

**Messenger Vehicle Identification Systems Limited**

**Directors' Report and Financial Statements**

**Year Ended 30 September 2002**

**Registered No.: 1524281**



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**DIRECTORS AND OTHER INFORMATION**

**Board of Directors at**

P Ryan  
M Duffin

**Solicitors**

TLT Solicitors  
Bush House  
72 Prince Street  
Bristol BS99 7JE

**Secretary and Registered Office**

David Hearn  
Racal House  
Eastern Business Centre  
Eastern Road  
Bracknell  
Berkshire RG12 2UP

**Bankers**

NatWest Bank plc  
13 Market Place  
Reading  
Berkshire RG1 2GP

**Auditors**

PricewaterhouseCoopers  
Chartered Accountants and Registered Auditors  
Wilton Place  
Dublin 2

## DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 30 September 2002.

### Statement of directors' responsibilities

Company law requires the directors' to prepare financial statements for each financial year that 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. The directors are required to prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the company will continue in business.

The directors' confirm that suitable policies have been used and applied consistently. They also confirm that reasonable and prudent judgements and estimates have been made in preparing the financial statements for the year ended 30 September 2002 and that applicable accounting standards have been followed.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial situation of the company and 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 activities

The principal activity is the supply and installation of a neural network based licence plate recognition system. The system has applications in urban traffic management, access control, tolling, enforcement, surveillance, high speed and high volume vehicle recognition. The company owns the Talon Licence Plate Registration Systems ('Talon') which is a market leader and based on neural network technology.

### Business review

Sales for the year amounted to £4,478,287 (18 months 2001: £1,830,405) from continuing operations.

### Books of account

The measures taken by the directors to secure compliance with the company's obligation to keep proper books of account are the use of appropriate systems and procedures and employment of competent persons. The books of account are kept at Racal House, Eastern Business Centre, Bracknell, Berks.

### Subsequent events

The directors' have reviewed the present financial position and based on the current cash position of its parent, Appian Technologies plc and the forecasted results, they are satisfied that it is appropriate to prepare the financial statements on a going concern basis. The business and assets of the company are in the process of being transferred into its parent company, Appian Technology plc.

### Results and dividends

The trading results are set out in the audited financial statements on pages 6 to 7. The directors do not recommend payment of a dividend (2001: £Nil).

### Directors

The names of persons who were directors at any time during the year ended 30 September 2002 are set out below. Except where indicated, they served for the entire period

P Ryan  
M Duffin

**DIRECTORS' REPORT - continued**

**Directors share interests**

The beneficial interests, including family interests, of the directors in office at 30 September 2002 in the share capital of the parent, Appian Technology plc at 30 September 2002 were:

	Ordinary Stg1p shares 30 September 2002	Options 30 September 2002
M Duffin	111,111	2,100,000
P Ryan	<u>1,561,833</u>	<u>1,050,000</u>

**Auditors**

The auditors, PricewaterhouseCoopers, have indicated their willingness to continue in office and a resolution concerning their reappointment will be proposed at the Annual General Meeting.

**On behalf of the Board**

M Duffin

P Ryan

22 November 2002

PricewaterhouseCoopers

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George's Quay

Dublin 2

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## **Independent auditors' report: To the members of Messenger Vehicle Identification Systems Limited**

We have audited the financial statements which comprise the profit and loss account, the balance sheet and the related notes.

### **Respective responsibilities of directors and auditors**

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom auditing standards generally issued by the Auditing Practices Board.

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

We read the other information contained in the annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises only the directors' report.

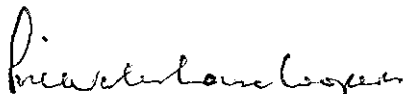
### **Basis of audit opinion**

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 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 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 30 September 2002 and of its loss for the period then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers

Chartered Accountants and Registered Auditors

Dublin

22 November 2002

Chartered Accountants

**PROFIT AND LOSS ACCOUNT**  
**Year Ended 30 September 2002**

		Year ended 30 September 2002 £	For the 18 month period ended 30 September 2001 £
	Note		
	2		
<b>Turnover</b>		4,478,287	1,830,405
Cost of sales		<u>(2,551,717)</u>	<u>(689,953)</u>
<b>Gross profit</b>		1,926,570	1,140,452
Operating expenses		<u>(1,938,708)</u>	<u>(2,317,704)</u>
		(12,138)	(1,177,252)
Exceptional item		<u>-</u>	<u>291,006</u>
<b>Operating loss</b>		(12,138)	(886,246)
Interest receivable		5,611	8,815
Interest payable		<u>(9,312)</u>	<u>(5,500)</u>
<b>Loss on ordinary activities before taxation</b>	3	(15,839)	(882,931)
Taxation	6	<u>-</u>	<u>-</u>
<b>Retained loss for the period</b>	12	<u>(15,839)</u>	<u>(882,931)</u>

Turnover and the operating losses arose from continuing activities.

There were no other recognised gains or losses other than the loss for the current and preceding years

**On behalf of the Board**

M Duffin

P Ryan



**BALANCE SHEET**  
30 September 2002

	Note	2002 £	2001 £
<b>Fixed assets</b>			
Tangible assets	7	28,967	17,021
<b>Current assets</b>			
Stocks	8	236,989	177,180
Debtors due within one year	9	1,383,840	683,039
Cash at bank and in hand		<u>7,716</u>	<u>385</u>
		1,628,545	860,604
<b>Creditors: amounts falling due within one year</b>	10	<u>(1,802,214)</u>	<u>(1,006,488)</u>
<b>Net current liabilities</b>		<u>(173,669)</u>	<u>(145,884)</u>
<b>Total assets less current liabilities</b>		<u>(144,702)</u>	<u>(128,863)</u>
<b>Capital and reserves</b>			
Called up share capital	11	5,500,000	5,500,000
Profit and loss account	12	<u>(5,644,702)</u>	<u>(5,628,863)</u>
<b>Equity shareholders' funds</b>	13	<u>(144,702)</u>	<u>(128,863)</u>

On behalf of the Board of Directors

M Duffin

P Ryan





## NOTES TO THE ACCOUNTS

Year ended 30 September 2002

### 1 Accounting policies

The financial statements have been prepared in accordance with accounting standards generally accepted in the United Kingdom and UK statute comprising the Companies Act, 1985. The financial statements have been prepared in pounds Sterling. The particular accounting policies adopted are described below.

#### Basis of accounting

The financial statements are prepared under the historical cost convention.

#### Going concern

During the accounting period the company incurred a retained loss of Stg£15,839 and at the balance sheet date the company had net liabilities of Stg£144,702. The Company is dependent on the ongoing financial support of its ultimate parent undertaking Appian Technology plc, to enable it to meet its liabilities as they fall due.

The parent Company has indicated its intention to provide this support for the foreseeable future and accordingly, the directors believe that it is appropriate for the financial statements to be prepared on the going concern basis.

#### Revenue recognition

For both hardware and software maintenance contracts, income is credited to the profit and loss account over the period to which it relates. Costs associated with these contract's are expensed as incurred.

Engineering services, not the subject of an ongoing maintenance contract, such as repair, training and consultancy, are recognised when the services are performed.

Revenue and profit generated from fixed-price contracts whilst the contract is in progress, is recognised having regard to the proportion of the total contract which has been completed at the balance sheet date. Provision is made in full for any expected losses on uncompleted contracts.

#### Stocks

Stocks and work in progress are valued at the lower of cost and estimated net realisable value less progress payments received. Cost includes manufacturing overheads.

#### Tangible fixed assets

Tangible fixed assets are shown in cost less accumulated depreciation. The depreciation policy was changed during the period to accommodate the group rules, otherwise depreciation is provided on all tangible fixed assets at such rates as to write off the cost of those assets in equal instalments over their expected useful lives as follows:

Plant and machinery	3 years
Motor vehicles	3 years
Furniture and fittings	3 years

#### Deferred taxation

Deferred taxation is provided at the anticipated tax rates on timing differences arising from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements to the extent that it is possible that a liability will crystallise in the future.

#### Pension costs

Messenger Vehicle Identifications Systems Limited currently operates a defined contribution scheme.

Pension costs, which are payable under the defined contribution scheme, are charged to the profit and loss account as they become due.

#### Leases

Rental costs under operating leases are charged to the profit and loss account in equal annual amounts over the periods of the leases.

**NOTES TO THE ACCOUNTS - continued**  
**Year ended 30 September 2002**

**2 Turnover**

In the directors' opinion there was only one class of business during the period, namely the supply and installation of a neural network based licence plate recognition system.

	Year ended 30 September 2002 £	For the 18 month period ended 30 September 2001 £
<b>Turnover</b>	<u>4,478,287</u>	<u>1,830,405</u>
	£000's	£000's
Geographical analysis of turnover:		
United Kingdom	4,437	1,305
Other European countries	26	189
The Americas	-	290
Asia and Australasia	-	29
Middle East	15	17
	<u>4,478</u>	<u>1,830</u>

**3 Loss on ordinary activities before taxation**

	Year ended 30 September 2002 £	For the 18 month period ended 30 September 2001 £
Loss on ordinary activities before taxation has been arrived at after charging:		
Directors' emoluments (note 4)	128,536	133,004
Auditors' remuneration and expenses - audit fees	10,000	10,000
Depreciation of tangible fixed assets	15,576	109,042
Loss on disposal of tangible fixed assets	-	267
Payments under operating leases	<u>145,908</u>	<u>160,569</u>

**NOTES TO THE ACCOUNTS - continued**  
**Year ended 30 September 2002**

**4 Directors' emoluments**

	Year ended 30 September 2002 £	For the 18 month period ended 30 September 2001 £
Salaries	109,167	98,965
Other emoluments	11,369	15,912
Pension contributions	8,000	18,127
	<u>128,536</u>	<u>133,004</u>
	No.	No.
Number of directors who:		
- are members of a defined contribution pension scheme (note 1)	1	1
- exercised share options	-	-

**5 Employees**

	Year ended 30 September 2002 £	For the 18 month period ended 30 September 2001 £
<b>Employee costs during the year:</b>		
Wages and salaries	1,073,658	1,139,069
Social security costs	108,375	100,171
Other pension costs	57,081	88,786
	<u>1,239,114</u>	<u>1,328,026</u>
Average number of persons employed	Number	Number
Indirect	<u>20</u>	<u>16</u>

The company operates a defined contribution pension scheme in the UK. Under the defined contribution pension scheme, the amount charged to the profit and loss account represents contributions payable to the individual policies effected by employees with an independent insurance company.

**6 Taxation**

There is no tax charge due to losses incurred during the year.

NOTES TO THE ACCOUNTS - continued  
Year ended 30 September 2002

Tangible fixed assets	Plant & machinery £	Office equipment £	Furniture & fixtures £	Motor vehicles £	Test equipment £	Computers £	Total £
<b>Cost</b>							
As at 30 September 2001	1,497	2,476	32,275	-	14,012	254,971	305,231
Additions	-	2,179	-	9,600	2,334	13,410	27,523
As at 30 September 2002	<u>1,497</u>	<u>4,655</u>	<u>32,275</u>	<u>9,600</u>	<u>16,346</u>	<u>268,381</u>	<u>332,754</u>
<b>Depreciation</b>							
As at 30 September 2001	1,090	1,377	30,678	-	9,923	245,142	288,210
Charge for the year	287	681	1,597	2,400	2,601	8,011	15,577
As at 30 September 2002	<u>1,377</u>	<u>2,058</u>	<u>32,275</u>	<u>2,400</u>	<u>12,524</u>	<u>253,153</u>	<u>303,787</u>
<b>Net book value</b>							
At 30 September 2002	120	2,597	-	7,200	3,822	15,228	28,967
At 30 September 2001	<u>407</u>	<u>1,099</u>	<u>1,597</u>	<u>-</u>	<u>4,089</u>	<u>9,829</u>	<u>17,021</u>

**NOTES TO THE ACCOUNTS - continued**  
**Year ended 30 September 2002**

<b>8 Stocks</b>	<b>2002</b>	<b>2001</b>
	£	£
Work in progress	12,356	-
Finished goods	224,633	177,180
	<u>236,989</u>	<u>177,180</u>
<b>9 Debtors</b>	<b>2002</b>	<b>2001</b>
	£	£
<b>Amounts due within one year:</b>		
Trade debtors	218,452	107,320
Amounts owed by group undertakings	909,919	488,928
Prepayments and accrued income	237,575	45,649
VAT repayable	15,738	41,142
Sundry debtors	2,156	-
	<u>1,383,840</u>	<u>683,039</u>
<b>10 Creditors: amounts falling due within one year</b>	<b>2002</b>	<b>2001</b>
	£	£
Bank overdraft	797	11,898
Trade creditors	422,190	322,894
Amounts owed to group undertakings	1,061,859	96,109
Other taxes and social security costs	121,003	266,497
Accruals and deferred income	192,531	235,508
Other creditors	3,834	73,582
	<u>1,802,214</u>	<u>1,006,488</u>
<b>11 Called up share capital</b>	<b>2002</b>	<b>2001</b>
	£	£
Authorised, allotted, called up and fully paid: 5,500,000 ordinary shares of £1 each	<u>5,500,000</u>	<u>5,500,000</u>
<b>12 Profit and loss account</b>		£
Retained losses 30 September 2001		(5,628,863)
Retained loss for the year		<u>(15,839)</u>
Retained losses 30 September 2002		<u>(5,644,702)</u>

**NOTES TO THE ACCOUNTS - continued**  
**Year ended 30 September 2002**

<b>13 Reconciliation of movements in shareholder's funds</b>	<b>2002</b>	<b>2001</b>
	<b>£</b>	<b>£</b>
Loss for the financial year	<u>(15,839)</u>	<u>(882,931)</u>
Net reduction in shareholders' funds	(15,839)	(882,931)
Opening shareholders' deficit	<u>(128,863)</u>	<u>754,068</u>
Closing shareholders' deficit	<u>(144,702)</u>	<u>(128,863)</u>

**14 Contingent liabilities**

There were no contingent liabilities.

**15 Financial commitments**

At 30 September 2002 the company was committed to making the following payments during the next year in respect of operating leases:

	<b>Land and buildings 2002 £</b>	<b>Other assets 2002 £</b>	<b>Land and buildings 2001 £</b>	<b>Other assets 2001 £</b>
Payable on operating leases that expire within one year	96,768	1,275	106,072	9,232
Payable on operating leases that expire between two and five years	<u>-</u>	<u>34,659</u>	<u>-</u>	<u>40,731</u>
	<u>96,768</u>	<u>35,834</u>	<u>106,072</u>	<u>49,963</u>

**16 Ultimate parent company and controlling party**

The ultimate parent company is Appian Technology plc, a company incorporated in Great Britain. This is also both the largest and smallest group which includes the company and for which consolidated financial statements are prepared. Copies of the group financial statements of Appian Technology plc can be obtained from Racal House, Eastern Business Centre, Bracknell, Berks, RG12 2UP. The ultimate controlling party, as defined by Financial Reporting Standard No.8 "Related Party Disclosures," is Appian Technology plc.

**17 Related party transactions**

In accordance with Financial Reporting Standard No.8 "Related Party Disclosures" transactions with other undertakings within, and invested related parties of, the Appian Technology plc group have not been disclosed in these financial statements.

**18 Approval of the financial statements**

The board of directors' approved the financial statements on 22 November 2002.