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ICSTIS LIMITED
(Limited by Guarantee)

REPORT AND ACCOUNTS
FOR THE YEAR ENDED
31 DECEMBER 1996



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Directors

S Daniel
Baroness B Dean
V G Howarth
Y C Light
K Markus
C B Milne
J G S H Mitchell
G Simpson
F Taylor

Company Secretary

A Smith

Registered Office

3rd Floor
Alton House
177 High Holborn
London WC1V 7AA

Bankers

Midland Bank plc
20 Eastcheap
London EC3M 1ED

Auditors

Littlejohn Frazer
Chartered Accountants
and Registered Auditors
1 Park Place
Canary Wharf
London E14 4HJ

Solicitors

Bates, Wells & Braithwaite
Cheapside House
138 Cheapside
London EC2V 6BB

The Directors have pleasure in presenting their Report together with the Accounts for the year ended 31 December 1996.

Results

The Company is non-profit making.

Review of the Business

The principal activity of the Company during the year was to provide administrative support to the Independent Committee for the Supervision of Standards of Telephone Information Services (ICSTIS) which supervises the code of practice relating to premium rate telephone services. The Company is funded by Network Operators and the Live Conversation Services Compensation Fund on the basis that all agreed costs incurred by the Company will be reimbursed. The accounting policy adopted for the recognition of income received is described in the Notes to the Accounts.

During the year, the Company also received income from administrative charges levied on service providers found to be in breach of the code, to recover the costs associated with handling the relevant complaint, and also from fines imposed on service providers found to be in breach of the code.

Future Developments

The Company continues to operate in the above capacities in 1997.

Directors

The Directors, all of whom are members of the ICSTIS Committee are as follows:

S Daniel
Baroness B Dean
V G Howarth
Y C Light
K Markus
C B Milne
J G S H Mitchell
G Simpson (appointed 24 April 1996)
M H Stephens (resigned 10 October 1996)
F Taylor

Each current Director has undertaken to guarantee the liabilities of ICSTIS Limited to the extent of £1.

Company Secretary

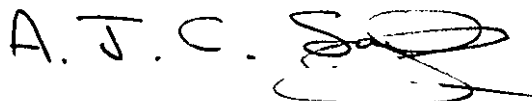
M Long resigned as Company Secretary on 22 January 1997 and was replaced by A Smith.

Auditors

A resolution proposing the reappointment of Littlejohn Frazer as the Company's auditors will be put to the Annual General Meeting.

By Order of the Board

A Smith



Secretary

9 April 1997

To the Members of ICSTIS Limited

We have audited the Accounts on pages 5 to 11 which have been prepared under the Accounting Policies set out on pages 7 and 8.

Respective Responsibilities of Directors and Auditors

As described on page 7 the Company's Directors are responsible for the preparation of Accounts. It is our responsibility to form an independent opinion, based on our audit, on those Accounts and to report our opinion to you.

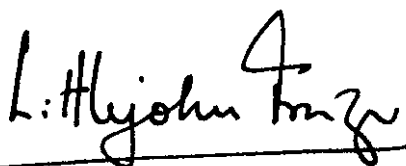
Basis of Opinion

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 judgments made by the Directors in the preparation of the Accounts 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 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 Accounts.

Opinion

In our opinion the Accounts give a true and fair view of the state of the Company's affairs as at 31 December 1996 and of its result for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Littlejohn Frazer

Chartered Accountants
and Registered Auditors

9 April 1997

1 Park Place
Canary Wharf
London E14 4HJ

	Note	1996	1995
Turnover	1	1,270,760	1,332,288
Administrative expenses		1,287,810	1,354,755
		<hr/>	<hr/>
Operating Loss	2	(17,050)	(22,467)
Interest receivable	5	22,509	29,956
		<hr/>	<hr/>
Profit on Ordinary Activities before Taxation		5,459	7,489
Tax on profit on ordinary activities		(5,459)	(7,489)
		<hr/>	<hr/>
Profit on Ordinary Activities after Taxation		-	-
Revenue reserve brought forward		-	-
		<hr/>	<hr/>
Revenue Reserve carried forward		£ -	£ -
		<hr/>	<hr/>

All turnover is derived from continued operations.

The Company had no recognised gains or losses other than the result on ordinary activities after taxation stated above.

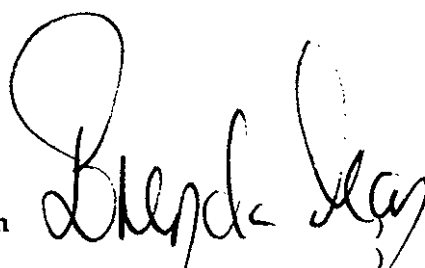
There is no material difference between the reported result for 1996 and 1995 and the result for those years as restated on an historical cost basis.

ICSTIS LIMITED
**BALANCE SHEET
At 31 December 1996**

	Note	1996	1995
Tangible Fixed Assets	6	94,019	27,684
Current Assets			
Debtors	7	167,386	197,899
Cash at bank and in hand		208,102	429,136
		<u>375,488</u>	<u>627,035</u>
Creditors: due within one year	8	(469,507)	(654,719)
Net Current Liabilities		<u>(94,019)</u>	<u>(27,684)</u>
Total Assets less Current Liabilities		<u>£ -</u>	<u>£ -</u>

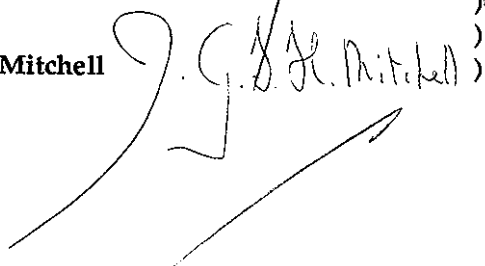
Approved by the Board on 9 April 1997.

Baroness B Dean



Directors

J G S H Mitchell



The Accounting Policies and Notes on pages 7 to 11 form part of these Accounts.

Statement of 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 Company and of the profit or loss of the Company for that period. In preparing those Accounts the Directors are required to:

- select suitable Accounting Policies and then apply them consistently;
- make judgments 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;
- prepare the Accounts on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for maintaining 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 Accounts 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. The accounting policies selected are set out below.

Accounting Policies

Basis of Accounting

The Accounts are prepared under the historical cost basis of accounting and comply with applicable Accounting Standards.

Turnover

Turnover represents amounts invoiced to outside customers excluding VAT, as adjusted for "income received in advance" as described below.

Recognition of Income

Income received in respect of services provided to the Live Conversation Services Compensation Fund is on the basis of costs incurred so that ICSTIS Limited will recover full costs with no profit.

An adjustment is made at the year-end to reflect timing differences in the issuing of invoices to the compensation fund and the resulting balance is reflected in trade debtors or creditors as appropriate.

Income received from the Network Operators is on the basis of a levy on the amounts paid by them to service providers during the year. The levy is set at the beginning of each year, based on budgeted expenditure so as to reimburse ICSTIS Limited for costs incurred.

An adjustment is made at the year-end to reflect any difference between the income received and costs incurred during the year and the resulting balance is reflected in trade debtors or income received in advance, as appropriate.

Where a difference does arise between the level of income received from Network Operators and the costs incurred by ICSTIS Limited in any year, this is taken into account in setting the levy for the ensuing year so as to ensure that ICSTIS Limited continues to recover its costs.

Income received from administrative charges levied is on the basis of invoices issued in the year.

Income received from fines is on the basis of fines received during the year.

Depreciation

Depreciation is provided on all tangible fixed assets, at rates to write off the cost or valuation of each asset, less any estimated residual value, evenly over its expected useful life. The expected useful lives of the principal categories are:

Fixtures and fittings	- 5 years
Office equipment	- 5 years
Computer equipment	- 3 - 5 years

The computer equipment includes items transferred from ISL at 31 December 1994 which had been used by that Company for some years. In view of this, the equipment is being depreciated over 3 years.

Pension Contributions

The Company operates a defined contribution pension scheme for some of its employees. The funds of the scheme are administered by Trustees and are separate from the Company. Contributions are paid by the Company and employees. The pension charge represents contributions payable by the Company for the year. The Company's liability is limited to the amounts of the contribution.

Leasing Commitments

Rentals paid under operating leases are charged to the Profit and Loss Account as incurred.

1. Turnover and Pre-tax Profit

All of the turnover arose within the United Kingdom and was attributable to the following activities:

	1996	1995
Levy on premium rate telephone services	1,163,476	1,217,004
Administration of the live conversation services compensation fund	19,214	57,439
Administrative charges	47,288	31,699
Fines	40,782	24,555
Other income	-	1,591
	<u>£1,270,760</u>	<u>£1,332,288</u>

2. Operating Loss

This loss (which is covered by interest receivable) is stated after charging:

Directors' fees	£ 189,473	£ 182,791
Auditors' remuneration	£ 3,200	£ 3,100
Operating leases	£ 4,348	£ 4,748
	<u> </u>	<u> </u>

3. Staff Costs (including Directors)

Wages and salaries	636,334	666,248
Social security costs	61,272	39,853
Pension contributions	24,305	7,576
	<u>£721,911</u>	<u>£713,677</u>

Average number of employees during the year	No.	No.
Committee	10	10
Secretariat	23	23
	—	—
	33	33
	<u> </u>	<u> </u>

4. Directors' Remuneration

Fees to the ICSTIS Committee	£189,473	£182,791
	<u> </u>	<u> </u>
Emoluments, excluding pension contributions		
Pension contributions are not paid for Directors, other than the Chairman.		
Chairman and highest paid Director	£51,692	£46,057
Other Directors, by bands:	No.	No.
£ 5,001 - £ 10,000	-	1
£ 10,001 - £ 15,000	4	4
£ 15,001 - £ 20,000	3	3
£ 20,001 - £ 25,000	2	1
	—	—
	9	9
	<u> </u>	<u> </u>

ICSTIS LIMITED

NOTES TO THE ACCOUNTS

5. Interest Receivable				1996	1995
Bank interest				£22,509	£29,956
				<u> </u>	<u> </u>
6. Tangible Fixed Assets					
	Fixtures & fittings	Office equipment	Computer equipment		Total
Cost					
At 1 January 1996	21,574	8,295	5,851		35,720
Additions	263	1,210	79,753		81,226
	<u> </u>	<u> </u>	<u> </u>		<u> </u>
At 31 December 1996	21,837	9,505	85,604		116,946
	<u> </u>	<u> </u>	<u> </u>		<u> </u>
Accumulated Depreciation					
At 1 January 1996	4,315	1,771	1,950		8,036
Charge for the year	4,368	1,733	8,790		14,891
	<u> </u>	<u> </u>	<u> </u>		<u> </u>
At 31 December 1996	8,683	3,504	10,740		22,927
	<u> </u>	<u> </u>	<u> </u>		<u> </u>
Net Book Value					
At 31 December 1996	£13,154	£6,001	£74,864		£94,019
	<u> </u>	<u> </u>	<u> </u>		<u> </u>
At 31 December 1995	£17,259	£6,524	£3,901		£27,684
	<u> </u>	<u> </u>	<u> </u>		<u> </u>
7. Debtors				1996	1995
Trade debtors				127,163	165,447
Other debtors and prepayments				40,223	32,452
				<u> </u>	<u> </u>
				£167,386	£197,899
				<u> </u>	<u> </u>
8. Creditors: amounts falling due within one year					
Accruals				119,362	79,394
Other tax and social security costs				33,181	50,810
Income received in advance				33,377	147,311
Working capital funding				278,128	278,128
Corporation tax payable				5,459	7,511
Other creditors				-	91,565
				<u> </u>	<u> </u>
				£469,507	£654,719
				<u> </u>	<u> </u>

9. Obligations under Operating Leases

The minimum lease payments to which the Company is committed under non-cancellable operating leases for the coming year are:

	1996		1995	
	Land and buildings	Other	Land and buildings	Other
On leases expiring				
Between two and five years	42,255	4,348	31,691	4,348
After five years	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	£42,255	£4,348	£31,691	£4,348
	<hr/>	<hr/>	<hr/>	<hr/>

10 Related Parties Transactions

During 1996 the Company entered into a contract with CPP Ltd (an unrelated company) to provide consultancy services.

CPP retained the services of J G S H Mitchell, a director of ICSTIS, in connection with that contract.

J G S H Mitchell received £2,500 in respect of services provided to CPP in connection with this contract.

ICSTIS LIMITED

DETAILED PROFIT AND LOSS ACCOUNT

Year ended 31 December 1996

	1996	1995
Turnover	1,270,760	1,332,288
Interest receivable	22,509	29,956
	<hr/>	<hr/>
	1,293,269	1,362,244
Administrative Expenses		
Committee payments	189,473	182,791
Committee expenses	14,663	14,654
Secretariat salaries	500,769	457,330
Social security and pension costs	28,459	20,616
Adjudicator's fees	14,354	16,723
Staff training	16,955	16,043
Rent, rates and service charges	128,266	164,928
Equipment costs	26,790	36,297
Printing	39,427	45,143
Legal fees	85,703	83,612
Audit and accountancy	13,000	11,260
Technical consultancy	7,000	13,797
Research and development	17,826	15,505
External relations	30,099	41,192
External review	-	53,363
Insurance	21,121	17,779
Policy advice	37,685	54,302
TV/Internet	1,062	631
General office expenses	27,094	38,890
Telephone	25,746	28,401
Postage and stationery	26,535	28,613
Travel	5,695	6,094
Entertaining	7,096	4,747
Publications	2,969	2,044
10th anniversary costs	20,023	-
	<hr/>	<hr/>
	1,287,810	1,354,755
Profit before Taxation	<hr/>	<hr/>
	£5,459	£7,489
	<hr/>	<hr/>