

Messenger Vehicle Identification Systems Limited

Directors' Report and Financial Statements

Year Ended 30 September 2003

Registered No.: 1524281



CONTENTS

	Page
DIRECTORS AND OTHER INFORMATION	2
DIRECTORS' REPORT	3 - 4
INDEPENDENT AUDITORS' REPORT	5
PROFIT AND LOSS ACCOUNT	6
BALANCE SHEET	7
NOTES TO THE FINANCIAL STATEMENTS	8 - 14

DIRECTORS AND OTHER INFORMATION

Board of Directors

Appian Technology plc

Solicitors

TLT Solicitors
Bush House
72 Prince Street
Bristol BS99 7JZ

Secretary and Registered Office

David Hearn
Appian House
Unit 4
Wessex Road
Bourne End
Buckinghamshire
SL8 5DT

Bankers

NatWest Bank plc
13 Market Place
Reading
Berks RG1 2GP

Auditors

PricewaterhouseCoopers
Chartered Accountants and Registered Auditors
George's Quay
Dublin 2

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 30 September 2003.

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 2003 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 £2,577,572 (2002: £4,478,287) 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 Appian House, Unit 4, Wessex Road, Bourne End, Buckinghamshire.

Subsequent events

The directors' have reviewed the present financial position and based on the current cash position of its parent, Appian Technology 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 (2002: £Nil).

Directors

The names of persons who were directors at any time during the year ended 30 September 2003 are set out below. Except where indicated, they served for the entire period

P Ryan	(resigned 18 July 2003)
M Duffin	(resigned 18 July 2003)
Appian Technology plc	(appointed 18 July 2003)

DIRECTORS' REPORT - continued

Directors share interests

The beneficial interests, including family interests, of the directors in office at 30 September 2003 in the share capital of the parent, Appian Technology plc at 30 September 2003 were:

	Ordinary	Options
	Stg£0.01	Stg£0.01
	30 September	30 September
	2003	2003
M Duffin	138,611	2,300,000
P Ryan	1,589,333	1,050,000
K Kelly	427,500	200,000
J Finan	551,167	400,000
F Newton	-	200,000
D Hearn	27,500	400,000

Pursuant to an agreement dated 2 December 2003, M Duffin resigned as a director effective 31 October 2003.

In addition 6,697,000 shares in Appian Technology plc are held by National Avionics Limited in which both P Ryan and K Kelly are directors and have an interest.

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


D Hearn

16 February 2004

PricewaterhouseCoopers

P.O. Box 1283
George's Quay
Dublin 2
Telephone +353 (0) 1 678 9999
Facsimile +353 (0) 1 704 8600
Internet www.pwc.com/ie

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. This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 193 of the Companies Act, 1990 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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 2003 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

16 February 2004

PROFIT AND LOSS ACCOUNT
Year Ended 30 September 2003

	Notes	2003 £	2002 £
Turnover	2	2,577,572	4,478,287
Cost of sales		<u>(1,364,532)</u>	<u>(2,551,717)</u>
Gross profit		1,213,040	1,926,570
Operating expenses		<u>(2,059,564)</u>	<u>(1,938,708)</u>
Operating loss		(846,524)	(12,138)
Interest receivable		1,056	5,611
Interest payable		<u>(325)</u>	<u>(9,312)</u>
Loss on ordinary activities before taxation	3	(845,793)	(15,839)
Taxation	6	<u>83,284</u>	<u>-</u>
Retained loss for the period	12	<u>(762,509)</u>	<u>(15,839)</u>

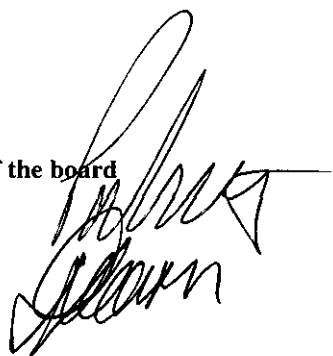
Turnover and the operating losses arose from continuing activities.

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

On behalf of the board

P Ryan

D Hearn



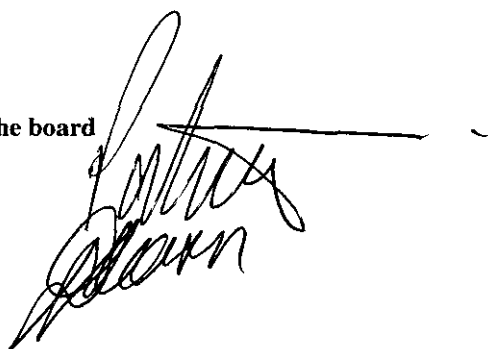
BALANCE SHEET
30 September 2003

	Notes	2003 £	2002 £
Fixed assets			
Tangible assets	7	<u>34,319</u>	<u>28,967</u>
Current assets			
Stocks	8	498,660	236,989
Debtors due within one year	9	1,760,971	1,383,840
Cash at bank and in hand		<u>18,289</u>	<u>7,716</u>
		2,277,920	1,628,545
Creditors: amounts falling due within one year	10	<u>(3,207,431)</u>	<u>(1,802,214)</u>
Net current liabilities		<u>(929,511)</u>	<u>(173,669)</u>
Total assets less current liabilities		(895,192)	(144,702)
Creditors - amounts falling due after more than one year		<u>(12,019)</u>	<u>-</u>
		<u>(907,211)</u>	<u>(144,702)</u>
Capital and reserves			
Called up share capital	11	5,500,000	5,500,000
Profit and loss account	12	<u>(6,407,211)</u>	<u>(5,644,702)</u>
Equity shareholders' funds	13	<u>(907,211)</u>	<u>(144,702)</u>

On behalf of the board

P Ryan

D Hearn



NOTES TO THE FINANCIAL STATEMENTS

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 year the company incurred a retained loss of Stg£762,509 and at the balance sheet date the company had net liabilities of Stg£907,211. 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 FINANCIAL STATEMENTS - continued

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.

	2003 £	2002 £
Turnover	<u>2,577,572</u>	<u>4,478,287</u>
	£000's	£000's

Geographical analysis of turnover:

United Kingdom	2,388	4,437
Other European countries	83	26
The Americas	2	-
Africa	9	-
Middle East	96	15
	<u>2,578</u>	<u>4,478</u>

3 Loss on ordinary activities before taxation

2003
£

2002
£

Loss on ordinary activities before taxation has been arrived at after charging:

Directors' emoluments (note 4)	89,032	128,536
Auditors' remuneration and expenses - audit fees	10,500	10,000
Depreciation of tangible fixed assets - owned	15,942	15,576
Depreciation of tangible fixed assets - held under finance leases	4,235	-
Profit on disposal of tangible fixed assets	(213)	-
Payments under operating leases	127,091	145,908
Reorganisation costs	<u>119,035</u>	<u>-</u>

4 Directors' emoluments

2003
£

2002
£

Salaries	71,697	109,167
Other emoluments	9,418	11,369
Pension contributions	<u>7,917</u>	<u>8,000</u>
	<u>89,032</u>	<u>128,536</u>

2003
Number

2002
Number

Number of directors who:

Are members of a defined contribution pension scheme (note 1)	1	1
Exercised share options	<u>-</u>	<u>-</u>

NOTES TO THE FINANCIAL STATEMENTS - continued

5 Employees	2003	2002
	£	£

Employee costs during the year:

Wages and salaries	1,051,016	1,073,658
Social security costs	124,402	108,375
Other pension costs	21,184	57,081
	<u>1,196,602</u>	<u>1,239,114</u>

2003	2002
Number	Number

Average number of persons employed:

Indirect	<u>22</u>	<u>20</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	2003	2002
	£	£

Tax credit received against R&D expenditure	<u>83,284</u>	<u>-</u>
---	---------------	----------

NOTES TO THE FINANCIAL STATEMENTS - continued

7 Tangible fixed assets

	Leasehold property £	Plant and machinery £	Office equipment £	Furniture and fixtures £	Motor vehicles £	Test equipment £	Computers £	Total £
Cost								
As at 30 September 2002	-	1,497	4,655	32,275	9,600	16,346	268,381	332,754
Additions	3,574	-	1,400	5,097	-	1,287	20,936	32,294
Disposals	-	(653)	(224)	(8,168)	(9,600)	-	(143,641)	(162,286)
As at 30 September 2003	3,574	844	5,831	29,204	-	17,633	145,676	202,762
Depreciation								
As at 30 September 2002	-	1,377	2,058	32,275	2,400	12,524	253,153	303,787
Charge for the year	439	120	1,358	973	1,200	2,128	13,959	20,177
Disposals	-	(653)	(187)	(8,168)	(3,600)	-	(142,913)	(155,521)
As at 30 September 2003	439	844	3,229	25,080	-	14,652	124,199	168,443
Net book value								
At 30 September 2003	3,135	-	2,602	4,124	-	2,981	21,477	34,319
At 30 September 2002	-	120	2,597	-	7,200	3,822	15,228	28,967

NOTES TO THE FINANCIAL STATEMENTS - continued

7 Tangible fixed assets – continued

£

Included above in respect of assets held under finance leases:

Net book amount at 30 September 2003	15,833
Depreciation charge for the year	4,235

8 Stocks

2003
£

2002
£

Work in progress	157,716	12,356
Finished goods	340,944	224,633
	<u>498,660</u>	<u>236,989</u>

9 Debtors

2003
£

2002
£

Amounts due within one year:

Trade debtors	390,049	218,452
Amounts owed by group undertakings	1,062,903	909,919
Prepayments and accrued income	297,057	237,575
VAT repayable	-	15,738
Sundry debtors	10,962	2,156
	<u>1,760,971</u>	<u>1,383,840</u>

10 Creditors: amounts falling due within one year

2003
£

2002
£

Bank overdraft	-	797
Trade creditors	698,753	422,190
Amounts owed to group undertakings	2,000,072	1,061,859
Other taxes and social security costs	76,384	121,003
VAT	13,576	-
Accruals and deferred income	401,839	192,531
Other creditors	11,309	3,834
Finance leases	5,498	-
	<u>3,207,431</u>	<u>1,802,214</u>

NOTES TO THE FINANCIAL STATEMENTS - continued

11 Called up share capital

	2003	2002
	£	£

Authorised, allotted, called up and fully paid:
5,500,000 ordinary shares of £1 each

5,500,000	5,500,000
-----------	-----------

12 Profit and loss account

£

Retained losses 30 September 2002

(5,644,702)

Retained loss for the year

(762,509)

Retained losses 30 September 2003

(6,407,211)

13 Reconciliation of movements in shareholder's funds

2003
£

2002
£

Loss for the financial year

(762,509)	(15,839)
-----------	----------

Net reduction in shareholders' funds

(762,509)	(15,839)
-----------	----------

Opening shareholders' deficit

(144,702)	(128,863)
-----------	-----------

Closing shareholders' deficit

(907,211)	(144,702)
-----------	-----------

14 Contingent liabilities

There were no contingent liabilities.

15 Financial commitments

At 30 September 2003 the company was committed to making the following payments during the next year in respect of operating leases:

	Land and buildings 2003 £	Other assets 2003 £	Land and buildings 2002 £	Other assets 2002 £
Payable on operating leases that expire within one year	-	10,591	96,768	1,275
Payable on operating leases that expire between two and five years	-	23,589	-	34,659
Payable on operating leases that expire after five years	58,500	-	-	-
	<u>58,500</u>	<u>34,180</u>	<u>96,768</u>	<u>35,834</u>

NOTES TO THE FINANCIAL STATEMENTS - continued

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 Appian House, Unit 4, Wessex Road, Bourne End, Buckinghamshire SL8 5DT. 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 16 February 2004.