         |
| Administrative expenses     | 7,211,322         | 6,876,283         |
| Other operating charges     | 4,741,997         | 3,450,132         |
|                             | <u>19,295,281</u> | <u>15,077,460</u> |

## Notes to the accounts (continued)

### 4 Investment income

Investment income comprises:

|  | 1998<br>£ | 1997<br>£ |
|--|-----------|-----------|
| Other interest receivable and similar income | 35,119    | 43,269    |

### 5 Interest payable and similar charges

|   | 1998<br>£ | 1997<br>£ |
|---|-----------|-----------|
| On loans repayable within five years not by instalments | 530,146   | 306,015   |

### 6 Profit (loss) on ordinary activities before taxation

Profit (loss) on ordinary activities before taxation is stated after charging:

|  | 1998<br>£ | 1997<br>£ |
|--|-----------|-----------|
| Depreciation and amounts written off           |           |           |
| - intangible fixed assets                      | 18,444    | 18,430    |
| - tangible fixed assets                        | 1,151,189 | 826,684   |
| Operating lease rentals on plant and machinery | 259,644   | 223,330   |
| Staff costs (see note 7)                       | 9,931,249 | 8,238,158 |
| Auditors' remuneration                         |           |           |
| - audit fees                                   | 20,250    | 19,250    |
| - non-audit fees                               | 5,798     | 13,252    |
| Research and development costs                 | 2,730,416 | 3,795,194 |

In addition, the auditors received £11,000 (1997 - £11,000) in respect of non-audit services.

### 7 Staff costs

Particulars of employees (including executive directors) are as shown below:

|   | 1998<br>£ | 1997<br>£ |
|---|-----------|-----------|
| Employee costs during the year amounted to: |           |           |
| Wages and salaries                          | 8,682,422 | 7,191,754 |
| Social security costs                       | 897,804   | 748,509   |
| Other pension costs (see note 20b)          | 351,023   | 297,895   |
|   | 9,931,249 | 8,238,158 |

## Notes to the accounts (continued)

### 7 Staff costs (continued)

The average monthly number of persons employed by the group during the year was as follows:

|                       | 1998<br>Number<br>employed | 1997<br>Number<br>employed |
|-----------------------|----------------------------|----------------------------|
| Production and design | 171                        | 147                        |
| Sales and marketing   | 62                         | 41                         |
| Administration        | 18                         | 21                         |
|                       | <u>251</u>                 | <u>209</u>                 |

### Directors' remuneration

#### Remuneration

The remuneration of the directors was as follows:

|   | 1998<br>£     | 1997<br>£      |
|---|---------------|----------------|
| Emoluments  | <u>80,882</u> | <u>179,642</u> |
| Company contributions to money purchase pension schemes | <u>20,932</u> | <u>14,138</u>  |
| Compensation for loss of office                         | <u>27,318</u> | <u>-</u>       |

#### Pensions

The number of directors who were members of pension schemes was as follows:

|                       | 1998<br>£ | 1997<br>£ |
|-----------------------|-----------|-----------|
| Money purchase scheme | <u>2</u>  | <u>3</u>  |

### 8 Tax on profit (loss) on ordinary activities

The tax (credit) charge comprises:

|   | 1998<br>£      | 1997<br>£       |
|---|----------------|-----------------|
| Over provision in respect of prior year | (518)          | (1,674)         |
| Corporation tax                         | 281,925        | 7,735           |
| Deferred taxation                       | (64,389)       | (16,914)        |
|   | <u>217,018</u> | <u>(10,853)</u> |

## Notes to the accounts (continued)

### 9 Intangible fixed assets

|                           | Group and<br>company<br>Development<br>costs<br>£ |
|---------------------------|---|
| <b>Cost</b>               |   |
| Beginning and end of year | 123,375   |
| <b>Amortisation</b>       |   |
| Beginning of year         | 82,227  |
| Charge for year           | 18,444  |
| End of year               | 100,671   |
| <b>Net book value</b>     |   |
| Beginning of year         | 41,148  |
| End of year               | 22,704  |

### 10 Tangible fixed assets

The following are included in the net book value of tangible fixed assets:

|                           | Group     |           | Company   |           |
|---------------------------|-----------|-----------|-----------|-----------|
|                           | 1998      | 1997      | 1998      | 1997      |
|                           | £         | £         | £         | £         |
| Leasehold improvements    | 289,982   | -         | 289,982   | -         |
| Motor vehicles            | 44,858    | 11,803    | 40,999    | -         |
| Fixtures and fittings     | 421,394   | 312,566   | 391,337   | 278,955   |
| Plant and equipment       | 2,837,821 | 2,011,748 | 2,795,755 | 1,962,636 |
| Net tangible fixed assets | 3,594,055 | 2,336,117 | 3,518,073 | 2,241,591 |

## Notes to the accounts (continued)

### 10 Tangible fixed assets (continued)

The movement in the year was as follows:

| Group                 | Leasehold<br>improvement<br>£ | Motor<br>vehicles<br>£ | Fixtures and<br>fittings<br>£ | Plant and<br>equipment<br>£ | Total<br>£ |
|-----------------------|-------------------------------|------------------------|-------------------------------|-----------------------------|------------|
| <b>Cost</b>           |                               |                        |                               |                             |            |
| Beginning of year     | -                             | 65,678                 | 532,731                       | 3,703,290                   | 4,301,699  |
| Additions             | 322,178                       | 51,519                 | 243,305                       | 1,795,220                   | 2,412,222  |
| Disposals             | -                             | (13,825)               | -                             | (15,121)                    | (28,946)   |
| Exchange differences  | -                             | 3,711                  | 4,294                         | 13,973                      | 21,978     |
| End of year           | 322,178                       | 107,083                | 780,330                       | 5,497,362                   | 6,706,953  |
| <b>Depreciation</b>   |                               |                        |                               |                             |            |
| Beginning of year     | -                             | 53,875                 | 220,165                       | 1,691,542                   | 1,965,582  |
| Charge                | 32,196                        | 15,803                 | 135,474                       | 967,716                     | 1,151,189  |
| Disposals             | -                             | (10,598)               | -                             | (11,004)                    | (21,602)   |
| Exchange differences  | -                             | 3,145                  | 3,297                         | 11,287                      | 17,729     |
| End of year           | 32,196                        | 62,225                 | 358,936                       | 2,659,541                   | 3,112,898  |
| <b>Net book value</b> |                               |                        |                               |                             |            |
| Beginning of year     | -                             | 11,803                 | 312,566                       | 2,011,748                   | 2,336,117  |
| End of year           | 289,982                       | 44,858                 | 421,394                       | 2,837,821                   | 3,594,055  |
| <b>Company</b>        |                               |                        |                               |                             |            |
| <b>Cost</b>           |                               |                        |                               |                             |            |
| Beginning of year     | -                             | 36,740                 | 461,233                       | 3,579,583                   | 4,077,556  |
| Additions             | 322,178                       | 51,519                 | 242,016                       | 1,770,829                   | 2,386,542  |
| Disposals             | -                             | -                      | -                             | (9,883)                     | (9,883)    |
| End of year           | 322,178                       | 88,259                 | 703,249                       | 5,340,529                   | 6,454,215  |
| <b>Depreciation</b>   |                               |                        |                               |                             |            |
| Beginning of year     | -                             | 36,740                 | 182,278                       | 1,616,947                   | 1,835,965  |
| Charge                | 32,196                        | 10,520                 | 129,634                       | 933,594                     | 1,105,944  |
| Disposals             | -                             | -                      | -                             | (5,767)                     | (5,767)    |
| End of year           | 32,196                        | 47,260                 | 311,912                       | 2,544,774                   | 2,936,142  |
| <b>Net book value</b> |                               |                        |                               |                             |            |
| Beginning of year     | -                             | -                      | 278,955                       | 1,962,636                   | 2,241,591  |
| End of year           | 289,982                       | 40,999                 | 391,337                       | 2,795,755                   | 3,518,073  |

## Notes to the accounts (continued)

### 11 Fixed asset investments

The following are included in the cost of fixed asset investments:

|   | Company |        |
|---|---------|--------|
|   | 1998    | 1997   |
|   | £       | £      |
| Investment in subsidiary undertaking, at cost | 17,065  | 17,065 |

The company has an investment in the following subsidiary undertaking:

|                                | Country of<br><u>incorporation</u> | Principal<br>activity and<br>country<br><u>of operation</u> | Description and proportion<br>of shares held by the<br><u>company</u> |
|--------------------------------|------------------------------------|---|---|
| Brite Voice Systems Group GmbH | Germany                            | Sale of voice<br>systems in<br>Germany                      | 50,000 ordinary shares<br>(100%)                                      |

### 12 Stocks

The following are included in the net book value of stocks:

|                               | Group            |                  | Company          |                  |
|-------------------------------|------------------|------------------|------------------|------------------|
|                               | 1998             | 1997             | 1998             | 1997             |
|                               | £                | £                | £                | £                |
| Raw materials and consumables | 3,739,990        | 2,510,360        | 3,728,894        | 2,483,477        |
| Work-in-progress              | 4,536,995        | 2,578,928        | 4,536,995        | 2,578,928        |
|                               | <u>8,276,985</u> | <u>5,089,288</u> | <u>8,265,889</u> | <u>5,062,405</u> |



## Notes to the accounts (continued)

### 13 Debtors

The following amounts are included in the net book value of debtors:

|   | Group             |                   | Company           |                   |
|---|-------------------|-------------------|-------------------|-------------------|
|   | 1998              | 1997              | 1998              | 1997              |
|   | £                 | £                 | £                 | £                 |
| Amounts falling due within one year:          |                   |                   |                   |                   |
| Trade debtors                                 | 10,784,547        | 3,961,488         | 10,159,219        | 3,048,832         |
| Amounts owed by group undertakings            | 2,515,690         | 1,462,300         | 3,197,831         | 2,699,391         |
| VAT   | -                 | 244,325           | -                 | 244,325           |
| Other debtors                                 | 219,031           | 223,307           | 219,031           | 199,910           |
| Deferred tax recoverable                      | 43,685            | -                 | 43,685            | -                 |
| Prepayments and accrued income                | 1,719,610         | 3,276,181         | 1,702,181         | 3,276,181         |
|   | <u>15,282,563</u> | <u>9,167,601</u>  | <u>15,321,947</u> | <u>9,468,639</u>  |
| Amounts falling due after more than one year: |                   |                   |                   |                   |
| Trade debtors                                 | -                 | 970,041           | -                 | 970,041           |
|   | <u>15,282,563</u> | <u>10,137,642</u> | <u>15,321,947</u> | <u>10,438,680</u> |

### 14 Creditors: Amounts falling due within one year

The following amounts are included in creditors falling due within one year:

|                                    | Group             |                  | Company           |                  |
|------------------------------------|-------------------|------------------|-------------------|------------------|
|                                    | 1998              | 1997             | 1998              | 1997             |
|                                    | £                 | £                | £                 | £                |
| Trade creditors                    | 2,548,842         | 1,917,215        | 2,531,883         | 1,759,879        |
| Amounts owed to group undertakings | 8,273,826         | 3,248,898        | 8,381,321         | 3,683,600        |
| Other creditors:                   |                   |                  |                   |                  |
| - UK corporation tax payable       | 241,792           | -                | 210,853           | -                |
| - VAT                              | 760,835           | 110,602          | 697,878           | -                |
| - social security and PAYE         | 374,054           | 230,106          | 313,237           | 201,283          |
| Other creditors                    | 1,986,876         | 840,743          | 1,965,926         | 911,113          |
| Accruals and deferred income       | 4,181,912         | 1,842,415        | 3,980,928         | 1,743,347        |
|                                    | <u>18,368,137</u> | <u>8,189,979</u> | <u>18,082,026</u> | <u>8,299,222</u> |

## Notes to the accounts (continued)

### 15 Creditors: Amounts falling due after one year

|                                   | Group     |           | Company   |           |
|-----------------------------------|-----------|-----------|-----------|-----------|
|                                   | 1998      | 1997      | 1998      | 1997      |
|                                   | £         | £         | £         | £         |
| Amounts owed to group undertaking | 5,000,000 | 5,000,000 | 5,000,000 | 5,000,000 |

The loan is from Brite Voice Systems Inc. and is repayable by 31 December 2001. Interest is charged at a rate of 6% per annum.

### 16 Provisions for liabilities and charges

|   | Deferred<br>taxation<br>£ |
|---|---------------------------|
| <b>Group and company</b>  |                           |
| Beginning of year   | (20,704)                  |
| Credited to profit and loss account in respect of short term timing differences | 64,389                    |
| End of year   | 43,685                    |

Deferred taxation provided comprises:

|  | Provided |          |
|--|----------|----------|
|  | 1998     | 1997     |
|  | £        | £        |
| <b>Group and company</b>   |          |          |
| Excess of tax allowances over book depreciation of fixed assets    | 22,625   | (46,400) |
| Other timing differences related to current assets and liabilities | 21,060   | 25,696   |
|  | 43,685   | (20,704) |

There was no unprovided deferred tax.

### 17 Called-up share capital

|   | 1998      | 1997      |
|---|-----------|-----------|
|   | £         | £         |
| <i>Authorised, allotted, called-up and fully paid</i> |           |           |
| 2,500,000 ordinary shares of £1 each                  | 2,500,000 | 2,500,000 |

## Notes to the accounts (continued)

### 18 Reserves

The movement on reserves during the year was as follows:

|  | Profit and<br>loss account<br>£ |
|--|---------------------------------|
| <b>Group</b>                           |                                 |
| Beginning of year                      | 2,456,334                       |
| Profit on foreign currency translation | 57,288                          |
| Profit for the year                    | 277,707                         |
| End of year                            | <u>2,791,329</u>                |
|  | £                               |
| <b>Company</b>                         |                                 |
| Beginning of year                      | 2,499,169                       |
| Profit for the year                    | 253,774                         |
| End of year                            | <u>2,752,943</u>                |

All reserves are distributable.

### 19 Reconciliation of movements in shareholder's funds

|   | Group            |                  | Company          |                  |
|---|------------------|------------------|------------------|------------------|
|   | 1998<br>£        | 1997<br>£        | 1998<br>£        | 1997<br>£        |
| Profit (loss) for the year                        | 277,707          | (368,704)        | 253,774          | (322,808)        |
| Other recognised gain (loss) relating to the year | 57,288           | (67,617)         | -                | -                |
| Share issues                                      | -                | 2,100,000        | -                | 2,100,000        |
| Net addition to shareholders' funds               | <u>334,995</u>   | <u>1,663,679</u> | <u>253,774</u>   | <u>1,777,192</u> |
| Opening shareholders' funds                       | 4,956,334        | 3,292,655        | 4,999,169        | 3,221,977        |
| Closing shareholders' funds                       | <u>5,291,329</u> | <u>4,956,334</u> | <u>5,252,943</u> | <u>4,999,169</u> |

## Notes to the accounts (continued)

### 20 Guarantees and other financial commitments

#### a) Lease commitments

The group has entered into non-cancellable operating leases, all of which are in respect of the company, in respect of land and buildings, the payments for which extend over a period of up to 6 years. The total annual rental (including interest) for 1998 was £507,574 (1997 - £397,668). The lease agreements provide that the group will pay all insurance, maintenance and repairs.

The minimum annual rentals under the foregoing property leases are as follows:

|                               | Group<br>£     | Company<br>£   |
|-------------------------------|----------------|----------------|
| 1998                          |                |                |
| Operating leases which expire |                |                |
| - within 2 - 5 years          | <u>638,163</u> | <u>604,992</u> |
| 1997                          |                |                |
| Operating leases which expire |                |                |
| - within 2 - 5 years          | <u>386,976</u> | <u>355,080</u> |

#### b) Pension arrangements

The group maintains a money purchase pension scheme whereby employee and employer contributions are determined by the employee's age. Contributions required under this plan are as follows:

| Age      | Employee<br>contribution | Employer<br>contribution |
|----------|--------------------------|--------------------------|
| 20 to 34 | 4%                       | 5%                       |
| 35 to 44 | 5%                       | 6%                       |
| Over 44  | <u>6%</u>                | <u>9%</u>                |

The pension charge for the year was £351,023 (1997 - £297,895).

### 21 Related party

The company has taken advantage of the exemption in Financial Reporting Standard No 8 "Related party disclosures" and has not disclosed transactions with group undertakings.

There were no other related party transactions.

## Notes to the accounts (continued)

### **22 Ultimate parent company**

The company is a subsidiary undertaking of Brite Voice Systems Inc., incorporated in the United States of America.

The largest group of which Brite Voice Systems Group Limited is a member and for which group accounts are drawn up is that headed by Brite Voice Systems Inc., whose principal place of business is at 250 International Parkway, Ste 300 Heathrow, Florida, 32746, USA. The smallest such group is that headed by Brite Voice Systems Group Limited, whose registered address and principal place of business is Gateway House, Styal Road, Wythenshawe, Manchester M22 5WX, England. The consolidated accounts of these groups are available to the public and may be obtained from the above address.

### **23 Post balance sheet event**

The shareholders of the company's immediate parent undertaking, Brite Voice Systems Inc. are currently in the advanced stages of negotiations with Inter Voice Inc, a US telecommunications supplier to sell all of their interests. Completion is expected during August 1999.