

**TREND CONTROL SYSTEMS LIMITED**  
**Directors' Report and Financial Statements**  
**for the year ended 31 December 2003**



Registered in England and Wales no: 1664519

**TREND CONTROL SYSTEMS LIMITED**  
**DIRECTORS' REPORT AND FINANCIAL STATEMENTS**  
**for the year ended 31 December 2003**

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**Contents**

|  |         |
|--|---------|
| Directors' Report                                  | 2 - 5   |
| Statement of Directors' responsibilities           | 6       |
| Independent auditors' report                       | 7- 8    |
| Profit and loss account                            | 9       |
| Balance sheet                                      | 10      |
| Reconciliation of movements in shareholders' funds | 11      |
| Notes to the accounts                              | 12 - 24 |

**TREND CONTROL SYSTEMS LIMITED**  
**DIRECTORS' REPORT**  
**for the year ended 31 December 2003**

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The directors present their annual report together with the audited financial statements for the year ended 31 December 2003.

**Principal activity and business review**

The principal activities of the Company are the design, manufacture and distribution worldwide of intelligent products and systems for measurement and control of the built environment.

As part of a group restructuring programme, on 31 March 2003 the Service class of business was transferred from Trend Control Systems Limited to Gent Limited, another subsidiary of Novar plc. The transfer has been dealt with as a discontinued operation in accordance with UK GAAP.

The directors consider the results to be satisfactory and believe that the restructuring will encourage a greater focus in product sales. They are confident that the future prospects of the company will be enhanced by this redeployment of resources.

**Results and dividends**

The loss for the year after taxation amounted to £32,874,000 (year ended 31 December 2002, profit £9,995,000), which has been transferred to reserves. The directors do not recommend payment of a dividend to ordinary shareholders (2002 - £nil). The dividend on the 7.5% preference shares, amounting to 7.5p per share, was paid on 22 December 2003.

**Directors and Directors' interests**

The composition of the Board of Directors during the year, and to the date of this report, was as follows:

|                |  |
|----------------|--|
| T N Darkes     | (Appointed 2 January 2003)                       |
| M Delve        | (Appointed 31 July 2003 & Resigned 29 June 2004) |
| S P Durham     |  |
| T Jones        | (Resigned 31 July 2003)                          |
| M J W Kelly    | (Resigned 11 June 2004)                          |
| R F F Rylatt   |  |
| R A Shord      | (Resigned 29 January 2004)                       |
| N T Drakesmith | (Appointed 29 June 2004)                         |

None of the directors held any beneficial interests in shares in the Company during the year.

**TREND CONTROL SYSTEMS LIMITED**  
**DIRECTORS' REPORT**  
**for the year ended 31 December 2003**

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**Directors and Directors' interests (continued)**

The beneficial interests of the directors in the issued Ordinary shares of Novar plc, the ultimate parent undertaking, are as follows:

| Director     | 31 December 2003   |                                    | 1 January 2003<br>or date of appointment |                                    |
|--------------|--------------------|------------------------------------|--|------------------------------------|
|              | Ordinary<br>Shares | Options Over<br>Ordinary<br>Shares | Ordinary<br>Shares                       | Options Over<br>Ordinary<br>Shares |
|              | <u>Number</u>      | <u>Number</u>                      | <u>Number</u>                            | <u>Number</u>                      |
| T Darkes     | -                  | 123,849                            | -  | 59,435                             |
| M Delve      | -                  | 47,883                             | -  | 47,883                             |
| S P Durham   | 2,622              | 124,768                            | 2,450                                    | 101,501                            |
| M J W Kelly  | 20,398             | 318,182                            | 20,398                                   | 177,203                            |
| R F F Rylatt | -                  | 103,017                            | -  | 84,998                             |
| R A Shord    | 25,581             | 1,096,703                          | 25,581                                   | 944,075                            |

None of the directors held any interests in the Preference shares or "B" shares of Novar plc during the year.

**TREND CONTROL SYSTEMS LIMITED**  
**DIRECTORS' REPORT**  
**for the year ended 31 December 2003**

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**Directors and Directors' interests (continued)**

The following options over Ordinary shares of Novar plc were granted to the directors during the year.

| Director     | <u>Options granted</u><br>(Number of shares) |
|--------------|--|
| T N Darkes   | 68,320                                       |
| S P Durham   | 23,267                                       |
| M J W Kelly  | 148,081                                      |
| R F F Rylatt | 18,019                                       |
| R A Shord    | 156,534                                      |

Mr T N Darkes exercised an option over 3,906 shares during the year. Options over 7,102 shares held by Mr M J W Kelly and over 3,906 shares held by Mr R A Shord lapsed during the year.

The options reported above have been granted under the rules of Novar plc's Savings Related and Executive Share Option Schemes. The options are exercisable at prices between 99.2p and 341p and exercise periods range from 6 May 1997 to 13 March 2013 and expire between 2004 and 2013. The market price of Novar plc Ordinary shares at 31 December 2003 was 138p and the range during the year was 100p to 141.5p. Full details of the individual directors' shareholdings and share options are contained in the Company's register of directors' interests.

During the year Mr R A Shord held conditional rights to acquire 13,694 and 9,210 Ordinary Shares of Novar plc for nil consideration under that company's Performance Partnership Plan (the "Plan"). The rights were exercisable in March 2003 and March 2004 respectively, subject to the achievement of targets related to the earnings per share performance of Novar plc. The right in respect of 13,694 shares lapsed on 26 February 2003. The right in respect of 9,210 shares lapsed on 25 February 2004. Mr M J W Kelly also held a conditional right to acquire 34,270 Ordinary shares of Novar plc for nil consideration under the Plan. The right will become exercisable in March 2005 subject to the achievement of the relevant performance target.

No director was or is interested in any transaction, arrangement or agreement with the Company which was material during or at the end of the year.

The Company has continued to provide liability insurance for its directors and officers as permitted by the Companies Act 1985.

**Research and development**

The Company commits sufficient resources to research and development so as to ensure that it maintains its competitive position in the market.

**TREND CONTROL SYSTEMS LIMITED**  
**DIRECTORS' REPORT**  
**for the year ended 31 December 2003**

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**Directors and Directors' interests (continued)**

**Employee involvement**

The Company is committed to employee involvement and encourages the development of co-operation with employees. To this end, the Company's policy is to ensure that employees are kept fully informed on matters which affect them, through direct communication and established procedures for joint consultation. Employees are eligible to participate in the Novar group's savings related share option scheme, which provides them with the opportunity to own shares in Novar plc.

Disabled persons - The Company has continued to examine ways and means of providing employment for disabled employees, under normal terms and conditions, with opportunities for training, career development and promotion as appropriate. The Company's policy on the employment of disabled persons has been applied as sympathetically as possible.

**Donations**

Donations to charitable organisations amounted to £1,485 (2002: £1,549). No payments were made during the year for political purposes (2002: £nil).

**Policy on Payment of Creditors**

The Company is responsible for agreeing terms and conditions under which business transactions with suppliers are conducted. It is the Company's policy that payments to suppliers are made in accordance with these terms, provided that the supplier is also complying with all the relevant terms and conditions. The average number of days that the Company takes to settle supplier invoices is 67 days (2002: 84 days).

**Auditors**

On 1 August 2003 Deloitte & Touche transferred their business to Deloitte & Touche LLP, a limited liability partnership incorporated under the Limited Liability Partnerships Act 2000. The Company's consent has been given to treating the appointment of Deloitte & Touche as extending to Deloitte & Touche LLP with effect from 1 August 2003 under the provisions of section 26(5) of the Companies Act 1989. The Company has elected to dispense with the obligation to appoint auditors annually and, accordingly, Deloitte & Touche LLP shall be deemed to be re-appointed as auditors for a further term under the provisions of section 386(2) of the Companies Act 1985.

By order of the Board



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K Richardson  
Secretary

32 July 2004

**TREND CONTROL SYSTEMS LIMITED**  
**STATEMENT OF DIRECTORS' RESPONSIBILITIES**  
**for the year ended 31 December 2003**

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**Statement of Directors' responsibilities**

United Kingdom 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 as at the end of the financial year 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 apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed; and
- 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 the system of internal control, for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

## **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF TREND CONTROL SYSTEMS LIMITED**

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We have audited the financial statements of Trend Control Systems Ltd for the year ended 31 December 2003 which comprise the profit and loss account, the balance sheet, the reconciliation of movements in shareholders' funds and the related notes 1 to 23. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

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

As described in the statement of directors' responsibilities, the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and auditing standards.

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 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 with the company is not disclosed.

We read the directors' report for the above year and consider the implications for our report if we become aware of any apparent misstatements.

### **Basis of audit opinion**

We conducted our audit in accordance with United Kingdom 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.



**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF  
TREND CONTROL SYSTEMS LIMITED (continued)**

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**Opinion**

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 December 2003 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

*Deloitte & Touche LLP*

Deloitte & Touche LLP  
Chartered Accountants and Registered Auditors  
London

20 July 2004

**TREND CONTROL SYSTEMS LIMITED**  
**PROFIT AND LOSS ACCOUNT**  
**for the year ended 31 December 2003**

|   | Notes   | 2003<br>£000 | 2003<br>£000      | 2002*<br>£000     |
|---|---------|--------------|-------------------|-------------------|
| <b>Turnover</b>   | 2,3     |              |                   |                   |
| Continuing operations                                       |         | 29,865       |                   | 29,744            |
| Discontinued operations                                     |         | <u>2,892</u> |                   | <u>9,832</u>      |
|   |         |              | 32,757            | 39,576            |
| Change in stocks of finished goods and work in progress     | 3       |              | 288               | 369               |
| Raw materials and consumables                               | 3       |              | (14,129)          | (14,576)          |
| Other external charges                                      | 3       |              | (6,147)           | (7,776)           |
| Staff costs   | 3,5,6   |              | (9,301)           | (9,714)           |
| Depreciation  | 10      |              | (508)             | (557)             |
|   |         |              | <u>          </u> | <u>          </u> |
| <b>Operating (loss)/profit</b>                              | 3,4     |              |                   |                   |
| Continuing operations                                       |         | 1,699        |                   | 4,073             |
| Discontinued operations                                     |         | <u>1,261</u> |                   | <u>3,249</u>      |
|   |         |              | 2,960             | 7,322             |
| Income from fixed asset investments                         | 7       |              | (3,044)           | 3,044             |
| Amounts written off investments                             | 3, 4,11 |              | <u>(32,885)</u>   | <u>(755)</u>      |
| <b>(Loss)/profit on ordinary activities before taxation</b> |         |              | (32,969)          | 9,611             |
| Tax credit on profit on ordinary activities                 | 8       |              | 95                | 384               |
|   |         |              | <u>          </u> | <u>          </u> |
| <b>(Loss)/profit on ordinary activities after taxation</b>  |         |              | (32,874)          | 9,995             |
| Dividends paid  | 9       |              | (3,246)           | (3,245)           |
|   |         |              | <u>          </u> | <u>          </u> |
| <b>Retained (loss)/profit for the year</b>                  | 17      |              | <u>(36,120)</u>   | <u>6,750</u>      |

The Company has no recognised gains and losses in the current or prior year other than the profit for the year disclosed above, and therefore no statement of recognised gains and losses has been presented.

\* The impairment of the investments in 2002 has been reclassified to reflect Companies Act disclosures.

**TREND CONTROL SYSTEMS LIMITED**  
**BALANCE SHEET**  
**As at 31 December 2003**

|  | Notes | 2003<br>£000         | 2002<br>£000         |
|--|-------|----------------------|----------------------|
| <b>Fixed assets</b>  |       |                      |                      |
| Tangible assets  | 10    | 1,085                | 1,118                |
| Investments  | 11    | <u>9,636</u>         | <u>42,521</u>        |
|  |       | <u>10,721</u>        | <u>43,639</u>        |
| <b>Current assets</b>  |       |                      |                      |
| Stocks   | 12    | 1,750                | 1,619                |
| Debtors  | 13    | 11,064               | 25,736               |
| Cash at bank and in hand                                       |       | <u>29,189</u>        | <u>25,264</u>        |
|  |       | <u>42,003</u>        | <u>52,619</u>        |
| <b>Creditors: amounts falling due within one year</b>          | 14a   | <u>(4,261)</u>       | <u>(5,153)</u>       |
| <b>Net current assets</b>                                      |       | <u>37,743</u>        | <u>47,466</u>        |
| <b>Total assets less current liabilities</b>                   |       | <u>48,464</u>        | <u>91,105</u>        |
| <b>Creditors: amounts falling due after more than one year</b> | 14b   | <u>(3,121)</u>       | <u>(10,500)</u>      |
| <b>Provisions for liabilities and charges</b>                  | 15    | <u>(1,122)</u>       | <u>(265)</u>         |
| <b>Net assets</b>  |       | <u><u>44,220</u></u> | <u><u>80,340</u></u> |
| <b>Capital and reserves</b>                                    |       |                      |                      |
| Called up share capital  | 16    | 48,276               | 48,276               |
| Share premium account  | 17    | 452                  | 452                  |
| Capital redemption reserve                                     | 17    | 150                  | 150                  |
| Profit and loss account  | 17    | <u>(4,658)</u>       | <u>31,462</u>        |
| <b>Shareholders' funds</b>                                     |       | <u><u>44,220</u></u> | <u><u>80,340</u></u> |
| <b>Equity</b>  |       | <u>3,629</u>         | <u>39,749</u>        |
| <b>Non – equity</b>  |       | <u><u>40,591</u></u> | <u><u>40,591</u></u> |
|  |       | <u><u>44,220</u></u> | <u><u>80,340</u></u> |

Approved by the Board and signed on its behalf on 22 July 2004.



S P Durham  
Finance Director

**TREND CONTROL SYSTEMS LIMITED**  
**RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS**  
**for the year ended 31 December 2003**

|   | 2003<br>£000         | 2002<br>£000         |
|---|----------------------|----------------------|
| <b>Profit on ordinary activities after taxation</b> | (32,874)             | 9,995                |
| Dividends paid                                      | <u>(3,246)</u>       | <u>(3,245)</u>       |
|   | (36,120)             | 6,750                |
| Net (reduction)/addition to shareholders' funds     | <u>(36,120)</u>      | <u>6,750</u>         |
| Shareholders' funds at 1 January                    | <u>80,340</u>        | <u>73,590</u>        |
| <b>Shareholders' funds at 31 December</b>           | <u><u>44,220</u></u> | <u><u>80,340</u></u> |

## TREND CONTROL SYSTEMS LIMITED

### NOTES TO THE FINANCIAL STATEMENTS

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#### 1. Principal accounting policies

The financial statements have been prepared in accordance with applicable United Kingdom accounting standards. The accounting policies described below have been applied consistently by the Company.

##### (a) Basis of accounting

The financial statements have been prepared under the historical cost convention.

##### (b) Turnover

Turnover represents the invoiced value of sales made to third parties, net of Value Added Tax.

##### (c) Revenue recognition on contracts

Where income is derived from the design, manufacture, installation and commissioning of building management systems for a specific customer, turnover is recognised on the basis of amounts invoiced or applied for. Attributable profit is recognised concurrently with the turnover taken based on the lower of the actual percentage margin achieved to date and the expected percentage margin to be achieved over the full duration of the contract. In arriving at the expected margin to be achieved, full provision is made for the foreseeable costs required to complete the contract. In the event that the contract is expected to show a loss, full provision is made immediately.

##### (d) Depreciation

Tangible fixed assets are stated at cost less accumulated depreciation. These assets are written off using the straight line method.

Depreciation is provided to write off the book amount of those assets over their expected useful lives at the following rates per annum:

|   |   |           |
|---|---|-----------|
| Leasehold improvements                  | - | 20% - 33% |
| Fixtures, fittings, plant and equipment | - | 20% - 50% |
| Motor vehicles                          | - | 25%       |

##### (e) Research and development

All expenditure on research and development is written off in the year in which it is incurred.

**TREND CONTROL SYSTEMS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**

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**1. Principal accounting policies (continued)**

(f) Stocks

Stocks and work in progress are stated at the lower of cost and estimated net realisable value. The cost of work in progress and finished goods comprises materials, labour and attributable overheads.

(g) Warranty provision

Provision is made for the direct labour and material costs expected to be incurred during the warranty period entered into on the sale of goods.

(h) Leases

Assets held under finance leases are capitalised at their fair value on the inception of the lease and depreciated over the shorter of the period of the lease and the estimated useful economic life of the asset. The finance charges are allocated over the period of the lease in proportion to the capital amount outstanding and are charged to the profit and loss account.

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

(i) Foreign currencies

Trading items are translated into sterling at average rates of exchange for the relevant accounting period. Balance sheet items in foreign currencies are translated into sterling at mid-market rates of exchange at the balance sheet date. All foreign currency gains and losses are taken to the profit and loss account.

(j) Deferred taxation

Deferred taxation is provided in full on timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at any future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise 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. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

(k) Pensions

The retirement benefit obligations of the Company are financed by contributions to separate funds, which are subject to actuarial valuations every three years.

Pension costs in respect of employees who are members of the Trend Control Systems Limited Group's pension Schemes are charged to the profit and loss account so as to spread the cost of pensions over the service lives of employees in the Schemes. In accordance with FRS 17, additional disclosures relating to the Company's pension scheme are given in Note 19.

The Company also operates a money-purchase (defined contribution) pension scheme. Company contributions are charged to the profit and loss account as they become payable.

(l) Investments

Fixed asset investments are recorded at cost less provision for impairment.

**TREND CONTROL SYSTEMS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**

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**2 Segmental Analysis**

The Company is principally engaged in the business of design, manufacture and distribution worldwide of intelligent products and systems for measurement and control of the built environment. The business is carried on in the United Kingdom, the turnover and profits derive mainly from that origin.

An analysis of turnover by class of business is as follows:

|               | 2003<br>£000  | 2002<br>£000  |
|---------------|---------------|---------------|
| Product sales | 29,865        | 29,744        |
| Service sales | 2,892         | 9,832         |
|               | <u>32,757</u> | <u>39,576</u> |

An analysis of turnover by geographical destination is as follows:

|                         | 2003<br>£000  | 2002<br>£000  |
|-------------------------|---------------|---------------|
| United Kingdom          | 22,705        | 30,456        |
| Rest of Europe          | 8,230         | 8,166         |
| North and South America | 336           | 110           |
| Asia Pacific            | 935           | 325           |
| Africa and Middle East  | 551           | 519           |
|                         | <u>32,757</u> | <u>39,576</u> |

**TREND CONTROL SYSTEMS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**3 Analysis of continuing and discontinued operations**

|   | 2003<br>Continuing | 2003<br>Dis-<br>continued | 2003<br>Total | 2002*<br>Continuing | 2002<br>Dis-<br>continued | 2002*<br>Total |
|---|--------------------|---------------------------|---------------|---------------------|---------------------------|----------------|
|   | £000               | £000                      | £000          | £000                | £000                      | £000           |
| Turnover  | 29,865             | 2,892                     | 32,757        | 29,744              | 9,832                     | 39,576         |
| Change in stocks of finished goods and work in progress | 288                | -                         | 288           | 369                 | -                         | 369            |
| Raw Materials and consumables                           | (13,504)           | (625)                     | (14,129)      | (13,232)            | (1,344)                   | (14,576)       |
| Other external charges                                  | (5,832)            | (315)                     | (6,147)       | (5,211)             | (2,565)                   | (7,776)        |
| Staff costs   | (8,613)            | (688)                     | (9,301)       | (7,060)             | (2,654)                   | (9,714)        |
| Depreciation  | (505)              | (3)                       | (508)         | (537)               | (20)                      | (557)          |
| Operating profit  | <u>1,699</u>       | <u>1,261</u>              | <u>2,960</u>  | <u>4,073</u>        | <u>3,249</u>              | <u>7,322</u>   |

The assets of the Service class of the business were transferred from Trend Control Systems Limited to Gent Limited at net book value and therefore no profit or loss on the disposal of the business arose.

| <b>4 Profit on ordinary activities before taxation</b>  | 2003<br>£000 | 2002*<br>£000 |
|---|--------------|---------------|
| Profit on ordinary activities before taxation is stated after charging/(crediting) the following: |              |               |
| Depreciation and amounts written off tangible fixed assets  | 508          | 557           |
| Profit on sale of fixed assets  | (10)         | (106)         |
| Research and development expenditure  | 2,350        | 2,178         |
| Rentals payable under operating leases:   |              |               |
| - Other   | 856          | 972           |
| - Plant and machinery   | 530          | 743           |
| Auditors' remuneration:   |              |               |
| - Audit fees and expenses   | 14           | 12            |
| - non-audit fees and expenses   | -            | -             |
| Exchange (gains)/losses   | (4)          | (22)          |

\* The impairment of the investments in 2002 has been reclassified to reflect Companies Act disclosures.



**TREND CONTROL SYSTEMS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**5 Employees**

The average number of people employed by the Company, including directors, during the year was:

|   | 2003<br>number | 2002<br>number |
|---|----------------|----------------|
| Production, projects and field services | 136            | 204            |
| Development                             | 45             | 45             |
| Sales                                   | 64             | 53             |
| Administration                          | 24             | 36             |
|   | <u>269</u>     | <u>338</u>     |
|   | £000           | £000           |

The aggregate payroll costs of these people was:

|                               |              |              |
|-------------------------------|--------------|--------------|
| Wages and salaries            | 7,227        | 8,725        |
| Social security costs         | 868          | 863          |
| Other pension costs (note 19) | 1,206        | 126          |
|                               | <u>9,301</u> | <u>9,714</u> |

**6 Emoluments of Directors**

2003  
£000

2002  
£000

(a) The aggregate emoluments of the directors was:

|   |            |            |
|---|------------|------------|
| Aggregate emoluments  | 238        | 194        |
| Company contribution's paid to money purchase pension schemes | 8          | 17         |
|   | <u>246</u> | <u>211</u> |
| Number of directors on money purchase pension schemes         | 1          | 2          |

(b) Highest paid director

Emoluments of the highest paid director were:

|   |              |              |
|---|--------------|--------------|
|   | 2003<br>£000 | 2002<br>£000 |
| Aggregate emoluments  | 93           | 79           |
| Company contribution's paid to money purchase pension schemes | -            | -            |
|   | <u>93</u>    | <u>79</u>    |

**TREND CONTROL SYSTEMS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**

|          |  |                |              |
|----------|--|----------------|--------------|
| <b>7</b> | <b>Income from fixed asset investments</b> | <b>2003</b>    | <b>2002</b>  |
|          |  | <b>£000</b>    | <b>£000</b>  |
|          | Amounts receivable from investments:       |                |              |
|          | Brand Rex Limited                          | (2,400)        | 2,400        |
|          | Friedland Limited                          | (644)          | 644          |
|          |  | <u>(3,044)</u> | <u>3,044</u> |

Following approval of Trend's financial statements in 2003, amounts proposed as dividends were not approved and have therefore been reversed in the current financial year.

|          |  |             |              |
|----------|--|-------------|--------------|
| <b>8</b> | <b>Tax credit on profit on ordinary activities</b> | <b>2003</b> | <b>2002</b>  |
|          |  | <b>£000</b> | <b>£000</b>  |
|          | UK Corporation tax charge at 30% (2002: 30%)       |             |              |
|          | on the profit for the year                         | 1,252       | 2,126        |
|          | Over provision in respect of prior years           | (185)       | (416)        |
|          | Overseas taxation                                  | 90          | 32           |
|          | Group relief                                       | (1,252)     | (2,126)      |
|          |  | <u>(95)</u> | <u>(384)</u> |
|          | Tax credit for the year                            |             |              |
|          |  | <u>(95)</u> | <u>(384)</u> |

The tax assessed for the year is lower than that resulting from applying the standard rate of corporation tax in the UK: 30% (2002: 30%).

The differences are explained below:

|   |             |             |
|---|-------------|-------------|
|   | <b>2003</b> | <b>2002</b> |
|   | <b>%</b>    | <b>%</b>    |
| Standard tax rate for year as a percentage of profits | (30)        | 30          |
| Effects of:   |             |             |
| Expenses not deductible for tax purposes              | 30          | 3           |
| Other timing differences                              | 1           | -           |
| Depreciation in excess of capital allowances          | -           | (1)         |
| UK dividend income not taxable                        | 3           | (10)        |
| Group relief not paid for                             | (4)         | (22)        |
| Prior period adjustments                              | -           | (4)         |
|   | <u>-</u>    | <u>(4)</u>  |
| Current tax rate for year as a percentage of profits  |             |             |
|   | <u>-</u>    | <u>(4)</u>  |

A deferred tax asset has not been recognised in respect of timing differences relating to the future benefit of capital allowances in excess of depreciation, and other short term timing differences, as there is insufficient evidence that the asset will be recovered. The amount of the asset not recognised is £1,119,000 (2002 £521,000). The asset would be recovered if in the future there were sufficient taxable profits after group relief claimed.

**TREND CONTROL SYSTEMS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**

|          |                                     |              |              |
|----------|-------------------------------------|--------------|--------------|
| <b>9</b> | <b>Dividends paid</b>               | <b>2003</b>  | <b>2002</b>  |
|          |                                     | <b>£000</b>  | <b>£000</b>  |
|          | Preference dividends paid (note 16) | <u>3,246</u> | <u>3,245</u> |

**10 Tangible fixed assets**

|                                       | Leasehold<br>improvements<br>£000 | Fixtures<br>fittings,<br>plant and<br>equipment<br>£000 | Motor<br>vehicles<br>£000 | Total<br>£000 |
|---------------------------------------|-----------------------------------|---|---------------------------|---------------|
| <b>Cost</b>                           |                                   |   |                           |               |
| At 1 January 2003                     | 512                               | 5,532   | 186                       | 6,230         |
| Additions                             | 19                                | 591   | -                         | 610           |
| Disposals                             | (5)                               | (603)   | (155)                     | (763)         |
| At 31 December 2003                   | <u>526</u>                        | <u>5,520</u>  | <u>31</u>                 | <u>6,077</u>  |
| <b>Depreciation</b>                   |                                   |   |                           |               |
| At 1 January 2003                     | 365                               | 4,595   | 152                       | 5,112         |
| Charge for the year                   | 83                                | 413   | 12                        | 508           |
| Disposals                             | (5)                               | (484)   | (139)                     | (628)         |
| At 31 December 2003                   | <u>443</u>                        | <u>4,524</u>  | <u>26</u>                 | <u>4,992</u>  |
| Net book value at<br>31 December 2003 | <u>83</u>                         | <u>997</u>  | <u>5</u>                  | <u>1,085</u>  |
| Net book value at<br>31 December 2002 | <u>147</u>                        | <u>937</u>  | <u>34</u>                 | <u>1,118</u>  |

**TREND CONTROL SYSTEMS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**11 Investments**

|  | Investments<br>in Group<br>undertakings<br>£000 |
|--|---|
| <b>Cost</b>  |   |
| At 1 January 2003 and 31 December 2003                             | 43,276  |
| <b>Provision for impairment</b>                                    |   |
| At 1 January 2003  | 755   |
| Write back of prior year provision in respect of Friedland Limited | (345)   |
| Charge for the year in respect of Brand Rex Limited                | 33,230  |
| At 31 December 2003  | 33,640  |
| Net book value at 31 December 2003                                 | 9,636   |
| Net book value at 1 January 2003                                   | 42,521  |

Following a thorough evaluation, the directors are confident that the original cost of the Friedland Limited investment is recoverable in full. There is therefore no need for a provision to be made.

Following an impairment review of the Brand Rex Limited investment at the balance sheet date, the directors are of the opinion that a full impairment provision is required.

|  | 2003<br>£000 | 2002<br>£000 |
|--|--------------|--------------|
| Investments in Group undertakings at cost: |              |              |
| Brand-Rex Limited -                        |              |              |
| 32,000,000 preference shares of £1 each    | 33,640       | 33,640       |
| Friedland Limited -                        |              |              |
| 8,590,994 preference shares of £1 each     | 9,636        | 9,636        |
|  | 43,276       | 43,276       |

The preference shares do not entitle the Company to any participation in the profits or assets of the undertakings and do not qualify as subsidiary undertakings. The investments in preference shares in Group undertakings are therefore treated as fixed asset investments.

| Name of<br>Company | Country of<br>incorporation | Holding    | Proportion<br>Held | Nature of<br>Business   |
|--------------------|-----------------------------|------------|--------------------|---|
| Brand-Rex Limited  | Great<br>Britain            | Preference | 100%               | Manufacture of<br>voice and data<br>communications<br>cabling |
| Friedland Limited  | Great<br>Britain            | Preference | 100%               | Manufacture of<br>electronic<br>components                    |

**TREND CONTROL SYSTEMS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**

| <b>12</b> | <b>Manufacturing stocks and work in progress</b> | <b>2003</b><br><b>£000</b> | <b>2002</b><br><b>£000</b> |
|-----------|--|----------------------------|----------------------------|
|           | Raw materials and consumables                    | 840                        | 871                        |
|           | Finished goods and goods held for resale         | 910                        | 622                        |
|           | Long term contract balances:                     |                            |                            |
|           | Net cost less foreseeable losses                 | -                          | 126                        |
|           |  | <u>1,750</u>               | <u>1,619</u>               |

There were no significant differences between the replacement cost and the values shown for any of the stock categories.

| <b>13</b> | <b>Debtors</b>                     | <b>2003</b><br><b>£000</b> | <b>2002</b><br><b>£000</b> |
|-----------|------------------------------------|----------------------------|----------------------------|
|           | Trade debtors                      | 6,799                      | 9,104                      |
|           | Amounts recoverable on contracts   | 28                         | 133                        |
|           | Amounts owed by group undertakings | 2,280                      | 14,591                     |
|           | Other debtors                      | 154                        | 255                        |
|           | VAT                                | 86                         | -                          |
|           | Prepayments and accrued income     | 639                        | 760                        |
|           | Corporation tax recoverable        | <u>1,078</u>               | <u>893</u>                 |
|           |                                    | <u>11,064</u>              | <u>25,736</u>              |

| <b>14</b> | <b>Creditors</b>                               | <b>2003</b><br><b>£000</b> | <b>2002</b><br><b>£000</b> |
|-----------|--|----------------------------|----------------------------|
|           | <b>(a) Amounts falling due within one year</b> |                            |                            |
|           | Trade creditors                                | 3,483                      | 3,800                      |
|           | Amounts owed to group undertakings             | 295                        | 519                        |
|           | Other taxation and social security             | -                          | 110                        |
|           | Accruals and deferred income                   | <u>483</u>                 | <u>724</u>                 |
|           |  | <u>4,261</u>               | <u>5,153</u>               |

|  |   |              |               |
|--|---|--------------|---------------|
|  | <b>(b) Amounts falling due after more than one year</b> |              |               |
|  | Amounts owed to parent undertaking                      | <u>3,121</u> | <u>10,500</u> |

Amounts owed to the parent undertaking are interest free and with no specific terms of repayment. Similarly, cash balances at bank are part of the Group banking and finance arrangements, and interest on these balances is accounted for by Novar plc.

**TREND CONTROL SYSTEMS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**15 Provisions for liabilities and charges**

|                                      | Pensions<br>SSAP 24 | Product<br>Warranty |
|--------------------------------------|---------------------|---------------------|
| At 1 January 2003                    | -                   | 265                 |
| Charged to the profit & loss account | 1,122               |                     |
| Amounts utilised                     | -                   | (265)               |
|                                      | <u>1,122</u>        | <u>-</u>            |
| At 31 December 2003                  | <u>1,122</u>        | <u>-</u>            |

The pension provision recognises the notified costs to be incurred in relation to the requirements of SSAP 24 (£1,071,000) and costs relating to the restructuring of the business (£51,000)

| <b>16 Called up share capital</b>                          | 2003<br>£000  | 2002<br>£000  |
|--|---------------|---------------|
| Authorised:  |               |               |
| 5,000,000 (2002: 5,000,000) Ordinary shares of £1 each     | 5,000         | 5,000         |
| 45,000,000 (2002: 45,000,000) Preference shares of £1 each | <u>45,000</u> | <u>45,000</u> |
|  | <u>50,000</u> | <u>50,000</u> |
| Called up, allotted and fully paid:                        |               |               |
| 5,000,000 (2002: 5,000,000) Ordinary shares of £1 each     | 5,000         | 5,000         |
| 43,275,964 (2002: 43,275,964) Preference shares of £1 each | <u>43,276</u> | <u>43,276</u> |
|  | <u>48,276</u> | <u>48,276</u> |

Non-equity shareholders' funds relate entirely to 7.5% cumulative redeemable preference shares and are held by Indalex Limited a fellow subsidiary company of Novar plc.

These shares carry an entitlement to dividend at the rate of 7.5p per share per annum (£3,245,697) ranking both as regards dividends and capital in priority to the ordinary shares, but not conferring any right to participate further in the assets, profits or voting of the company.

The company is entitled to redeem all or part of the preference shares in issue at any time after 1 January 2007 at par value together with a sum equal to the cash equivalent of any arrears, deficiency or accrual of the preference dividend calculated up to the Redemption Date.

**TREND CONTROL SYSTEMS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**

| <b>17 Reserves</b>         | Share<br>premium<br>account<br>£000 | Capital<br>redemption<br>reserve<br>£000 | Profit<br>and loss<br>account<br>£000 |
|----------------------------|-------------------------------------|--|---------------------------------------|
| At 1 January 2003          | 452                                 | 150                                      | 31,462                                |
| Retained loss for the year | -                                   | -  | (36,120)                              |
| At 31 December 2003        | <u>452</u>                          | <u>150</u>                               | <u>(4,658)</u>                        |

**18 Contingent liabilities**

Under an unlimited multilateral guarantee the Company, in common with certain other Novar Group Companies, has jointly and severally guaranteed the obligations falling due under one of the Novar Group's net overdraft facilities. The details are contained in the financial statements of Novar plc.

**19 Pensions**

a) SSAP24

The Novar Group operates a number of defined benefit pension schemes based on final pensionable pay. The assets of these schemes are held in separate trustee administered funds. The Company participates in one or more of these schemes. The costs have been determined in accordance with the advice of professionally qualified independent consulting actuaries using the projected unit method. The costs for 2003 have been calculated based upon updated valuations as at 31 December 2003.

Contributions are based on pension costs across the Group as a whole. The contribution of the Company to the schemes in 2003 was £1,071,000 (£nil- 2002). A summary of the results of the last actuarial valuations of the group schemes is contained in the financial statements of Novar plc.

The Company also operates a number of defined contribution schemes for which the pension cost charge for the year amounted to £135,000 (2002: £126,000)

**TREND CONTROL SYSTEMS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**

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**19 Pensions (continued)**

b) FRS 17

In November 2000 the Accounting Standards Board issued FRS17 'Retirement Benefits'. Under FRS 17, certain disclosures in respect of defined benefit schemes are required in the transition period, before it is fully effective, and are discussed below.

The Group schemes are run on a basis that does not enable the individual companies within the Group to identify their share of the underlying assets and liabilities. Therefore the Company has taken advantage of the group exemption under FRS 17 and accounts for the scheme as a defined contribution scheme.

Pension costs are charged to the profit and loss account as they become payable. The Group deficit on the schemes at year end was £210.7 million. Full disclosure of the Group schemes under the transitional requirements of FRS 17 is contained in the financial statements of Novar plc.

**20 Financial commitments**

There were no capital commitments at 31 December 2003 (2002: £nil) for which provision has not been made in the financial statements.

At 31 December 2003 the Company had the following annual commitments under non-cancellable operating leases:-

|                          | Land and Buildings |            | Other      |            |
|--------------------------|--------------------|------------|------------|------------|
|                          | 2003               | 2002       | 2003       | 2002       |
|                          | £000               | £000       | £000       | £000       |
| Lease expiring:          |                    |            |            |            |
| Within one year          | -                  | 10         | 39         | 89         |
| Within two to five years | 721                | 21         | 363        | 402        |
| Later than five years    | 106                | 806        | -          | -          |
|                          | <u>827</u>         | <u>837</u> | <u>402</u> | <u>491</u> |

**21 Cash flow statement**

A consolidated cash flow statement has been included in the accounts of the parent company which includes the financial results of Trend Control Systems Limited. Accordingly, as permitted by FRS1 *Cash Flow Statements* (Revised), no cashflow statement is presented with these accounts.



**TREND CONTROL SYSTEMS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**

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**22 Related Party Disclosures**

The Company has taken advantage of the exemptions provided by FRS 8 not to disclose transactions with other Novar Group Companies that qualify as related parties.

**23 Ultimate parent undertaking and controlling party**

The immediate and ultimate parent undertaking and controlling party is Novar plc a company registered in England and Wales and incorporated in Great Britain. The Novar Group is the largest group of which the Company is a member and the largest and smallest for which group accounts are prepared. Copies of these group financial statements can be obtained from The Secretary, Novar plc, Novar House, 24 Queens Road, Weybridge, Surrey, KT13 9UX.