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Resero Technology Systems Limited

Report and Financial Statements

Year Ended 31 January 2001



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DIRECTORS AND OTHER INFORMATION

Board of Directors as at 6 March 2002

P Ryan
M Duffin

Solicitors

TLT Solicitors,
Bush House,
72 Prince Street,
Bristol

Secretary and Registered Office

D Hearn
Racal House
Eastern Business Centre
Eastern Road
Bracknell
Berkshire RG12 2UP

Bankers

National Westminster Bank plc
8 Park Row
Leeds
West Yorkshire
LS1 1QS

Company No: 3231248

Auditors

PricewaterhouseCoopers
Chartered Accountants and Registered Auditors
Wilton Place
Dublin 2

DIRECTORS' REPORT

The directors present their report together with the audited financial statements for the year ended 31 January 2001.

Directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to:

- Select suitable accounting policies and then apply them consistently.
- Make judgements and estimates that are reasonable and prudent.
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper books of account which disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act, 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Principal activities and review of the business

The principal activity of the company continued to be that of the research and development of the application of advanced technology in connection with electronic tagging for computers, security, tolling and access control.

Results and dividends

The loss after tax for the financial year amounted to Stg£291,311. The directors do not recommend payment of an ordinary dividend.

Prior period comparative figures

In preparing the previous periods figures the then directors were of the opinion that the company was entitled to the exemption from audit conferred by Section 249(A)(1) of the Companies Act 1985. As a consequence the comparative figures were not audited. However, the then directors acknowledged their responsibility for:

- (i) ensuring the company keeps accounting records which comply with Section 221 of the Companies Act 1985, and;
- (ii) preparing accounts which give a true and fair view of the state of affairs of the Company as at the end of the financial year in accordance with the requirements of Section 226, and which otherwise comply with the requirements of this Act relating to accounts, so far as applicable to the company.

Subsequent events

There have been no material events since the balance sheet date.

Health and safety

It is the policy of the company to ensure the health and welfare of its employees by maintaining a safe place and system of work. This policy, which is set out in the safety statement required by the Safety, Health and Welfare at Work Act, 1989 is in place

Directors

The names of the persons who were directors at any time during the year ended 31 January 2001 are set out below.

Sir R Walker	(resigned 31 August 2000)
G S R Hunter	(resigned 31 August 2000)
B Dean	(resigned 31 August 2000)
Professor E Korolkiewicz	(resigned 31 August 2000)
K Madbouli	(resigned 31 August 2000)
D Owen	(resigned 31 August 2000)
J Molloy	(appointed 31 August 2000, resigned 31 August 2001)
P Ryan	(appointed 31 August 2000)
M Duffin	(appointed 14 June 2001)

DIRECTORS' REPORT - continued

Directors' and secretary's shareholdings

The beneficial interests, including family interests, of the directors and secretary in office at 31 January 2001 in the share capital of the company and the company's parent Appian Technology plc are disclosed in the annual report of Appian Technology plc.

Important events occurring during the year

On 31 August 2000 the offer by Appian Technology Plc to acquire the entire issued share capital of the company was accepted. As a consequence the ultimate parent and controlling parent is now Appian Technology Plc. Copies of the group financial statements of Appian Technology Plc are available from Racal House, Eastern Business Centre, Eastern Road, Bracknell, Berkshire RG12 2UP.

Research and development

The company is heavily committed to research and development activities within the electronic tagging, security, tolling and access control industry.

Auditors

The auditors, PricewaterhouseCoopers, will be appointed in accordance with section 160(2) of the Companies Act, 1963.

On behalf of the board

P Ryan

M Duffin

6 March 2002

PricewaterhouseCoopers
Wilton Place
Dublin 2
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I.D.E. Box No. 137
Internet www.pwcglobal.com/ie

AUDITORS' REPORT: To the shareholders of Resero Technology Systems Limited

We have audited the financial statements on pages 6 to 12 which have been prepared under the historical cost convention and the accounting policies set out on page 8.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the financial statements as described on page 3. Our responsibilities as independent auditors, are established by statute, the Auditing Practise Board and on profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act. We also report to you, if in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions is not disclosed.

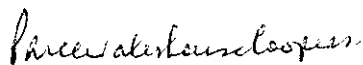
Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs at 31 January 2001 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act, 1985.



PricewaterhouseCoopers
Chartered Accountants and Registered Auditors
Dublin

6 March 2002

PROFIT AND LOSS ACCOUNT
Year Ended 31 January 2001

	Notes	Year ended 31 January 2001 £	Unaudited 18 months ended 31 January 2000 £
Turnover	3	-	98,527
Cost of sales		<u>-</u>	<u>(80,581)</u>
Gross profit		-	17,946
Administrative expenses		(302,882)	(132,641)
Other operating income		<u>11,730</u>	<u>1,168</u>
Operating loss	4	(291,152)	(113,527)
Other interest receivable and similar income	5	-	978
Interest payable and similar charges	6	<u>(159)</u>	<u>(893)</u>
Loss on ordinary activities before taxation		(291,311)	(113,442)
Tax on loss on ordinary activities	9	<u>-</u>	<u>-</u>
Loss on ordinary activities after taxation	16	<u>(291,311)</u>	<u>(113,442)</u>

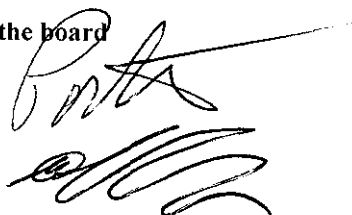
The profit and loss account has been prepared on the basis that all operations are continuing operations.

There are no recognised gains and losses other than those passing through the profit and loss account.

On behalf of the board

P Ryan

M Duffin



BALANCE SHEET
As at 31 January 2001

	Notes	2001 £	Unaudited 2000 £
Fixed assets			
Intangible assets	10	-	98,210
Tangible assets	11	<u>-</u>	<u>17,431</u>
Current assets			
Stocks	12	-	23,622
Debtors	13	12,948	8,521
Cash at bank and in hand		<u>2,998</u>	<u>9,867</u>
		15,946	42,010
Creditors: amounts falling due within one year	14	<u>(142,428)</u>	<u>(32,822)</u>
Net current (liabilities)/assets		<u>(126,482)</u>	<u>9,188</u>
Total assets less current liabilities		<u>(126,482)</u>	<u>124,829</u>
Capital and reserves			
Share capital	15	262,589	244,240
Share premium account	16	118,732	97,081
Profit and loss account		<u>(507,803)</u>	<u>(216,492)</u>
Shareholders' funds - equity interests	17	<u>(126,482)</u>	<u>124,829</u>

On behalf of the board

P Ryan

M Duffin



NOTES TO THE FINANCIAL STATEMENTS

1 Accounting policies

Basis of accounting

The financial statements are prepared under the historical cost convention in accordance with accounting standards generally accepted in the UK. Accounting standards generally accepted in the UK in preparing financial statements giving a true and fair view are those published by the Institute of Chartered Accountants of England and Wales and issued by the Accounting Standards Board.

Going Concern

During the accounting period the company incurred a retained loss of Stg£503,803 and at the balance sheet date the company had net liabilities of Stg£126,482. The Company is dependent on the ongoing financial support of its ultimate parent undertaking Appian Technology Plc, to enable it to meet its liabilities as they fall due.

The parent Company has indicated its intention to provide this support for the foreseeable future and accordingly, the directors believe that it is appropriate for the financial statements to be prepared on the going concern basis.

Turnover

Turnover represents the amounts invoiced, excluding value added tax, in respect of services to customers.

Research and development

Research expenditure is written off to the profit and loss account in the year in which it is incurred.

Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life, as follows:

Equipment	33.33% straight line
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Stock

Stock is valued at the lower of cost and net realisable value.

Deferred taxation

Corporation tax is provided where applicable at current tax rates.

Deferred taxation is provided at appropriate rates on all timing differences using the liability method only to the extent that, in the opinion of the directors, there is a reasonable probability that a liability or asset will crystallise in the foreseeable future.

2 Prior period comparative figures

The comparatives have not been audited as the Company was entitled to the exemption from audit conferred by Section 249A(1) of the Companies Act 1985.

3 Turnover

The total turnover of the company for the year has been derived from its principal activity wholly undertaken in the United Kingdom.

NOTES TO THE FINANCIAL STATEMENTS - continued

4 Operating loss

	Year ended 31 January 2001 £	Unaudited 18 months ended 31 January 2000 £
Operating loss is stated after charging:		
Asset write off	17,944	10,577
Amortisation of development costs	98,210	-
And after crediting:		
Government grants	-	1,168

5 Other interest receivable and similar income

	Year ended 31 January 2001 £	Unaudited 18 months ended 31 January 2000 £
Bank interest	-	978

6 Interest payable

	Year ended 31 January 2001 £	Unaudited 18 months ended 31 January 2000 £
On bank loans and overdrafts	159	521
On other loans wholly repayable within 5 years	-	372
	159	893

7 Employees

	2001 Number	2000 Number
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Number of employees

The average monthly number of employees (including directors) during the year was:

Management	4	6
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Employment costs

	Year ended 31 January 2001 £	Unaudited 18 months ended 31 January 2000 £
Wages and salaries	1,958	-
Social security costs	184	-
	2,142	

NOTES TO THE FINANCIAL STATEMENTS - continued

8 Directors' emoluments

	Year ended 31 January 2001 £	Unaudited 18 months ended 31 January 2000 £
Emoluments for qualifying services	-	-

9 Taxation

There is no taxation due to the tax losses carried forward.

The company has estimated losses of £505,000 (2000: £207,000) available for carry forward against future trading profits.

10 Intangible fixed assets

Development
costs
£

Cost

At 31 January 2000	98,210
Additions	-
Amortisation charge for the year	(98,210)
At 31 January 2001	-

Development costs represented expenditure on individual projects which were terminated during the year and have therefore been written off during the year.

11 Tangible fixed assets

Equipment
£

Cost

At 31 January 2000	29,080
Additions	513
At 31 January 2001	29,593

Depreciation

At 31 January 2000	11,649
Asset write off	17,944
At 31 January 2001	29,593

Net book value

At 31 January 2001	Nil
At 31 January 2000	17,431

NOTES TO THE FINANCIAL STATEMENTS - continued

12 Stocks	2001 £	Unaudited 2000 £
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Raw materials and consumables	-	23,622
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13 Debtors	2001 £	Unaudited 2000 £
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Amounts falling due within one year:

Trade debtors	-	3,149
VAT recoverable	12,948	4,917
Other debtors	-	455
	<u>12,948</u>	<u>8,521</u>

14 Creditors	2001 £	Unaudited 2000 £
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Amounts falling due within one year

Trade creditors	52,722	11,749
Directors' current accounts	-	7,549
Accruals and deferred income	16,050	13,524
Amounts due to fellow group subsidiaries	71,513	-
Tax and social security	680	-
Other creditors	1,463	-
	<u>142,428</u>	<u>32,822</u>

15 Share capital	2001 £	Unaudited 2000 £
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Authorised

1,000,000 Ordinary shares of £1 each	<u>1,000,000</u>	<u>1,000,000</u>
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Allotted, called up and fully paid

262,589 Ordinary shares of £1 each	<u>262,589</u>	<u>244,240</u>
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On 10 April 2000 18,349 ordinary shares of £1 each were issued for cash at £2.18 per share.

16 Statement of movements on reserves	Share premium account £	Profit and loss account £
Balance at 31 January 2000	97,081	(216,492)
Retained loss for the year	-	(291,311)
Premium on shares issued during the year	<u>21,651</u>	-
Balance at 31 January 2001	<u>118,732</u>	<u>(507,803)</u>

NOTES TO THE FINANCIAL STATEMENTS - continued

17 Reconciliation of movements in shareholders' funds

	2001 £	Unaudited 2000 £
Loss for the financial year	(291,311)	(113,442)
Proceeds from issue of shares	40,000	209,819
Net reduction to shareholders' funds	(251,311)	96,377
Opening shareholders' funds	124,829	28,452
Closing shareholders' funds	(126,482)	124,829

18 Ultimate parent and controlling company

The ultimate parent company is Appian Technology Plc, a company incorporated in Great Britain. This is also the largest and smallest group which includes the company and for which the consolidated financial statements are prepared. Copies of the group financial statements of Appian Technology Plc can be obtained from Eastern Business Centre, Eastern Road, Bracknell, Berkshire, RG12 2UP. The ultimate controlling party, as defined by Financial Reporting Standard No 8 "Related Party Disclosures", is Appian Technology Plc.

19 Related Party Transactions

In accordance with Financial Reporting Standard No. 8 "Related Party Disclosures" transactions with other undertakings within, and investee related parties of, the Appian Technology Plc group have not been disclosed in the financial statements.

20 Approval of financial statements

The financial statements were approved by the board of directors on 6 March 2002.