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# Tricorn Group plc

Annual Report and Accounts 2003

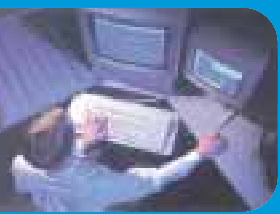
Tricorn Group plc

# Our Business

We develop, manufacture and supply products and services for the environmental engineering market.

# Our Group of Companies

**Malvern Tubular Components Limited**
Manufactures and supplies metal tubular components, which are typically used in engines for independent electricity generation.



**Issquared Limited**
A specialist company focussed on tools for the pipeline integrity market in oil, gas and water.

**Redman Fittings Limited**
Markets and supplies the Redman pipe jointing system, which is an innovative method of joining polyethylene and other industrial plastic pipes.

# Contents

# Chairman's Statement

The year ended 31 March 2003 has marked a significant reshaping of the Tricorn Group against a difficult economic environment. Costs throughout the Group have been attacked with considerable success by the newly appointed senior management team who also took the decision to dispose of the small Searchwell survey business. Good progress has been made in improving the operational efficiency of Malvern Tubular Components ("MTC") and bringing the new Redman fitting to market. Issquared's pipeline integrity management software (PipeHorizon) has been well received with two systems already sold and discussions underway with a significant number of potential customers.

The trading performance of the Group for the 12 months ending 31 March 2003 shows turnover of £4.3m (2002: £4.9m) with a net loss of £1,499,000 (2002 loss: £590,000), representing a loss per share of 5.52p (2002 loss per share: 2.67p).

MTC, the tube manipulation specialist, experienced a sharp drop in orders as the global engineering cycle weakened. The overhead base of the company was adjusted accordingly and the introduction of lean manufacturing techniques enabled a significant increase in productivity to be obtained by the year-end. Further improvements are planned for the current year. In addition the transfer of component purchases to low cost countries yielded significant savings in material costs. As a result of these changes MTC returned to profit by the end of the year and this trend is expected to continue.

Redman Fittings are now making deliveries of barrier pipe fittings to two large multinational organisations. Redman also secured a major OEM customer who has adopted the Redman fitting as the standard product within its own assemblies.

The new range of fittings developed for the wider general mechanical fittings market received approval from WRc (the water industry test body) in January 2003 and has to date been accepted by three major utilities.

The target market for Redman fittings is by its nature extremely conservative and progress will be made step by step rather than instantly. However, it is considered that the Redman fitting has very attractive long term potential and since the year end the Redman sales activity has been strengthened.

**Costs throughout the Group have been attacked with considerable success.**

Issquared is responsible for the technologically innovative pipeline inspection system being developed for a consortium of water companies. This project suffered from delays and has experienced a significant cost overrun but is now nearing completion.

Top priority for Issquared is the pipeline integrity management software (PipeHorizon). New safety legislation in the USA has driven significant activity in this market and a number of potential applications in USA and the Middle East are currently under discussion.

Although the general economic environment remains subdued, MTC has been reshaped to function well in challenging conditions and will be exceptionally well placed when markets eventually improve.

Progress also continues to be made in expanding both Redman and Issquared and the Board remain optimistic about the long term potential for the Group.

Finally I would like to take the opportunity to thank our employees for their efforts over the past year and our customers, suppliers and shareholders for their continuing support.

**Nicholas Paul**

Chairman

14 August 2003

# Directors, Secretary and Advisors

| | |
|---|---|
| **Company registration number:** | 1999619 |
| **Registered office:** | Spring Lane<br>Malvern Link<br>Malvern<br>Worcestershire<br>WR14 1DA |
| **Directors:** | Nicholas Campbell Paul (Chairman and Non-Executive Director)<br>Steven William Cooper (Chief Executive)<br>Roger Allsop (Director)<br>Jeffrey Rubins (Non-Executive Director) |
| **Secretary:** | Michael Greensmith |
| **Nominated Advisor and Broker:** | Collins Stewart Limited<br>9th Floor<br>88 Wood Street<br>London<br>EC2V 7QR |
| **Bankers:** | National Westminster Bank plc<br>30 Church Street<br>Malvern<br>Worcestershire<br>WR14 2AD |
| **Solicitors:** | Halliwell Landau<br>St James' Court<br>Brown Street<br>Manchester<br>M2 2JF |
| | Orme Dykes & Yates<br>National Westminster Bank Chambers<br>The Homend<br>Ledbury<br>Herefordshire<br>HR8 1AB |
| **Auditors:** | Grant Thornton<br>Registered Auditors<br>Chartered Accountants<br>Enterprise House<br>115 Edmund Street<br>Birmingham<br>B3 2HJ |
| **Registrars:** | Neville Registrars Limited<br>Neville House<br>18 Laurel Lane<br>Halesowen<br>West Midlands<br>B63 3DA |

# Report of the Directors

The Directors present their report together with the audited financial statements for the year ended 31 March 2003.

**Principal activity**
Tricorn Group plc is the parent company of a group of specialist engineering subsidiaries whose activities incorporate high precision tube manipulation, systems engineering, sensor technology and specialist fittings.

**Business review**
A review of the progress of the Group during the year, and its prospects for the future, are included in the Chairman's report.

There was a loss for the year after taxation amounting to £1,498,853 (2002: £589,857). The Directors do not recommend the payment of a dividend.

**Acquisition and disposal**
On 1 July 2002 the Group acquired the entire share capital of Integrated Statistical Solutions Limited ("ISS"), the data capture and analysis company to the utilities industry, for an initial consideration of £679,500 settled by the allotment of 1,890,000 new shares at 35p each, and £18,000 in cash. The agreed terms provided for the issue of up to a further 1,149,999 ordinary shares of 10p each conditional upon the future performance of the Group's shares.

On 28 February 2003 the Group sold the business and assets of Searchwell Limited.

**Directors**
The present membership of the Board is set out below. All served on the Board throughout the year, except for S W Cooper who was appointed on 10 December 2002. N Silverthorne and A M Cowan resigned as directors on 19 September 2002 and T J Ballard resigned on 22 January 2003.

The interests of the Directors and their families in the shares of the Company as at 1 April 2002 and 31 March 2003 were as follows:

| | Ordinary shares of 10p each | |
|---|---|---|
| | ***2003*** | 2002 or date of appointment |
| N C Paul | **100,000** | 100,000 |
| J Rubins (1,378,000 beneficial, 76,666 non beneficial) | **1,454,666** | 1,454,666 |
| R Allsop (10,520,000 beneficial, 700,000 non beneficial) | **11,220,000** | 11,220,000 |
| S W Cooper (appointed 10 December 2002) | **–** | – |

**Share capital**
The Company issued 1,890,000 ordinary shares of 10p each valued at 35p per share on the acquisition of Integrated Statistical Solutions Limited.

**Substantial shareholdings**
Apart from the interests of Directors the only interests in excess of 3% of the issued share capital of the Company, which have been notified as at 31 July 2003 were as follows:

| | **Ordinary shares of 10p each** | **Percentage of capital** |
|---|---|---|
| Rock Nominees Limited | **1,440,150** | 5.22% |
| Gartmore Investment Management Plc | **4,076,026** | 14.77% |

**Creditor payment policy**
It is the Group's policy that payments to suppliers are made in accordance with those terms and conditions agreed between the Group companies and their suppliers, provided that all trading terms and conditions have been complied with.

At 31 March 2003 the Group had an average of 54 days (2002: 70 days) purchases outstanding in third party trade creditors.

**Directors' responsibilities for the financial statements**
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 Group and Company 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 then apply them consistently
- make judgements and estimates that are reasonable and prudent
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The Directors are responsible for keeping proper accounting records, for safeguarding the assets of the Group and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

**Auditors**
Grant Thornton offer themselves for reappointment as auditors in accordance with Section 385 of the Companies Act 1985.

BY ORDER OF THE BOARD

**Roger Allsop**
*Director*

14 August 2003

# Corporate Governance

The Group has, since admission to AIM in December 2001, applied principles of corporate governance commensurate with its size.

**Directors**

The Directors support the concept of an effective Board leading and controlling the Group. The Board is responsible for approving the Group's policy and strategy. It meets on a regular basis and has a schedule of matters specifically reserved to it for decision. Management supply the Board with appropriate and timely information and the Directors are free to seek any further information they consider necessary. All Directors have access to advice from the Company Secretary and independent professional advice at the Group's expense.

The Board consists of two executive Directors, who hold the key operational positions in the Group and two non-executive Directors, who bring a breadth of experience and knowledge. This provides a balance whereby the Board's decision making cannot be dominated by an individual. The Chairman of the Board is N C Paul and the other non-executive director is J Rubins. The Group's business is run by S W Cooper and R Allsop, with S W Cooper having overall responsibility as the Chief Executive.

**Relations with shareholders**

The Group values the views of its shareholders and recognises their interest in the Group's strategy and performance. The Annual General Meeting will be used to communicate with private investors and they are encouraged to participate. The Directors will be available to answer questions. Separate resolutions will be proposed on each issue so that they can be given proper consideration and there will be a resolution to approve the annual report and accounts.

**Internal control**

The Board is responsible for maintaining a strong system of internal control to safeguard shareholders' investment and the Group's assets and for reviewing its effectiveness. The system of internal control is designed to provide reasonable, but not absolute, assurance against material misstatement or loss.

An audit committee has been established comprising the non-executive Directors, chaired by N C Paul, which will meet at least twice per annum and is responsible for ensuring that the financial performance of the Group is properly monitored and reported on as well as meeting the auditors and reviewing any reports from the auditors regarding accounts and internal control systems.

The Board has considered the need for an internal audit function but has decided the size of the Group does not justify it at present. However, it will keep the decision under annual review.

The key features of the Group's system of internal control are as follows:

– the Group is headed by an effective Board, which leads and controls the Group;

– there is a clear division of responsibilities in running the Board and running the Group's business;

– the Board includes a balance of executive and non-executive Directors; and

– the Board receives and reviews on a timely basis financial and operating information appropriate to be able to discharge its duties.

**Going concern**

After making enquiries, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the financial statements.

**Directors' remuneration**

The Board recognises that Directors' remuneration is of legitimate concern to the shareholders and is committed to following current best practice. The Group operates within a competitive environment, performance depends on the individual contributions of the Directors and employees and it believes in rewarding vision and innovation.

***Policy on executive directors' remuneration***

Detail of individual Directors' remuneration is set out in note 2 to the financial statements. The policy of the Board is to provide executive remuneration packages designed to attract, motivate and retain Directors of the calibre necessary to maintain the Group's position and to reward them for enhancing shareholder value and return. It aims to provide sufficient levels of remuneration to do this, but to avoid paying more than is necessary and reflects the Directors' responsibilities. A separate remuneration committee has been established comprising the non-executive Directors and is chaired by N C Paul.

***Basic annual salary***

The Remuneration Committee reviews each Executive Director's basic salary annually. In deciding upon appropriate levels of remuneration the Board believes that the Group should offer levels of base pay reflecting individual responsibilities and commensurate with similar jobs in other business sectors.

***Annual bonus payments, benefits and pension arrangements***

There are no bonus arrangements in place for the Directors.

R Allsop benefits from the provision of a company car, private medical insurance and a non contributory pension scheme.

N C Paul receives no benefits in kind.

J Rubins receives no benefits in kind.

S W Cooper benefits from the provision of a company car.

***Notice periods***

S W Cooper and R Allsop have service agreements with the Group which are terminable on not less than 12 months notice given by either party to the other at any time.

N C Paul and J Rubins have letters of appointment with the Company which are terminable upon 6 months' written notice being given by either party.

**Share option incentives**

The Company has adopted a number of individual unapproved share option agreements to motivate and retain key personnel of the Group.

At 31 March 2003, the following options were held by the Directors:

| | At beginning of period Number | Granted in period Number | At end of period Number | Exercise price £ |
|---|---|---|---|---|
| **Unapproved share options** | | | | |
| N C Paul | 200,000 | – | 200,000 | 0.30 |
| J Rubins | 100,000 | – | 100,000 | 0.30 |
| R Allsop | 600,000 | – | 600,000 | 0.20 |

N C Paul's and J Rubins' options are exercisable between 1 January 2002 and 31 December 2009.

R Allsop's options were granted on 23 June 1998 and are exercisable between 2 and 7 years after that date.

No performance conditions apply to the unapproved share options.

The market price of the Company's shares at 31 March 2003 was 5.5p and the range during the year was 5.5p to 38.5p.

# Report of the Independent Auditors

## to the members of Tricorn Group plc

We have audited the financial statements of Tricorn Group plc for the year ended 31 March 2003 which comprise the principal accounting policies, the group profit and loss account, the balance sheets, the group cash flow statement and notes 1 to 29. These financial statements have been prepared under the accounting policies set out therein.

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

**Respective responsibilities of the directors and auditors**

The Directors' responsibilities for preparing the Annual Report and the financial statements in accordance with United Kingdom law and accounting standards are set out in the statement of Directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom auditing standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and transactions with the Group 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 Directors' report, the Chairman's statement and the corporate governance statement. 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 opinion**

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

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the 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 affairs of the Company and the Group as at 31 March 2003 and of the loss of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

**GRANT THORNTON**
Registered Auditors
Chartered Accountants
Birmingham

14 August 2003

# Principal Accounting Policies

**Basis of accounting**
The financial statements are prepared under the historical cost convention, using accounting policies consistent with the previous year, and in accordance with applicable accounting standards.

**Turnover**
Turnover is the total amount receivable by the Group for goods supplied and services provided, excluding VAT and trade discounts.

**Basis of consolidation**
The Group financial statements consolidate the financial statements of the Company and all its subsidiaries. Acquisitions of subsidiaries are dealt with by the acquisition method of accounting. Where subsidiary companies are disposed of during the period, the profit or loss attributable to shareholders includes the profits or losses to the date of disposal.

The Company is entitled to the merger relief offered by section 131 of the Companies Act 1985 in respect of the consideration received in excess of the nominal value of equity shares issued in connection with acquisitions.

**Goodwill**
Positive goodwill arising on consolidation, representing the excess of the fair value of the consideration given over the fair values of the identifiable net assets acquired, is capitalised and amortised on a straight line basis over its useful economic life which is determined separately for each acquisition. It is reviewed for impairment at the end of the first full financial year following the acquisition and in other periods if events or changes in circumstances indicate that the carrying value may not be recoverable.

As a matter of accounting policy, purchased goodwill first accounted for in accounting periods ending before 23 December 1998, the implementation date of Financial Reporting Standard No 10, was eliminated from the financial statements by immediate write-off on acquisition against reserves. Such goodwill will be charged or credited to the profit and loss account on the subsequent disposal of the business to which it relates.

**Tangible fixed assets**
Depreciation is provided on all tangible fixed assets other than freehold land, at rates calculated to write off the cost in annual instalments over the estimated useful lives of the assets. The rate of depreciation is as follows:

| | | |
|---|---|---|
| Freehold buildings | – | 2% per annum |
| Plant and machinery | – | 10% to 33.3% per annum |
| Motor vehicles | – | 20% per annum |

**Investments**
Investments are stated at cost less provision for any anticipated permanent diminution in value.

**Stocks and work in progress**
Stocks and work in progress are stated at the lower of cost and net realisable value. Cost represents materials, direct labour and appropriate production overheads. Net realisable value is based on estimated selling price less all further costs to completion and all relevant selling and distribution costs.

**Deferred taxation**
Deferred tax is recognised on all timing differences where the transactions or events that give the Group an obligation to pay more tax in the future, or a right to pay less tax in the future, have occurred by the balance sheet date. Deferred tax assets are recognised when it is more likely than not that they will be recovered. Deferred tax is measured using rates of tax that have been enacted or substantially enacted by the balance sheet date.

**Research and development**
Research and development expenditure is charged to the profit and loss account as incurred.

# Principal Accounting Policies continued

**Pensions cost**

The defined contribution retirement benefits to employees are funded by contributions from the Group. Payments are made to insurance companies. These payments are charged against the profits of the period as paid.

**Leasing and hire purchase commitments**

Assets held under finance leases and hire purchase contracts, which are those where substantially all the risks and rewards of ownership of the asset have passed to the Group, are capitalised in the balance sheet and are depreciated over their useful lives. The interest element of the rental obligation is charged to the profit and loss account over the period of the lease and represents a constant proportion of the balance of capital repayments outstanding.

Rentals paid under operating leases are charged to income on a straight line basis over the lease term.

**Foreign currencies**

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. All differences are taken to the profit and loss account.

**Financial instruments**

The Group has financial instruments to manage exposures to fluctuations in interest rates.

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.

Interest payable/receivable is accrued and charged/credited to the profit and loss account in the year to which it relates.

# Group Profit and Loss Account

for the year ended 31 March 2003

| | Note | 2003 £ | 2003 £ | 2002 £ | 2002 £ |
|---|---|---|---|---|---|
| **Turnover** | 1 | | | | |
| Continuing operations | | **3,881,550** | | 4,919,832 | |
| Acquisition | | **434,723** | | – | |
| | | | **4,316,273** | | 4,919,832 |
| Cost of sales | 2 | | **(3,090,962)** | | (3,168,882) |
| **Gross profit** | | | **1,225,311** | | 1,750,950 |
| Distribution costs | 2 | | **(91,447)** | | (141,904) |
| Administrative expenses | 2 | | **(2,646,874)** | | (2,136,596) |
| **Operating loss** | | | | | |
| Continuing operations | | **(1,476,241)** | | (527,550) | |
| Acquisition | | **(37,769)** | | – | |
| | | | **(1,513,010)** | | (527,550) |
| Interest payable and similar charges | 5 | | **(92,218)** | | (110,476) |
| **Loss on ordinary activities before taxation** | 1 | | **(1,605,228)** | | (638,026) |
| Tax on loss on ordinary activities | 6 | | **106,375** | | 48,169 |
| **Retained loss on ordinary activities after taxation** | 19 | | **(1,498,853)** | | (589,857) |
| **Loss per ordinary share** | 7 | | **(5.52p)** | | (2.67p) |

There were no recognised gains or losses other than the loss for the financial year.

The accompanying accounting policies and notes form an integral part of these financial statements.

# Group Balance Sheet

at 31 March 2003

| | Note | 2003 £ | 2002 £ |
|---|---|---|---|
| **Fixed assets** | | | |
| Intangible assets | 8 | **682,971** | 119,999 |
| Tangible assets | 9 | **1,916,239** | 2,082,858 |
| | | **2,599,210** | 2,202,857 |
| **Current assets** | | | |
| Stocks | 11 | **622,196** | 845,466 |
| Debtors | 12 | **1,207,695** | 1,070,906 |
| Cash at bank and in hand | | **90,104** | 822,372 |
| | | **1,919,995** | 2,738,744 |
| **Creditors:** amounts falling due within one year | 13 | **(2,265,434)** | (1,877,620) |
| **Net current (liabilities)/assets** | | **(345,439)** | 861,124 |
| **Total assets less current liabilities** | | **2,253,771** | 3,063,981 |
| **Creditors:** amounts falling due after more than one year | 14 | **(679,025)** | (573,759) |
| **Provisions for liabilities and charges** | 17 | **–** | (56,700) |
| | | **1,574,746** | 2,433,522 |
| **Capital and reserves** | | | |
| Called up share capital | 18 | **2,760,167** | 2,571,167 |
| Share premium account | 19 | **1,379,813** | 1,401,236 |
| Merger reserve | 19 | **1,387,533** | 915,033 |
| Profit and loss account | 19 | **(3,952,767)** | (2,453,914) |
| **Shareholders' funds - equity interests** | 20 | **1,574,746** | 2,433,522 |

The financial statements were approved by the Board of Directors on 14 August 2003.

**R Allsop** *Director*

**S W Cooper** *Director*

The accompanying accounting policies and notes form an integral part of these financial statements.

# Group Cash Flow Statement

for the year ended 31 March 2003

| | Note | **2003** **£** | 2002 £ |
|---|---|---|---|
| **Net cash outflow from operating activities** | *21a* | **(791,917)** | (532,035) |
| **Returns on investments and servicing of finance** | | | |
| Interest paid | | **(55,911)** | (87,635) |
| Finance lease interest paid | | **(36,307)** | (22,841) |
| **Net cash outflow from returns on investments and servicing of finance** | | **(92,218)** | (110,476) |
| **Taxation** | | **7,093** | (18,659) |
| **Capital expenditure and financial investment** | | | |
| Payments to acquire tangible fixed assets | | **(65,733)** | (176,676) |
| Receipts from sales of tangible fixed assets | | **36,238** | 33,615 |
| **Net cash outflow from capital expenditure and financial investment** | | **(29,495)** | (143,061) |
| **Acquisition** | | | |
| Purchase of subsidiary undertaking | | **(56,037)** | – |
| Net cash outflow before financing | | **(962,574)** | (804,231) |
| **Financing** | | | |
| Issue of ordinary share capital | | **–** | 1,606,500 |
| Share issue costs | | **(21,424)** | (339,431) |
| Receipt/(repayment) of loans | | **216,877** | (39,345) |
| Capital element of finance lease rentals | *16* | **(144,391)** | (120,395) |
| **Net cash inflow from financing** | | **51,062** | 1,107,329 |
| **(Decrease)/increase in cash** | *21b,21c* | **(911,512)** | 303,098 |

The accompanying accounting policies and notes form an integral part of these financial statements.

# Company Balance Sheet

at 31 March 2003

| | Note | 2003 £ | 2002 £ |
|---|---|---|---|
| **Fixed assets** | | | |
| Tangible assets | 9 | **1,118,329** | 1,144,270 |
| Investments | 10 | **3,724,270** | 3,006,733 |
| | | **4,842,599** | 4,151,003 |
| **Current assets** | | | |
| Debtors | 12 | **2,686,585** | 1,795,838 |
| Cash at bank and in hand | | **–** | 805,326 |
| | | **2,686,585** | 2,601,164 |
| **Creditors:** amounts falling due within one year | 13 | **(832,892)** | (570,069) |
| **Net current assets** | | **1,853,693** | 2,031,095 |
| **Total assets less current liabilities** | | **6,696,292** | 6,182,098 |
| **Creditors:** amounts falling due after more than one year | 14 | **(574,975)** | (358,098) |
| | | **6,121,317** | 5,824,000 |
| **Capital and reserves** | | | |
| Called up share capital | 18 | **2,760,167** | 2,571,167 |
| Share premium account | 19 | **1,379,813** | 1,401,236 |
| Merger reserve | 19 | **1,592,500** | 1,120,000 |
| Profit and loss account | 19 | **388,837** | 731,597 |
| **Shareholders' funds - equity interests** | | **6,121,317** | 5,824,000 |

The financial statements were approved by the Board of Directors on 14 August 2003.

**R Allsop**
*Director*

**S W Cooper**
*Director*

The accompanying accounting policies and notes form an integral part of these financial statements.

# Notes to the Financial Statements

for the year ended 31 March 2003

## 1 Turnover and loss on ordinary activities before taxation

The turnover is attributable to the principal activities and is all within the UK.

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

| | **2003** | 2002 |
|---|---|---|
| | **£** | £ |
| Auditors' remuneration – audit services | **18,000** | 18,000 |
| – tax services | **9,250** | 7,750 |
| Research and development costs | **245,726** | 196,432 |
| Depreciation of tangible fixed assets: | | |
| Owned assets | **156,873** | 168,533 |
| Assets held under finance leases and hire purchase contracts | **75,585** | 62,413 |
| Loss/(profit) on sale of tangible fixed assets | **9,114** | (8,658) |
| Amortisation of goodwill | **44,560** | 15,000 |
| Write off of investments | **–** | 145,000 |
| Operating lease rentals – land and buildings | **80,258** | 93,141 |
| – plant and equipment | **1,003** | 2,154 |
| – motor vehicles | **17,411** | 9,309 |

Fees paid to the auditors of £nil (2002: £55,890) have been written off to the share premium account during the year.

## 2 Cost of sales and other operating expenses

An analysis of the cost of sales and other operating costs between the acquisition of Integrated Statistical Solutions Limited and the continuing activities is as follows:

| | ***Acquisition 2003*** | ***Continuing 2003*** | ***Total 2003*** |
|---|---|---|---|
| | **£** | **£** | **£** |
| Cost of sales | **77,037** | **3,013,925** | **3,090,962** |
| Distribution costs | **–** | **91,447** | **91,447** |
| Administrative expenses | **394,455** | **2,252,419** | **2,646,874** |
| | **394,455** | **2,343,866** | **2,738,321** |

## 3 Directors' emoluments

| | ***2003*** | | | | 2002 | | | |
|---|---|---|---|---|---|---|---|---|
| | ***Basic*** | ***Benefits in kind*** | ***Pension*** | ***Total*** | Basic | Benefits in kind | Pension | Total |
| | **£** | **£** | **£** | **£** | £ | £ | £ | £ |
| N C Paul | **25,000** | **–** | **–** | **25,000** | 12,500 | – | – | 12,500 |
| J Rubins | **12,000** | **–** | **–** | **12,000** | 9,333 | – | – | 9,333 |
| R Allsop | **45,000** | **15,198** | **4,500** | **64,698** | 64,500 | 9,162 | – | 73,662 |
| A M Cowan * | **30,000** | **10,238** | **–** | **40,238** | 60,000 | 7,331 | 4,200 | 71,531 |
| N Silverthorne * | **21,600** | **5,671** | **1,665** | **28,936** | 43,201 | 6,262 | 3,024 | 52,487 |
| T J Ballard * | **23,350** | **5,432** | **1,500** | **30,282** | 43,000 | 10,120 | 3,000 | 56,120 |
| S W Cooper | **17,213** | **–** | | **17,213** | | | | |
| | **174,163** | **36,539** | **7,665** | **218,367** | 232,534 | 32,875 | 10,224 | 275,633 |

During the year the amount due to R Allsop of £45,000 (2002: £64,500) was paid to Malvair Properties Limited for his services as a director.

* Remuneration to the dates of their resignation.

# Notes to the Financial Statements

continued

## 4 Staff costs

| | 2003 £ | 2002 £ |
|---|---|---|
| Wages and salaries | **2,290,886** | 2,310,907 |
| Social security costs | **194,815** | 179,683 |
| Other pension costs | **74,262** | 45,504 |
| | **2,559,963** | 2,536,094 |

The average weekly number of employees during the year was made up as follows:

| | 2003 Number | 2002 Number |
|---|---|---|
| Production | **76** | 90 |
| Sales, distribution and administration | **45** | 32 |
| | **121** | 122 |

## 5 Interest payable and similar charges

| | 2003 £ | 2002 £ |
|---|---|---|
| Bank loans and overdrafts | **11,655** | 65,564 |
| Interest on finance leases and hire purchase contracts | **36,307** | 22,841 |
| Other interest charges | **44,256** | 22,071 |
| | **92,218** | 110,476 |

## 6 Tax on loss on ordinary activities

(a) The taxation credit is made up as follows:

| | 2003 £ | 2002 £ |
|---|---|---|
| Tax credit in respect of research and development expenditure | **(49,675)** | (24,065) |
| Adjustment in respect of prior year - research and development tax credit | **–** | (17,267) |
| Total current tax (note 6 b) | **(49,675)** | (41,332) |
| Deferred taxation (note 17) | **(56,700)** | (6,837) |
| | **(106,375)** | (48,169) |

Unrealised tax losses of approximately £2,000,000 (2002: £900,000) remain available to offset against future taxable trading profits.

**6 Tax on loss on ordinary activities *(continued)***

(b) The tax assessed for the period is lower than the standard rate of corporation tax in the UK (30 per cent). The differences are explained below:

| | ***2003*** | 2002 |
|---|---|---|
| | **£** | £ |
| Loss on ordinary activities before tax | **(1,605,228)** | (638,026) |
| Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2002: 30%) | **(481,568)** | (191,408) |
| *Effects of:* | | |
| Expenses not deductible for tax purposes | **26,724** | 72,960 |
| Depreciation for year in excess of capital allowances | **63,302** | (6,780) |
| Utilisation of tax losses | **–** | 125,049 |
| Deferred tax asset not provided for | **391,542** | – |
| Credit on research and development | **(49,675)** | (41,153) |
| *Current tax credit for year* | **(49,675)** | (41,332) |

**7 Loss per share**

The loss per share is based on the loss for the financial year divided by the weighted average number of equity shares ranking for dividend during the year being 27,140,820 shares (2002: 22,073,202 shares). The share options in issue are not dilutive

**8 Intangible fixed assets**

| | **Goodwill** |
|---|---|
| | **£** |
| Cost | |
| At 1 April 2002 | 149,999 |
| Additions | 607,532 |
| At 31 March 2003 | **757,531** |
| Amortisation | |
| At 1 April 2002 | 30,000 |
| Provided in the year | 44,560 |
| At 31 March 2003 | **74,560** |
| Net book amount at 31 March 2003 | **682,971** |
| Net book amount at 31 March 2002 | 119,999 |

Goodwill arising on the acquisitions of Redman Fittings Limited and Integrated Statistical Solutions Limited is being amortised evenly over the Directors' estimate of its useful economic life of 10 years.

# Notes to the Financial Statements

continued

**9 Tangible fixed assets**

| **Group** | **Freehold land and buildings £** | **Plant and machinery £** | **Motor vehicles £** | **Total £** |
|---|---|---|---|---|
| Cost | | | | |
| At 1 April 2002 | 1,198,571 | 2,459,903 | 256,528 | 3,915,002 |
| Additions | – | 76,668 | 22,320 | 98,988 |
| Acquisition of subsidiary undertaking | – | 84,987 | – | 84,987 |
| Disposals | – | (81,814) | (68,765) | (150,579) |
| At 31 March 2003 | **1,198,571** | **2,539,744** | **210,083** | **3,948,398** |
| Depreciation | | | | |
| At 1 April 2002 | 88,207 | 1,645,756 | 98,181 | 1,832,144 |
| Acquisition of subsidiary undertaking | – | 72,784 | – | 72,784 |
| Provided in the year | 19,974 | 170,944 | 41,540 | 232,458 |
| Eliminated on disposals | – | (53,803) | (51,424) | (105,227) |
| At 31 March 2003 | **108,181** | **1,835,681** | **88,297** | **2,032,159** |
| Net book amount at 31 March 2003 | **1,090,390** | **704,063** | **121,786** | **1,916,239** |
| Net book amount at 31 March 2002 | 1,110,364 | 814,147 | 158,347 | 2,082,858 |

The net book value of fixed assets includes £412,930 (2002: £399,652) in respect of assets held under finance leases and hire purchase contracts.

The carrying value of freehold land not depreciated is £200,000.

| **Company** | **Freehold land and buildings £** | **Plant and machinery £** | **Motor vehicles £** | **Total £** |
|---|---|---|---|---|
| Cost | | | | |
| At 1 April 2002 | 1,198,571 | 28,594 | 27,740 | 1,254,905 |
| Additions | – | 2,547 | 22,320 | 24,687 |
| Disposals | – | (19,352) | (27,740) | (47,092) |
| At 31 March 2003 | **1,198,571** | **11,789** | **22,320** | **1,232,680** |
| Depreciation | | | | |
| At 1 April 2002 | 88,207 | 8,971 | 13,457 | 110,635 |
| Provided in the year | 19,974 | 2,922 | 5,276 | 28,172 |
| Eliminated on disposals | – | (6,839) | (17,617) | (24,456) |
| At 31 March 2003 | **108,181** | **5,054** | **1,116** | **114,351** |
| Net book amount at 31 March 2003 | **1,090,390** | **6,735** | **21,204** | **1,118,329** |
| Net book amount at 31 March 2002 | 1,110,364 | 19,623 | 14,283 | 1,144,270 |

The net book value of motor vehicles includes £21,204 (2002: £14,283) in respect of vehicles held under hire purchase contracts.

## 10 Investments

| Group | Unlisted investments £ |
|---|---|
| Cost | |
| At 1 April 2002 and 31 March 2003 | **164,500** |
| Amounts written off | |
| At 1 April 2002 and at 31 March 2003 | 164,500 |
| Net book amount at 31 March 2003 | **–** |

The Directors consider that there has been a permanent diminution in the value of the unlisted investment.

| Company | Unlisted investments £ | Subsidiary undertakings £ | Total £ |
|---|---|---|---|
| Cost at 1 April 2002 | 145,000 | 3,006,733 | 3,151,733 |
| Additions | – | 717,537 | 1,295,037 |
| Cost at 31 March 2003 | **145,000** | **3,724,270** | **3,869,270** |
| Amounts written off | | | |
| At 1 April 2002 | (145,000) | – | (145,000) |
| Provided in the year | – | – | – |
| At 31 March 2003 | **(145,000)** | **–** | **(145,000)** |
| Net book amount at 31 March 2003 | **–** | **3,724,270** | **3,724,270** |
| Net book amount at 31 March 2002 | – | 3,006,733 | 3,006,733 |

Details of the investments in which the Group or the Company holds 20% or more of the nominal value of the share capital at 31 March 2003 are as follows:

| Subsidiary undertaking | Holding | Proportion of voting rights and shares held | Nature of business |
|---|---|---|---|
| MTC Holdings Limited | Ordinary shares | 100% | Intermediate holding company |
| Malvern Tubular Components Limited * | Ordinary shares | 100% | Manufacturer of tubular components |
| Searchwell Limited | Ordinary shares | 100% | Dormant |
| Redman Fittings Limited | Ordinary shares | 100% | Sales and marketing company for specialist pipe fittings |
| Issquared Limited | Ordinary shares | 100% | Systems engineering and pipeline project management |
| Integrated Statistical Solutions Limited | Ordinary shares | 100% | Dormant |

* held by a subsidiary undertaking

# Notes to the Financial Statements

continued

## 11 Stocks

| Group | 2003 £ | 2002 £ |
|---|---|---|
| Raw materials | **251,064** | 357,018 |
| Work in progress | **185,139** | 146,207 |
| Finished goods | **185,993** | 342,241 |
| | **622,196** | 845,466 |

## 12 Debtors

| | Group | | Company | |
|---|---|---|---|---|
| | **2003 £** | 2002 £ | **2003 £** | 2002 £ |
| Trade debtors | **979,591** | 846,720 | **–** | 90,312 |
| Taxation recoverable | **83,735** | 41,153 | **–** | – |
| Amounts owed by subsidiary undertakings | **–** | – | **2,624,947** | 1,620,092 |
| Other debtors | **71,137** | 97,787 | **52,524** | 59,412 |
| Prepayments and accrued income | **73,232** | 85,246 | **–** | 26,022 |
| | **1,207,695** | 1,070,906 | **2,686,585** | 1,795,838 |

Included within amounts owed by subsidiary undertakings are amounts due after more than one year of £1,532,705 (2002: £1,442,829).

## 13 Creditors: amounts falling due within one year

| | Group | | Company | |
|---|---|---|---|---|
| | **2003 £** | 2002 £ | **2003 £** | 2002 £ |
| Bank loans (note 15) | **50,000** | 50,000 | **50,000** | 50,000 |
| Bank overdrafts | **889,452** | 710,208 | **631,925** | – |
| Trade creditors | **466,107** | 470,195 | **53,277** | 85,012 |
| Obligations under finance leases and hire purchase contracts (note 16) | **123,347** | 122,872 | **8,611** | 2,820 |
| Amounts owed to subsidiary undertakings | **–** | – | **–** | 248,020 |
| Other taxes and social security | **245,300** | 235,998 | **5,458** | 7,373 |
| Other creditors | **491,228** | 288,347 | **83,621** | 176,844 |
| | **2,265,434** | 1,877,620 | **832,892** | 570,069 |

Bank loans and overdrafts are secured by a fixed and floating charge over the assets of the Group. Included in bank overdrafts is £244,961 which is secured upon trade debtors.

Finance leases are secured on the particular assets to which they relate.

## 14 Creditors: amounts falling due after more than one year

| | Group | | Company | |
|---|---|---|---|---|
| | ***2003*** | 2002 | ***2003*** | 2002 |
| | **£** | £ | **£** | £ |
| Bank loans (note 15) | **311,274** | 358,098 | **311,274** | 358,098 |
| Other loans | **263,701** | – | **263,701** | – |
| Obligations under finance leases and hire purchase contracts (note 16) | **104,050** | 215,661 | **–** | – |
| | **679,025** | 573,759 | **574,975** | 358,098 |

Other loans are unsecured and the directors have received confirmation they will be not be repayable within one year of the balance sheet date. Interest is payable at varying rates between 9 and 12% per annum.

## 15 Borrowings

Bank loans are repayable as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | ***2003*** | 2002 | ***2003*** | 2002 |
| | **£** | £ | **£** | £ |
| Within one year | **50,000** | 50,000 | **50,000** | 50,000 |
| After one and within two years | **50,000** | 50,000 | **50,000** | 50,000 |
| After two and within five years | **150,000** | 150,000 | **150,000** | 150,000 |
| After five years | **111,274** | 158,098 | **111,274** | 158,098 |
| | **361,274** | 408,098 | **361,274** | 408,098 |
| Less included in creditors: amounts falling due within one year | **(50,000)** | (50,000) | **(50,000)** | (50,000) |
| | **311,274** | 358,098 | **311,274** | 358,098 |

All bank borrowings are secured by way of an unlimited debenture. The bank loans are repayable by instalments at interest rates of 2% above bank base rate.

# Notes to the Financial Statements

continued

**16 Obligations under finance leases and hire purchase contracts**

The maturity of these amounts is as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | ***2003*** | 2002 | ***2003*** | 2002 |
| | **£** | £ | **£** | £ |
| Amounts payable: | | | | |
| within one year | **134,477** | 146,410 | **9,000** | 3,200 |
| within two to five years | **138,960** | 261,267 | **–** | – |
| | **273,437** | 407,677 | **9,000** | 3,200 |
| Less: finance charges allocated to future periods | **(46,040)** | (69,144) | **(389)** | (380) |
| | **227,397** | 338,533 | **8,611** | 2,820 |

Finance leases are analysed as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | ***2003*** | 2002 | ***2003*** | 2002 |
| | **£** | £ | **£** | £ |
| Current obligations | **123,347** | 122,872 | **8,611** | 2,820 |
| Non-current obligations | **104,050** | 215,661 | **–** | – |
| | **227,397** | 338,533 | **8,611** | 2,820 |

Analysis of changes in finance leases and hire purchase contracts during the current and previous periods:

| | Group | | Company | |
|---|---|---|---|---|
| | ***2003*** | 2002 | ***2003*** | 2002 |
| | **£** | £ | **£** | £ |
| At 1 April 2002 | **338,533** | 243,370 | **2,820** | 7,653 |
| Inception of new contracts | **33,255** | 215,558 | **22,320** | – |
| Capital element of rental payments | **(144,391)** | (120,395) | **(16,529)** | (4,833) |
| At 31 March 2003 | **227,397** | 338,533 | **8,611** | 2,820 |

Obligations under finance leases and hire purchase contracts are secured on the assets to which they relate.

## 17 Provisions for liabilities and charges

| Group | Deferred taxation **2003** **£** | 2002 £ |
|---|---|---|
| At 1 April 2002 | **56,700** | 63,537 |
| Credit for year (note 6) | **(56,700)** | (6,837) |
| At 31 March 2003 | **–** | 56,700 |

The amounts of deferred taxation provided and unprovided in the financial statements are:

| | ***Provided 2003 £*** | ***Unprovided 2003 £*** | Provided 2002 £ | Unprovided 2002 £ |
|---|---|---|---|---|
| Accelerated capital allowances | **56,000** | **–** | 87,000 | – |
| Other timing differences | **(52,000)** | **–** | (1,200) | – |
| | **4,000** | **–** | 85,800 | – |
| Less: | | | | |
| Trading losses | **(4,000)** | **(600,000)** | (29,100) | (270,000) |
| | **–** | **(600,000)** | 56,700 | (270,000) |

## 18 Share capital

| | ***2003*** **£** | 2002 £ |
|---|---|---|
| Authorised | | |
| 60,000,000 (2002: 60,000,000) ordinary shares of 10p each | **6,000,000** | 6,000,000 |
| Allotted, called up and fully paid | | |
| 27,601,670 (2002: 25,711,670) ordinary shares of 10p each | **2,760,167** | 2,571,167 |

The Company issued 1,890,000 ordinary shares of 10p each for a consideration of 35p per share on the acquisition of Integrated Statistical Solutions Limited on 1 July 2002. Advantage has been taken of merger relief offered by Section 131 of the Companies Act and the excess of the nominal value has been taken to the merger reserve.

The Company has issued a number of unapproved share options to the directors, details of which are provided in the Corporate Governance Statement

An EMI share option scheme was implemented on 19 April 2002. Share options over 870,000 shares have been issued under this scheme which may be exercised in three equal tranches after six months, eighteen months and twenty four months of the date of the grant. No performance conditions apply to the EMI options. No current directors have been issued with options under the EMI Share Options Scheme.

# Notes to the Financial Statements

continued

## 19 Reserves

| Group | Share premium £ | Merger reserve £ | Profit and loss account £ |
|---|---|---|---|
| At 1 April 2002 | 1,401,236 | 915,033 | (2,453,914) |
| On issue of shares | – | 472,500 | – |
| Share issue costs | (21,423) | – | – |
| Loss for the year | – | – | (1,498,853) |
| At 31 March 2003 | **1,379,813** | **1,387,533** | **(3,952,767)** |

| Company | Share premium £ | Merger reserve £ | Profit and loss account £ |
|---|---|---|---|
| At 1 April 2002 | 1,401,236 | 1,120,000 | 731,597 |
| On issue of shares | – | 472,500 | – |
| Share issue costs | (21,423) | – | – |
| Loss for the year | – | – | (342,760) |
| At 31 March 2003 | **1,379,813** | **1,592,500** | **388,837** |

## 20 Reconciliation of movements in shareholders' funds

| | ***2003*** **£** | 2002 £ |
|---|---|---|
| Loss for the year | **(1,498,853)** | (589,857) |
| Issue of shares | **640,077** | 1,267,069 |
| Net (reduction)/increase in shareholders' funds | **(858,776)** | 677,212 |
| Shareholders' funds at 31 March 2002 | **2,433,522** | 1,756,310 |
| Shareholders' funds at 31 March 2003 | **1,574,746** | 2,433,522 |

## 21 Notes to the statement of Group cash flows

(a) Reconciliation of operating loss to net outflow from operating activities

| | ***2003*** | 2002 |
|---|---|---|
| | **£** | £ |
| Operating loss | **(1,513,010)** | (527,550) |
| Depreciation | **232,458** | 230,946 |
| Amortisation | **44,560** | 15,000 |
| Loss/(profit) on sale of tangible fixed assets | **9,114** | (8,658) |
| Provision against fixed asset investment | **–** | 145,000 |
| Decrease/(increase) in stocks | **265,670** | (94,028) |
| Decrease in debtors | **121,620** | 72,840 |
| Increase/(decrease) in creditors | **47,671** | (365,585) |
| Net cash outflow from operating activities | **(791,917)** | (532,035) |

(b) Reconciliation of net cash flow to movement in net debt

| | ***2003*** | 2002 |
|---|---|---|
| | **£** | £ |
| (Decrease)/increase in cash | **(911,512)** | 303,098 |
| Cash used to repay capital element of finance lease and hire purchase payments | **144,391** | 120,395 |
| Cash (inflow)/outflow from movement in loans | **(216,877)** | 39,345 |
| | **(983,998)** | 462,838 |
| New finance leases and hire purchase contracts | **(33,255)** | (215,558) |
| **Movement in net debt** | **(1,017,253)** | 247,280 |
| Net debt at 1 April 2002 | **(634,467)** | (881,747) |
| **Net debt at 31 March 2003** | **(1,651,720)** | (634,467) |

(c) Analysis of changes in net debt

| | At 31 March 2002 | Cash flow | Non-cash movements | ***At 31 March 2003*** |
|---|---|---|---|---|
| | £ | £ | £ | **£** |
| Cash at bank and in hand | 822,372 | (732,268) | – | **90,104** |
| Overdraft | (710,208) | (179,244) | – | **(889,452)** |
| | 112,164 | (911,512) | – | **(799,348)** |
| Debt due within one year | (50,000) | – | – | **(50,000)** |
| Debt due after one year | (358,098) | (216,877) | – | **(574,975)** |
| Finance leases and hire purchase contracts | (338,533) | 144,391 | (33,255) | **(227,397)** |
| | (634,467) | (983,998) | (33,255) | **(1,651,720)** |

(d) Major non-cash transactions

During the year the Group entered into finance lease arrangements in respect of assets with a total capital value at the inception of the lease of £33,255 (2002: £215,558).

# Notes to the Financial Statements

continued

**22 Financial instruments**

The Group uses financial instruments, comprising cash, short and long term borrowings, 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.

The main risks arising from the Group financial instruments are interest rate risk and liquidity 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. The fair value of the Group's financial instruments are considered equal to the book value.

**Short term debtors and creditors**

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

**Interest rate risk**

The Group finances its operations through a mixture of bank loans and overdrafts and other loans. The Group's exposure to interest rate fluctuations on its borrowings is managed by the use of floating facilities.

The interest rate exposure of the financial liabilities of the Group as at 31 March was:

| | **Floating £** |
|---|---|
| 31 March 2003 | **700,493** |
| 31 March 2002 | 408,098 |

**Liquidity risk**

The Group seeks to manage financial risks, to ensure sufficient liquidity is available to meet foreseeable needs and to invest cash assets safely and profitably.

Of the available overdraft facility £145,000 remained unutilised at 31 March 2003. Of the invoice discounting facility £350,000 remained unutilised at 31 March 2003.

As per note 28, the Group has an unsecured loan of £200,000 from Malvair Properties Limited.

**Currency risk**

The Group operates substantially within the United Kingdom and consequently is not significantly exposed to currency risk. The Group does not hedge any transactions, and foreign exchange differences on retranslation of foreign currency assets and liabilities are taken to the profit and loss account of the Group.

**23 Operating lease commitments**

Annual commitments under non-cancellable operating leases are as follows:

| | **Land and buildings** | | **Other** | |
|---|---|---|---|---|
| | ***2003*** | 2002 | ***2003*** | 2002 |
| **Group** | **£** | £ | **£** | £ |
| Operating leases which expire: | | | | |
| In one year | **67,883** | 29,000 | **1,920** | – |
| In two to five years | **5,500** | 52,884 | **16,494** | 9,323 |
| | **73,383** | 81,884 | **18,414** | 9,323 |

**24 Pension commitments**

The Group operates a defined contribution pension scheme. Contributions are charged to the profit and loss account as they become payable in accordance with the rules of the scheme.

**25 Capital commitments**

The Group had no capital commitments at 31 March 2003 (2002: £nil).

**26 Contingent liability**

The Company has given an unlimited guarantee against the bank borrowings of its subsidiaries. The borrowings of these companies at 31 March 2003 are included in the consolidated borrowings detailed in note 15.

**27 Results of the parent company**

As permitted by Section 230 of the Companies Act 1985, the profit and loss account of the parent company is not presented as part of these accounts. The parent company's loss for the period amounted to £342,760 (2002: loss of £309,433).

**28 Related party transactions**

During the year the Group received a loan of £200,000 from Malvair Properties Limited, a company in which R Allsop has an interest. Interest of £7,915 has been accrued during the year and at 31 March 2003 the outstanding balance amounted to £207,915.

**29 Acquisitions**

On 1 July 2002 the Group acquired the entire share capital of Integrated Statistical Solutions Limited ("ISS"), a data capture and analysis company for the utilities industry, for an initial consideration of £679,500 settled by the allotment of 1,890,000 new shares at a market value of 35p each, and £18,000 in cash. The agreed terms provided for the issue of up to a further 1,149,999 ordinary shares of 10p each conditional upon the future price performance of the Group's shares. It has been assumed that no deferred consideration will be payable.

The loss before taxation of ISS for the year ended 30 June 2002 was £45,000.

Advantage has been taken of section 131 of the Companies Act 1985 on merger relief in respect of the premium on the issue of shares to finance the acquisition, with the premium on the issue of the shares being taken to merger reserve.

The assets and liabilities of ISS acquired were as follows:

| | **Book and fair value £** |
|---|---|
| **Fixed assets** | 12,202 |
| **Current assets** | |
| Stocks | 42,400 |
| Debtors | 215,827 |
| **Total assets** | 270,429 |
| **Creditors** | 160,424 |
| **Total liabilities** | 160,424 |
| **Net assets** | 110,005 |
| Purchased goodwill | 607,532 |
| | 717,537 |
| Satisfied by: | |
| Issue of shares | 661,500 |
| Cash and costs | 56,037 |
| | 717,537 |

# Shareholders' Notes

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