

*Toad plc*  
**Annual Report & Accounts**  
*to December 1999*

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### **DIRECTORS**

**Non-executive chairman**  
CT Evans PhD, DSc, FRSC, OBE

**Non-executive directors**  
MF Cornwell CIM  
SE Wheatley  
PCRC Rogers BA, CEng, MICE

**Executive directors**  
JC Lewin  
(Chief Executive)  
DG Baynes BA, ACA  
(Finance Director up to 1 March 2000)  
N Grimond  
(Operations Director)  
SA Gall BA, MIDM  
(Marketing Director)  
WW Jennings BA, FCA  
(Finance Director from 2 March 2000)

### **ADVISORS**

**Auditors**  
Ernst & Young  
Rolls House  
7 Rolls Buildings  
Fetter Lane  
London  
EC4A 1NH

**Bankers**  
NatWest Bank plc  
Carlyle House  
Carlyle Road  
Cambridge  
CB4 3DH

**Solicitors**  
Ashurst Morris Crisp  
Broadwalk House  
5 Appold Street  
London  
EC2A 2HA

### **Public Relations Agent**

Anthony Edwards (London) Limited  
Glebe House  
Pynford Road  
Guildford  
Surrey  
GU22 8UZ

### **Brokers & Financial Advisers**

West LB Panmure  
New Broad Street House  
35 New Broad Street  
London  
EC2M 1NH

### **Registrars**

IRG plc  
New Issues Department  
Balfour House  
390/398 High Road  
Ilford  
Essex  
IG1 1NG

### **Registered Office**

National Control Centre  
Drake Road  
Mitcham  
Surrey  
CR4 4HQ

***A more than threefold  
annualised increase in  
profits to £2 million made  
1999 an excellent year for  
Toad, creating a solid  
foundation for the business  
and providing us with the  
opportunity for further growth as we enter into the  
new millennium.***

21 April 2000 will mark the launch of one of our most exciting initiatives to date - [www.toade.com](http://www.toade.com), our new e-commerce based business and WAP enabled information service.

As a market leader Toad has always positioned itself at the forefront of developments in new technology and we have, of course, had a presence on the web since 1997. We now progress from being a purely content based web activity, to a highly interactive web proposition with secure on-line ordering, a nationwide installation service in partnership with our network of over 1000 specialist dealers, news, magazine features, chat rooms, competitions and information on the latest products such as multi-media, e-mail on the move, tracking, navigation and digital audio.

In addition we will be launching a WAP based information service offering access to the latest company news, promotional offers and a location service for the nearest dealer.

We are recognised as the leading service provider in the audio and security marketplace and we are exploiting this through the development of e-based affinity partnerships with some of the UK's leading mainstream and .com portal companies.

[www.toade.com](http://www.toade.com) will be at the cutting edge of web design and interactivity and will propel Toad into the e-commerce era.

Utilising our in-house design capability, we have designed an innovative computer cradle mounting and installation kit to securely house the latest computer based telematic systems inside a commercial vehicle. This has enabled us to sign a contract with IBM to install their latest computer based parcel management system into Parcel Force Worldwide's 6000-strong nationwide fleet of collection and delivery vans. This is a new area for the company and one that we aim to expand during 2000.

### Highlights

- » Net profit more than threefold up to £2 million (38 weeks to December 1998: £0.4 million)
- » www.toade.com launching April 2000
- » IBM contract signed for new technology installation service
- » Trial scheme announced with National Car Parks
- » Exclusive 'Spacetrac' contract extended to include the European container market
- » Three new board appointments

In addition during April 2000 we will be expanding the scope of our service provision activities when we take part in an innovative project being tested by National Car Parks. Full details of this will be announced in April.

We are pleased to report that the integration of the Autoglass and Toad operating systems is now complete and the directors believe that the alliance's ability to offer an integrated service to fleet and insurance companies will have a more significant impact this year. The toade.com proposition, with its potential for offering the benefits of a one-stop-shop on-line, could considerably enhance this impact.

Our expansion into France through Autoglass is scheduled for summer this year. This will be an extremely cost-effective method of expanding our operation overseas and the directors believe this could be an important stepping-stone in the development of the company.

We are delighted to announce that we have been able to negotiate the additional exclusive rights to sell the 'Spacetrac' location system to the container and trailer unit market in all the major European countries. We believe the product's self-powered location and tracking features open up the enormous potential of these currently untapped tracking markets.

The development of the system continues with the recent announcement by Eagle Eye Technology Inc. of a US Navy contract, worth US\$700,000, to further miniaturise the product. We are advised that delivery of the first product, which will be available on the market as a web-based location and tracking system, will be in 2001.

During the year, we strengthened the board with the appointment of two new non-executive directors, Michael Cornwell and Stephen Wheatley, who joined us

from Belron International and Tracker plc respectively. John Morris and Kevin Gray stood down as non-executive directors and I would like to thank them for their contribution over the last few years.

I would also like to thank our Finance Director, David Baynes, for his tremendous contribution to Toad over the last seven years. David, who is leaving the company on 1 March 2000, has been with Toad since the very beginning and his tireless efforts have helped turn the company around. David is leaving the company in the knowledge that it has never been in a better position since its incorporation. We wish him well in his future role as Finance Director responsible for planning the flotation of a start-up company.

David's replacement is Wilson Jennings BA, FCA. Wilson has extensive international and corporate finance experience and he will be an excellent addition to the board.

Trading within the group during January and February 2000 has been excellent and was ahead of our expectations. Toad now has a solid, well-run business that is forecast to meet our growth expectations over the next two years. The directors believe that when this core business is combined with all the other potential growth opportunities, such as Toade.com, new technology fleet installations, Spacetrac, multi-media opportunities and Europe, that we are well placed to exceed this growth in the year 2001 and beyond.

This is an exciting time for technology businesses and we plan to take advantage of it.

Dr CT Evans OBE

**Chairman**

	1999	1998 (38 weeks to 22 Dec)
Turnover	£31.94 million	£25.06 million
Gross profit	£13.53 million	£10.23 million
Operating profit	£2.55 million	£0.95 million
Net profit	£1.96 million	£0.43 million

***This has been another excellent year for Toad and one that has seen us consolidate our position as the UK's leading vehicle technology and car audio company.***

To remain the number one company in our field, and become the number one company in others, we constantly review our business methods and strategies and encourage our customers to challenge the way we operate. Innovation has always been an important part of our strategy and our ability to introduce new ideas that meet the ever-changing needs of an evolving market is vital to the continued success of Toad.

Our aim is to always be one step ahead of the competition and we believe this is reflected in the three main areas of our business - corporate installation services (Toad Innovations), vehicle security (Toad VTD) and audio wholesale (Toad Audio Express). All have reinforced their positions as market leaders in their individual market sectors and are well placed to develop their business during 2000.

### **Corporate Services**

Corporate Services incorporates both the fleet and the insurance markets and our decision to develop our

technology driven installation service is beginning to reap rewards. The proliferation of new car technology products to provide telematic information to the vehicle driver has resulted in the need for a quality installation service to the new providers of this technology. Our fleet of over 100 mobile engineers provides just such a service.

By utilising our in-house design capability, we have developed an innovative computer cradle mounting and

installation kit to securely house the latest computer based telematic systems inside a commercial vehicle. This has enabled us to sign a contract with IBM to install their latest computer based parcel management system into Parcel Force Worldwide's 6000-strong nationwide fleet of collection and delivery vans. This is a new area for the company and one that we aim to expand during 2000.

In addition we will be expanding the scope of our service provision activities when we take part in an innovative new trial project being tested by National Car Parks. Further details of this initiative will be announced during April this year.

### **Audio Wholesale**

Our audio wholesale business was re-branded Toad Audio Express and re-launched to the trade in June. Although price pressures in the audio wholesale market affected turnover during the year, the directors believe this will be compensated by our decision to expand our

wholesale services into the vehicle

multi-media market. This will increase the sales and margins in this division as the group moves into technology driven sectors during 2000.

of new advanced microprocessor controlled alarm systems was launched into the UK market during January and February 2000.

The directors believe that the new range of products, together with our sector leading range of specialist point-of-sale support material, will enable us to increase our share of the UK car security market.

We continue to develop relationships with the major car manufacturers and have supply and development contracts with companies such as Subaru, Isuzu, London Taxi International, Daewoo, Renault (GB) and Kawasaki (GB).

### **Vehicle Technology Division**

During the year we reorganised our vehicle security brands under the Vehicle Technology Division name and located all the sales and operations staff into Runcorn. This was successfully completed in September and has increased the efficiency of the vehicle security operation in its ability to service the car manufacturers and over 1000 specialist dealers.

Our three major security brands were revamped during the year and a range

### **www.toade.com**

21 April 2000 will mark the launch of [www.toade.com](http://www.toade.com), our new e-commerce based business and WAP enabled information service and is one of the most exciting developments in our company's history.

The site will also allow our dealers access to our industry leading technical database, enabling them to access technical product and installation details on a 24/7 basis and a B2B order processing capability.

In addition we will be launching a WAP based information service offering access to the latest company news, promotional offers and a location service for the nearest dealer.

[www.toade.com](http://www.toade.com) provides us with the potential to expand our service into many new areas and the ability to capitalise on the needs of companies who require high quality warehouse, fulfilment and installation services. We are recognised as the leading service provider in the audio and security marketplace and we plan to exploit this through e-based affinity partnerships with some of the UK's leading companies. Negotiations are currently in progress with a number of mainstream businesses and .com portal companies.

[www.toade.com](http://www.toade.com) will be a highly interactive web proposition with secure on-line ordering, a nationwide installation service in partnership with our network of over 1000 specialist dealers, news, magazine features, chat rooms, competitions and information on the latest products such as multi-media, e-mail on the move, location and tracking, navigation and digital audio.

[www.toade.com](http://www.toade.com) will be at the cutting edge of web design and interactivity and will propel Toad into the e-commerce era. Please visit our site to experience this for yourself.

### **Spacetrac**

The new exclusive rights to sell the 'Spacetrac' product to the container and trailer unit market in all the major European countries are very exciting. Historically the problem with tracking containers and trailers is that they have no on board power supply to power a tracking product over a long period, so a small self-powered device, like Spacetrac, that can enable a freight manager to track containers around the world will open up what is currently a massive, untapped market.

Eagle Eye Technology Inc., the developers of the system have just announced a US Navy contract, worth US\$700,000, to further miniaturise the product. We are advised that delivery of the product, which will be available on the market as a web-based location and tracking system, will be in 2001.

However as we are not in control of the development of this product, we have continued to be prudent as to our forecasting and not included any revenue for the Spacetrac product in our current forecast budgets.

### **Autoglass alliance (Carglass in Europe)**

The Autoglass alliance, signed at the beginning of the year, holds great potential for the company in terms of the new business that could be generated by its 'one-stop-shop' service. However, integration of the alliance has proved to be more protracted than originally anticipated, due to the complex and bespoke nature of the two companies' operating systems. As a result our net profit of £2 million was achieved with only a limited contribution from the alliance.

We are pleased to report however, that the integration of the companies' operating systems is now complete, and the directors believe that the 'one-stop-shop' integrated service to fleet and insurance companies will have a more significant impact this year.

The launch of an audio and security replacement service through Carglass France in the Paris region is now scheduled for summer this year. This will be an extremely cost-effective method of expanding our operation overseas and the directors believe this could be an important stepping-stone in the development of the company.

"We are delighted to be working with, and to have made an investment in, Toad plc.

Belron International is the biggest supplier and installer of automotive glass in the world. Through our Autoglass and Carglass brands we are the leader in the UK, in most of the major European markets and in North America, as well as having an interest in a number of other regions in the world. We believe there is a great future for us working together with Toad, firstly in the UK and then in Europe, supplying a single glass, audio and security solution to our insurance and corporate customers.

Integration has inevitably taken time this year due to the complexity of both our operations. However, we believe that the majority of bugs have now been identified and are being dealt with and that the alliance will begin to bear fruit in the year 2000.

We look forward to continuing working with and growing alongside Toad plc."

Gary Lubner

**Chief Operating Officer, Belron International**

### **Our staff**

All of our achievements over the last two years have only been possible because of our committed and highly motivated staff. Developing this team, in the short time since our acquisition of Sextons, has been a key priority and considerable effort has gone into building a team which shares the same passion, focus and objectives as we do. We have encouraged every member of staff to contribute their ideas, however big or small, through our internal staff ideas scheme - GRIP. In seven months over 250 ideas have been contributed, improving the way we operate and winning new business.



### ***New appointments***

During the year, we strengthened the board with the appointment of two new non-executive directors:

Michael Cornwell joined us from Belron International (the owners of Autoglass and Carglass) where he was their International Sales Director. He set up the original Carglass operation in France and has extensive contacts with all of Europe's major insurance and fleet companies.

Stephen Wheatley was the former Sales Director of Tracker plc and was one of the original team that established Tracker plc in the UK. He is experienced in launching new vehicle telematic systems and will advise us on the development of new vehicle location and telematic systems.

During the year, John Morris and Kevin Gray stood down as non-executive directors and I would like to thank them for their contribution over the last few years.

On 1 March 2000 our Finance Director, David Baynes, left the company to become the Finance Director of a start-up company, where he will plan its flotation. David was a founder member of the Toad team and I would like to thank him for his valuable contribution to Toad over the last seven years.

David's replacement is Wilson Jennings BA, FCA, who joins us on 1 March, 2000 from Isis Research plc, a multi-national market research company where he was Finance Director for the last five years. In addition to the international experience gained with Isis, Wilson has extensive corporate finance experience with PricewaterhouseCoopers. Wilson will be an excellent addition to the board.

### ***Current trading***

Trading within the group during January and February this year was ahead of our expectations. When this is combined with all the development projects currently nearing fruition, we believe the year 2000 will be another exciting year for Toad in which we will continue to grow the business and increase our shareholder value.

John Lewin

***Chief Executive***

## ***Directors' biographical details***

### **Executive directors**

**John Lewin** (aged 34), Chief Executive. John was Group Managing Director of Sextons, which he joined in 1984, until it was acquired by Toad. He joined the board of Toad on 14 April 1998 and became Chief Executive on 8 September 1998.

**Nicholas Grimond** (aged 33), Operations Director. Nicholas was Group Operations Director of Sextons, which he joined in 1984, until it was acquired by Toad. He joined the board of Toad on 14 April 1998.

**Stuart Gall** (aged 37), Marketing Director. Stuart was Head of Marketing for the Toad Group from June 1994 until 31 July 1997. From 1 August 1997 he acted as a consultant to Toad, advising on marketing issues. He previously held management positions with The Anvil Consultancy Limited and The Promotions Partnership Limited, a marketing, advertising and promotions agency, of which he was a founder member. Prior to that he worked for British Airways. He joined the board of Toad on 14 April 1998.

**David Baynes** (aged 36), Finance Director and Company Secretary. He qualified as a Chartered Accountant with Arthur Andersen & Co in 1990. He was a consultant to Celsis International Limited, a rapid diagnostics company, from its incorporation in 1992 and was responsible for all aspects of the finance function until the company floated on the London Stock Exchange in July 1993. He is leaving Toad on 1 March 2000 and will be replaced by Wilson Jennings.

**Wilson Jennings** BA, FCA, (aged 39) will be joining the board on 1 March 2000 from Isis Research plc, a multi-national market research company where he was Finance Director for the last five years. In addition to the international experience gained with Isis, Wilson has extensive corporate finance experience with PricewaterhouseCoopers.

### **Non-executive directors**

**Dr Chris Evans** OBE (aged 42), Non-Executive Chairman. Dr Evans is a prominent scientist and Cambridge entrepreneur. His first company, Enzymatix, was successfully sold in 1992. In March 1992 he established Chiroscience plc which was floated on the London Stock Exchange in January 1994. In July 1992 Chris established Celsis International plc, which was also floated on the London Stock Exchange, in July 1993. He is a non-executive director of both these companies and holds honorary professorships at the Universities of Liverpool and Manchester.

**Patrick Rogers** (aged 49), Non-Executive Director. After spending his early career in the civil engineering industry, he worked for eight years in the City, in investment research and corporate finance, before returning to industry. From 1992 to 1996 he was chief executive of Channel Holdings plc, whose interests include mechanical and electronic security products, and since 1997 he has been executive chairman of Buckland Investments plc, an AIM listed company involved in the manufacture of connectors for the electronics industry. He joined Toad's board in December 1998.

**Michael Cornwell** (aged 60), Non-Executive Director. Mr Cornwell spent his early career in banking based in London. From 1975 to 1989 he developed marketing networks for Autoglass Limited in the UK before moving to Europe. From 1989 to 1999 he was Marketing Director for Belron International Limited the holding company of Autoglass in the UK and the Carglass group of companies in Europe, Canada, Australia and the US. He was responsible for the development of multi-national relationships with insurers and key fleet operators. He joined the board of Toad on 11 August 1999.

**Stephen Wheatley** (aged 44), Non-Executive Director. One of four founding directors of TRACKER Network PLC, Mr Wheatley, over 7 years, built the company to be the UK's market leading stolen vehicle recovery company. Previously he spent 15 years in senior sales, marketing and general management positions in the security and electronics industry. He joined the board of Toad on 1 November 1999.

The interest of the directors in the shares of the company at 21 February 2000, 22 December 1999 and 22 December 1998 are disclosed in the directors' report on page 18.

## Corporate Governance

The company is committed to high standards of corporate governance. The board is accountable to the company's shareholders for good corporate governance. This statement describes how the principles of corporate governance are applied to the company and the company's compliance with the Code provisions set out in Section 1 of the Combined Code prepared by the Committee on Corporate Governance chaired by Sir Ronald Hampel.

### **Statement by the directors on compliance with the provisions of the combined code**

The company has been in full compliance with the provisions set out in Section 1 of the Combined Code throughout the year with the exception of the following items identified last year which were addressed during the current year:

- A.3.2. - "The majority of non-executive directors should be independent and free from any business or other relationship which could materially interfere with the exercise of their independent judgement."

Non-executives represent four out of a total of eight directors. The appointment of Michael Cornwell and Stephen Wheatley during the year, both of whom qualify as independent non-executive directors, together with Patrick Rogers, who already acted as the senior independent non-executive, means that the majority are now independent.

- A.5.1. - "Unless the board is small, a nomination committee should be established to make recommendations to the board on all new board appointments."

The company has formed a nomination committee comprising the non-executive directors. In addition to nominating new directors, this committee reviews and approves recommendations made by the executive directors.

- B.1.4. - "A significant proportion of executive directors' remuneration should be linked to corporate and individual performance."

A significant proportion of executive directors' remuneration is represented by share options which are linked to corporate performance. The Remuneration Committee reviews each executive directors' individual performance when setting their remuneration packages.

- B.2.2. - "Remuneration committees should consist exclusively of non-executive directors who are independent of management and free from any business or other relationship which could materially interfere with the exercise of their independent judgement."

Following the appointment of the new non-executive directors to the Remuneration Committee the company now complies with this requirement.

- D.3.1. - "The board should establish an audit committee of at least three directors, all non-executive, with written terms of reference which deal clearly with its authorities and duties. The members of the committee, a majority of whom should be independent non-executive directors, should be named in the report and accounts"

Following the appointment of the new non-executive directors to the audit committee the company now complies with this requirement.

The Stock Exchange has deemed that a company has complied with provision D.2.1. relating to the wider aspects of internal control if it has continued to review and report on the effectiveness of its system of internal financial controls. This the board has continued to do.

A statement of the directors' responsibilities in respect of the accounts is set out on page 21. Below is a brief description of the role of the board and its committees followed by a statement regarding the group's system of internal financial control.

## ***The workings of the board and its committees***

### **The Board**

The board currently comprises four non-executive directors and four full-time executive directors and is responsible for the management of the group. It meets at least 10 times a year, setting and monitoring group strategy, reviewing trading performance and formulating policy on key issues. Key issues reserved for the board include, the consideration of potential acquisitions, share issues and fund raising, the setting of group strategy, City public relations and the review and evaluation of significant risks facing the business.

### **The Audit Committee**

The audit committee comprises all the non-executive directors and is chaired by Dr CT Evans. It is scheduled to meet at least twice a year and assists the board in ensuring that the group's published financial statements give a true and fair view. The committee meets as necessary with, and receives reports from, the external auditors.

### **The Remuneration Committee**

The remuneration committee comprises all of the non-executive directors and is chaired by P Rogers. It meets as necessary, at least twice a year, and is responsible for making recommendations to the board on the remuneration of senior executives and all directors.

### **The Nomination Committee**

The nomination committee comprises all of the non-executive directors and is chaired by Dr CT Evans. It meets as necessary and is responsible for making recommendations to the board on the appointments of executive and non executive directors.

## ***Relations with shareholders***

Key members of the executive board regularly visit institutional shareholders and the full board makes itself available to questions at all shareholder meetings it holds.

## ***Internal financial controls***

The board is responsible for establishing and maintaining the group's system of internal financial control. Internal control systems are designed to meet the particular needs of the group concerned and the risks to which it is exposed, and by their nature can provide reasonable but not absolute assurance against material misstatement or loss. The key procedures which the directors have established with a view to providing effective internal financial control are as follows:-

### **Management structure**

The board has overall responsibility for the group and there is a formal schedule of matters specifically reserved for decision by the board. Each executive director has been given responsibility for specific aspects of the group's affairs. The executive directors, together with key senior executives, constitute the management committee, which meets fortnightly, to discuss day-to-day operational matters.

### **Control environment**

The group's control environment is the responsibility of the group's directors and managers at all levels. The effectiveness of the group's internal financial controls was last reviewed in August 1999. During the year the board reviewed and updated its internal control arrangements to ensure they remained appropriate for the enlarged group.

## **Corporate Governance** *continued*

### **Main control procedures**

The directors have established control procedures in response to key risks. Standard financial control procedures operate throughout the group to ensure the integrity of the group's financial statements. The board has established procedures for authorisation of capital and revenue expenditure.

### **Monitoring system used by the board**

The board reviews the group's performance against budgets on a monthly basis. The group's cash flow is monitored monthly by the board.

### **Internal audit**

The group does not have an independent internal audit function, as the board does not consider the current scale of operations warrants such a function. However, as the group continues to grow, the board will keep this under review, with a view to creating an internal audit function when it is warranted.

## ***Report on Directors' Remuneration***

The remuneration committee is comprised exclusively of non-executive directors. They are as follows:

PCRC Rogers (Chairman of the remuneration committee)

Dr CT Evans

SE Wheatley

MF Cornwell

The group's remuneration committee decides the remuneration policy that applies to executive directors and the group's other senior management. In setting the policy it considers a number of factors including:

- (a) the basic salaries and benefits available to executive directors of comparable companies;
- (b) the need to attract and retain directors of an appropriate calibre; and
- (c) the need to ensure executive directors' commitment to the continued success of the company by means of incentive schemes.

### ***Remuneration of non-executive directors***

The chairman of the board, Dr CT Evans, is a non-executive director and his remuneration is determined by the board.

The other non-executive directors each receive a fee for their services, which is agreed by the board following recommendation by the chairman with a view to rates paid in comparable organisations and appointments.

Dr CT Evans receives consultancy payments through Merlin Scientific Services Limited, a company of which he is a director and the principal shareholder. The board agrees the level of these payments.

Neither the chairman nor the other non-executive directors receive any pension or other benefits from the company, nor do they participate in any of the bonus or incentive schemes.

The chairman and the other non-executive directors do not have service contracts with the company. They are all appointed by letters of agreement with 12 months notice which are reviewed annually.

### ***Remuneration policy for executive directors***

The company's remuneration policy for executive directors is to:

- (a) have regard to the directors' experience and the nature and complexity of their work in order to pay a competitive salary that attracts and retains management of the highest quality;
- (b) link individual remuneration packages to the group's long-term performance through the award of share options and incentive schemes;
- (c) provide employment-related benefits including the provision of a company car, life assurance, insurance relating to the director's duties and medical insurance.

## ***Report on Directors' Remuneration*** *continued*

### ***Salaries and benefits***

The remuneration committee meets at least twice a year in order to consider and set the annual salaries for executive directors having regard to personal performance and independently compiled salary survey information. Executive directors' salaries were last reviewed in March 1999.

### ***Pensions***

The executive directors' contracts permit the directors to take some remuneration in the form of pension contributions.

Basic salary only is pensionable as it is not considered appropriate to treat any other elements of remuneration as pensionable.

### ***Contracts of service***

All of the executive directors have contracts of service which can be terminated by the company or director. All of the contracts can be terminated with a notice period of six months with the exception of DG Baynes who is entitled to one year's notice.

### ***Non-executive directorships***

The executive directors may accept appointments as non-executive directors, but not of public limited companies. Any fees related to such employment may be retained by the director concerned.

**Directors' detailed emoluments**

Details of individual directors' emoluments for the year are as follows:

				Year ended 22 December 1999	38 weeks to 22 December 1998
	Salary, bonuses and fees £	Benefits £	Compensation for loss of office £	Total £	Total £
<b>Executive</b>					
JC Lewin	99,000	6,555	-	105,555	80,285
DG Baynes	94,500	5,528	-	100,028	66,922
N Grimond	88,000	9,686	-	97,686	74,566
SA Gall	57,750	6,453	-	64,203	36,073
<b>Non-executive</b>					
CT Evans (Chairman)	(a) 48,000	-	-	48,000	36,000
JR Morris	(b) 4,000	-	12,000	16,000	9,000
KJ Gray	(c) 4,000	-	12,000	16,000	9,000
PCRC Rogers	(d) 12,000	-	-	12,000	3,000
MF Cornwell	(e) 6,000	-	-	6,000	-
SE Wheatley	(f) 2,375	-	-	2,375	-
	<u>415,625</u>	<u>28,222</u>	<u>24,000</u>	<u>467,847</u>	<u>314,846</u>

(a) Includes an amount of £48,000 (22 December 1998: £36,000) payable to Merlin Scientific Services Limited in respect of making available the services of Dr CT Evans to the company.

(b) Includes an amount of £16,000 (22 December 1998: £9,000) payable to Fermic AG in respect of making available the services of JR Morris to the company.

(c) Includes an amount of £16,000 (22 December 1998: £9,000) payable to CVP Limited in respect of making available the services of KJ Gray to the company.

(d) Includes an amount of £12,000 (22 December 1998: £3,000) payable to Island Jet in respect of making available the services of PCRC Rogers.

(e) Includes an amount of £6,000 (22 December 1998: £nil) payable to Sports and Classics Solutions in respect of making available the services of MF Cornwell to the company.

(f) Includes an amount of £2,375 (22 December 1998: £nil) payable to Sixth Sense in respect of making available the services of SE Wheatley to the company.



## Report on Directors' Remuneration *continued*

### Share options

The company has seven share option schemes: the 1994 scheme, the 1995 scheme, the 1997 scheme, the Employee scheme and the three non-executive director schemes.

The 1994 scheme is administered by the directors and may only be granted to employees and directors of the company at the board's discretion. No further options are to be granted under this scheme.

The 1995 scheme has terms substantially similar to those of the 1994 scheme. Options are only granted at the discretion of the remuneration committee to employees or directors of the group, but exclude the company's executive and non-executive directors. No new options have been issued under this scheme during the year.

The 1997 scheme was approved by shareholders of the company on 6 January 1997. The scheme is administered by the remuneration committee and options may only be granted to employees and directors of the group at the discretion of the committee. Options may only be granted:

- 1 Within 42 days of the announcement of the company's annual or half yearly results, or
- 2 Within 14 days of a new executive joining the company.

The Employee scheme was established by the company on 20 October 1997, and approved by the Inland Revenue under Schedule 9 of the Income and Corporation Taxes Act 1988.

The non-executive director schemes were established on the following dates; the Michael Cornwell scheme, 14 September 1999; the Patrick Rogers scheme, 15 September 1999; the Stephen Wheatley Scheme, 1 November 1999. The schemes are administered by the board and no further options may be granted.

### Directors' interests in share options

Details of options held by directors over the company's ordinary shares of 10p are set out below:

	22 December 1998	Number of options granted in the year	lapsed in the year	22 December 1999	Exercise price	Date from which exercisable	Expiry date
<i>The 1994 scheme</i>							
DG Baynes	78,529	-	-	<b>78,529</b>	10p	28.10.96	27.10.01
SA Gall	156,176	-	-	<b>156,176</b>	10p	12.12.96	11.12.01
<i>The Employee Scheme</i>							
JC Lewin	127,660	-	-	<b>127,660</b>	23.5p	17.07.01	17.07.08
N Grimond	127,660	-	-	<b>127,660</b>	23.5p	17.07.01	17.07.08
SA Gall	127,660	-	-	<b>127,660</b>	23.5p	17.07.01	17.07.08
MF Cornwell	-	100,000	-	<b>100,000</b>	28.5p	14.09.02	11.09.09
SE Wheatley	-	100,000	-	<b>100,000</b>	30.5p	01.11.02	01.11.09
PCRC Rogers	-	100,000	-	<b>100,000</b>	28.5p	15.09.02	12.09.09

The market price of the company's shares at the end of the financial year was 33.5p and the range of market prices during the year was 19.5p to 38.5p.

## **Directors' Report**

The directors present their report and the group accounts for the year ended 22 December 1999.

### **Results and dividend**

Group profit for the year after taxation amounted to £2 million which represents an increase of more than threefold on the prior period's annualised profit.

The consolidated profit and loss account for the year is set out on page 23.

The directors do not recommend the payment of a dividend.

### **Principal activity**

The principal activity of the group is the inception, development, marketing, sale and installation of highly effective and innovative vehicle technology products, including vehicle security, audio, cellular and navigation products.

### **Review of business**

This has been the first full year of trading since the group was substantially restructured. This restructuring has resulted in post-tax profitability increasing more than threefold, continuing the trend set in the prior year. Turnover has not increased on an annualised basis because unprofitable business was curtailed in the prior period and this has disguised the organic growth in the current year.

Initiatives in the current year, including a venture with Autoglass, should permit the company to continue its growth.

### **Financial risk management**

In this year's accounts the group has adopted FRS 13 - 'Derivatives and other Financial Instruments: Disclosures'.

The group uses forward currency contracts to manage the financial risks associated with the group's underlying business activities and the financing of those activities. The group does not undertake any trading activity in financial instruments.

### **Liquidity and interest rate risk**

The group's policy on funding capacity is to ensure that we always have sufficient long-term funding and committed facilities in place to meet foreseeable peak borrowing requirements. The company has a Sterling term loan facility of £5,612,000 and Sterling revolving loan facility of £4,000,000 incorporating an optional overdraft facility. Both these facilities, which are from NatWest Bank, are at floating rates of interest. The group's policy is to ensure that sufficient resources are always available to service all debt by applying prudent estimates of interest rate movements in its cash flow forecasts. Moreover the interest rate on the loan facility is linked to LIBOR and is capped at 6.5%.

### **Foreign currency risk**

The group uses forward exchange contracts to hedge foreign exchange exposures arising on forecast payments in foreign currencies.

## **Directors' Report** *continued*

### **Directors' interests in shares**

The directors at 22 December 1999 (or date of appointment if later), and their interests in the share capital of the company, other than in respect of options to acquire ordinary shares (which are detailed in the analysis of options included in the report on directors' remuneration) were as follows:-

	21 February 2000	22 December 1999	22 December 1998
<b>The company</b> - ordinary shares 10p			
CT Evans	9,069,628	<b>9,069,628</b>	9,026,149
DG Baynes	719,909	<b>719,909</b>	763,387
SA Gall	12,347	<b>12,347</b>	12,347
JC Lewin	21,739	<b>21,739</b>	21,739
N Grimond	21,739	<b>21,739</b>	21,739
PCRC Rogers	-	-	-
ME Cornwell	-	-	-
SE Wheatley	5,000	<b>5,000</b>	-

The share interests at 21 February 2000, 22 December 1999 and 22 December 1998 take into account the interest of CT Evans in 5,569,118 ordinary shares registered in the name of Abbotsford Limited, a company owned by Trustco Management Services Limited SA, a Swiss company which is a trustee of the Solidum Trust of which Dr Evans is a potential discretionary beneficiary.

JC Lewin and N Grimond are eligible to receive 6 million shares in the company under the terms of the acquisition of Sextons Group Limited and an additional 1.92 million shares (see note 21). These shares will not be issued until 14 April 2000.

The share interests at 21 February 2000, 22 December 1999 and 22 December 1998 take into account the interest of SA Gall in 4,347 ordinary shares registered in the name of JM Gall.

The number of ordinary shares disclosed above does not take account of any ordinary shares to be issued pursuant to the Spacetrac Agreement (see note 12). Dr CT Evans is interested in 30% of the issued share capital of Spacetrac Limited, through Abbotsford Limited, a company owned by Trustco Management Services Limited SA, which is trustee of the Solidum Trust of which Dr Evans is a potential discretionary beneficiary

Apart from the interests disclosed above no directors were interested at any time in the year in the share capital or loan stock of the company or other group companies.

In addition to the directors listed above, KJ Gray and JR Morris served as directors until 12 August 1999 when they resigned.

### **Research and development activities**

The group maintains sufficient research and development resource in-house to ensure its market leading security products remain cutting edge.

The group does not conduct any pure research into new technologies, but does constantly review the market place for any new technologies which might make a profitable contribution to the business.

### **Year 2000 compliance**

As is well known, many computer and digital storage systems express dates using only the last two digits of the year and thus required modification or replacement to accommodate the Year 2000 and beyond in order to avoid malfunctions and resulting widespread commercial disruption. This is a complex and pervasive issue. The operation of our business depends not only on our own computer systems, but also to some degree on those of our suppliers and customers. This could expose us to further risk in the event that there is a failure by other parties to remedy their own year 2000 issues.

Since 31 December 1999 the group has not experienced any adverse effects as a result of the Year 2000 issue. The company is continuing to monitor its computer systems and any additional costs are not expected to be significant.

### **Disabled employees**

The group gives full consideration to applications for employment from disabled persons where the requirements of the job can be adequately fulfilled by a handicapped or disabled person.

Where existing employees become disabled, it is the group's policy wherever practicable to provide continuing employment under normal terms and conditions and to provide training and career development and promotion to disabled persons wherever appropriate.

### **Employee involvement**

The group's policy is to consult and discuss with employees, through meetings, matters likely to affect employees' interests. The meetings seek to achieve a common awareness on the part of all employees of the financial and economic factors affecting the group's performance.

All employees are eligible to receive share options. Membership is reviewed annually and options are issued to staff who have joined in the year. The number of options granted vary according to seniority and experience.

# Directors' Report *continued*

## Major interest in shares

As at 21 February 2000, according to the company's register, the following shareholders each held 3% or more of the company's issued share capital.

Name

Abbotsford Limited  
Chase Nominees Limited  
Dr Chris Evans  
Belron International Properties NV  
Nortrust Nominees Limited  
Clydesdale Bank (Head Office) Nominees Limited

Ordinary 10p Shares

Holding

5,569,118	9.0
4,257,080	6.5
3,500,510	5.6
2,929,130	4.8
2,158,169	3.3
2,000,000	3.0

## Creditor payment policy

The company's policy is to:

- (a) settle the terms of payment with those suppliers when agreeing the terms of each transaction,
- (b) ensure that those suppliers are aware of the terms of payment by inclusion of the relevant terms in contracts, and
- (c) pay in accordance with contractual and other legal obligations.

The group's average creditor payment period at 22 December 1999 was 56 days (22 December 1998 - 67 days) and that of the company was nil days.

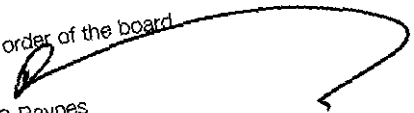
## Auditors

A resolution to reappoint Ernst & Young as auditors will be put to the members at the Annual General Meeting.

## Annual general meeting

At the Annual General Meeting shareholders will not be asked to approve any items of special business in addition to the ordinary business of the meeting.

By order of the board

  
DG Baynes  
Secretary  
1 March 2000

## ***Statement of Directors' responsibilities in respect of the Accounts***

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 the group as at the end of the financial year and of the profit or loss of the group for that year. 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 accounts on the going concern basis unless it is inappropriate to presume that the group 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 group 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 group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

# ***Auditors' Report to the Shareholders of Toad PLC***

## **Auditors' report to the shareholders of Toad PLC**

We have audited the accounts on pages 23 to 48, which have been prepared under the historical cost convention and on the basis of the accounting policies set out on pages 26 to 28.

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

The directors are responsible for preparing the annual report. As described on page 21, this includes responsibility for preparing the accounts in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board, the Listing Rules of the London Stock Exchange and by our profession's ethical guidance.

We report to you our opinion as to whether the accounts give a true and fair view and are properly prepared in accordance with the Companies Act. We also report to you if, in our opinion, the directors' report is not consistent with the accounts, 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 the information specified by law or the Listing Rules regarding directors' remuneration and transactions with the group is not disclosed.

We review whether the corporate governance statement on page 10 reflects the company's compliance with the seven provisions of the Combined Code specified for our review by the Stock Exchange, and we report if it does not. We are not required to consider whether the board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of either the group's corporate governance procedures or its risk and control procedures.

We read the other information contained in the annual report, including the corporate governance statement, and consider whether it is consistent with the audited accounts. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the accounts.

### **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 accounts. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the group'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 accounts 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 accounts.

### **Opinion**

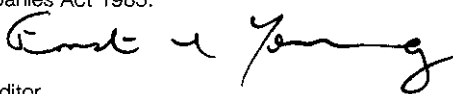
In our opinion the accounts give a true and fair view of the state of affairs of the company and of the group as at 22 December 1999 and of the profit of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Ernst & Young

Registered Auditor

London

1 March 2000



## Consolidated profit and loss account

for the year ended 22 December 1998

	Notes	Before goodwill expense £'000	Goodwill expense (Note 4) £'000	Year ended 22 December 1999 £'000	38 weeks to 22 December 1998 £'000
<b>Turnover</b>	2				
- ongoing operations		31,590	-	31,590	25,063
- acquisitions		349	-	349	-
		<u>31,939</u>	<u>-</u>	<u>31,939</u>	<u>25,063</u>
<b>Cost of Sales</b>					
- ongoing operations		(18,234)	-	(18,234)	(14,835)
- acquisitions		(174)	-	(174)	-
		<u>(18,408)</u>	<u>-</u>	<u>(18,408)</u>	<u>(14,835)</u>
<b>Gross Profit</b>		13,531	-	13,531	10,228
Other operating expenses	3	(10,880)	(105)	(10,985)	(9,283)
		<u>(10,880)</u>	<u>(105)</u>	<u>(10,985)</u>	<u>(9,283)</u>
<b>Operating Profit</b>					
- ongoing operations		2,476	(25)	2,451	945
- acquisitions		175	(80)	95	-
		<u>2,651</u>	<u>(105)</u>	<u>2,546</u>	<u>945</u>
<b>Profit/(loss) on Disposal of Fixed Assets</b>				12	(140)
Interest receivable and similar income				3	3
Interest payable and similar charges	7			(729)	(376)
				<u>(726)</u>	<u>(373)</u>
<b>Profit on Ordinary Activities Before Taxation</b>	8			1,832	432
Taxation	9			125	-
				<u>125</u>	<u>-</u>
<b>Profit for the Year</b>	10,24			<u>1,957</u>	<u>432</u>
<b>Earnings per share - basic</b>	11			3.01p	0.76p
- diluted	11			2.63p	0.59p

### Total Recognised Gains and Losses

There are no recognised gains and losses other than those included in the profit and loss account above, and accordingly no separate statement of total recognised gains and losses has been presented.



## Balance Sheets


at 22 December 1999

		22 December 1999 £'000	Group 22 December 1998 £'000	22 December 1999 £'000	Company 22 December 1998 £'000
	Notes				
<b>Fixed Assets</b>					
Intangible assets	12	1,452	730	730	730
Tangible assets	13	2,825	2,756	-	-
Investments	14,15	-	-	16,339	15,607
		<u>4,277</u>	<u>3,486</u>	<u>17,069</u>	<u>16,337</u>
<b>Debtors: amounts falling due after one year</b>	17	-	-	7,913	9,258
<b>Current Assets</b>					
Stocks	16	3,772	4,212	-	-
Debtors	17	5,271	5,316	1,869	945
Cash at bank and in hand		1,658	1,126	-	-
		<u>10,701</u>	<u>10,654</u>	<u>1,869</u>	<u>945</u>
<b>Creditors: amounts falling due within one year</b>	18	(9,261)	(13,921)	(2,849)	(6,918)
<b>Net Current Assets/(Liabilities)</b>		<u>1,440</u>	<u>(3,267)</u>	<u>(980)</u>	<u>(5,973)</u>
<b>Total Assets Less Current Liabilities</b>		<u>5,717</u>	<u>219</u>	<u>24,002</u>	<u>19,622</u>
<b>Creditors: amounts falling due after more than one year</b>	19	(3,615)	(1,214)	(3,417)	-
<b>Net Assets/(Liabilities)</b>		<u>2,102</u>	<u>(995)</u>	<u>20,585</u>	<u>19,622</u>
<b>Capital and Reserves</b>					
Called up share capital	21	6,876	5,872	6,876	5,872
Share premium account	23	10,450	9,095	10,450	9,095
Share capital to be issued	21,23	2,651	3,743	2,651	3,743
Merger reserve	23	-	-	1,001	1,001
Profit and loss account	23	(17,875)	(19,705)	(393)	(89)
<b>Shareholders' Funds</b>	24				
Equity		1,323	(995)	19,806	19,622
Non-equity		779	-	779	-
		<u>2,102</u>	<u>(995)</u>	<u>20,585</u>	<u>19,622</u>

The financial statements on pages 23 to 48 were approved by the board of directors on 1 March 2000 and were signed on its behalf by:

DG Baynes

JC Lewin



# Consolidated Statement of Cash Flows

for the year ended 22 December 1999

	Notes	Year ended 22 December 1999 £'000	38 weeks to 22 December 1998 £'000
<b>Net Cash Inflow/(Outflow) from Operating Activities</b>	27	<b>2,299</b>	<b>(1,130)</b>
<b>Returns on Investments and Servicing of Finance</b>			
Finance arrangement fees		(253)	-
Interest received		3	3
Interest paid		(682)	(367)
Interest paid on finance leases		(22)	(9)
		<b>(954)</b>	<b>(373)</b>
<b>Taxation</b>			
UK corporation tax paid		(157)	-
<b>Capital Expenditure</b>			
Purchase of tangible fixed assets		(780)	(187)
Sale of tangible fixed assets		354	281
		<b>(426)</b>	<b>94</b>
<b>Acquisitions</b>			
Purchase of subsidiary undertakings		(2,590)	(6,049)
Purchase of Foxguard and Code businesses		(331)	(488)
Net cash acquired with acquisition of subsidiary		-	204
Net cash transferred with sale of subsidiary		-	(20)
		<b>(2,921)</b>	<b>(6,353)</b>
<b>Cash Outflow Before Financing</b>		<b>(2,159)</b>	<b>(7,762)</b>
<b>Financing</b>			
Issue of shares		795	6,385
Movement in short term borrowings		1,059	(509)
Movement in long term borrowings		2,406	(325)
Repayment of principal under finance leases		(142)	(17)
		<b>4,118</b>	<b>5,534</b>
<b>Increase/(Decrease) in Cash in the Year</b>	28	<b>1,959</b>	<b>(2,228)</b>

# Notes to the Accounts

at 22 December 1999

## 1. Principal accounting policies

The financial statements have been prepared in accordance with applicable accounting standards in the United Kingdom. A summary of the more important accounting policies, which have been applied consistently, is set out below.

### Basis of preparation

The financial statements are prepared in accordance with the historical cost convention.

### Basis of consolidation

The consolidated profit and loss account and balance sheet include the financial statements of the company and its subsidiary undertakings made up to 22 December 1999. The results of subsidiaries sold or acquired are included in the consolidated profit and loss account up to, or from, the date control passes. Intra-group sales and profits are eliminated fully on consolidation.

### Goodwill

Depending on the circumstances of each acquisition, goodwill arising on acquisitions prior to 22 December 1998 was written off immediately against reserves. Goodwill previously eliminated against reserves has not been reinstated on implementation of FRS 10.

Positive goodwill arising on acquisitions since 23 December 1998 is capitalised, classified as an asset on the balance sheet and amortised on a straight line basis over its useful economic life up to a presumed maximum of 20 years. It is reviewed for impairment at the end of the first full financial year following the acquisition and in other periods if events or changes in circumstances indicate that the carrying value may not be recoverable.

If a subsidiary, associate or business is subsequently sold or closed, any goodwill arising on acquisition that was written off directly to reserves or that has not been amortised through the profit and loss account is taken into account in determining the profit or loss on sale or closure.

### Turnover

Turnover, which excludes value added tax and trade discounts, represents the invoiced value of goods sold.

### Deferred taxation

Deferred taxation is provided using the liability method on all timing differences to the extent that they are expected to reverse in the future without being replaced, calculated at the rate at which it is anticipated the timing differences will reverse. Advance corporation tax which is expected to be recoverable in the future is deducted from the deferred taxation balance.

*Deferred taxation assets are only recognised if recovery without replacement by equivalent debit balances is reasonably certain.*

### Fixed asset investments

The carrying values of fixed asset investments are reviewed for impairment in periods if events or changes in circumstances indicate the carrying value may not be recoverable.

**Tangible fixed assets**

The cost of tangible fixed assets is their purchase cost, together with any incidental expenses of acquisition.

Depreciation is calculated so as to write off the cost of tangible fixed assets on a straight line basis over the expected useful economic lives of the assets concerned. The principal annual rates used for this purpose are:

	%
Freehold land and buildings	2
Leasehold properties	Over the term of the lease
Leasehold improvements	10% or over the term of the lease if shorter
Motor vehicles	25
Plant and equipment	25-33

The carrying values of tangible fixed assets are reviewed for impairment in periods if events or changes in circumstances indicate the carrying value may not be recoverable.

**Stocks**

Stocks are stated at the lower of cost and net realisable value. In general, cost is determined on an average cost basis. Where necessary, provision is made for obsolete, slow moving and defective stocks.

**Leasing and hire purchase commitments**

Assets held under finance leases, which are leases where substantially all the risks and rewards of ownership of the asset are passed to the group, and hire purchase contracts are capitalised in the balance sheet and are depreciated over their useful lives. The capital elements of future obligations under leases and hire purchase contracts are included as liabilities in the balance sheet. The interest elements of the rental obligations are charged in the profit and loss account over the duration of the leases and hire purchase contracts and represent a constant proportion of the balance of capital repayments outstanding.

Rentals payable under operating leases are charged in the profit and loss account on a straight line basis over the lease term.

**Foreign currencies**

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction or at the contracted rate if the transaction is covered by a forward currency contract. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date or if appropriate at the forward contract rate.

All differences are taken to the profit and loss account.

**Financial instruments**

In this year's accounts the group has adopted Financial Reporting Standard (FRS) 13 - 'Derivatives and other Financial Instruments: Disclosures'. It is not practicable to provide comparative figures in this the first accounting period in which the standard comes into effect and so the directors have taken advantage of the transitional arrangements which allow for non disclosure of prior year figures.

The group uses forward currency contracts to manage the financial risks associated with the group's underlying business activities and the financing of those activities. The group's policy is not to undertake any trading activity in financial instruments.

## Notes to the Accounts *continued*

at 22 December 1999

A discussion of how the group manages its financial risks is included in the Directors' Report on page 17.

The criteria for forward foreign currency contracts are:

- The instrument must be related to a foreign currency asset or liability that is probable and whose characteristics have been identified;
- it must involve the same currency as the hedged item; and
- it must reduce the risk of foreign currency exchange movements on the group's operations.

Forward exchange contracts are used to hedge foreign exchange exposures arising on payments in foreign currencies. The rates under such contracts are used to record the hedged item. As a result, gains and losses are offset against the foreign exchange gains and losses on the related financial assets and liabilities, or where the instrument is used to hedge a committed, or probable, future transaction, are deferred until the transaction occurs.

### Capital instruments

Shares are included in shareholders' funds. Other instruments are classified as liabilities if they contain an obligation to transfer economic benefits and if not they are included in shareholders' funds. The finance cost recognised in the profit and loss account in respect of capital instruments other than equity shares is allocated to periods over the term of the instrument at a constant rate on the carrying amount.

## 2. Turnover

Turnover consists primarily of sales made in the United Kingdom from the group's main continuing activity. Export sales are not material.

## 3. Other operating expenses

	Ongoing operations £'000	Acquisitions £'000	Year ended 22 December 1999 Total £'000	Ongoing operations before exceptional items £'000	Exceptional items £'000	38 weeks to 22 December 1998 Total £'000
Administrative	3,445	80	3,525	4,042	453	4,495
Distribution	7,077	-	7,077	4,212	-	4,212
Technical	383	-	383	576	-	576
	<u>10,905</u>	<u>80</u>	<u>10,985</u>	<u>8,830</u>	<u>453</u>	<u>9,283</u>

**4. Goodwill expense**

	Year ended 22 December 1999 £'000	38 weeks to 22 December 1998 £'000
Goodwill written off (see note 15 (iv))	25	-
Amortisation of goodwill	80	-
	<u>105</u>	<u>-</u>

**5. Directors' emoluments**

Details of directors' remuneration for each director, pension contributions and share options are included on pages 13 to 16.

**6. Employee information**

The average monthly number of persons (including executive directors) employed by the group during the year was:

	Year ended 22 December 1999 Number	38 weeks to 22 December 1998 Number
By activity:		
Administration	56	60
Technical	24	25
Operations	217	249
	<u>297</u>	<u>334</u>

	Year ended 22 December 1999 £'000	38 weeks to 22 December 1998 £'000
Staff costs (for the above persons):		
Wages and salaries	4,833	4,118
Social security costs	442	399
Other pension costs	-	26
	<u>5,275</u>	<u>4,543</u>

# Notes to the Accounts *continued*

at 22 December 1999

## 7. Interest payable and similar charges

	Year ended 22 December 1999 £'000	38 weeks to 22 December 1998 £'000
Bank loans and overdrafts	548	367
Finance leases	22	9
Unrealised foreign exchange losses	52	-
Other finance costs	107	-
	<u>729</u>	<u>376</u>

## 8. Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after charging:

	Year ended 22 December 1999 £'000	38 weeks to 22 December 1998 £'000
Auditors' remuneration for audit services (company £nil; 1998: £nil)	89	91
Auditors' remuneration for non-audit services	79	90
Operating lease rentals:		
Rent of land and buildings	306	339
Hire of plant and machinery	566	400
Amortisation of goodwill	80	-
Depreciation:		
Tangible fixed assets owned	341	247
Tangible fixed assets held under finance leases	28	33

## 9. Taxation

	Year ended 22 December 1999 £'000	38 weeks to 22 December 1998 £'000
Corporation tax:		
Current	82	-
Over provision in prior years	(207)	-
	<u>(125)</u>	<u>-</u>

The group and company have no deferred tax liability (22 December 1998: £nil).

Subject to agreement with the Inspector of Taxes, the group has tax losses of approximately £8,000,000 (22 December 1998: £9,000,000) to carry forward against future taxable profits.

**10. Profit for the year**

As permitted by section 230 of the Companies Act 1985, the parent company's profit and loss account has not been included in these financial statements. The parent company's loss for the year was £304,000 (22 December 1998: £nil).

**11 Earnings per ordinary share**

The calculation of basic earnings per share is based on the profit on ordinary activities after taxation, namely £1,957,000 (22 December 1998: £432,000) and on 65,102,023 (22 December 1998: 57,166,287) ordinary shares, being the weighted average number of ordinary shares in issue during the year.

The diluted earnings per share is calculated under the provisions laid out in FRS 14 and is based on the profit for the year of £1,957,000 (22 December 1998: £432,000), and on 74,390,501 (22 December 1998: 73,197,909) ordinary shares, calculated as follows:

	22 December 1999 '000	22 December 1998 '000
Basic weighted average number of shares	65,102	57,166
Dilutive potential ordinary shares:		
Shares to be issued	6,131	15,605
Convertible redeemable preference shares	2,526	-
Employee share options	632	427
	<u>74,391</u>	<u>73,198</u>

**12. Intangible fixed assets****Group:**

	Distribution agreement £'000	Metvile goodwill £'000	VSL goodwill £'000	Total £'000
<b>Cost:</b>				
At 23 December 1998	730	-	-	730
Additions	-	802	25	827
<b>At 22 December 1999</b>	<u>730</u>	<u>802</u>	<u>25</u>	<u>1,557</u>
<b>Amortisation:</b>				
At 23 December 1998	-	-	-	-
Provided during the year	-	80	25	105
<b>At 22 December 1999</b>	<u>-</u>	<u>80</u>	<u>25</u>	<u>105</u>
<b>Net book value</b>				
At 22 December 1999	<u>730</u>	<u>722</u>	<u>-</u>	<u>1,452</u>
<b>Net book value</b>				
At 23 December 1998	<u>730</u>	<u>-</u>	<u>-</u>	<u>730</u>



## Notes to the Accounts *continued*

### Distribution Agreement

On 26 September 1997, Toad entered into an agreement with Spacetrac Limited for the exclusive rights to distribute in certain markets, a miniature satellite based wireless location device.

Under the terms of this agreement ordinary shares of 10p each, with an aggregate value of £500,000, will be allotted immediately following the date of delivery of the first Spacetrac product.

The company accrued for this payment within intangible fixed assets as at 22 December 1998. In addition to this amount, the company capitalised costs associated with negotiating and completing this distribution agreement of £230,294.

The full amount of £730,294 has been capitalised within the books of the company as an intangible asset. This asset will be amortised to the profit and loss account over the period in which the product generates revenues. The company has not amortised any amount of this investment in the current year and does not intend to start doing so until the product becomes available for resale and the equity referred to above has been issued to Spacetrac in accordance with the agreement.

### Metvale Goodwill

On 7 January 1999 the company acquired Metvale Limited ("Metvale") which owned the UK audio reinstatement business of Autoglass Limited (see also Note 15(i)).

The consideration paid for Metvale was £732,282 satisfied by the issue of 2,929,130 Toad plc ordinary 10p shares at a premium of 15p per share. In addition, costs of this acquisition totalled £69,900. Following the acquisition the company transferred the trade of Metvale to its wholly owned subsidiary, Toad Innovations Limited. The total cost of this acquisition of £802,182 has been capitalised as goodwill and is being amortised over its expected useful economic life of ten years.

Company:

*Distribution  
agreement  
£'000*

Cost and net book value:

At 22 December 1998 and 22 December 1999

730

### VSL Goodwill

During the year the company acquired the remaining 25% of VSL Holdings Limited. This was satisfied by the issue of 121,952 10p ordinary shares in the company at a premium of 10.5p per share, giving a total value of £25,000. For further details see Note 15 (iv).

**13. Tangible fixed assets**

The company has no tangible fixed assets. Details of those relating to the group are:

	Freehold land and buildings £'000	Short leasehold properties £'000	Leasehold improvements £'000	Motor vehicles £'000	Plant and equipment £'000	Total £'000
<b>Cost:</b>						
At 23 December 1998	2,292	14	97	169	646	3,218
Additions	246	-	10	2	522	780
Disposals	(327)	(14)	-	(59)	(525)	(925)
<b>At 22 December 1999</b>	<b>2,211</b>	<b>-</b>	<b>107</b>	<b>112</b>	<b>643</b>	<b>3,073</b>
<b>Depreciation:</b>						
At 23 December 1998	35	14	15	56	342	462
Provided during the year	48	-	31	37	253	369
Disposals	(27)	(14)	-	(30)	(512)	(583)
<b>At 22 December 1999</b>	<b>56</b>	<b>-</b>	<b>46</b>	<b>63</b>	<b>83</b>	<b>248</b>
<b>Net book value</b>						
<b>At 22 December 1999</b>	<b>2,155</b>	<b>-</b>	<b>61</b>	<b>49</b>	<b>560</b>	<b>2,825</b>
Net book value						
At 23 December 1998	2,257	-	82	113	304	2,756
<b>Net book value of assets held under finance leases:</b>						
<b>At 22 December 1999</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>47</b>	<b>193</b>	<b>240</b>
<b>At 23 December 1998</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>81</b>	<b>32</b>	<b>113</b>

## Notes to the Accounts *continued*

### 14. Fixed asset investments

Details of the company's investments are:

	Interests in group undertakings £'000
<b>Cost:</b>	
At 23 December 1998	16,992
Additions	884
<b>At 22 December 1999</b>	<b>17,876</b>
<b>Amounts provided:</b>	
At 23 December 1998	1,385
Provision in year	152
<b>At 22 December 1999</b>	<b>1,537</b>
<b>Net book value at 22 December 1999</b>	<b>16,339</b>
Net book value at 23 December 1998	15,607

### Interests in group undertakings

Details of the company's subsidiary undertakings (all of which have been consolidated in the group accounts) are as follows:

Name of undertaking	Description of shares held	Proportion of voting rights shares held %	Nature of business
*Sextons In Car Entertainment Limited	Ordinary £1 shares	100	Sale and installation of vehicle audio and security products
Sextons Group Limited	Ordinary £1 shares	100	Holding company
Toad Innovations Limited	Ordinary 1p shares	100	Development and sale of vehicle security products
Laserline (UK) Limited	Ordinary £1 shares	100	Sale of vehicle security products
*Secure Microsystems Limited	Ordinary £1 shares	100	Sale of vehicle security products
Second Base Systems Limited	Ordinary £1 shares	100	Holding company
The Challenge Technology Partnership Limited	Ordinary £1 shares	100	Dormant
NAS plc	Ordinary £1 shares	100	Dormant
*Sextons ICIRS Limited	Ordinary £1 shares	100	Dormant
* Foxguard Limited	Ordinary £1 shares	100	Dormant
Metvale Limited	Ordinary 50p shares	100	Dormant
*Wholly or partly held by a subsidiary undertaking			

## 15. Acquisitions

### (i) Autoglass audio business - Metvale Limited ("Metvale")

On 7 January 1999 the company acquired 100% of the share capital of Metvale Limited. Metvale was acquired as part of the company's alliance with Autoglass. Immediately prior to the acquisition, Autoglass transferred their audio reinstatement business to Metvale, which up to that point had not traded. Autoglass have undertaken not to compete with the group in the audio business for the five years following the acquisition.

The consideration payable by Toad plc for Metvale was £732,282. The consideration was satisfied as to £732,282 in the issue of Toad plc ordinary 10p shares. At the same time as this acquisition Autoglass, through its parent company Belron International Properties N.V., subscribed to 3,114,582 10p redeemable convertible preference shares in the company at a premium of 15p per share. The total consideration for these shares being £778,645.

Following the acquisition the trade of Metvale was transferred to Toad Innovations Limited, a 100% subsidiary of Toad plc. The contribution to the group profitability arising from this acquisition is disclosed in the profit and loss account on page 23.

The goodwill arising on the acquisition of Metvale has been capitalised at its fair value at the date of acquisition. The goodwill is being amortised to the profit and loss account over the useful economic life of the asset.

Analysis of the acquisition of Metvale:

	<i>Book value and fair value to the group £'000</i>
Goodwill arising on acquisition	802
Discharged by:	
Fair value of shares issued	732
Costs associated with acquisition	70
	<u>802</u>

### (ii) Sextons Group Limited ("Sextons")

On 14 April 1998 the company acquired 100% of the share capital of Sextons Group Limited and its subsidiaries for £11 million. The composition of the fair value of the consideration and the assets acquired was disclosed in last year's financial statements. The consideration includes £2.5 million deferred cash which was paid during the year ended 22 December 1999, 6 million deferred shares and a further 1,920,000 shares which have yet to be issued (see note 21).

### (iii) Foxguard and Code

On 1 July 1998 a subsidiary of Toad Innovations Limited acquired certain assets and liabilities from Foxguard Limited and Code UK Limited, satisfied by cash payable in instalments over a 15 month period. The composition of the fair value of the consideration and the assets acquired was disclosed in last year's financial statements. The deferred consideration payable at 22 December 1998 of £331,000 was paid during the current year.

### (iv) Secure Microsystems Limited ("Sigma") and VSL Holdings Limited ("VSL")

On 21 October 1997 the company acquired the whole of the issued share capital of Sigma. The total consideration included £700,000 in deferred consideration which was satisfied during the current year by the issue of 3,414,634 10p ordinary shares in the company at a premium of 10.5p per share.

## Notes to the Accounts *continued*

VSL, a subsidiary of Sigma, had a minority interest of 25% at the date of the company's acquisition of Sigma. On 17 May 1999 the company exercised an option to call upon this remaining minority interest. This was satisfied by the issue of 121,952 10p ordinary shares in the company at a premium of 10.5p per share, giving a total value of £25,000. VSL is a dormant company, with no assets or liabilities, consequently the cost of investment represents goodwill of £25,000 which has been written off to the profit and loss account during the current year.

Analysis of the acquisition of VSL:

*Book value and fair  
value to the group  
£'000*

Goodwill arising on acquisition	25
Discharged by:	
Fair value of shares issued	25

### (v) The Challenge Technology Partnership Limited ("CTP")

On 8 May 1997, the company acquired the whole of the issued share capital of CTP. The contingent consideration payable following this acquisition was settled by the issue of 300,000 ordinary shares credited as fully paid at 35.5p each on 26 August 1999. The cost of this final contingent payment totalling £106,500 represented further goodwill on the acquisition and has been written off to reserves.

### (vi) Sextons In Car Insurance Replacement Specialists Limited ("ICIRS")

On 18 April 1997 Sextons In Car Entertainment Limited, a wholly owned subsidiary of Toad plc, acquired the whole of the issued share capital of ICIRS. Final deferred consideration of £20,000 was paid in respect of this acquisition during the year. This amount, representing goodwill on the original acquisition has been written off to reserves.

## 16. Stocks

The company has no stock. Details of that relating to the group are:

	22 December 1999 £'000	22 December 1998 £'000
Finished goods and goods for resale	3,447	3,698
Work in progress and raw materials	325	514
	<u>3,772</u>	<u>4,212</u>

**17. Debtors**

	22 December 1999 £'000	Group 22 December 1998 £'000	22 December 1999 £'000	Company 22 December 1998 £'000
<b>Amounts falling due after one year:</b>				
Amounts owed by group undertakings	-	-	7,913	9,258
<b>Amounts falling due within one year:</b>				
Trade debtors	4,482	4,668	-	-
Amount owed by group undertakings	-	-	1,869	875
Other debtors and prepayments	789	648	-	70
	<u>5,271</u>	<u>5,316</u>	<u>9,782</u>	<u>10,203</u>

**18. Creditors: amounts falling due within one year**

	22 December 1999 £'000	Group 22 December 1998 £'000	22 December 1999 £'000	Company 22 December 1998 £'000
Bank overdrafts	3,558	4,985	490	3,305
Short-term bank loan	1,967	991	1,967	900
Obligations under finance leases	103	61	-	-
Trade creditors	2,324	3,279	-	-
Corporation tax	78	371	-	-
Other taxation and social security	885	511	392	-
Accruals and deferred income	338	462	-	-
Other creditors	8	3,261	-	2,713
	<u>9,261</u>	<u>13,921</u>	<u>2,849</u>	<u>6,918</u>

The bank loan and overdrafts are secured by fixed and floating charges over all assets of the group.

**19. Creditors: amounts falling due after more than one year**

	22 December 1999 £'000	Group 22 December 1998 £'000	22 December 1999 £'000	Company 22 December 1998 £'000
Bank loan	3,417	1,156	3,417	-
Obligations under finance leases	198	58	-	-
	<u>3,615</u>	<u>1,214</u>	<u>3,417</u>	<u>-</u>

The bank loan falls due between one and two years.

## Notes to the Accounts *continued*

The net finance lease obligations to which the group is committed are:

	22 December 1999 £'000	22 December 1998 £'000
In one year or less	103	61
Between two and five years	198	58
	<u>301</u>	<u>119</u>

### 20. Financial risk management

The group's approach to managing financial risk is described in the Directors' Report on page 17. The disclosures below exclude all short term debtors and creditors.

#### Interest rate risk

<i>Financial liabilities - All Sterling</i>	<i>At fixed interest rates 1999 £'000</i>	<i>At floating interest rates 1999 £'000</i>	<i>Total 1999 £'000</i>	<i>Fixed rate weighted average interest rate 1999 %</i>
Bank loan	-	5,384	5,384	-
Bank overdrafts	-	3,558	3,558	-
Obligations under finance leases	301	-	301	11.5
	<u>301</u>	<u>8,942</u>	<u>9,243</u>	

Floating rate financial liabilities comprise bank borrowings and overdrafts with National Westminster Bank Plc bearing interest at commercial rates. The interest on the bank loan is linked to LIBOR and is capped at 6.5%. The overdraft interest is payable on the overdraft balances net of funds held on current account with the bank which at the year end totalled £1,658,000.

<i>Financial Assets - cash and deposits - 1999</i>	<i>Total £'000</i>	<i>Floating rate financial assets £'000</i>
Sterling	1,269	1,269
Lira	308	308
US Dollar	81	81
	<u>1,658</u>	<u>1,658</u>

**Interest rate risk profile of non-equity shares**

The company has in issue £779,000 of redeemable convertible preference shares that do not carry any interest or dividend rights. The shares are denominated in sterling and have an average period of conversion or redemption of 3 years.

**Currency exposures**

As explained on page 17, the group uses forward exchange contracts to hedge foreign exchange exposures on forecast payments in foreign currencies.

The table below shows the group's currency exposures; in other words, those transactional exposures that give rise to the net currency gains and losses recognised in the profit and loss account. Such exposures comprise the monetary assets and liabilities of the group that are not denominated in the operating (or 'functional') currency of the group.

At 22 December 1999 these currency exposures were as follows:

Functional currency of group operations	Net foreign currency assets/(liabilities)			
	Sterling £'000	US Dollar £'000	Lira £'000	Total £'000
Sterling	-	(167)	82	(85)

**Maturity of financial liabilities**

	22 December 1999 £'000
In one year or less	5,628
Between one and two years	-
Between two and five years	3,615
In more than five years	-
	<u>9,243</u>

**Borrowing facilities**

The company has a Sterling term loan facility of £5,612,000 and Sterling revolving loan facility of £4,000,000 incorporating an optional overdraft facility. As at 22 December 1999 the overdraft balance was £3,558,000 leaving undrawn facilities expiring in more than two years of £446,000.



## Notes to the Accounts *continued*

### Fair value of financial instruments

	<i>Book value 1999 £'000</i>	<i>Fair value 1999 £'000</i>
Cash and deposits	1,658	1,658
Bank loans	(5,384)	(5,384)
Bank overdrafts	(3,558)	(3,558)
Obligations under finance leases	(301)	(301)
Forward exchange contracts	-	(33)
Redeemable convertible preference shares	(779)	(1,043)
	<u>(8,364)</u>	<u>(8,661)</u>

The fair value of forward exchange contracts represents the unrealised gain or loss on revaluation of the contracts to year end exchange rates. The fair value of the unlisted redeemable convertible preference shares is based upon the closing share price on 22 December 1999 of 33.5p. As detailed in note 21, the preference shares are redeemable at their original issue price, or convertible into ordinary shares on a one to one basis. The fair value of other financial instruments is approximately equal to book value due to their short term nature or the fact that they bear interest at floating rates and those rates are below their capped levels where applicable.

### Gains and losses on hedges

Forward exchange contracts are used to hedge foreign exchange exposures arising on forecast payments in foreign currencies. These forward contracts are revalued to the rates of exchange at the balance sheet date and any aggregate unrealised gains and losses arising on revaluation are included in other debtors/other creditors.

	<i>Gains £'000</i>	<i>Losses £'000</i>	<i>Total net gains/(losses) £'000</i>
Unrecognised gains and losses at 22 December 1999	<u>31</u>	<u>(64)</u>	<u>(33)</u>
Of which gains and losses expected to be recognised next year	<u>31</u>	<u>(64)</u>	<u>(33)</u>

### Market price risk

Most of the group borrowings are at floating rates. As the bank loan interest rate is linked to LIBOR and is capped at 6.5% the directors believe that the risk of increased interest on borrowings is mitigated to an acceptable level.

The directors take advice on their foreign currency exposure from independent advisers in order to mitigate foreign currency risk.

**21. Share capital**

	22 December 1999 £'000	22 December 1998 £'000
<b>Authorised</b>		
105,000,000 (22 December 1998: 105,000,000)		
ordinary shares of 10 pence each	10,500	10,500
4,448,930 (22 December 1998: nil)		
redeemable convertible preference shares of 10 pence each	445	-
(a) Called up share capital		
<b>Issued, allotted and fully paid</b>		
65,642,714 (22 December 1998: 58,720,822)		
ordinary shares of 10 pence each	6,564	5,872
3,114,582 (22 December 1998: nil)		
redeemable convertible preference shares of 10 pence each	312	-
	<b>6,876</b>	<b>5,872</b>
(b) Ordinary share capital to be issued		
	22 December 1999 £'000	22 December 1998 £'000
Secur-Fix acquisition (note 31(iii))	43	43
Sigma acquisition (see below)	-	700
Spacetrac distribution agreement (note 12)	500	500
Sextons Group acquisition (note 15(ii))	2,108	2,500
	<b>2,651</b>	<b>3,743</b>

On 24 March 1999, the company crystallised the liability under the contingent consideration due to John Lewin and Nick Grimond in their capacity as vendors of Sextons Group Limited. The contingent consideration had a maximum payable of £1 million in shares on 14 April 2000, calculated by reference to the share price at that date. In exchange for the contingent consideration, the consideration was fixed at 3,200,000 shares at a notional price of 25p to be issued on 14 April 2000. On 24 March 1999, the company's actual share price was 20.5p, valuing the fixed consideration at £656,000. The consideration will be paid net of tax at 40%, so that the vendors would receive 1,920,000 shares. The company will be liable for any PAYE and National Insurance payable and £392,000 has been transferred from shares to be issued to creditors accordingly.

## Notes to the Accounts *continued*

### (c) Movement in ordinary share capital

	Date	ref	Number of shares	£'000
Balance at 22 December 1998			58,720,822	5,872
Shares issued in the year re:				
Acquisition of Metvale	7 January 1999	(i)	2,929,130	293
Issued to ex-employee	1 March 1999	(ii)	156,176	16
Deferred consideration, Sigma	5 January 1999	(iii)	3,414,634	341
Minority interest in VSL	17 May 1999	(iv)	121,952	12
Deferred consideration, CTP	27 August 1999	(v)	300,000	30
<b>Balance at 22 December 1999</b>			<b>65,642,714</b>	<b>6,564</b>

- (i) Details of the company's share issue to acquire Metvale and in respect of the Autoglass alliance are given in notes 12 and 15(i).
- (ii) The shares issued to a former employee are in respect of the settlement on termination of his employment contract.
- (iii) The shares issued for the acquisition of Sigma represent the deferred consideration of £700,000 in respect of this acquisition which took place on 21 October 1997 (see note 15(iv)).
- (iv) The shares issued for the acquisition of the minority interest in VSL represent the consideration given to take up the option to acquire the remaining 25% of this company (see note 15(iv)).
- (v) The shares issued for the acquisition of CTP represent the settlement of the deferred consideration of £106,500 in respect of this acquisition which took place on 8 May 1997 (see note 15(v)).

### Share options

In connection with the Autoglass Alliance, the company granted options to Belron International Properties NV ("Belron") to acquire up to 10% of the ordinary share capital of the company in three equal instalments on 7 January 2000, 2001 and 2002. The exercise price of the options per ordinary share are 40p, 55p and 70p respectively. Belron did not exercise its right to take up the first instalment.

The company also operates an employee share option scheme. As at 22 December 1999 options under this scheme were outstanding over (a) 162,000 ordinary shares issued in 1997 at 20.5p each, (b) 793,000 ordinary shares issued in 1998 at 23.5p each, and (c) 398,000 options issued in 1999 at 28p each. The options are exercisable between 3 and 10 years from the date of issue.

Details of the company's share option schemes in respect of directors are given in the report of the remuneration committee.

## (d) Movement in preference share capital

	Date	Number of shares	£'000
Balance at 22 December 1998		-	-
Shares issued in the year re:			
Autoglass alliance	1 March 1999	3,114,582	312
<b>Balance at 22 December 1999</b>		<b>3,114,582</b>	<b>312</b>

The preference shares are convertible at the option of the shareholder into ordinary shares at any time between 7 January 2001 and 31 December 2005 on the basis of one ordinary share for every preference share. They are redeemable at the option of the shareholder at 25p per share in limited circumstances.

The preference shares do not carry any dividend or voting rights. On a winding up of the company the preference shareholders have a right to receive, in preference to ordinary shareholders, 25p per share.

**22. Goodwill**

The cumulative amount of goodwill resulting from acquisition, which has been written off to reserves, is set out below:

	£'000
Written off to reserves in the period	
On CTP deferred consideration (see note 15(v))	107
On ICIRS deferred consideration (see note 15(vi))	20
	<hr/>
	127
At 23 December 1998	17,140
	<hr/>
At 22 December 1999	17,267

## Notes to the Accounts *continued*

### 23. Share premium account and reserves

	Share premium account £'000	Share capital to be issued £'000	Group profit and loss account £'000	Share premium account £'000	Share capital to be issued £'000	Merger reserve £'000	Company profit and loss account £'000
At 22 December 1998	9,095	3,743	(19,705)	9,095	3,743	1,001	(89)
Shares issued re. Sigma	359	(700)		359	(700)		
Arising from other share issues	996			996			
Adjustments to shares to be issued on Sextons Acquisition		(392)			(392)		
Goodwill written off			(127)				
Profit/(loss) for the year			1,957				(304)
At 22 December 1999	<u>10,450</u>	<u>2,651</u>	<u>(17,875)</u>	<u>10,450</u>	<u>2,651</u>	<u>1,001</u>	<u>(393)</u>

### 24. Reconciliation of movements in shareholders' funds

	Year ended 22 December 1999 £'000	38 weeks to 22 December 1998 £'000
Opening shareholders' funds	(995)	(109)
Proceeds from placement of shares	-	6,385
Shares issued as consideration for acquisitions (note 15)	1,564	1000
Shares issued under terms of Autoglass alliance (note 15)	779	-
Shares issued to former employee (note 21)	16	-
Shares to be issued as consideration for acquisition (notes 15 and 21)	(700)	2,500
Adjustment to shares to be issued on Sextons acquisition	(392)	-
Adjustment of shares to be issued on Sigma acquisition	-	(195)
Profit for the year (note 23)	1,957	432
Goodwill written off (note 15)	(127)	(11,008)
Closing shareholders' funds	<u>2,102</u>	<u>(995)</u>

### 25. Capital commitments

The company had no capital commitments at the year end.

**26. Financial commitments**

The company had no financial commitments at the end of the year. At 22 December 1999 the group had annual commitments under non-cancellable operating leases as follows:

	22 December 1999		22 December 1998	
	Land and buildings £'000	Other £'000	Land and buildings £'000	Other £'000
Expiring within one year	-	155	-	-
Expiring between two and five years inclusive	71	360	9	106
Expiring in over five years	145	-	198	357
	<u>216</u>	<u>515</u>	<u>207</u>	<u>463</u>

**27. Reconciliation of operating profit to net cash inflow/(outflow) from operating activities**

	Year ended 22 December 1999 £'000	38 weeks to 22 December 1998 £'000
Operating profit	2,546	945
Depreciation on tangible fixed assets	369	280
Amortisation of intangible fixed assets	80	-
Write off of goodwill	25	-
Decrease/(increase) in stocks	440	(518)
Decrease/(increase) in debtors	34	(574)
Decrease in creditors	(1,195)	(1,193)
Decrease in provisions	-	(70)
Net cash inflow/(outflow) from continuing operating activities	<u>2,299</u>	<u>(1,130)</u>

## Notes to the Accounts *continued*

### 28. Reconciliation of net cash flow to movement in net debt

	Year ended 22 December 1999 £'000	38 weeks to 22 December 1998 £'000
Increase/(decrease) in cash in the year	1,959	(2,228)
Cash (inflow)/outflow from movement in debt	(3,095)	851
New finance leases	(324)	-
Changes in net funds resulting from cash flows	(1,460)	(1,377)
Loans and finance leases acquired with subsidiaries	-	(1,370)
Movement in net debt in the year	(1,460)	(2,747)
Net debt at 22 December 1998 (see note 29)	(6,125)	(3,378)
Net debt at 22 December 1999 (see note 29)	(7,585)	(6,125)

### 29. Analysis of net debt

	At 22 December 1998 £'000	Cash flow £'000	Other movements £'000	At 22 December 1999 £'000
Cash at bank and in hand	1,126	532	-	1,658
Bank overdrafts	(4,985)	1,427	-	(3,558)
	(3,859)	1,959	-	(1,900)
Finance leases	(119)	142	(324)	(301)
Short term bank loans	(991)	(976)	-	(1,967)
Other loans	(1,156)	(2,261)	-	(3,417)
	(6,125)	(1,136)	(324)	(7,585)

### 30. Pensions

In the prior year the group operated a defined contribution pension scheme for certain key employees. The pension cost which represents contributions payable by the group, amounted to £nil (22 December 1998 - £26,000). Included in creditors is £nil (22 December 1998 - £18,000) in respect of contributions to the scheme.

### **31. Related party transactions**

#### **(i) BioMed PTE Limited ("BioMed")**

On 18 November 1996 the company's subsidiary, Toad Innovations Limited, entered into a distribution agreement with BioMed, a company in which Mr JR Morris, a non-executive director of the company during the year, was interested. Mr Morris was interested in 60% of the issued share capital of BioMed through BioTrace A.G., a company in which Mr Morris owned 80% of the issued share capital. Pursuant to this agreement BioMed was appointed as the exclusive distributor of Toad products in Singapore and Malaysia for a period of five years and continuing thereafter unless terminated by either party on six months notice and otherwise upon arm's length commercial terms. Toad Innovations has agreed under the distributorship agreement to supply Toad products to BioMed on its general conditions of sale from time to time at the price shown in its standard price lists. These terms have subsequently been varied to give BioMed extended credit.

As at 22 December 1999, amounts due from BioMed to Toad Innovations Limited were £15,869 (22 December 1998: £15,869). The products this amount relates to have been shown to be faulty and are to be returned. Provision for this amount has been made in the accounts. No sales have been made in the current or preceding period.

#### **(ii) Spacetrac Limited**

On 26 September 1997, the company entered into a distribution agreement with Spacetrac Limited, a company in which Dr CT Evans (non-executive chairman) and Mr JR Morris (a director during the year), are interested. Dr Evans is interested in 30% of the issued share capital of Spacetrac Limited through Abbotsford Limited, a company owned by Trustco Management Services Limited SA, which is trustee of the Solidum Trust of which Dr Evans is a potential discretionary beneficiary and Mr Morris is interested in 20% through Wesdon Limited, a company owned by Abacus Trust Company, Isle of Man.

Pursuant to the distribution agreement, the company has been appointed as sole and exclusive distributor of a location device for use in certain vehicles in the United Kingdom and certain European countries until 13 May 2007.

Within the distribution agreement, which was approved on 20 October 1997, Toad plc are to issue £500,000 in value of Toad 10p ordinary shares on delivery of the first working Spacetrac product. This amount has been accrued for within the books of Toad plc as disclosed in note 12.

As at 22 December 1998 and 22 December 1999, there was an amount outstanding from Spacetrac to Toad Innovations Limited of £6,784 relating to consulting fees associated with the loan of Toad technical staff. It was agreed that this amount would be settled against amounts payable on the first delivery of finished product.

#### **(iii) Secur-Fix Limited**

On 25 April 1996, Toad acquired the whole of the issued share capital of Secur-Fix Limited for a total consideration of £950,000. The purchase consideration is satisfied in two parts, £500,000 which was allotted on completion by way of 476,190 ordinary shares of 10p in Toad (credited as fully paid at £1.05) and up to a further £450,000 of shares to be issued on the condition of Toad selling 1,500 rolls of Secur-Fix film.

Mr KJ Gray, who was a director during the year, was a major shareholder in Secur-Fix and as such has an interest in the potential additional shares to be issued.



## Notes to the Accounts *continued*

(iv) Dr CT Evans

At 22 December 1999 the group had a term loan facility of £5,612,000 and a revolving loan facility of £4,000,000. These facilities are secured by charges over the assets of the group and by personal guarantees and undertakings up to a maximum of £4,300,000 given by the non-executive chairman, Dr CT Evans.

(v) Executive directors

The Sextons Group provided services, on a commercial basis, valued at £39,336 (22 December 1998: £22,000) to Hummingbird Products Limited, a company in which JC Lewin and DG Baynes, directors of Toad plc, are directors.

The amounts due from Hummingbird Products Limited were as follows:

	22 December 1999 £'000	22 December 1998 £'000
Hummingbird Products Limited	<u>1</u>	<u>-</u>

# **Toad PLC**

(Registered in England No: 2974642)

## **NOTICE OF ANNUAL GENERAL MEETING**

NOTICE IS HEREBY GIVEN that the SIXTH ANNUAL GENERAL MEETING of the company will be held at the offices of Ashurst Morris Crisp, Broadwalk House, 5 Appold Street, London EC2A 2HA on 27 April 2000 at 10:30 am for the following purpose:-

1. To receive the company's annual accounts for the financial year ended 22 December 1999, the directors' report and the auditors' report on those accounts.
2. To appoint Ernst & Young as auditors to hold office from the conclusion of this meeting until the conclusion of the next general meeting of the company at which accounts are laid and to authorise the directors to fix their remuneration.
3. To elect Mr Wilson Jennings, who having been appointed during the year retires pursuant to Article 86, as a director of the company.
4. To elect Stephen Wheatley, who having been appointed during the year retires pursuant to Article 86, as a director of the company.
5. To elect Michael Cornwell, who having been appointed during the year retires pursuant to Article 86, as a director of the company.
6. To re-elect Stuart Gall, who retires by rotation pursuant to Article 80, as a director of the company.

BY ORDER OF THE BOARD

W.W. JENNINGS

Secretary

Dated: 24 March 2000

Registered Offices:

Drake Road  
Mitcham  
Surrey

Notes:

- (i) A member entitled to attend and vote at the meeting is entitled to appoint one or more persons to attend and on a poll vote instead of him. The proxy need not be a member of the company.
- (ii) To be effective, the instrument appointing a proxy and any authority under which it is executed (or a notarally certified copy of such authority) must be deposited at the registered office not less than 48 hours before the time for holding the meeting. A form of proxy is enclosed with this notice. Completion and return of the form of proxy will not preclude shareholders from attending and voting in person at the meeting.
- (iii) To have the right to attend and vote at the meeting (and also for the purpose of calculating how many votes a person entitled to attend and vote may cast), a person must be entered on the register of holders of the ordinary shares of the company by no later than 10:30 am on 25 April 2000, or, if the meeting is adjourned at the time being not more than 48 hours before the time fixed for the adjourned meeting. Changes to entries on the register after this time shall be disregarded in determining the rights of any person to attend or vote at the meeting.