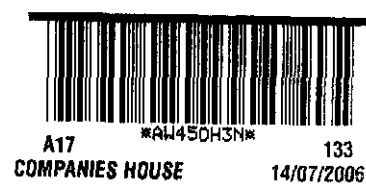


1524281

Messenger Vehicle Identification Systems Limited

Directors' Report and Financial Statements

Year Ended 30 September 2005



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DIRECTORS AND OTHER INFORMATION

Board of Directors

Appian Technology plc

Solicitors

TLT Solicitors
One Redcliffe Street
Bristol
BS99 7JZ

Secretary and Registered Office

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

Bankers

Lloyds TSB plc
45 High Street
Maidenhead
Berkshire
SL6 1JS

Registered No.: 1524281

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 2005.

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 2005 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 £287,008 (2004: £2,129,014) from continuing operations.

During the year certain of the assets and liabilities were transferred to the company's parent, Appian Technology Plc ('Appian'). All its employees were transferred on 1 April 2005 to Appian. Both Appian and the Company reached agreement during the year to transfer all the liabilities and assets of the company to Appian, and the final transfer of these will happen in the year ending 30 September 2006. Therefore certain assets and liabilities which were agreed to be transferred remain on the balance sheet as at 30 September 2005.

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 (2004: £Nil).

Directors

The names of persons who were directors at any time during the year ended 30 September 2005 are set out below. Except where indicated, they served for the entire period.

Appian Technology plc

DIRECTORS' REPORT - continued

Directors share interests

The beneficial interests, including family interests, of the directors in office at 30 September 2005 in the share capital of the parent, Appian Technology plc at 30 September 2005 were:

	Ordinary £0.01 shares at 30 September 2005	Warrants 30 September 2005	Options at 30 September 2005	Ordinary £0.01 shares at 30 September 2004	Warrants 30 September 2004	Options at 30 September 2004
K Kelly	427,500	200,000	-	427,500	200,000	-
P Ryan	3,225,619	2,228,572	-	2,351,333	2,050,000	-
J Finan	741,167	475,000	-	741,167	475,000	-
F Newton	381,000	475,000	-	381,000	350,000	-
D Hearn	479,642	89,286	700,000	122,500	-	550,000
T Keene	-	-	600,000	-	-	-

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. D Hearn is also a director in National Avionics Limited.

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

PricewaterhouseCoopers

George's Quay
Dublin 2
Telephone +353 (0) 1 678 9999
Facsimile +353 (0) 1 704 8600
I.D.E. Box No. 1283
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.

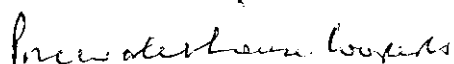
Basis of audit opinion

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 2005 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers
Chartered Accountants and Registered Auditors
Dublin

30 November 2005

PROFIT AND LOSS ACCOUNT
Year Ended 30 September 2005

	Notes	2005 £	2004 £
Turnover	2	287,008	2,129,014
Cost of sales		<u>(130,912)</u>	<u>(938,646)</u>
Gross profit		156,096	1,190,368
Operating expenses		<u>(642,537)</u>	<u>(1,975,053)</u>
Operating loss		(486,441)	(784,685)
Interest receivable		16	821
Interest payable		<u>(1,362)</u>	<u>(3,027)</u>
Loss on ordinary activities before taxation	3	(487,787)	(786,891)
Taxation	5	<u>82,052</u>	<u>101,182</u>
Retained loss for the year	12	<u>(405,735)</u>	<u>(685,709)</u>

Turnover and the operating losses arose from discontinuing activities.

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

On behalf of the board

D Hearn

P Ryan

BALANCE SHEET
30 September 2005

	Notes	2005 £	2004 £
Fixed assets			
Tangible assets	6	<u>18,583</u>	<u>34,550</u>
Current assets			
Stocks	7	-	358,348
Debtors due within one year	8	1,070,771	1,791,177
Cash at bank and in hand		<u>1,016</u>	<u>135</u>
		1,071,787	2,149,660
Creditors: amounts falling due within one year	9	<u>(3,089,025)</u>	<u>(3,773,362)</u>
Net current liabilities		<u>(2,017,238)</u>	<u>(1,623,702)</u>
Total assets less current liabilities		(1,998,655)	(1,589,152)
Creditors - amounts falling due after more than one year	10	<u>-</u>	<u>(3,768)</u>
		<u>(1,998,655)</u>	<u>(1,592,920)</u>
Capital and reserves			
Called up share capital	11	5,500,000	5,500,000
Profit and loss account	12	<u>(7,498,655)</u>	<u>(7,092,920)</u>
Equity shareholders' funds	13	<u>(1,998,655)</u>	<u>(1,592,920)</u>

On behalf of the board

D Hearn

P Ryan

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£405,735 and at the balance sheet date the company had net liabilities of Stg£1,998,655. 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. 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. During the period, the business was transferred in its entirety to its parent, Appian Technology plc.

	2005 £	2004 £
Turnover	287,008	2,129,014
	£000's	£000's

Geographical analysis of turnover:

United Kingdom	262	2,011
Other European countries	18	43
The Americas	7	51
Australasia	-	24
	287	2,129

3 Loss on ordinary activities before taxation

	2005 £	2004 £
Loss on ordinary activities before taxation has been arrived at after charging:		
Auditors' remuneration and expenses - audit fees	10,000	12,000
Depreciation of tangible fixed assets - owned	13,458	8,128
Depreciation of tangible fixed assets - held under finance leases	3,353	8,823
Profit on disposal of tangible fixed assets	-	(2,311)
Payments under operating leases	48,982	107,368
Management charge	-	538,626
Research and development costs	156,370	347,410

NOTES TO THE FINANCIAL STATEMENTS - continued

4 Employees	2005 £	2004 £
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Employee costs during the year:

Wages and salaries	316,722	780,351
Social security costs	45,399	91,084
Other pension costs	-	30,326
	<u>362,121</u>	<u>901,761</u>

	2005 Number	2004 Number
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Average number of persons employed:

Indirect	<u>6</u>	<u>17</u>
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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.

On 1 April 2005 all the employees were transferred to its parent, Appian Technology plc.

5 Taxation	2005 £	2004 £
Tax credit received against R&D expenditure	<u>82,052</u>	<u>101,182</u>

NOTES TO THE FINANCIAL STATEMENTS - continued

6 Tangible fixed assets

Cost

As at 30 September 2004	Leasehold property £	Plant and machinery £	Office equipment £	Furniture and fixtures £	Motor vehicles £	Test equipment £	Computers £	Total £
Additions	3,574	844	5,831	33,772	-	17,633	153,844	215,498
Disposals	-	-	-	-	-	-	845	845
As at 30 September 2005	3,574	844	5,831	33,772	-	17,633	154,689	216,343

Depreciation

As at 30 September 2004	Leasehold property £	Plant and machinery £	Office equipment £	Furniture and fixtures £	Motor vehicles £	Test equipment £	Computers £	Total £
Charge for the year	1,170	844	4,607	27,129	-	16,493	130,705	180,948
Disposals	670	-	912	2,953	-	1,139	11,138	16,812
As at 30 September 2005	-	-	-	-	-	-	-	-
	1,840	844	5,519	30,082	-	17,632	141,843	197,760

Net book value

At 30 September 2004	Leasehold property £	Plant and machinery £	Office equipment £	Furniture and fixtures £	Motor vehicles £	Test equipment £	Computers £	Total £
	2,404	-	1,224	6,643	-	1,140	23,139	34,550
At 30 September 2005	1,734	-	312	3,690	-	1	12,846	18,583

NOTES TO THE FINANCIAL STATEMENTS - continued

6 Tangible fixed assets – continued £

Included above in respect of assets held under finance leases:

Net book amount at 30 September 2005	5,961
Depreciation charge for the year	<u>3,353</u>

7 Stocks	2005 £	2004 £
Work in progress	-	-
Finished goods	<u>-</u>	<u>358,348</u>
	<u>-</u>	<u>358,348</u>

8 Debtors	2005 £	2004 £
Amounts due within one year:		
Trade debtors	23,997	431,990
Amounts owed by group undertakings	1,042,310	1,021,132
Prepayments and accrued income	-	313,182
Sundry debtors	3,182	24,873
VAT recoverable	<u>1,282</u>	<u>-</u>
	<u>1,070,771</u>	<u>1,791,177</u>

9 Creditors: amounts falling due within one year	2005 £	2004 £
Bank overdraft	-	2,388
Trade creditors	8,134	557,636
Amounts owed to group undertakings	3,001,855	2,789,324
Other taxes and social security costs	25,471	68,800
VAT	-	41,946
Accruals and deferred income	45,977	300,885
Other creditors	3,820	5,155
Finance leases	<u>3,768</u>	<u>7,228</u>
	<u>3,089,025</u>	<u>3,773,362</u>

NOTES TO THE FINANCIAL STATEMENTS - continued

10 Creditors: amounts falling due after one year	2005 £	2004 £
Finance leases	-	3,768
	<u> </u>	<u> </u>
11 Called up share capital	2005 £	2004 £
Authorised, allotted, called up and fully paid: 5,500,000 ordinary shares of £1 each	5,500,000	5,500,000
	<u> </u>	<u> </u>
12 Profit and loss account		£
Retained losses 30 September 2004		(7,092,920)
Retained loss for the year		<u>(405,735)</u>
Retained losses 30 September 2005		<u>(7,498,655)</u>
13 Reconciliation of movements in shareholders' funds	2005 £	2004 £
Loss for the financial year	(405,735)	(685,709)
Opening shareholders' deficit	<u>(1,592,920)</u>	<u>(907,211)</u>
Closing shareholders' deficit	<u>(1,998,655)</u>	<u>(1,592,920)</u>
14 Contingent liabilities		
There were no contingent liabilities.		

NOTES TO THE FINANCIAL STATEMENTS - continued

15 Guarantees

Appian Technology Plc entered into committed facilities with Lloyds TSB Commercial Finance Limited on 16 December 2004. This facility is secured by fixed and floating charges over all the property assets and undertakings of Appian Technology Plc. There are cross guarantees between all Appian Technology Plc subsidiaries.

16 Financial commitments

At 30 September 2005 the company was committed to making the following payments during the next year in respect of operating leases:

	Land and buildings 2005 £	Other assets 2005 £	Land and buildings 2004 £	Other assets 2004 £
Payable on operating leases that expire within one year	-	-	-	4,724
Payable on operating leases that expire between two and five years	-	-	58,000	28,796
Payable on operating leases that expire after five years	-	-	-	-
	<u>-</u>	<u>-</u>	<u>58,500</u>	<u>33,520</u>

17 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.

18 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.

19 Approval of the financial statements

The board of directors' approved the financial statements on 30 November 2005.