

# **Technolog Limited**

*(Registered Number: 1574170)*

## **Annual Report**

**For the year ended 30 April 2003**



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The Directors present their report and the financial statements for the year ended 30 April 2003.

***Principal Activities***

The principal activity of the Company during the year was the development, design and manufacture of data logging and pressure control instruments.

***Review of Business and Future Developments***

During the financial year ended April 2003 Technolog continued to demonstrate growth in orders received, particularly from the domestic market. The Group secured a significant contract with a major water utility for the supply of several thousands of the new fully integrated GSM data-logger, Cello, as well as installation, maintenance and data provision services for future years.

The Cello is the first in a new suite of products which use GSM technology and which are capable of reducing operating costs within the water and gas utilities, such as the collection of historical data that is required to manage the pipe networks. Sales of the new suite of GSM products are buoyant and have reinforced Technolog's position as the market leader in data logging equipment for the water and gas utilities.

Technolog continues to commit significant resources to research and development. In addition to development of electronic equipment for the water and gas markets, Technolog has recently made significant advances in software developments using web based solutions, as well as enhancing our existing proprietary software to facilitate use on a variety of media.

By investing in research and development and using its substantial installed base of GSM products, Technolog is gaining valuable expertise in the understanding of industrial applications of GSM and GPRS technology. Technolog is now recognised as a leading player in the M2M (machine to machine) market for the utilities. Using our new technology and application expertise the Group is positioned to explore opportunities in the automatic meter reading (AMR) market.

The trading subsidiary in France, Technolog SARL, continues to develop significant leads with water and gas utility customers. Technolog SARL has recently been successful in securing a supply contract for GSM products to a gas utility. This is expected to generate substantial income for the French subsidiary over the forthcoming years and will ensure that the Technolog SARL makes a positive contribution to the Technolog Group.

During the year management has sought to develop Technolog's export business through the exploration of new markets in Asia and the USA, alliance with strategic trading partners and by improving sales to current export customers.

***Dividends***

Dividends of £1,033,000 (2002: £924,000) were paid during the year. The directors recommend payment of a final dividend of £nil (2002: £264,000). Further details of dividends proposed and paid are disclosed in note 8 to the accounts.

***Directors and their interests***

The directors of the company during the period were:

C Yonnet  
V McCristall  
S Howard

**Directors and their interests (continued)**

All three directors are Directors of Technolog Holdings Limited, Technolog Limited's ultimate holding company. Their interests in Technolog Holdings Limited shares are disclosed in the financial statements of that company.

Copies of the accounts may be obtained from the Company Secretary at Technolog Holdings Limited's registered office.

**Research and Development**

The Company pursues a policy of progressive research to enhance existing products and to develop new and innovative products which incorporate modern technology.

**Directors' responsibilities statement**

Company law requires the directors to prepare financial statements 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 financial statements, the directors are required to

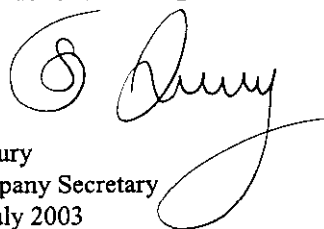
- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company 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 Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

**Auditors**

PricewaterhouseCoopers transferred their business to a limited liability partnership, PricewaterhouseCoopers LLP, on 1 January 2003, following which PricewaterhouseCoopers resigned and the directors appointed PricewaterhouseCoopers LLP as auditors. A resolution to reappoint PricewaterhouseCoopers LLP as auditors to the company will be proposed at the annual general meeting.

By Order of the Board



S Drury  
Company Secretary  
30 July 2003

**PricewaterhouseCoopers LLP**

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Pegasus Business Park  
Castle Donington  
East Midlands  
DE74 2UZ  
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## Independent auditors' report of the to the members of Technolog Limited

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

### *Respective responsibilities of director 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 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 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose to whom this report is shown or in to whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you 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.

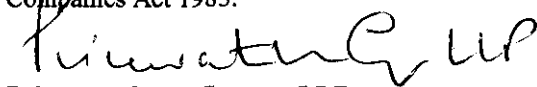
### *Basis of audit opinion*

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 April 2003 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



**PricewaterhouseCoopers LLP**  
Chartered Accountants and Registered Auditors  
East Midlands  
30 July 2003

**Profit and Loss Account  
for the year ended 30 April 2003**

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	<i>Year ended 30 April 2003 £'000</i>	<i>Year ended 30 April 2002 £'000</i>
<b>Turnover</b> (note 2)	7,520	7,930
Cost of sales	(3,896)	(4,237)
<b>Gross profit</b>	3,624	3,693
Distribution and selling costs	(1,401)	(1,265)
Administrative expenses	(440)	(392)
<b>Operating profit</b>	1,783	2,036
Interest receivable and similar income (note 3)	141	94
<b>Profit on ordinary activities before taxation</b> (note 6)	1,924	2,130
Taxation (note 7)	(397)	(505)
<b>Profit for the financial period</b>	1,527	1,625
Dividends (note 8)	(1,033)	(1,188)
<b>Retained profit for the financial period</b> (note 17)	494	437

The above results are all derived from continuing activities.

There is no difference between the profit on ordinary activities before taxation and retained profit for the year stated above, and their historical cost equivalents.

There are no other gains or losses other than those included in the profit and loss account.

	30 April 2003 £'000	30 April 2002 £'000
<b>Fixed assets</b>		
Tangible assets (note 9)	1,285	1,276
Investments (note 10)	224	224
	1,509	1,500
<b>Current assets</b>		
Stocks (note 11)	1,475	881
Debtors (note 12)	2,846	2,095
Cash at bank and in hand	1,770	2,307
	6,091	5,283
<b>Creditors - Amounts falling due within one year (note 13)</b>	(2,325)	(2,469)
<b>Net current assets</b>	3,766	2,814
<b>Total assets less current liabilities</b>	5,275	4,314
<b>Creditors - Amounts falling due after more than one year (note 13)</b>	(1,275)	(850)
<b>Provisions for liabilities and charges (note 14)</b>	(86)	(44)
<b>Net assets</b>	3,914	3,420
<b>Capital and reserves</b>		
Called up share capital (note 16)	370	370
Profit and loss account (note 17)	3,544	3,050
<b>Equity shareholders' funds (note 18)</b>	3,914	3,420

Approved by the Board on 30 July 2003



C Yonnet  
Director



V McCristall  
Director

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## **1 Principal accounting policies**

The financial statements have been prepared in accordance with the Companies Act 1985 as amended by the Companies Act 1989 and with applicable accounting standards. The principal accounting policies adopted by the Company are set out below:

### ***Basis of accounting***

The financial statements are prepared in accordance with the historical cost convention. The subsidiary's results have not been consolidated in these financial statements as the results are included in the consolidated financial statements of the holding company, Technolog Group Limited.

### ***Investments***

Investments in subsidiary undertakings are stated at cost. Provisions are made against the cost where it is considered that investments have suffered a permanent diminution in value.

### ***Turnover***

Turnover, which excludes value added tax, represents the invoiced value of goods and services supplied.

### ***Tangible fixed assets***

Depreciation is provided to write off the cost of assets less their estimated residual value on a straight line basis over their estimated useful lives, as follows:

Freehold land and buildings	50 years
Plant and machinery	4 to 5 years
Fixtures and fittings	6 to 10 years
Motor vehicles	3 to 4 years
Software	3 years

Interest is not capitalised.

### ***Pension costs***

The company makes contributions to a Group Personal Pension Plan which is a defined contribution scheme. The assets of the scheme are held separately from those of the Company in independently administered funds. The amount charged against profits represents the contributions payable to the scheme in respect of the financial period.

### ***Foreign currencies***

The trading results of overseas subsidiary undertakings are translated into sterling at average rates of exchange ruling through the relevant period. The net assets of overseas subsidiary undertakings are expressed in sterling at the rates of exchange ruling at the balance sheet date. Differences on exchange arising from the opening net assets of overseas subsidiary undertakings, and the retranslation of the trading results of overseas operations to closing rates of exchange are taken to reserves.

Exchange differences arising in the normal course of trading and on the translation of monetary assets and liabilities are dealt with in the profit and loss account.



**Operating leases**

Payments under operating leases are charged to the profit and loss account, as incurred, over the lease term.

**Research and development expenditure**

Expenditure on research and development is charged to the profit and loss account as incurred. The costs of establishing patents on product designs are also expensed in the period in which they are incurred.

**Stocks**

Stocks are stated at the lower of cost and net realisable value. In determining the cost of raw materials, consumables and goods purchased for resale, the weighted average purchase price is used. For work in progress and finished goods manufactured by the Company, cost is taken as production cost, which includes an appropriate proportion of attributable overheads.

**Taxation**

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

Deferred taxation has been recognised as a liability or asset if transactions have occurred at the balance sheet date that give rise to an obligation to pay more taxation in future, or a right to pay less taxation in future. An asset is not recognised to the extent that the transfer of economic benefits in future is uncertain. Deferred tax assets and liabilities recognised have not been discounted.

**Warranty**

Provision is made for the estimated liability on all products under warranty.

**2 Turnover**

	<i>Year ended 30 April 2003 £'000</i>	<i>Year ended 30 April 2002 £'000</i>
<b>By geographical market</b>		
United Kingdom	6,207	6,332
Continental Europe	744	659
South America	131	570
USA and Canada	28	29
Asia Pacific	252	116
Others	158	224
	<b>7,520</b>	<b>7,930</b>

All turnover is derived from one class of business.

**3 Interest Receivable and Similar Income**

	<i>Year ended 30 April 2003 £'000</i>	<i>Year ended 30 April 2002 £'000</i>
Corporation tax interest received	15	-
Bank interest received	126	94
	<b>141</b>	<b>94</b>

**4 Directors' Emoluments**

	<i>Year ended 30 April 2003 £'000</i>	<i>Year ended 30 April 2002 £'000</i>
Directors' emoluments as executives	-	-

No pension contributions were made by the Company on behalf of the Directors (2002: £nil). No retirement benefits were accruing to the Directors (2002: none) under defined contribution or defined benefit pension schemes.

**5 Employee Information**

The average weekly number of persons (including executive directors) employed by the Company during the period was:

	<i>Year ended 30 April 2003 Number</i>	<i>Year ended 30 April 2002 Number</i>
<b>By activity</b>		
Production	28	29
Marketing and selling	13	12
Engineering	17	15
Administration	10	8
	<b>68</b>	<b>64</b>

	<i>Year ended 30 April 2003 £'000</i>	<i>Year ended 30 April 2002 £'000</i>
<b>Staff costs</b>		
Wages and salaries	1,299	1,189
Social security costs	119	110
Other pension costs	46	43
	<b>1,464</b>	<b>1,342</b>

**6 Profit on Ordinary Activities Before Taxation**

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

	<i>Year ended 30 April 2003 £'000</i>	<i>Year ended 30 April 2002 £'000</i>
Research and development costs	680	565
Depreciation of owned tangible fixed assets	178	171
Loss/(profit) on sale of fixed assets	3	(5)
Amounts payable on operating leases - property rentals	8	8
Auditors' remuneration - audit services	14	14
- non audit services	4	4

**7 Taxation**

	<i>Year ended 30 April 2003 £'000</i>	<i>Year ended 30 April 2002 £'000</i>
Corporation tax at 30% (2002: 30%) - current year	477	476
Adjustment in respect of prior years	(105)	(85)
	372	391
Deferred tax (note 15) - current year	25	114
	397	505

The tax for the year is lower than the standard rate of corporation tax in the UK (30%). The differences are explained below:

	<i>Year ended 30 April 2003 £'000</i>	<i>Year ended 30 April 2002 £'000</i>
Profit on ordinary activities before tax	1,924	2,130
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK: 30% (2002: 30%)	577	639
Effects of:		
Adjustments to tax in respect of prior period	(105)	(85)
Expenses not deductible for tax purposes	(79)	(51)
Capital allowances in excess of qualifying depreciation	(21)	(112)
Tax charge for current year	372	391

**8 Dividends**

	<i>Year ended 30 April 2003 £'000</i>	<i>Year ended 30 April 2002 £'000</i>
Ordinary dividends paid and proposed of 279.2 pence per share (2002: 321.2 pence)	1,033	1,188

**9 Tangible Fixed Assets**

	<i>Freehold land and buildings £'000</i>	<i>Plant and machinery £'000</i>	<i>Fixtures and fittings £'000</i>	<i>Motor Vehicles £'000</i>	<i>Software £'000</i>	<i>Total £'000</i>
<b>Cost</b>						
At 1 May 2002	846	332	521	195	-	1,894
Additions	-	134	11	51	29	225
Disposals	-	(21)	-	(79)	-	(100)
At 30 April 2003	846	445	532	167	29	2,019
<b>Depreciation</b>						
At 1 May 2002	70	221	253	74	-	618
Charge for year	17	55	50	50	6	178
Elimination on disposals	-	(6)	-	(56)	-	(62)
At 30 April 2003	87	270	303	68	6	734
<b>Net book value</b>						
At 30 April 2003	759	175	229	99	23	1,285
At 30 April 2002	776	111	268	121	-	1,276

**10 Fixed Asset Investments**

*Shares in subsidiary  
Undertakings  
£'000*

**Cost and net book value**

At 30 April 2002 and 30 April 2003	224
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Details of the Company's investment are as follows:

<b>Name of company</b>	<b>Country of incorporation</b>	<b>Principal activity</b>	<b>Class and Percentage of Shares held</b>
Technolog France SARL	France	Selling and marketing of Technolog products	Ordinary 100%
			Technolog Limited

**11 Stocks**

	<b>30 April 2003</b>	<b>30 April 2002</b>
	<b>£'000</b>	<b>£'000</b>
Work in progress	10	10
Raw materials and consumables	1,163	624
Finished goods and goods for resale	302	247
	<b>1,475</b>	<b>881</b>

**12 Debtors**

	<b>30 April 2003</b>	<b>30 April 2002</b>
	<b>£'000</b>	<b>£'000</b>
<i>Amounts falling due within one year</i>		
Trade debtors	2,130	1,492
Amounts owed by group undertakings	658	555
Prepayments	58	48
	<b>2,846</b>	<b>2,095</b>

**13 Creditors***Amounts falling due within one year*

	<b>30 April 2003</b>	<b>30 April 2002</b>
	<b>£'000</b>	<b>£'000</b>
Trade creditors	961	1,064
Corporation tax	298	270
Other taxation and social security	358	167
Amounts owed to group undertakings	123	366
Accruals	585	602
	<b>2,325</b>	<b>2,469</b>

*Amounts falling due after more than one year*

	<b>30 April 2003</b>	<b>30 April 2002</b>
	<b>£'000</b>	<b>£'000</b>
Accruals	1,275	850

**14 Provisions for Liabilities and Charges**

	<i>Warranty £'000</i>	<i>Deferred taxation (note 15) £'000</i>	<i>Total £'000</i>
At 1 May 2002	-	44	44
Charge for the year	17	25	42
At 30 April 2003	17	69	86

**15 Deferred Taxation**

The deferred taxation positions at 30 April 2003 and 30 April 2002 are as follows:

	<i>30 April 2003 £'000</i>	<i>30 April 2002 £'000</i>
Deferred tax liability arising from:		
- advance capital allowances	71	46
- other short-term timing differences	(2)	(2)
Net deferred tax liability	69	44

**16 Called Up Share Capital**

	<i>30 April 2003 £'000</i>	<i>30 April 2002 £'000</i>
<i>Authorised</i>		
500,000 ordinary shares of £1 each	500	500
<i>Allotted, called up and fully paid</i>		
370,000 ordinary shares of £1 each	370	370

**17 Profit and Loss Account**

	<b>£'000</b>
At the beginning of the year	3,050
Retained profit for the year	494
At the end of the year	3,544

**18 Reconciliation of Movements in Shareholders' Funds**

	<b>£'000</b>
Profit for the financial year	1,527
Dividends	1,033
Net addition to shareholders' funds	494
Opening shareholders' funds	3,420
Closing shareholders' funds	3,914

**19 Financial Commitments**

The Company had annual commitments under non-cancellable operating leases on land and buildings expiring as follows:

	<b>30 April 2003</b>	<b>30 April 2002</b>
	<b>£'000</b>	<b>£'000</b>
Between 2 and 5 years	8	8

**20 Ultimate Parent Undertaking**

Technolog Limited is a wholly owned subsidiary of Technolog Group Limited. Technolog Group Limited is a wholly owned subsidiary of Technolog Holdings Limited, Technolog Limited's ultimate parent undertaking. Both Technolog Group Limited and Technolog Holdings Limited prepare consolidated financial statements. Copies of the group accounts of both companies may be obtained from the Company Secretary at the registered office of Technolog Holdings Limited:

Ravenstor Road, Wirksworth  
Matlock  
Derbyshire  
DE4 4FY

**21      *Cash Flow Statement***

The Company has taken advantage of the exemption under Financial Reporting Standard 1 (Revised) not to prepare a cash flow statement, on the grounds that it is a wholly owned subsidiary and that consolidated financial statements in which the Company is included are publicly available.

**22      *Related Party Transactions***

The directors have taken advantage of the 90% subsidiary exemptions, under paragraph 3 of Financial Reporting Standard 8 – Related Party Transactions, not to disclose transactions with fellow members of the Technolog Holdings Limited Group.

There were no other Related Party Transactions.