Appian Technology plc

Annual Report and Financial Statements

Year Ended 30 September 2007

Company No 4020918

CONTENTS

The Report of the Directors on pages 7 to 10 has been drawn up in accordance with the requirements of English law and liability in respect thereof is also governed by English law In particular, the responsibility of the Directors for these reports is owed solely to Appian Technology plc

The Directors submit to the members their Report and Accounts of the Group for the year ended 30 September 2007 Pages 3 to 10, including the Directors and other information, Chairman's Statement, Financial Review and Directors' Report form part of the Report of the Directors

DIRECTORS AND OTHER INFORMATION

Board of Directors

P Ryan	(Executive Chairman)
D Hearn	(Finance Director)
T Keene	(Commercial Director)
F Newton	(Non-executive)
P Coyle	(Non-executive)

Bankers

Lloyds TSB plc
45 High Street
MAIDENHEAD
Berkshire
SL6 1JS

Secretary and Registered Office

D Hearn
Appian House
Unit 4
Wessex Road
BOURNE END
Buckinghamshire
SL8 5DT

Solicitors

TLT Solicitors
One Redcliffe Street
BRISTOL
BS99 7JZ

Arthur Cox
Arthur Cox Building
Earlsfort Terrace
DUBLIN 2

Registered Number: 4020918

Auditor

Grant Thornton UK LLP
1 Westminster Way
OXFORD
OX2 0PZ

Registrar

Capita Registrars
Northern House
Woodsome Park
Fenay Bridge
HUDDERSFIELD
West Yorkshire
HD8 0LA

Nominated Advisor and Brokers

Arbuthnot Securities Limited
Arbuthnot House
20 Ropemaker Street
LONDON
EC2Y 9AR

CHAIRMAN'S STATEMENT

I am pleased to update shareholders on the progress we made during the year ended 30 September 2007 and to give an overview on current trading

Since my last report, Appian Technology plc has seen some significant changes, which I believe have strengthened its position in the market, enabling us to maximise the potential of its proprietary ANPR related products and services Progress has been made in a number of areas, particularly in product and market development, resulting in Appian now being recognised as a global brand in ANPR and traffic management We carried out over 30 trials worldwide, which have led to product approval in a number of markets, tailoring of our product for specific circumstances which we anticipate will lead to future business We also made progress in camera development and product rollout and we believe that we now have the best of breed in recognition cameras, which we have commenced selling as stand alone products

However, whilst the underlying business was strengthened, the second half of the last financial year was a difficult period for Appian, during which many anticipated orders were delayed by circumstances outside of our control or our customers Importantly, we did not lose any business which we expected to win and the order flow has increased in the first quarter of this year In addition, there was an increase in cost due to the acquisition of Genesis, which was only sustainable at the higher levels of sales experienced in the first half All costs have been reviewed and, following the end of the Genesis earn-out period, greater focus on cost management is being achieved, which will reduce our ongoing cost base, particularly in the second half of this year

On a more optimistic note, the Group's addressable markets are expanding The UK market is continuing to develop - for example we have contracts with all major high-spending metropolitan police forces International markets are forecast by to replicate the UK penetration levels, and ANPR spend is predicted to grow by by 20% per annum We have secured additional market footholds notably in the Middle East, Central and South America, Europe and North Africa, so we believe the door has been opened and the concept is tried, tested and proven

In the UK, we have a blue-chip customer base During the year, the Group won various UK police orders, in many cases displacing competing ANPR providers to become the supplier of choice Notable contract wins in the period included a £270,000 order for a fixed site system from a UK metropolitan police force, orders for our new COBRA ANPR camera range and a £350,000 order from a West Country constabulary We also won an order from the Civil Nuclear Constabulary, for mobile systems worth £185,000 In the commercial sector, we are selling static and mobile systems to individual companies and commercial systems integrators at an increasing rate A new parking ANPR system was installed at the prestigious NEC site in Birmingham Follow-on business is expected for this type of application

Internationally, we won orders in Latin America, the Middle East, Europe and the USA The Group has a 30% interest in a consortium which has a 10-year contract to run a new congestion charging scheme in Malta This sophisticated system combines ANPR with a state of the art hourly billing system, allowing motorists to view and pay charges on the Internet The consortium intends to roll this initiative out to further congestion charging schemes

In the USA, we signed our first original equipment manufacturer agreement ('OEM') with a leading security software solutions group, Civica Software ('Civica'), our California based distributor As part of the agreement, Appian receives an equity position with an option to increase this shareholding at a defined price in the future Civica is focused on developing and distributing technology products for the US Government and law enforcement agencies Under the terms of the agreement, Civica will integrate Appian's TalonSP™ recognition engine into its proprietary hardware and software system, PlateScan™, to create a superior product that enables customers to identify proactively vehicles of interest during routine patrols The new integrated system is already generating considerable interest, with the first sale recently agreed

Following an intensive investment and development programme over the last 12 months, we now have a wider product portfolio including both fixed site (Cobra, Stinger) and mobile (Viper and MShark) applications As reported in the interim results, we remain focused on developing innovative, high specification ANPR related products, which incorporate unique design features, in order to keep our systems at the forefront of technology and accuracy Our new COBRA camera, which commenced production in February 2007, has been well received in the market STINGER, a camera combined with a processor, is designed to recognise and process licence plates and associated imagery in extreme conditions and transmit the data to the user via wireless communications Our third new camera, the VIPER, a miniature in-car ANPR camera for the mobile market, was also launched in 2007, as was the hand held MShark, and the order book is improving

A number of changes have been made to our management structure In particular, we reorganised the sales teams, enabling them to further capitalise on opportunities and strengthened the management team The management of Research & Development has also been significantly strengthened

CHAIRMAN'S STATEMENT

David Hearn has given notice of his intention to leave the Board to pursue other opportunities Philip Lindsell, a chartered accountant who has held a number of senior finance roles within major UK companies, has been appointed as Interim CFO

Furthermore, I am pleased to announce that the Group has commenced the search for a non-executive Chairman, and look forward to updating shareholders in the near future

We were also delighted to welcome Arbuthnot Securities Limited as our new nominated adviser and stockbroker Its highly professional team supported us during the recent fundraising and continue to provide valuable advice.

Financials

After an encouraging first six months of continuing the increased trend in sales growth, sales for the year ended 30 September 2007 were slightly down at £4 78 million from £5 15 million previously, as a result of the slowdown in sales in the second half Gross margins decreased to 39 6% (2006 52 8%) as a result of some "one off" costs totalling £384,000 in respect of stock write downs and the additional costs associated with delivering the congestion charging scheme in Malta

The Group incurred a loss after tax of £2 97 million (2006 profit £5,000) which is equivalent to a loss of 2p per share

Other operating expenses increased to £4 48 million (2006 £2 65 million) due to a full year's costs from Genesis of £894,000, an increase of £243,000 on research and development, an increase of £572,000 on sales and marketing, and, an increase of £121,000 on continuing to strengthen the management and after sales team within the delivery and maintenance departments These cost increases have significantly improved the Group's product lines and market position

In December 2007, the Group raised £1,390,000 net of expenses, through the placing of 36,913,700 new ordinary shares at 4p per share with existing and new institutional investors, as well as certain directors of the Group

The Board is finalising plans regarding the issue of a convertible loan note to raise up to £1 million, of which interest for £480,000 has already been received, to strengthen the balance sheet and provide additional working capital to fund the strong level of contracts won since the end of December The cash tightened to February 2008 as a result of forecast Quarter One sale orders being received later than anticipated in the quarter, a delay in supplier deliveries in January which are now ramping up faster than the Group's credit lines allow resulting in certain key suppliers granting shortened credit facilities and limits being imposed on the invoice discounting facility due to debtor concentration

Current Trading and Outlook

The delayed orders from the second half of 2007 are now materialising After the year end, Appian won a £540,000 contract with a major national police force in the UK to install a new ANPR system, capable of processing in excess of 20 million vehicle licence plates per day This contract is the first phase of a larger two-phase contract, which is expected to be completed within 12 months

We also won two contracts with major UK police forces in the south and north of England worth a total of £410,000 These comprised a £260,000 order to install our ANPR technology at a number of strategic fixed sites in the south of England and a £150,000 order for a fixed site ANPR system for a major city police force in the north of England We also recently announced two further orders totalling £350,000 to supply ANPR technology to a UK military base and a prestigious Middle Eastern hotel

With our addressable markets expanding and showing strong potential, a wider product portfolio and more focused business, the Board is confident that Appian can capitalise on its position as a leading internationally recognised brand in ANPR and traffic management and deliver significantly enhanced sales Whilst the timing of the receipt of large orders will always be an issue for us, I believe that 2008 will prove a pivotal year for the Group as successful trials are converted into real contracts I am therefore confident that the initiatives we implemented during 2007 will have a positive impact on Appian during 2008 and look forward to regularly updating shareholders with positive news flow

Pat Ryan
Executive Chairman and CEO
3 March 2008

FINANCIAL REVIEW

Results
Appian's turnover was down 7 2% from £5 15 million in 2006 to £4 78 million for the year In the period to 31 March 2007 turnover continued the upward trend from previous years, being £3 51 million as compared to £1 94 million in 2006 In six months to 30 September 2007 the Group experienced a slowdown in sales order intake and a number of significant forecast orders were delayed, which had an adverse impact on turnover during that period These forecast orders remain "live" and are expected to be completed in 2008

The gross profit for the year at £1 89 million was down on last year's £2 70 million A number of "one off" costs were incurred during the second half of the year, which included a stock provision of £234,000 and additional costs of £148,000 to complete the installation of equipment delivered to a contract in Malta These costs had an adverse impact on the Group's gross margin for the year resulting in the overall gross margin being down from 52 3% to 39 6% However, a recent review of the current order book shows gross margins returning to the level achieved in 2006

Other operating expenses at £4 48 million are higher than last year's costs of £2 65 million, primarily due to a full year's costs from Genesis of £894,000, an increase of £243,000 on research and development, an increase of £572,000 on sales and marketing, and, an increase of £121,000 continuing to strengthen the management and after sales support team within the delivery and maintenance departments Staff increased from 38 in 2006 to 60 at the end of 2007 reflecting the acquisition of Genesis Current rationalisation will bring the headcount to around 45

Overall the Group made a loss after tax for the year of £2 97 million (2006 restated profit £5,000) The Group's loss per share was £0 02 (2006 earnings of £0 0001 per share)

In our announcement in December 2007 we stated that "for the financial year ended 30 September 2007 the anticipated pre-tax tax loss would be approximately £2 million before any final adjustments" The principal final adjustments included £101k for the impairment in the trade investment, £100k for interest costs and completion costs on a specific contract, long term debtor provision of £46k, stock provisions of £234k, and, the adjustment for FRS 20 "Share-based payment" of £224k

Taxation
No liability to UK or overseas corporation tax has arisen during 2007, due to the availability of tax losses brought forward (2006 £Nil) The Group benefited from a tax credit of £47,000 (2006 £89,000) in respect of the UK Research and Development Tax Credit scheme

Research and Development
The Group incurred £734,000 (2006 £491,000) of research and development costs which were fully expensed during the year A significant proportion of the investment continued to be on new specialised ANPR reader products, as well as continuing to train and customise the recognition engine for reading international number plates to support the international market and further development of the Genesis acquired ANPR products Shark and Big Fish Expenditure of £463,000 (2006 £131,000) relating to the development of a new ANPR camera suite of products was capitalised This expenditure will be amortised against future revenues generated by the products

New Subsidiary
On 1 October 2006 the Group formed a new company, Appian Technology Inc ("Inc"), which is incorporated in the State of Delaware in the USA Inc is based in North Carolina and is a sales office for the Group's products, it also provides technical support to its local customer base

Trade Investment
In December 2006 the Group's subsidiary Genesis acquired a 30 per cent investment in a Maltese company called CVA Technology Company Limited ("CVA") During the year to September 2007 CVA won a contract to supply and manage a congestion charging scheme in Valletta, Malta The cost of the investment was £203,000, but currently the level of income being generated from the congestion charging scheme is lower than expected Having reviewed the discounted future cash flows of the investment, the Directors have made a partial write down to £101,000

Balance Sheet
The consolidated balance sheet as at 30 September 2007 shows net assets of £1 79 million

Goodwill of £2 06 million arising from the acquisition of Genesis in July 2006 has been reduced during the year to £1 37 million as a result of the basis of calculating the earn out being changed during the year to September 2007 Under the

FINANCIAL REVIEW - continued

revised earn out no further payments are due and the deferred consideration estimated at 30 September 2006 of £694,000 has been reduced to nil

Funding

In January 2007 2,000,000 warrants were exercised at a price of £0 05 per ordinary share During June 2007, a further 200,000 warrants were exercised at a price of £0 05 per ordinary share

During the year the Group took on new finance leases of £242,000 (2006 £9,000) to fund its purchases of tangible fixed assets and to fund its trade investment in CVA

In December 2007 the Group raised £1,390,000 net of expenses, through the placing of 36,913,700 ordinary shares of £0 01 each for a cash price of £0 04 each to institutional and other investors The proceeds which were received by 12 December 2007 will be used for working capital

Working Capital

The debtors of £1 73 million at the year end were £903,000 lower than the previous year owing to the lower level of sales in the final quarter

The stock value decreased by £127,000 over the previous year, of which £234,000 related to stock provisions made against demonstration stock and also against other slow-moving stocks The impact of the stock provision was partially offset by an increase of some £107,000 in consumable stock

Included in creditors due within one year is deferred income of £244,000 (2006 £331,000) which is non refundable and will be recognised as revenue in the year ending 30 September 2008

Cash Flow

The Group absorbed £1 66 million (2006 £1 37 million) from operating activities and working capital movements of which £2 59 million arose from the cash absorbed in operating activities which was partially offset by the overall decrease in cash absorbed in working capital of £926,000 The Group also absorbed £45,000 (2006 £4,000) from investments and servicing of finance The purchase of its trade investment in CVA absorbed £203,000 (2006 £Nil) The purchase of tangible fixed assets, net of disposal proceeds from the sale of tangible fixed assets, a further £150,000 (2005 £22,000) and deferred development costs absorbed further cash of £463,000 (2006 £131,000)

The Group received £104,000 (2006 £4 09 million) net of expenses from the issue of shares during the year

FRS 20 "Share-based payment" Prior Year Adjustment

The result for the year ended 30 September 2006 has been adjusted to reflect the Group's adoption of FRS 20 "Share based charge" during the year Costs previously reported in 2006 have consequently increased by £100,697 in respect of share options issued in prior periods to directors and employees In addition opening reserves at 1 October 2006 have been restated for charges relating to prior periods totalling £50,307

Currency Exposure

Appian continues to manage its foreign exchange exposure by matching foreign exchange receipts and payments within the Group

Financial Management

The financial management team remains focused on ways of improving margins, good cash and cost management and strengthening the financial stability of the Group With the Genesis earn out period now completed management are already looking at reducing the cost base and the benefits of this review should be seen in the second half of the year ending 30 September 2008

David Hearn
Finance Director
3 March 2008

DIRECTORS' REPORT

The directors submit their report together with the audited financial statements for the year ended 30 September 2007

Statement of Directors Responsibilities

The directors are responsible for preparing the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice

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

- select suitable accounting policies and apply them consistently
- make judgements and estimates that are reasonable and prudent
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the entity will continue in business

The directors are responsible for keeping proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Company and Group and enable them to ensure that the accounts comply with the Companies Act 1985 They are also responsible for safeguarding assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities The directors are also responsible for the preparation of the directors' report and other information in the annual report

In so far as the directors are aware

- there is no relevant audit information of which the Group's auditor is unaware, and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Group's website Legislation in the United Kingdom governing the preparation and dissemination of financial statements, may differ from legislation in other jurisdictions

Principal Activities and Review of the Business

The Group has a complementary range of state of the art software products focused on the growing vehicle guidance, access control and enforcement markets The technologies are Talon, Shark, MShark, Big Fish, Navigator Zone Specific Guidance System and Toltec

Talon is a proven system in many areas of overt and covert surveillance It provides rapid and accurate identification of vehicles, 24 hours a day, in all but the worst weather conditions The system can be used to match passing vehicles against a target list which can either be held in the systems integral database or within a central computer When a target vehicle passes the camera an immediate warning is given

The Big Fish back office server system is a powerful 'central' server application software module that is designed to manage and control multiple ANPR assets, ANPR vehicle fleets, multiple fixed ANPR camera systems, handheld ANPR devices and portable ANPR devices

The MShark Handheld ANPR System can be integrated into handheld devices such as mobile phones and PDA's The system is delivered to customers on a SD card which is then inserted into the device and is the world's smallest ANPR system

Shark is an ANPR system that is used for mobile and static ANPR systems It is designed to run on a variety of PC's and uses a unique 'spiral' recognition engine

The Navigator Zone-Specific Guidance System is a parking guidance information solution for customers with multi-storey car park facilities This system enables the operator to provide customers with valuable assistance in their parking search process as they circulate through the parking facility, and ensures that drivers locate an available parking space more quickly and efficiently

The review of the business has been included in the Chairman's statement and Financial review on pages 3 to 6

DIRECTORS' REPORT -continued

Key Performance Indicators (KPIs)
Appian uses several performance indicators, both financial and non-financial, to monitor its progress The focus of the company continues to be improving efficiency levels, margins and customer service within a constantly changing and rapidly expanding market

a) Financial KPIs

Sales
The Group actively pursues increased sales

Cost Control
The Group continually measures its costs against pre-determined budgets and investigates variances The future focus continues to be improving efficiency levels and driving down operating costs, whilst maintaining high standards of customer service and developing the skills and effectiveness of its employees

b) Non-Financial KPIs

Customer Service Standards
The continuing focus will be to improve our customer support and this is monitored by customer feedback together with reviewing performance against our service level agreements

Maintenance
The maintenance performance is measured by statistical analysis of our call outs

Staff
The Group employed an average of 60 (2006 38) people during the year The Board wishes to record its appreciation of the efforts made by the staff during the year under review

Financial Result for the Period
The profit and loss account for the year ended 30 September 2007 is set out on page 16

Research and Development
The Group continued to undertake research and development of the products it acquired during August 2000 and July 2006

Creditor Payment Policy and Practice
It is the Group's policy that payments to suppliers are made in accordance with those terms and conditions agreed between the Company and its suppliers, providing that all trading terms and conditions have been complied with The payment period for the Group at 30 September 2007 was 73 days (2006 54 days)

Financial Risk Management Objectives and Policies
The Group uses various financial instruments These include loans, cash, equity investments, preference shares and various items, such as trade debtors and trade creditors that arise directly from its operations The main purpose of these financial instruments is to raise finance for the Group's operations (see note 14)

The existence of these financial instruments exposes the Group to a number of financial risks, which are described in more detail below

The main risks arising from the Group's financial instruments are market risk, currency risk, liquidity risk, interest rate risk and credit risk The directors review and agree policies for managing each of these risks and they are summarised below These policies have remained unchanged from previous years

DIRECTORS' REPORT -continued

Market Risk
Market risk encompasses three types of risk, being currency risk, fair value interest rate risk and price risk The Group's policies for managing fair value interest rate risk are considered along with those for managing cash flow interest rate risk and are set out in the subsection entitled "interest rate risk" below The directors are of the view that price risk is not a material risk to the business

Currency Risk
The foreign sales are priced in sterling and invoiced in sterling, with the exception of those sales made to the USA which are priced in sterling, but are invoiced in US Dollars The Group policy is to reduce currency exposures on any balance not expected to mature within 30 days of its arising through the use of an exchange rate which will always allow the Group sufficient margin to manage the risk

Liquidity Risk
The Group seeks to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable needs and to invest cash assets safely and profitably Short-term flexibility is achieved by overdraft and other bank facilities

Interest Rate Risk
The Group finances its operations through a mixture of bank borrowings and the issue of ordinary shares The Group exposure to interest rate fluctuations on its borrowings is managed by the use of floating facilities

Credit Risk
The Group's principal financial assets are cash and trade debtors The credit risk associated with the cash is limited as the counterparties have high credit ratings assigned by international credit-rating agencies The principal credit risk arises therefore from its trade debtors

In order to manage credit risk the directors set limits for customers based on a combination of payment history and third party credit references Credit limits are reviewed by the credit controller on a regular basis in conjunction with debt ageing and collection history

Directors
The names of the persons who were directors at any time during the year ended 30 September 2007 are set out below Unless otherwise stated the directors served for the entire year

P Ryan
J Finan (resigned 26 January 2007)
D Hearn
F Newton
T Keene
P Coyle (appointed 20 December 2006)

Directors' Shareholdings
The beneficial interests, including family interests, of the directors in office at 30 September 2007 in the share capital of the Company at 30 September 2007 were

	Ordinary £0 01 shares at 30 September 2007	Warrants 30 September 2007	Options at 30 September 2007	Ordinary £0 01 shares at 1 October 2006	Warrants 1 October 2006	Options at 1 October 2006
P Ryan	5,025,619	2,228,572	800,000	5,025,619	2,228,572	800,000
P Coyle	830,400	-	-	-	-	-
F Newton	381,000	475,000	-	381,000	475,000	-
D Hearn	479,642	89,286	1,500,000	479,642	89,286	1,500,000
T Keene	-	-	1,500,000	-	-	1,500,000
J Finan	-	-	-	741,167	475,000	-

In addition 6,697,000 shares in Appian Technology plc are held by National Avionics Limited in which P Ryan is a director and has an interest P Coyle also has an interest in National Avionics Limited and D Hearn is a director of National Avionics Limited

DIRECTORS' REPORT -continued

Subsequent Events
In December 2007 the Company raised £1,390,000 net of expenses through the placing of 36,913,700 ordinary shares of £0 01 each for a cash price of £0 04 each to institutional and other investors The proceeds, which were received by 12 December 2007, will be used for working capital

Going Concern
The financial statements have been prepared on the going concern basis which assumes that the parent company and its subsidiaries will continue in operational existence for the foreseeable future

In December 2007 the company raised £1,390,000 net of expenses, through the placing of 36,913,700 ordinary shares of £0 01 each for a cash price of £0 04 each to institutional and other investors The proceeds which were received by 12 December 2007 will be used for working capital

The directors have prepared projections to March 2009 reflecting current market conditions and execution of a planned reduction in the cost base These projections are based on assumptions about sales growth and new business which by their nature are subject to uncertainty as to the precise timing of the expected improvement The directors consider that, given the cash received in the form of equity and the bank facilities available, the financial projections are achievable

It is therefore considered appropriate to use the going concern basis to compile these financial statements

Substantial Shareholdings
At 30 January 2008 the directors had been notified of the following interests amounting to 3% or more of the issued voting ordinary share capital of the Group

Name of holder	Number of shares	Percentage held
ISIS EP LLP	20,940,150	11 33%
Universities Superannuation Scheme Limited	17,847,962	9 66%
Invesco Perpetual Aim VCT Plc	11,500,000	6.22%
Noble Fund Managers	10,261,100	5 55%
Patrick N Ryan	7,275,619	3 94%
National Avionics Limited	6,697,000	3 62%

Auditor

Grant Thornton UK LLP offer themselves for reappointment as auditor in accordance with section 385 of the Companies Act 1985

BY ORDER OF THE BOARD

D Hearn
Company Secretary
3 March 2008

Grant Thornton

REPORT OF THE INDEPENDENT AUDITOR TO THE MEMBERS OF APPIAN TECHNOLOGY PLC

We have audited the group and parent company financial statements (the "financial statements") of Appian Technology Plc for the year ended 30 September 2007 which comprise the accounting policies, the consolidated profit and loss account, the consolidated and company balance sheets, the consolidated cash flow statement and notes 1 to 32 These financial statements have been prepared under the accounting policies set out therein

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

Respective Responsibilities of Directors and Auditor

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland)

We report to you our opinion as to whether the financial statements give a true and fair view, whether they are properly prepared in accordance with the Companies Act 1985 We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements The information given in the Directors' Report includes that specific information presented in the Chairman's statement and Financial Review that is cross referred from the Business Review section of the Directors' Report

In addition we report to you if, in our opinion, 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 other transactions is not disclosed

We read other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements This other information comprises only the Chairman's Statement, Financial Review and the Directors' Report We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements Our responsibilities do not extend to any other information

Basis of Audit Opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's and 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, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the group's and the parent company's affairs as at 30 September 2007 and of the group's loss for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements for the year ended 30 September 2007

Emphasis of matter - going concern

In forming our opinion, which is not qualified, we have considered the adequacy of the disclosure made in the Directors' Report and accounting policies concerning the group's ability to continue as a going concern The group suffered losses of £3m during the year ended 30 September 2007 and, at that date, the group's current liabilities exceeded its current assets by £234,000 However, the directors believe that the forecasts they have prepared for the period ending 31 March 2009, which indicate an improvement in trading and return to profitability, together with available funding, enable them to form an opinion that the group can continue as a going concern for the foreseeable future As explained in the accounting policies, there is material uncertainty over the timing of forecast sales growth which may cast doubt over the group's ability to continue as a going concern The financial statements do not include the adjustments that would result if the group was unable to continue as a going concern Our opinion is not qualified in respect of this matter

Grant Thornton UK LLP

Grant Thornton UK LLP
Registered Auditor
Chartered Accountants
Oxford
3 March 2008

ACCOUNTING POLICIES

Historical Cost Convention
The financial statements are prepared on the going concern basis, under the historical cost convention and in accordance with the Companies Act 1985 and applicable standards

Basis of Preparation
The financial statements have been prepared in accordance with accounting standards generally accepted in the United Kingdom and under UK GAAP (UK statute comprising the Companies Act, 1985)

The principal accounting policies are set out below The policies have remained unchanged from the previous year except that in preparing the financial statements for the current period, the Group has adopted FRS 20 "share-based payment" The effect of this change in policy on the prior year financial statements is to increase the operating expenses by £100,967, thus reducing the profit for the year A corresponding amount has been credited to a share option reserve in accordance with FRS 20, together with a restatement of the opening reserves at 1 October 2005 of £50,307

As an AIM Listed Company, the Group must adopt IFRS for accounting periods commencing on or after 1 January 2007 The Group is considering the impact of IFRS in the meantime and reporting where appropriate

Going Concern
The financial statements have been prepared on the going concern basis which assumes that the parent company and its subsidiaries will continue in operational existence for the foreseeable future

In December 2007 the company raised £1,390,000 net of expenses, through the placing of 36,913,700 ordinary shares of £0 01 each for a cash price of £0 04 each to institutional and other investors The proceeds which were received by 12 December 2007 will be used for working capital

The directors have prepared projections to March 2009 reflecting current market conditions and execution of a planned reduction in the cost base These projections are based on assumptions about sales growth and new business which by their nature are subject to uncertainty as to the precise timing of the expected improvement The directors consider that, given the cash received in the form of equity and the bank facilities available, the financial projections are achievable

Basis of Consolidation
The Group financial statements consolidate those of the company and of its subsidiaries (see Note 32) drawn up to 30 September 2007 Acquisitions are dealt with by the acquisition method of accounting

As permitted by Section 230 of the Companies Act 1985, the Company has not presented its own profit and loss account The loss incurred by the Company for the year amounted to a loss of £3,053,181 (2006 restated loss of £5,160,101)

Revenue Recognition
For both hardware and software maintenance contracts, income is credited to the profit and loss account over the period to which it relates Costs associated with these contracts are expensed as incurred

Engineering services, not the subject of an ongoing maintenance contract, such as repair, training and consultancy, are recognised when the services are performed

Revenue and profit generated from fixed-price contracts, is recognised having regard to the proportion of the total contract which has been completed at the balance sheet date Provision is made in full for any expected losses on uncompleted contracts

Research and Development Expenditure
Research expenditure is written off in the period in which it is incurred Development expenditure is also written off, except where the directors are satisfied as to the technical, commercial and financial viability of individual projects In such cases, the identifiable expenditure is deferred and amortised over the period during which the Group is expected to benefit This period is between three and five years Provision is made for any amortisation on a straight line basis

ACCOUNTING POLICIES

Tangible Fixed Assets
Tangible fixed assets are shown at cost less accumulated depreciation

Depreciation is calculated in order to write off the cost of tangible fixed assets over their estimated useful lives by equal annual instalments

The estimated useful lives of tangible fixed assets by reference to which depreciation has been calculated are as follows

Furniture, fittings and equipment	3 years
Motor vehicles	3 years

Goodwill and Other Intangible Assets
Goodwill arising from the acquisition of subsidiary undertakings, representing the difference between the purchase consideration and fair value of net assets acquired, has been capitalised in accordance with the requirements of FRS 10

The directors have considered the appropriate method of accounting for goodwill They are of the opinion that reviewing goodwill on an annual basis is a more suitable method than writing it off over a specific number of years The company made a loss in the period ended 30 September 2007, but since the year end has won a number of significant orders from customers and contracts it had in place when acquired The Group is committed to maintaining the value of the brand names and to reviewing constantly the product portfolio An impairment review is carried out every 12 months based on projected future cash flows discounted at an appropriate discount rate based on the Group's weighted average cost of capital In accordance with FRS 10 and 11, the carrying value of intangible assets will continue to be reviewed for impairment on the basis stipulated in FRS 11 and adjusted should this be required The individual circumstances of each future acquisition will be assessed to determine the appropriate treatment of any related goodwill

The goodwill arising on the acquisition of Genesis has been measured by reference to the income streams generated from its products, brand names, customer framework agreements and customers Based on this review the Directors are of the opinion that there has been no impairment during the year to the goodwill

In carrying out its impairment review the Group has applied a discount rate of 7 25%

The financial statements depart from the requirement of companies' legislation to amortise goodwill over a finite period in order to give a true and fair view, for the reasons outlined above If the goodwill arising on all acquisitions had been amortised over a period of twenty years, operating profit would have decreased by £68,000 (2006 £43,000)

Other intangible assets, which consist of software intellectual property rights, are amortised over seven years, reflecting the directors' estimate of their economic life

Leases
Where tangible assets are financed by leasing agreements which give rights approximating to ownership ("finance leases") they are treated as if they had been purchased outright at the present values of the minimum lease payments and the corresponding leasing liabilities are shown in the balance sheet as finance leases

Depreciation on leased assets is calculated on a straight line basis over the estimated useful lives of the individual assets Interest arising on finance leases is charged to the profit and loss account in proportion to the amounts outstanding under the leases

Rentals in respect of operating leases are charged to the profit and loss in equal amounts over the lease term

Foreign Currencies
Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the exchange rates ruling at the balance sheet date and revenues, costs and non monetary assets at the exchange rates ruling at the dates of the transactions, except that where a transaction is covered by a forward exchange contract, the contracted exchange rate is used

Profits and losses arising from other currency translations and on settlement of amounts receivable and payable in other currencies are dealt with in the profit and loss account Monetary assets are money held and amounts to be received in money, all other assets are non monetary assets

ACCOUNTING POLICIES

Stocks and Work in Progress
Stocks are stated at the lower of cost and net realisable value

Cost is based on normal levels of cost and activity and comprises cost of purchase and, where applicable, cost of conversion to current condition

Net realisable value comprises the actual or estimated selling price (net of trade but before settlement discounts) less all further costs to completion and less all costs to be incurred in marketing, selling and distribution

Work in progress is valued on the basis of direct costs Provision is made for any foreseeable losses where appropriate No element of profit is included in the valuation of work in progress

Taxation
Corporation tax is provided, where applicable, at current rates Deferred taxation is provided on a full provision basis on timing differences, arising from the different treatment of items for accounts and taxation purposes, which are expected to reverse in the future, calculated at rates at which it is estimated that tax will arise The deferred taxation balance has been measured at the rate expected to apply when timing differences reverse Deferred tax assets are recognised to the extent that it is regarded as more likely than not they will be recovered

Timing differences are temporary differences between profits as computed for timing differences and profits as stated in the financial statements They arise because certain items of income and expenditure are dealt with in different periods for taxation purposes than as they are dealt with in the financial statements

Liquid Resources
The Group classes cash as well as overdrafts as liquid resources

Financial Liabilities
Financial liabilities are obligations to pay cash or other financial instruments and are recognised when the Group becomes a party to the contractual provisions of the instrument All interest-related charges are recognised as an expense in "finance cost" in the profit and loss account Bank loans are raised for support of long term funding of the Group's operations They are recognised at proceeds received, net of direct issue costs Finance charges, including premiums payable on settlement or redemption, and direct issue costs are charged to the profit and loss account on an accruals basis using the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise

Financial Instruments
Financial assets are recognised in the Balance Sheet at the lower of cost and net realisable value Provision is made for diminution in value where appropriate

Income and expenditure arising on financial instruments is recognised on the accruals basis, and credited or charged to the profit and loss account in the financial period to which it relates

Investments
Investments held as fixed assets are stated at cost less provisions for any impairment

FRS 20 "Share-based payment"
The Group issues share options to its employees under two schemes the 2000 Executive Share Option Scheme ("SOS") and under an Enterprise Management Incentives Plan ("EMI") The Group also issues warrants to its directors In accordance with FRS 20, the charges for these share options and warrants are measured at fair value at date of grant, using the Monte Carlo pricing model for the warrants and the SOS plan and the binomial pricing model for the EMI plan The fair value is then expensed on a straight line basis over the vesting period, based on the Group's estimate of the number of shares that will eventually vest, updated at each Balance Sheet date for options that have lapsed or been exercised All options and warrants are equity-settled

The principal assumptions used to calculate the value of options and warrants are included in notes 16 and 17 In assessing the volatility of the share price the Group has used historical share price data dating back to 1 May 1998

CONSOLIDATED PROFIT AND LOSS ACCOUNT
Year Ended 30 September 2007

	Notes	2007 £	2007 £	2006 restated £	2006 restated £
Turnover	1		4,775,548		5,150,135
Cost of sales			(2,883,089)		(2,453,602)
Gross profit			1,892,459		2,696,533
Other operating expenses		(4,476,695)		(2,648,739)	
FRS 20 Share Charge		(224,355)		(100,967)	
Depreciation		(42,833)		(20,537)	
Amortisation of goodwill and intangible assets		(15,240)		(5,574)	
Operating expenses			(4,759,123)		(2,775,817)
Operating loss			(2,866,664)		(79,284)
Impairment of investments	9		(101,425)		-
Interest receivable			51,495		54,446
Interest payable	4		(96,023)		(58,351)
Loss on ordinary activities before taxation	2		(3,012,617)		(83,189)
Taxation	5		47,371		88,654
(Loss)/profit for the financial year	18		(2,965,246)		5,465
Basic and diluted (loss)/profit per ordinary 1p share	6		(0 02)		0 0001

There were no recognised gains or losses in the financial year other than those dealt with in the profit and loss account Accordingly, no statement of total recognised gains and losses is prepared

The accompanying accounting policies and notes form an integral part of these accounts

CONSOLIDATED BALANCE SHEET
As at 30 September 2007

	Notes	2007 £	2006 restated £
Fixed assets			
Intangible assets	7	2,001,153	2,247,024
Tangible assets	8	167,474	60,622
Investments	9	101,425	-
		2,270,052	2,307,646
Current assets			
Stock	10	711,324	837,953
Debtors	11	1,727,662	2,630,486
Cash at bank and in hand		70,589	2,768,412
		2,509,575	6,236,851
Creditors - Amounts falling due within one year	12	(2,743,174)	(3,270,934)
Net current (liabilities)/assets		(233,599)	2,965,917
Total assets less current liabilities		2,036,453	5,273,563
Creditors - Amounts falling due after more than one year	13	(247,921)	(847,816)
Net assets		1,788,532	4,425,747
Capital and reserves			
Called up share capital	15	1,528,550	1,506,550
Share premium account	18	10,372,023	10,290,347
Merger reserve	18	623,432	623,432
FRS 20 share reserve	18	375,629	151,274
Profit and loss account	18	(11,111,102)	(8,145,856)
Shareholders' funds	19	1,788,532	4,425,747

These financial statements were approved by the directors on 3 March 2008 and are signed on their behalf by

P Ryan

D Hearn

The accompanying accounting policies and notes form an integral part of these accounts

COMPANY BALANCE SHEET
As at 30 September 2007

	Notes	2007 £	2006 restated £
Fixed assets			
Intangible assets	7	576,750	119,038
Tangible assets	8	158,889	52,184
Investments	9	2,523,447	3,921,209
		3,259,086	4,092,431
Current assets			
Stock	10	604,541	652,352
Debtors	11	1,601,949	1,898,012
Cash at bank and in hand		59,955	2,575,977
		2,266,445	5,126,341
Creditors: Amounts falling due within one year	12	(1,928,354)	(2,182,064)
Net current assets		338,091	2,944,277
Total assets less current liabilities		3,597,177	7,036,708
Creditors: Amounts falling due after more than one year	13	(121,518)	(835,899)
Net assets		3,475,659	6,200,809
Capital and reserves			
Called up share capital	15	1,528,550	1,506,550
Share premium account	18	10,372,023	10,290,347
Merger reserve	18	623,432	623,432
FRS 20 share reserve	18	375,629	151,274
Profit and loss account	18	(9,423,975)	(6,370,794)
Shareholders' funds	19	3,475,659	6,200,809

These financial statements were approved by the directors on 3 March 2008 and are signed on their behalf by

P Ryan

D Hearn

The accompanying accounting policies and notes form an integral part of these accounts

CONSOLIDATED CASH FLOW STATEMENT
Year ended 30 September 2007

	Notes	2007 £	2006 £
Net cash outflow from operating activities	20	(1,658,713)	(1,369,382)
Return on investments and servicing of finance	21	(44,528)	(3,905)
Taxation		47,371	88,654
Capital expenditure and financed investments	22	(815,604)	(152,457)
Acquisitions and disposals	23	(300)	(622,215)
Cash outflow before financing		(2,471,774)	(2,059,305)
Financing	24	298,029	4,078,104
(Decrease)/increase in cash in the year	26	(2,173,745)	2,018,799

The accompanying accounting policies and notes form an integral part of these accounts

NOTES TO THE FINANCIAL STATEMENTS

1 Segmental Reporting

The directors consider that the disclosure of segmental information would be prejudicial to the Group

2 Loss on ordinary activities before taxation

	2007 £	2006 £
Loss on ordinary activities before taxation has been arrived at after charging		
Impairment of investments	101,425	-
Depreciation and other amounts written off tangible fixed assets - owned	21,433	10,854
Depreciation and other amounts written off tangible fixed assets – held under finance leases	21,400	9,683
Amortisation of intangible fixed assets	15,240	5,574
Operating lease payments	135,712	139,412
Research and development	734,006	490,703
Auditors' remuneration		
Fees payable to the Group's auditor for the audit of the company's annual accounts	13,000	13,000
Fees payable to the Group's auditor for other services		
For audit of the Group's subsidiaries pursuant to legislation	16,750	19,500
Other services pursuant to legislation		
Tax services	11,275	7,000
Services relating to corporate finance transactions entered into by the Company	-	25,000
Other	7,750	4,500

Fees paid to Grant Thornton UK LLP for non-audit services to the company itself are not disclosed in the individual subsidiary accounts because the Group's consolidated accounts are required to disclose such fees on a consolidated basis

	30 September 2007		30 September 2006	
	Non- executive directors £	Executive directors £	Non- executive directors £	Executive directors £
Directors' emoluments			-	-
Fees/emoluments	27,997	183,982	16,000	157,810
Fees/emoluments to third parties	22,500	80,000	20,500	78,333
	50,497	263,982	36,500	236,143

	2007 £	2006 £
Remuneration of the highest paid director	95,724	78,383

NOTES TO THE FINANCIAL STATEMENTS - continued

3 Employees

	2007 Number	2006 Number
The average number of employees during the year was as follows	60	38

The aggregate payroll costs of these persons were as follows

	£	£
Wages and salaries	2,246,949	1,448,340
Social security costs	237,276	170,279
	2,484,225	1,618,619

4 Interest Payable

	2007 £	2006 £
Bank interest	57,375	34,209
Finance lease interest	32,627	2,818
Other	6,021	21,324
	96,023	58,351

5 Taxation

	2007 £	2006 £
(a) Analysis of Credit in Period:		
Taxation credit	47,371	88,654

The tax credit arises on research and development

(b) Factors Affecting Tax Credit for Period	2007 £	2006 restated £
Loss on ordinary activities before tax	(3,012,617)	(83,189)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2006 30%)	(903,785)	(24,957)
Expenses not deductible for tax purposes	17,643	67,065
Depreciation for period in excess of capital allowances	12,795	(3,101)
Utilisation of group tax losses	(254,378)	(39,995)
Tax losses carried forward	1,127,725	988
Corporation tax credit for prior year	2,809	-
Research and development tax credit for the prior year	44,562	88,654
Total current taxation (a)	47,371	88,654

The Group has carried forward tax losses of £5,600,000 (2006 £3,600,000) The Group has not recognised any deferred tax asset in respect of these losses or accelerated capital allowances due to there being insufficient certainty regarding their recovery

NOTES TO THE FINANCIAL STATEMENTS - continued

6 (Loss)/Profit Per Ordinary 1p Share

	2007	2006 restated
(Loss)/profit after taxation - £	(2,965,246)	5,465
Weighted average number of ordinary shares in issue during the year	147,188,146	105,978,955
(Loss)/profit per ordinary 1p share - £	(0 02)	0 0001

(Loss)/profit per share has been calculated on the "net basis"

Diluted earnings per share takes account solely of the potential future exercise of share options and warrants granted and is based on a weighted number of shares in issue of 148,098,146 (2006 109,906,422) Diluted earnings per share has the same value as earnings per share when rounded to three decimal places

Due to the Group's loss for the year the diluted loss per share is the same as the basic loss per share The loss per share is wholly attributable to continuing operations

7 Intangible Assets

	Goodwill	Research and development	Software	Total
	£	£	£	£
Group				
Cost				
At 30 September 2006	2,060,201	192,397	19,642	2,272,240
Additions	300	463,069	-	463,369
Adjustment to deferred consideration	(694,000)	-	-	(694,000)
At 30 September 2007	1,366,501	655,466	19,642	2,041,609
Amortisation				
At 30 September 2006	-	5,574	19,642	25,216
Charge for the year	-	15,240	-	15,240
At 30 September 2007	-	20,814	19,642	40,456
Net Book Value				
At 30 September 2006	2,060,201	186,823	-	2,247,024
At 30 September 2007	1,366,501	634,652	-	2,001,153
Company				
Cost				
At 30 September 2006	-	119,038	-	119,038
Additions	-	457,712	-	457,712
At 30 September 2007	-	576,750		576,750
Amortisation				
At 30 September 2006	-	-	-	-
Charge for the year	-	-	-	-
At 30 September 2007	-	-	-	-
Net Book Value				
At 30 September 2006	-	119,038	-	119,038
At 30 September 2007	-	576,750	-	576,750

NOTES TO THE FINANCIAL STATEMENTS - continued

The adjustment to deferred consideration of £694,000 relates to the purchase of Genesis UK Limited in 2006 Under the terms of the acquisition no further consideration is now due as certain targets were not achieved Accordingly the creditor has been written back and the related goodwill reduced by the same amount

8 Tangible Fixed Assets

Group	Furniture fittings and equipment £	Motor vehicles £	Total £
Cost			
At 30 September 2006	185,492	18,500	203,992
Additions	149,685	-	149,685
At 30 September 2007	335,177	18,500	353,677
Depreciation			
At 30 September 2006	133,093	10,277	143,370
Charge for year	36,666	6,167	42,833
At 30 September 2007	169,759	16,444	186,203
Net Book Value			
At 30 September 2006	52,399	8,223	60,622
At 30 September 2007	165,418	2,056	167,474

Included above are the following amounts in respect of motor vehicles and furniture, fittings and equipment held under finance leases

	2007 £	2006 £
Net book amount at 30 September	52,336	18,773
Depreciation charge for year	21,400	9,683

Company	Furniture fittings and equipment £	Motor vehicles £	Total £
Cost			
At 30 September 2006	59,011	18,500	77,511
Additions	145,945	-	145,945
At 30 September 2007	204,956	18,500	223,456
Depreciation			
At 30 September 2006	15,050	10,277	25,327
Charge for the year	33,073	6,167	39,240
At 30 September 2007	48,123	16,444	64,567
Net Book Value			
At 30 September 2006	43,961	8,223	52,184
At 30 September 2007	156,833	2,056	158,889

NOTES TO THE FINANCIAL STATEMENTS - continued

8 Tangible Fixed Assets - continued

Included above are the following amounts of motor vehicles and furniture, fittings and equipment held under finance leases

	2007	2006
	£	£
At 30 September	52,336	18,773
Depreciation charge for year	21,400	9,683

9 Investments (see note 32 for details of subsidiaries)

	Group Trade Investment	Company Investment in group undertakings
	£	£
Cost		
At 30 September 2006	-	5,782,183
Additions	202,850	344
Adjustable to deferred consideration	-	(694,000)
At 30 September 2007	202,850	5,088,527
Amounts Written Off		
At 30 September 2006	-	1,860,974
Provided in the year	101,425	704,106
At 30 September 2007	101,425	2,565,080
Net book value		
At 30 September 2006	-	3,921,209
At 30 September 2007	101,425	2,523,447

The Group Trade Investment relates to a 30% investment in CVA Technology Company Limited The investment in CVA has been treated as an investment rather than an associate as the level of control and voting arrangements are not consistent with the requirements for its treatment as an associate in the financial statements Having reviewed the discounted future cash flows of the investment, the Directors have made a partial write down to £101,425

The Company has also reviewed its PGI business and has decided that it will gradually reduce its involvement in this market to concentrate more on its ANPR business The Directors have reviewed the discounted future cash flows of the PGI business and as a result have written off the investment of £704,106 to £nil

10 Stock

	2007	2006
	£	£
Group		
Consumables	675,845	705,037
Work in progress	35,479	132,916
	711,324	837,953
Company		
Consumables	596,941	638,876
Work in progress	7,600	13,476
	604,541	652,352

NOTES TO THE FINANCIAL STATEMENTS - continued

11 Debtors

	2007 £	2006 £
Group		
Trade debtors	828,468	2,148,671
Called up share capital not paid (note 15)	37,500	37,500
Prepayments and accrued income	826,771	413,642
Other debtors	34,923	30,673
	1,727,662	2,630,486

	2007 £	2006 £
Company		
Trade debtors	518,635	1,452,243
Amounts owed by Group undertakings	428,437	11,872
Called up share capital not paid (note 15)	37,500	37,500
Prepayments and accrued income	585,954	369,187
Other debtors	31,423	27,210
	1,601,949	1,898,012

12 Creditors – Amounts falling due within one year

	2007 £	2006 £
Group		
Bank overdraft	555,068	1,067,230
Trade creditors	1,053,409	1,224,015
Social security and other taxes	207,235	278,431
Other creditors	9,275	9,928
Deferred consideration	38,192	38,192
Accruals and deferred income	732,163	630,102
Amounts due under finance leases	60,375	23,036
Convertible unsecured loan notes	87,457	-
	2,743,174	3,270,934

	2007 £	2006 £
Company		
Bank overdraft	327,932	612,443
Trade creditors	827,975	925,887
Social security and other taxes	136,928	191,862
Other creditors	3,848	8,023
Deferred consideration	38,192	38,192
Accruals and deferred income	468,679	382,621
Amounts due under finance leases	37,343	23,036
Convertible unsecured loan notes	87,457	-
	1,928,354	2,182,064

NOTES TO THE FINANCIAL STATEMENTS - continued

The issued convertible unsecured loan notes attract interest at seven per cent per annum and are convertible into ordinary shares at an exercise price of seven pence
To date the loan note holders have not opted to convert but have agreed for them to be repaid over a 12 month period

13 **Creditors** - Amounts falling due after one year	2007	2006
	£	£
Group		
Bank loans	-	11,916
Amounts due under finance leases	163,364	6,350
Convertible unsecured loan notes	-	87,457
Deferred consideration	-	694,000
Accruals and deferred income	84,557	48,093
	247,921	847,816

	2007	2006
	£	£
Company		
Amounts due under finance leases	36,961	6,350
Convertible unsecured loan notes	-	87,457
Deferred consideration	-	694,000
Accruals and deferred income	84,557	48,092
	121,518	835,899

The deferred consideration included within creditors due after more than one year in the comparatives was determined in December 2006 based on Genesis (UK) Limited ("Genesis") achieving a certain forecast profit before tax for the years ending 31 December 2006 and 2007 Under the terms of the acquisition no further consideration is due Accordingly the creditor has been written back and the related goodwill reduced by the same amount

14 Financial Instruments

The Group uses financial instruments such as borrowings, cash, liquid resources, trade debtors and trade creditors that arise directly from its operations

The main risks arising from the above are interest rate risk, currency exchange risk and liquidity risk All policies to control such risks are regularly reviewed and approved by the Board

Short Term Debtors and Creditors

Short term debtors and creditors have been excluded from the following disclosures, other than currency risk disclosures

Liquidity Risk

The use of instant access deposits ensures sufficient working capital is available at all times

Currency Exchange Risk

The foreign sales are priced in sterling and invoiced in sterling, with the exception of those sales made to the USA which are priced in sterling, but are invoiced in US Dollars The Group policy is to reduce currency exposures on any balance not expected to mature within 30 days of its arising through the use of an exchange rate which will always allow the Group sufficient margin to manage the risk

Financial Assets

The Group finances its operations through a mixture of bank borrowings and the issue of ordinary shares

NOTES TO THE FINANCIAL STATEMENTS - continued

14 Financial Instruments (continued)

Borrowings:	Group		Company	
	2007	2006	2007	2006
	£	£	£	£
Bank overdrafts (payable on demand)	543,152	1,054,230	327,932	612,443
Bank loans	11,916	24,916	-	-
Sub-total	555,068	1,079,146	327,932	612,443
Obligations under finance leases	223,739	29,386	74,303	29,386
Convertible unsecured loan notes	87,457	87,457	87,457	87,457
Total	866,264	1,195,989	489,692	729,286

The finance leases are repayable as follows

In one year or less	60,375	23,036	37,343	23,036
Between one and two years	63,100	6,350	29,696	6,350
Between two and five years	100,264	-	7,264	-
	223,739	29,386	74,303	29,386

The convertible unsecured loan notes are repayable as follows

In less than one year	87,457	-	87,457	-
Between one and two years	-	87,457	-	87,457
	87,457	87,457	87,457	87,457

Bank loans are repayable as follows

In one year or less	11,916	13,000	-	-
Between two and five years	-	11,916	-	-
	11,916	24,916	-	-

Interest on the bank loan is chargeable at 3 5% above the bank base rate

The Group has overdraft and ancillary bank facilities of £1,081,916 (2006 £1,079,146), secured over all the property assets and undertakings of Appian Technology Plc All borrowings are denominated in sterling and have interest rate terms varying from 2% to 3 5% above the bank base rate

There are no material differences between the book values and fair values of the financial assets and liabilities of the Group.

NOTES TO THE FINANCIAL STATEMENTS - continued

15 Called Up Share Capital	2007 Number	2007 £	2006 Number	2006 £
Authorised:				
Ordinary shares of £0 01 each	250,000,000	2,500,000	250,000,000	2,500,000
Redeemable preference shares of £1 each	50,000	50,000	50,000	50,000
	250,050,000	2,550,000	250,050,000	2,550,000
Called Up Share Capital				
Ordinary shares of £0 01 each	147,854,995	1,478,550	145,654,995	1,456,550
Redeemable preference shares of £1 each	50,000	50,000	50,000	50,000
	147,904,995	1,528,550	145,704,995	1,506,550
Called Up and Fully Paid:				
Ordinary shares of £0 01 each	147,854,995	1,478,550	145,654,995	1,456,550
Redeemable preference shares of £1 each	12,500	12,500	12,500	12,500
	147,867,495	1,491,050	145,667,495	1,469,050

Preference Share Capital

The redeemable preference shares rank pari passu for participation in the profits and assets of the Company and entitle the holders to receive notice of and to attend and vote at any general meeting of the Company

The Company may at any time give not less than 24 hours previous notice in writing to the holders of the redeemable preference shares of its intention to redeem all or any part of these shares which have been issued and are fully paid up on in so far as they are paid up

The redeemable preference shares can only be redeemed out of distributable profits or from the proceeds of a fresh issue of shares made for the purposes of the redemption

Appian Technology plc issued 50,000 redeemable preference shares in July 2000 on incorporation of the Company

Ordinary Share Capital

During January 2007, 2,000,000 warrants were exercised at a price of £0 05 per ordinary share, with the Group receiving a total consideration of £100,000 During June 2007, a further 200,000 warrants were exercised at a price of £0 05 per ordinary share, with the Group receiving a total consideration of £10,000

NOTES TO THE FINANCIAL STATEMENTS - continued

16 Share Option Schemes

2000 Executive Share Option Scheme

Under the 2000 executive share option scheme, options may be exercisable over ordinary shares of £0 01 each at prices varying from £0 05 to £0 225 all within three to ten years of the dates on which the options were granted

There was no exercise of share options during the year or in the prior year The weighted average exercise price of shares under options at 30 September 2007 was £0 0762 (2006 £0 0739) and the fair value of options granted in the prior year was £234,900

The outstanding share options as at 30 September 2007 were as follows

Date of grant	Number of shares under options	Exercise price per share £	Share Price Volatility %	Risk free Rate of Return %
9 March 2001 (100,000 lapsed during the year)	1,090,000	0 0850		
14 September 2001 (20,000 lapsed during the year)	250,000	0 0900		
12 October 2001	200,000	0 1350		
20 December 2001	50,000	0 2250		
1 May 2002	10,000	0 2200		
15 November 2002 (50,000 lapsed during the year)	-	0 1500		
21 March 2003 (30,000 lapsed during the year)	-	0 1550	4 0128	80
29 May 2003	100,000	0 1950	3 4855	80
12 December 2003	150,000	0 1225	4 6020	85
23 March 2004 (280,000 lapsed during the year)	220,000	0 1125	4 5350	85
23 September 2004 (100,000 lapsed during the year)	250,000	0 0900	4 8010	74
16 February 2005	160,000	0 0725	4 5930	78
15 March 2005 (150,000 lapsed during the year)	190,000	0 0850	4 8470	81
12 July 2005	500,000	0 0800	4 1710	92
12 August 2005	30,000	0 0875	4 3090	93
4 January 2006 (200,000 lapsed during the year)	3,200,000	0 0500	4 1880	103
11 May 2006	100,000	0 0912	4 8980	102
	6,500,000			

Reconciliation

	2007	2006
Number of shares under options at beginning of year	7,430,000	4,540,000
Issued	-	3,500,000
Exercised	-	-
Lapsed	(930,000)	(610,000)
	6,500,000	7,430,000

NOTES TO THE FINANCIAL STATEMENTS - continued

EMI Scheme

Under the EMI Scheme created in 2006, options may be exercisable over ordinary shares of £0 01 each at prices varying from £0 07625 and £0 1124 all within ten years of the dates on which the options were granted

No issues of options had been made prior to this financial year There was no exercise of share options during the year under the EMI Scheme The outstanding share options as at 30 September 2007 were as follows

Date of grant	Options issued in year	Fair value of options granted £	Lapsed in year	Number of shares under options	Option price per share	Share price volatility %	Risk free rate of return %
10 October 2006 Scheme	1,890,000	100,170	(440,000)	1,450,000	0 07625	4 866	85
24 April 2007 Scheme	365,000	29,930	-	365,000	0 1124	4 866	85
	2,255,000	130,100	(440,000)	1,815,000			

In total under these two schemes there were 8,755,000 shares under options at 30 September 2007 (2006 7,430,000) with a weighted average exercise price of £0 0778 (£0 0739)

NOTES TO THE FINANCIAL STATEMENTS - continued

17 Share Warrants

There were no issues of warrants during the year

	Price	As at 30 September 2006	Exercised in year	Lapsed in year	Issued in year	As at 30 September 2007	Share price volatility - %	Risk free rate of return - %
	£	Number	Number	Number	Number	Number		
The following table shows the movement in share warrants during the year								
To be exercised by 25 February 2007	0 28	780,000	-	(780,000)	-	-		
To be exercised by 14 September 2008	0 09	270,000	-	-	-	270,000		
To be exercised by 1 May 2009	0 22	100,000	-	-	-	100,000		
To be exercised by 2 December 2010	0 07	775,000	-	-	-	775,000		
To be exercised by 2 December 2010	0 09	750,000	-	-	-	750,000		
To be exercised by 8 March 2011	0 085	100,000	-	-	-	100,000		
To be exercised by 13 September 2011	0,09	1,150,000	-	-	-	1,150,000		
To be exercised by 11 December 2013	0 1225	1,225,000	-	-	-	1,225,000	4 602	85
To be exercised by 20 February 2008	0 07	960,887	-	-	-	960,887		
To be exercised by 29 February 2008	0 07	321,429	-	-	-	321,429		
To be exercised by 11 July 2015	0 08	125,000	-	-	-	125,000	4 1710	92
To be exercised by 14 November 2010	0 05	4,110,000	(2,200,000)	-	-	1,910,000		
To be exercised by 11 January 2011	0 05	400,000	-	-	-	400,000		
To be exercised by 30 April 2012	0 05	400,000	-	-	-	400,000		
To be exercised by 20 March 2013	0 05	200,000	-	-	-	200,000		
		11,667,316	(2,200,000)	(780,000)	-	8,687,316		

During the prior year 5,110,000 share warrants were issued and 1,100,000 lapsed

NOTES TO THE FINANCIAL STATEMENTS - continued

18 Reserves	Share premium account 2007 £	FRS 20 Reserve 2007 £	Merger Reserve 2007 £	Profit and loss account 2007 £	Share premium account 2006 £	FRS 20 Reserve 2006 restated £	Merger Reserve 2006 £	Profit and loss account 2006 restated £
Group								
Balance at beginning of year	10,290,347	151,274	623,432	(8,145,856)	6,949,675	50,307	-	(8,151,321)
Retained profit/(loss) for the year	-	-	-	(2,965,246)	-	-	-	5,465
Arising from issues of shares in the year	81,676	-	-	-	4,098,183	-	623,432	-
FRS Share Charge	-	224,355	-	-	-	100,967	-	-
Expenses of equity share issues	-	-	-	-	(757,511)	-	-	-
Balance at end of year	10,372,023	375,629	623,432	(11,111,102)	10,290,347	151,274	623,432	(8,145,856)
Company								
Balance at beginning of year	10,290,347	151,274	623,432	(6,370,794)	6,949,675	50,307	-	(1,210,693)
Retained loss for the year	-	-	-	(3,053,181)	-	-	-	(5,160,101)
Arising from issue of shares in the year	81,676	-	-	-	4,098,183	-	623,432	-
FRS 20 Share Charge	-	224,355	-	-	-	100,967	-	-
Expenses of equity share issue	-	-	-	-	(757,511)	-	-	-
Balance at end of year	10,372,023	375,629	623,432	(9,423,975)	10,290,347	151,274	623,432	(6,370,794)

The merger reserve arose on the acquisition of Genesis (UK) Limited The merger reserve resulted from issue of 7,556,757 shares in the consideration of the purchase of Genesis and the premium that arose on those shares These shares were issued at £0 0925

NOTES TO THE FINANCIAL STATEMENTS - continued

19 Reconciliation of Movements in Shareholders' Funds

	2007 £	2006 restated £
Group		
Shareholders' funds/(deficit) at beginning of year	4,425,747	(494,864)
(Loss)/profit for the financial year	(2,965,246)	5,465
Share capital issued	22,000	850,075
Net share premium from issued shares	81,676	3,964,104
FRS 20 share charge	224,355	100,967
Shareholders' funds at end of year	1,788,532	4,425,747
Company		
Shareholders' funds at beginning of year	6,200,809	6,445,764
Loss for the financial year	(3,053,181)	(5,160,101)
Share capital issued	22,000	850,075
Net share premium from issued shares	81,676	3,964,104
FRS 20 share charge	224,355	100,967
Shareholders' funds at end of year	3,475,659	6,200,809

NOTES TO THE FINANCIAL STATEMENTS - continued

20 Reconciliation of Operating Loss to Net Cash Outflow From Operating Activities

	2007 £	2006 restated £
Operating loss	(2,866,664)	(79,284)
Depreciation	42,833	20,537
Amortisation of intangible assets	15,240	5,574
FRS 20 share charge	224,355	100,967
Decrease/(Increase) in debtors	902,824	(1,116,952)
Decrease/(Increase) in stocks	126,629	(59,793)
Decrease in creditors	(103,930)	(240,431)
Net cash outflow from operating activities	(1,658,713)	(1,369,382)

21 Returns on Investment and Servicing of Finance

	2007 £	2006 £
Interest received	51,495	54,446
Interest paid	(63,396)	(55,533)
Finance lease interest paid	(32,627)	(2,818)
Net cash outflow from returns on investment and servicing of finance	(44,528)	(3,905)

22 Capital Expenditure and Financial Investment

	2007 £	2006 £
Payments to acquire investments	(202,850)	-
Receipts from disposal of tangible fixed assets	-	417
Payments to acquire tangible fixed assets	(149,685)	(22,036)
Payments to acquire intangible fixed assets	(463,069)	(130,838)
Cash outflow from capital expenditure and financial investments	(815,604)	(152,457)

23 Acquisitions and Disposals

	2007 £	2006 £
Purchase of subsidiary	(300)	(755,905)
Bank balances acquired on purchase of subsidiary	-	161,856
Bank overdrafts acquired on purchase of subsidiary	-	(28,166)
Net cash outflow from acquisitions and disposals	(300)	(622,215)

24 Financing

	2007 £	2006 £
Proceeds from share issue	103,676	4,872,690
Share issue costs	-	(757,511)
Finance lease receipts	242,360	-
Capital element of finance lease repayments	(48,007)	(37,075)
Net cash inflow from financing	298,029	4,078,104

NOTES TO THE FINANCIAL STATEMENTS - continued

25 Analysis of Changes in Net Cash Position

	30 September 2006 £	Cash flow £	30 September 2007 £
Cash at bank	2,768,412	(2,697,823)	70,589
Bank overdraft	(1,067,230)	524,078	(543,152)
	1,701,182	(2,173,745)	(472,563)
Bank loans	(11,916)	-	(11,916)
Finance leases	(29,386)	(194,353)	(223,739)
	1,659,880	(2,368,098)	(708,218)

26 Reconciliation of Net Cashflow to Movement in Net (Debt)/Funds

	2007 £	2006 £
(Decrease)/increase in cash in the year	(2,173,745)	2,018,799
Inception of finance leases	(242,360)	(8,893)
Repayments of finance leases	48,007	37,075
Movement in net (debt)/funds in year	(2,368,098)	2,046,981
Net funds/(debt) at beginning of year	1,659,880	(387,101)
Net (debt)/funds at end of year	(708,218)	1,659,880

NOTES TO THE FINANCIAL STATEMENTS - continued

27 Financial Commitments

The Group is committed to make annual payments under non-cancellable operating leases as follows

	2007		2006	
	Buildings	Other	Buildings	Other
	£	£	£	£
Operating leases which expire				
Within one year	62,127	18,066	15,619	4,090
Between two and five years	58,500	27,032	58,500	47,878
After more than five years	-	-	22,098	-
	120,627	45,098	96,217	51,968

28 Guarantees

Appian Technology Plc entered into committed facilities with Lloyds TSB Commercial Finance Limited on 16 December 2004 This facility is secured by fixed and floating charges over all the property assets and undertakings of Appian Technology Plc There are cross guarantees between all Appian Technology Plc subsidiaries with the exception of Genesis (UK) Limited The bank loan and overdraft facility for Genesis is secured by debentures over all the assets of Genesis Appian Technology Plc has also provided a guarantee for the overdraft facility that Genesis has with Barclays Bank Plc

29 Related Party Transactions

Transactions with other companies within the Group are not disclosed as the Group has taken advantage of the exemption available under Financial Report Standard No 8 - "Related Party Disclosures"

Fees of £80,000 (2006 £78,333) were charged by Wranton Limited a company which has Patrick Ryan as a director relate to services provided by Wranton Limited £6,667 (2006 £6,667) remained outstanding at 30 September 2007

Fees of £18,500 (2006 £4,500) were charged by Solway Consultancy Services which has Fred Newton as a director £12,501(2006 £5,901) remained outstanding at 30 September 2007

Fees of £4,000 (2006 £16,000) were charged by Finan Consulting £Nil (2006 £3,924) remained outstanding at 30 September 2007

30 Prior Year Adjustment (FRS 20 "Share Based Charges")

The comparative figures for 2006 have been restated for the requirements of FRS 20 "share based charges" which have been adopted for the first time in this report Under FRS 20, the fair value options granted is recognised as an employee expense with a corresponding increase in equity The fair value is measured at grant date and spread over the period which the employees become unconditionally entitled to the options The fair value of the options granted has been measured using an option pricing model taking into account the terms and conditions upon which the options were granted The amount recognised as an expense is adjusted to reflect what actual number of share options that vest, except where variations are due only to share prices not achieving the threshold for vesting This has resulted in a prior year adjustment in 2006 The charge in respect of share based payments is matched by an equal transfer to an "FRS 20 Share Reserve", thereby having not net impact on the Group's closing reserves or shareholders' funds The full movement on reserves is shown in the Reconciliation of Movements in shareholders' funds The effect on the 2006 results are set out below

	2006
	£
Profit on ordinary activities after taxation as originally reported	106,432
Charge in respect of share based charges	(100,967)
	5,465

NOTES TO THE FINANCIAL STATEMENTS - continued

31 Post Balance Sheet Event

In December 2007 the Company raised £1,390,000 net of expenses, through the placing of 36,913,700 ordinary shares of £0 01each for a cash price of £0 04 each to institutional and other investors The proceeds which were received by 12 December 2007 will be used for working capital

NOTES TO THE FINANCIAL STATEMENTS - continued

32 Subsidiary undertakings

The following are wholly owned subsidiary undertakings of Appian Technology plc and have been consolidated in the Group accounts

Name	Registered office	Country of incorporation	Description of shares held	Principal activity
Appian Traffic Technologies plc	Arthur Cox House Earlsfort Terrace Dublin	Ireland	16,068,800 ordinary shares of £0 01 each (100%)	Holding company and sales and distribution
Appian Technologies Ltd	Arthur Cox House Earlsfort Terrace Dublin	Ireland	2 ordinary shares of €1 269734 each (100%)	Sales and distribution
Appian Technologies (UK) Ltd	Appian House Unit 4 Wessex Road Bourne End Buckinghamshire	United Kingdom	2 ordinary shares of €1 269734 each (100%)	Sales and distribution
Messenger Vehicle Identification Systems Limited	Appian House Unit 4 Wessex Road Bourne End Buckinghamshire	United Kingdom	5,500,000 ordinary shares of £1 each (100%)	Dormant
Resero Technology Systems Limited	Appian House Unit 4 Wessex Road Bourne End Buckinghamshire	United Kingdom	262,589 ordinary shares of £1 each (100%)	Research and development
MVI Systems Limited	Appian House Unit 4 Wessex Road Bourne End Buckinghamshire	United Kingdom	2 ordinary shares of £1 each (100%)	Dormant

NOTES TO THE FINANCIAL STATEMENTS - continued

Genesis (UK) Limited	Appian House Unit 4 Wessex Road Bourne End	United Kingdom	100 ordinary shares of £1 each (100%)	Sales and distribution
Appian Technology Inc	1209 Orange Street, City of Wilmington, DE, County of New Castle, 19801 USA	USA	100 ordinary shares of $1 each (100%)	Sales and distribution