



Report and Financial Statements
Year ended 30 April 2007

INDEX

	Page
DIRECTORS, SECRETARY AND ADVISERS	2
CHAIRMAN'S STATEMENT	3
REPORT OF THE DIRECTORS	7
REPORT OF THE REMUNERATION COMMITTEE	13
REPORT OF THE INDEPENDENT AUDITORS	14
FINANCIAL STATEMENTS	16
NOTES FORMING PART OF THE FINANCIAL STATEMENTS	20
COMPANY BALANCE SHEET	46
NOTES FORMING PART OF THE FINANCIAL STATEMENTS	47
NOTICE OF ANNUAL GENERAL MEETING	51
APPENDIX 1	53

DIRECTORS, SECRETARY AND ADVISERS

Country of incorporation of parent company:	Great Britain
Legal form:	Public Limited Company
Directors:	M. Dwek B. Beecraft A. Reid M. Rapoport
Secretary and registered office:	B. Beecraft, 57 Grosvenor Street, London W1K 3JA
Company number:	333998
Auditors:	BDO Stoy Hayward LLP, 8 Baker Street, London W1U 3LL
Nominated Adviser:	Seymour Pierce Limited, 20 Old Bailey, London EC4M 7EN
Brokers:	Ellis Stockbrokers Limited, Talisman House, Jubilee Walk, Three Bridges, Crawley, West Sussex RH10 1LQ
Registrars:	Capita Registrars, Northern House, Woodsome Park, Feney Bridge, Huddersfield, West Yorkshire HD8 0LA
Solicitors:	Field Fisher Waterhouse, 35 Vine Street, London EC3N 2AA

CHAIRMAN'S STATEMENT

Overview

The year has been a period of consolidation with all businesses continuing to be profitable, the completion of the earn out period for Grosvenor Technology and the repayment of the loan note.

Our financial statements have been produced in accordance with International Financial Reporting Standards (IFRS) for the first time. Comparative information for the year ended 30 April 2006 has been restated on an IFRS basis. Full details of IFRS accounting policies applied and reconciliation of comparative figures between UK GAAP and IFRS are included within the financial statements. The major ongoing impact on the operating profit of the Group is that we are now required to capitalise development costs which fulfil certain criteria as set out in the accounting policies. Previously such expenditure was written off as incurred.

The earn out period for the acquisition of Grosvenor Technology expired on 31 October 2006, and, as expected, the maximum payable of £3.5 million has been achieved over the four year period. On agreement of the accounts for the period, unsecured loan notes denominated in Euros were issued in accordance with the acquisition agreement. These may be settled in cash on 1 November 2007 at the earliest. Unfortunately, the loan notes were issued at a time when the Euro was particularly strong and we have been required to make a £111,000 exchange loss provision. Interest payable on these loan notes was fixed at a quarter per cent. below base as part of the agreement, and has been accrued in the income statement accordingly. However, in order to comply with IFRS, we are required to discount the valuation of the loan notes using an assumed third party market rate and this has been adjusted as a finance charge in the income statement. The three directors of the company who remained with the Group after acquisition have agreed to remain with the Group for at least a further three years.

The loan notes issued by the Company in 2003 were settled on 24 July 2006. When the loan notes were issued, warrants were attached so that the loan note holders could subscribe for ordinary shares of 1p each in the Company at a price of 1p per ordinary share. These warrants are captured under the heading of embedded derivatives under IFRS, and therefore were fair valued at the date of transition. The warrants were then revalued at April 2006 and the exercise date, and the changes in valuation are accounted for as other finance gains or losses in the income statement. The loan note holders exercised these warrants so that half of the loan notes were settled by issue of shares, the other half by cash payments.

Turnover for the year from continuing businesses was £13,422k compared to £11,839k, an increase of 13 per cent. Gross margin for the year from continuing operations was £5,817k (43.3 per cent. of sales) compared to £4,876k (41.2 per cent.).

Safetell turnover increased by 10 per cent. whilst Grosvenor Technology benefited from the BAE Systems contract announced in the year. The US market for Custom Micro Products recovered from the low levels of the previous year. Within the Electronic Division, there was an improvement in margin overall, whilst there was also an improvement within Safetell as the increase in turnover improved utilisation of staff and yielded other efficiencies.

Earnings per share are shown in the income statement as 0.25p (2006: 0.11p). However, the earnings per share before interest discount adjustments, losses of discontinued operations, provision for exchange loss and warrant revaluation are 0.30p (2006: 0.21p) as calculated in note 10 to the accounts.

As a consequence of the increase in turnover and fall in number of employees, turnover per employee rose from £100,390 to £117,737.

Both CMP and Safetell are the leaders in their particular markets whilst Grosvenor is a major force at the upper price end of the access control market. There were no environmental issues having a major impact on the Group in the year.

The Group continues to invest in research and development which will benefit the results in the future.

The Disability Discrimination Act will, we believe, have an increasing impact on the needs of some of our customers when the requirements are realised more fully, and this would benefit Safetell in particular.

The Group net assets have increased in the year from £3.4 million to £5.2 million partly reflecting the translation of half of the outstanding loan notes into shares.

Turnover varies month by month due to the timing and amounts of the types of contracts that we are involved in, particularly within Safetell. The asset protection division had two very busy months before the year end which has inflated the working capital position on the balance sheet at the year end.

A detailed review of their activities, results and future developments is set out in the divisional results below.

Financial results

The operating profit for the year was £1,632,000 (2006: £981,000).

Turnover for the year for continuing operations was £13.4 million (2006: £11.8 million). The main commercial factors affecting the results of the divisions are set out below.

Electronic Division

Turnover £7,441,000 (2006: £6,407,000)

Operating profit £1,685,000 (2006: £1,100,000)

Turnover in Grosvenor Technology increased by some 19 per cent. in the year to £4.3 million, and was accompanied by a 2 per cent. increase in margin. Each year turnover includes a number of larger contracts which vary in size and are difficult to predict in terms of timing. During the year under review, we completed the sale of our JANUS access control and security management system to BAE Systems at their major sites in Warton, Sarnesbury, Brough and others. The total sales value, including JANUS software exceeded £0.5 million. BAE Systems has been using JANUS for some years on other sites and now has the potential to link all of the systems together as an all encompassing 'Enterprise Solution.'

As predicted, the eSeries door controller, due to its ease of connectivity on corporate networks around the world, has played a large part in this success and looks set to be the deciding factor for other large contracts still to come.

To further support these larger 'Enterprise' type access control systems we have developed a brand new web connected application called Admin Manager. Admin Manager is part of the Head Office suite of programs and has the potential to combine multiple systems together in a world-wide network of systems. The benefits to the user are many fold and include connections to corporate HR systems, centralisation of employee records and a secure web connection from anywhere in the world. There are separate versions of Admin Manager for JANUS, N-TEC (Simplex distributorship) and Siteguard (Tyco distributorship) and for commercial reasons the different Admin Manager applications are not interchangeable and do not support each other's protocols.

Turnover in Newmark Technology increased in the year by 6 per cent. to £451k but this was offset by a reduction in margin. We now have two distributors in Russia via the Simplex Fire distributorship and the first order for our Russian version of N-TEC has been received (£50K) for the prestigious Naberezhnaya Tower Complex in Moscow, again using eSeries controllers and has been shipped already in the current year.

We have temporarily suspended UL approvals on the N-TEC product as there are new ideas that we wish to incorporate within the certification application and changes or additions to an already UL certified product requires re-evaluation.

At Custom Micro Products, turnover increased by 14 per cent. overall and was aided by a recovery in sales to the US following a drop in the previous year.

We have started manufacturing the RS21 terminal (Revised Series) ready for product launch and as announced last year, the RS21 is fully compatible with the existing 2100 terminals and eliminates the need for our own in-house manufacturing. The Revised Series offers snap-together components which the customer assembles at the point of installation. This idea has been very well received and allows us to ship the product within a couple of days from receiving an order rather than the traditional 3-4 week delay for manufacturing. There will be a crossover period between the 2100 terminal phasing out and the RS21 terminal phasing in.

On 14 June we announced the strategic merger of Grosvenor Technology and Custom Micro Products. The two companies will merge under the name of Grosvenor Technology and continue to operate from their respective facilities in Bishop's Stortford in Hertfordshire and Poole in Dorset. The remit of the newly combined business is to provide innovative products and services targeted directly to the needs of key channels within the access control and data-collection industries.

Combining the two businesses under a single brand enables us to better position the company to meet the future needs of our customers. The development proposition, with the two teams working as one, is an easier migration to newer and more powerful technologies and the opportunity for wider and greatly enhanced product offerings. The merger also offers the best use of company synergies and consistency of application, with more efficient systems and procedures throughout. To this end it is envisaged that we will embark upon a staff restructuring process as soon as the merger process has been completed.

It is important that we maintain the identity and the unique branding of the Custom Micro products and to this end we have created the 'CUSTOM' brand-name as an umbrella for the existing catalogue of products and the brand-new Revised Series products. This will make it easier for customers to identify and manage the CUSTOM products from within the Grosvenor Technology product range.

Our next generation product, also announced last period, has been branded as 'SATEON' Intelligent Time Clocks and Terminals. The SATEON range also takes on the new form of snap-together modules enabling off-shore manufacturing and installer assembly on-site. To facilitate this, intelligence has been designed on-board each module so that they are aware of each other and automatically configure themselves when connected.

SATEON terminals are specifically targeted at the ASP.NET environment and will allow us to enter the business of recurring revenue streams where terminals and internet hosted services are offered by us on a monthly rental to our existing customer base where they will benefit from our economies of scale and our centralised and managed back-end systems. The first SATEON terminal, the IT3100, is at an advanced stage of development on the hardware side and we expect to enter this business during the course of 2008.

Asset Protection Division

Turnover £5,981,000 (2006: £5,432,000)

Operating profit £520,000 (2006: £490,000)

Total sales increased by 10.1 per cent. from product/contract sales growth of 6.9 per cent. and service revenue growth of 15.5 per cent.

Eclipse rising screen programmes were maintained with various long-term customers in retail finance, petrol retailing and some Police forces. Two previous major customers who had completed their branch programmes some years ago have renewed purchases for a fresh round of branch refurbishments. Another customer lost to a competitor in 2000 has been won back. The value of reconfiguration/refurbishment works for Eclipse dropped below the value of new installations with less work required for Abbey.

Eye2Eye sales were disappointing in the first half of the year but accelerated dramatically in the second half, 8 of the 11 units sold in the year arose in the last two months to new customers with repeat business expected in the new financial year. Two more new rail customers placed orders in the last two months of the year under review for delivery in the current year. Rail Operating Companies remain the market focus for this product with additional demand from Police and Local Authorities.

Sales to the Post Office of RollerCash and BiDi Safe were similar to last year with the notable addition of the first six Post Office branches in WH Smith. That trial proved successful and a programme has been announced of approximately 70 more such combinations before the end of 2008. Woolwich branches invested in the third and final phase of equipment for their branches before adopting a Barclays format.

A client driven development contract for payment/merchandise transfer hatches was completed at the end of the year with the first prototype installed in May. Although unit prices are relatively low, the volume for this retail customer could be substantial with opportunities to sell to other retailers.

Following 18 months of preparation, the South African market has been opened with a partner who will act as a manufacturing licensee for Eclipse rising screens and as a sub-distributor for RollerCash. The first order was taken in March for rising screens that was installed in June and one RollerCash is undergoing branch trials.

Service and maintenance revenue increased by 15 per cent. mainly due to the comprehensive contract for all Abbey branches won at the beginning of 2006 and new work for Shell night pay window maintenance. This part of the business is set to grow further.

Percentage gross margin was maintained at last year's level on the increased turnover. Manufacturing efficiencies were achieved in the last 2 months on the increased volume in Eye2Eye resulting in much better margin for this product. Other manufacturing efficiencies are being introduced to improve margin on other products.

The first months of the new financial year have continued at the average rate of the year under review but with increases expected to occur from the late summer onwards. Some of this additional business has been announced by customers but not yet confirmed.

Balance sheet and cash flow

The change to IFRS accounts has resulted in changes to both the balance sheet and cash flow although, in respect of the latter, these are mainly presentational. Goodwill has been frozen at the amortised cost figure at

the date of transition to IFRS, 1 May 2005. This figure will now remain unchanged subject only to annual impairment reviews. Intangible assets also now include development costs which meet the criteria set out in note 1, and will be written off over the expected life of the new product. Trade debtors and creditors are both higher than the previous year end, due in particular to very busy trading months towards the end of the year in the Asset Protection Division. Both operating divisions also undertake substantial contracts which impinge upon the level of working capital at any one point in time.

The Grosvenor deferred consideration of £3.5 million will be paid from cash balances, which at the end of April were close to £2 million, and the balance from facilities currently being agreed with the Group's bankers. Current liabilities last year included £1.5 million loan notes which have been settled in the year, half by the issue of shares and the other half in cash from the proceeds of a bank loan repayable over three years. Overall net assets increased from £3.4 million to £5.2 million.

The improvement in profit for the year increased the cash flow from operating activities by £0.9 million, from £0.6 million to £1.5 million. Cash outflow from investing activities fell from £2.3 million to £0.3 million, primarily due to the previous year including the payment of the deferred consideration for the acquisition of Custom Micro Products Limited, £1.9 million. There was however a cash outflow from financing activities of £0.5 million compared to an inflow of £0.3 million last year. The figures for the year under review include the partial repayment of the loan taken out to finance the repayment of the loan notes, whilst the previous year included the proceeds from loan notes issued.

Employees

The Board would again like to express their gratitude to all employees for their contribution to the success of the business in which they work.

Summary

The Board is pleased by the results achieved in the year and believe that this has resulted from the efforts made in previous years to secure a solid base for the Group. Trading for the start of the current year has been encouraging. Although the results for the first half of the current year may be lower than the profit for the first six months of the year under review due to the impact of the contract for BAE Systems last year, the Board is confident further growth will be achieved in the current year.

M DWEK
Chairman

16 July 2007

REPORT OF THE DIRECTORS

The Directors submit their annual report and audited financial statements of the Group for the year ended 30 April 2007.

Principal activities

The Group is principally engaged in the design, manufacture and supply of products and services for the security of assets and personnel. The principal activity of the Company is that of an investment holding company.

Financial results and dividends

The profit from operations on ordinary activities before interest, tax and minority interest in the year was £1,632,000 (2006: £981,000).

The profit for the year was £1,089,000 (2006: £389,000).

Turnover for the year for continuing operations was £13.4 million (2006: £11.8 million). The directors do not recommend the payment of a dividend. A review of the business and future prospects is given in the Chairman's Statement on pages 3 to 6.

Directors

The Directors who served during the year were as follows:

M Dwek
B Beecraft
M Rapoport
A Reid

Details of the Directors' service contracts are shown in the Remuneration Committee Report on page 13.

M Dwek retires in accordance with the articles of association. M Dwek, being eligible, offers himself for re-election at the next annual general meeting.

Share capital

Full details of changes to the share capital in the year are given in note 25 to the financial statements on page 42.

Financial instruments

For full details of changes to the Group's management of its financial instruments, please refer to note 21 to the financial statements on page 38.

Directors

Directors' interests

The beneficial and other interests of the Directors in the shares of the Company as at 1 May 2006 (or the date of their appointment to the Board, if later) and 30 April 2007 were as follows:

	Percentage holding at 30 April 2007	30 April 2007	1 May 2006 (or date of appointment if later)
M Dwek ^(a)	9.5%	42,819,467	38,069,467
M Rapoport	2.4%	10,555,000	10,555,000
A Reid ^(b)	16.5%	73,833,237	58,833,237

(a) These shares are held in the name of Arbury Inc., 51 per cent. of the equity share capital of which is, at the date of this report, beneficially owned by M Dwek.

(b) These shares are in part held in the name of R.K. Harrison & Co. Limited, a company the issued equity share capital of which is, at the date of this report, owned as to 80.3 per cent. by A Reid of which 74.8 per cent. is a beneficial holding and 5.5 per cent. is a non beneficial holding, and the R.K. Harrison Retirement Benefit Scheme in which A Reid has a beneficial interest.

The interests of Directors in Share Option Schemes operated by the Company at 30 April 2006 and 2007 were as follows:

	Number of Ordinary Shares under the Approved Scheme 30 April 2007	Number of Ordinary Shares under the Unapproved Scheme 30 April 2007	Number of Ordinary Shares under the Approved Scheme 1 May 2006	Number of Ordinary Shares under the Unapproved Scheme 1 May 2006
M Dwek	—	5,000,000	—	5,000,000
B Beecraft	500,000	4,000,000	500,000	4,000,000

The Directors had no other interests in the shares or share options of the Company or its subsidiaries.

Research and development

The Group is committed to on-going research and development. The strategy is based upon market demand to meet identified security needs in conjunction with a commercial assessment of the short to medium term profitability of each project. The amount of the costs incurred in the year are shown in note 4 to the financial statements.

Substantial shareholdings

Apart from the Directors' shareholdings detailed above, the Directors have been notified of the following additional shareholdings of 3 per cent. or more of the issued ordinary share capital of the Company as at the date of this document:

	Percentage holding	Number of shares
Hillblue Investments SA	6.7%	30,000,000
Rosa Maris Limited	6.7%	30,000,000
Barclayshare Nominees Limited	6.0%	27,022,523
L R Nominees Limited	4.8%	21,347,439
Mrs G A B Reid	4.4%	19,750,000
PH Nominees Limited	4.3%	19,325,000

Employee involvement

The Group keeps employees informed of matters affecting them and employees have regular opportunities to meet and have discussions with their managers.

Share option schemes

The Company has two employee share option schemes which enable employees and Executive Directors to be granted options to subscribe for Ordinary Shares. The Approved Scheme has been approved by the Inland Revenue in accordance with Section 185 of, and Schedule 9 to, the Income and Corporation Taxes Act 1988 ("Taxes Act"), the Unapproved Scheme not requiring such approval. The Schemes require that exercise of options be subject to the satisfaction of certain performance criteria.

The Remuneration Committee has administered and operated each Scheme. Further details of the share option schemes are set out in note 28 to the Financial Statements on page 44.

Both schemes expired in April 2007 on the tenth anniversary of the formation of these schemes.

The Board now proposes to adopt the Newmark Security PLC EMI Share Option Plan ("the scheme") which will enable the Board to grant qualifying share options under the HM Revenue and Custom's Enterprise Management Incentive ("EMI") tax code and also unapproved share options to employees and directors.

The structure of the Scheme has been designed with the key aim of retaining employees and ensuring that their interests are fully aligned with those of shareholders – in particular to further drive the increase in the Company's share price over the next 3 to 5 years. It has been designed to adhere to the basic principals first agreed in the design of the original schemes although allowing flexibility for change taking into account market trends as they pertain at the current time and into the future.

The Scheme will grant tax efficient EMI share options where the qualifying criteria are met and unapproved share options where those criteria are not met.

The EMI share options will vest and become exercisable 3 years from the date of grant (subject to leaver and takeover provisions), or such other period of time specified by the Remuneration Committee. Performance conditions to be set by the Remuneration Committee will apply to these EMI options. EMI options will have an exercise price equal to the higher of the market value and the nominal value of a share in the Company at the date of grant – and therefore gains made by the participants will only arise to the extent that the Company's share price increases above the price when the options are granted.

There is a strict legislative limit imposed on the quantum of EMI options that may be granted and held by one individual (very broadly, not more than £100,000 worth of options per person calculated by reference to the share price at the date of grant of such options). It is considered that an effective incentive outside this limit should be possible, and so it is proposed that additional unapproved options may also be granted.

The unapproved share options will be subject to the same set of rules as will apply to EMI Options, including the imposition of performance conditions.

The Scheme contains a limit on dilution such that options may not be granted if the level of dilution of the current issued share capital by options (across all share option plans) granted over the previous 10 years exceeds 10 per cent. The Board have considered best practice and guidelines on dilution and consider that 10 per cent. is an appropriate level for an AIM listed plc of the size of the Company.

It should be noted that options under the Scheme will only be granted to those key employees best placed to increase the performance of the business.

Options will lapse in full if the participant leaves the company other than for a defined Good Leaver provision or death. Where cessation of employment is occasioned through death or a Good Leaver provision then the Options (both EMI and unapproved) will vest and become exercisable in full, irrespective of a performance condition. In like fashion, the performance conditions will also fall away should the options vest and become exercisable in the event of a takeover of the Company or similar corporate event.

Resolution 4 at the Annual General Meeting seeks the approval of shareholders to the new Scheme.

Environmental Policy

The Group's environmental policy endeavours to minimise the impact of its activities on the environment through, where possible, the proper conservation of natural resources. The Group recognises its responsibility to review continually and improve its environmental performance and, in doing so, seeks the input of architects, engineers and other professional advisers.

Payment of suppliers

The Group requires its operational management to settle terms of payment with suppliers when agreeing the terms of the transaction to ensure that suppliers are aware of these terms and to abide by them. Group trade creditors at the year end were 27 days (2006: 41 days) of average supplies for the period, the parent company does not trade and therefore there is no corresponding figure.

Corporate governance

The Company has complied voluntarily throughout the year as far as practicable with the provisions of the Combined Code which only applies mandatorily to fully listed companies.

At 30 April 2007, the Board comprised a Chairman, one Executive Director and two Non-Executive Directors.

The Board meets regularly to exercise full and effective control over the Group. The Board has a number of matters reserved for its consideration, with the principal responsibilities being to monitor performance and to ensure that there are proper internal controls in place to agree overall strategy and acquisition policy, to approve major capital expenditure and to review budgets. The Board will also consider reports from senior members of the management team. The Chairman takes responsibility for the conduct of the Group and overall strategy.

Under the Company's Articles of Association, the appointment of all directors must be approved by the shareholders in General Meeting, and additionally one-third of the directors are required to submit themselves for re-election at each Annual General Meeting. Additionally, each director has undertaken to submit themselves for re-election at least every three years. The Board has considered the recommendation to

introduce a Nominations Committee. However, it was decided, given the small size of the Board, that nominations are to remain a matter reserved for the Board.

Any Director may, in furtherance of his duties, take independent professional advice where necessary, at the expense of the Company. All directors have access to the Company Secretary whose appointment and removal is a matter for the Board as a whole, and who is responsible to the Board as a whole and who is responsible to the Board for ensuring that agreed procedures and applicable rules are observed.

The Company maintains an ongoing dialogue with its institutional shareholders. The Combined Code requires proxy votes to be counted and announced after any vote on a show of hands and this has been implemented by the Company.

The Combined Code requires Directors to review, and report to shareholders on the Group's system of internal control. In September 1999 guidance to this requirement was provided to Directors by the publication of *Internal Control: Guidance for Directors on the Combined Code* ("The Turnbull Report").

The Board continues to report on internal financial control in accordance with the guidance on internal control and financial reporting that was issued by the Institute of Chartered Accountants in England and Wales in 1994. The Directors have considered the Turnbull Report but have decided that the cost of implementing the procedures contained therein is disproportionate to expected benefits at this stage of the Group's development.

The Directors acknowledge their responsibility for the Group's systems of internal financial control which are designed to provide reasonable but not absolute assurance that the assets of the Group are safeguarded and that transactions are properly authorised and recorded.

During the year, key controls were:

- day to day supervision of the business by the Executive Director,
- maintaining a clear organisational structure with defined lines of responsibility,
- production of management information, with comparisons against budget,
- maintaining the quality and integrity of personnel,
- Board approval of all significant capital expenditure, and all acquisitions.

Each Group company is responsible for the preparation of a budget for the following year, which is presented to and required to be agreed by the Board before the beginning of that year. The subsidiary is required to report actual performance against that plan each month.

The Board has established two standing committees, the audit and remuneration committees, comprising two independent Non-Executive Directors. Each committee has written terms of reference.

The Audit Committee, comprising M Rapoport and A Reid, is responsible for the appointment of external auditors, reviewing the interim and annual financial results, considering matters raised by the auditors and reviewing the internal control systems operated by the Group.

The Remuneration Committee, comprising M Rapoport and A Reid meets at least once a year to review the terms and conditions of employment of Executive Directors including the provision of incentives and performance related benefits. The report of the Remuneration Committee is set out on page 13.

After making enquiries, the Directors believe that the Group has sufficient financial resources to continue in operational existence for the foreseeable future. The accounts have therefore been produced on a going concern basis.

Unauthorised brokers (Boiler Room Scams)

Over the last year many listed companies in the UK have become aware that their shareholders have received unsolicited phone calls or correspondence concerning investment matters and unfortunately we have been advised by some of our shareholders who have been contacted in this way. These are typically from overseas based 'brokers' who target UK shareholders offering to buy their shares at excessive prices. They can be very persistent and extremely persuasive and a 2006 survey by the Financial Services Authority (FSA) has reported that the average amount lost by investors is around £20,000. It is not just the novice investor that has been duped in this way; many of the victims had been successfully investing for several years. Shareholders are advised to be very wary of any unsolicited advice, offers to buy shares at excessive or discounted prices, or offers of free company reports.

If you receive any unsolicited investment advice:

- Make sure you get the correct name of the person and organisation.
- Check that they are properly authorised by the FSA before getting involved. You can check at www.fsa.gov.uk/register
- The FSA also maintains on its website a list of unauthorised overseas firms who are targeting, or have targeted, UK investors and any approach from such organisations should be reported to the FSA so that this list can be kept up to date and any other appropriate action can be considered. If you deal with an unauthorised firm, you would not be eligible to receive payment under the Financial Services Compensation Scheme. The FSA can be contacted by completing an online form at www.fsa.gov.uk/pages/doing/regulated/law/alerts/overseas.shtml
- Inform Capita Registrars.

Details of any share dealing facilities that the Company endorses will only be included in company mailings.

More detailed information can be found on the FSA website www.fsa.gov.uk/consumer/

Identity Theft

Tips for protecting your shares:

- Ensure all your certificates are kept in a safe place or hold your shares electronically in CREST via a nominee.
- Keep all correspondence from the Registrar in a safe place, or destroy correspondence by shredding.
- If you change address inform the Registrar in writing or via the Shareholder Portal. If you receive a letter from the Registrar regarding a change of address but have not recently moved please contact them immediately.
- If you are buying or selling shares only deal with brokers registered in your country of residence or the UK.

Directors' responsibilities

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company, for safeguarding the assets of the company, for taking reasonable steps for the prevention and detection of fraud and other irregularities and for the preparation of a Directors' Report which complies with the requirements of the Companies Act 1985.

The directors are responsible for preparing the annual report and the financial statements in accordance with the Companies Act 1985. The directors have chosen to prepare financial statements for the Group in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs) and have chosen to prepare the parent company accounts in accordance with UK Generally Accepted Accounting Practice.

Group financial statements

International Accounting Standard 1 requires that financial statements present fairly for each financial year the Group's financial position, financial performance and cash flows. This requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standards Board's 'Framework for the preparation and presentation of financial statements'. In virtually all circumstances, a fair presentation will be achieved by compliance with all applicable IFRSs. A fair presentation also requires the Directors to:

- consistently select and apply appropriate accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information; and
- provide additional disclosures when compliance with the specific requirements in IFRS is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance.

Parent company financial statements

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

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

Financial statements are published on the Group's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Group's website is the responsibility of the directors. The directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

All of the current directors have taken all the steps that they ought to have taken to make themselves aware of any information needed by the Company's auditors for the purposes of their audit and to establish that the auditors are aware of that information. The directors are not aware of any relevant audit information of which the auditors are unaware.

Auditors

A resolution to reappoint BDO Stoy Hayward LLP as auditors will be proposed at the next annual general meeting.

By order of the Board

B BEECRAFT
Company Secretary

16 July 2007

REPORT OF THE REMUNERATION COMMITTEE

Authority

The Remuneration Committee is responsible for approving the remuneration of Executive Directors. The remuneration of Non-Executive Directors is approved by the full Board of the Company.

Membership

The majority membership of the Remuneration Committee is required to comprise independent Non-Executive Directors and at 30 April 2007 comprised two existing Non-Executive Directors, Alexander Reid and Michel Rapoport.

Alexander Reid is executive chairman of R.K. Harrison & Company Limited (a shareholder of the Company) and a director of a number of unquoted companies. He was formerly a director of the merchant bank Samuel Montagu & Co. Limited and for 15 years was a director of various investee and group companies within Invesco MIM.

Michel Rapoport was previously President and Chief Executive Officer of Mosler Inc., a manufacturer and integrator of security systems for banking, industrial and commercial organisations. Prior to that he was Vice President of Pitney Bowes International and Chairman of Pitney Bowes France. He is President and Chief Executive Officer of LII Holdings, Inc., a holding company based in Atlanta, Georgia USA.

Remuneration policy

The Group's policy is to offer remuneration packages which are appropriate to the experience, qualifications and level of responsibility of each Executive Director and are in line with Directors of comparable public companies.

Service and consultancy agreements

The Company entered into a Consultancy Agreement with Arbury Inc. on 1 September 1997 for the services provided to the Company by Mr Dwek. The Agreement may be terminated by either party subject to 12 months' notice being served. Arbury Inc. is paid a fee in line with the level of responsibilities of Mr Dwek who is also entitled to the provision of a car for which the Company will meet all running expenses except for lease costs.

The Company entered into a Service Agreement on 5 June 1998 with Mr Beecraft which may be terminated by either party serving six months' notice.

Director's emoluments

Emoluments of the directors (including pension contributions and benefits in kind) of the Company were as follows:

	Consultancy/ management agreement £'000	Compensation for change of terms £'000	Salary £'000	Fees £'000	Total £'000	Pension contri- butions £'000
Executive Directors						
B Beecraft	—	—	104	—	104	—
Non-Executive Directors						
M Dwek ^(a)	50	—	—	—	50	—
A Reid ^(b)	—	—	—	15	15	—
M Rapoport	—	—	—	15	15	—
	<u>50</u>	<u>—</u>	<u>104</u>	<u>30</u>	<u>184</u>	<u>—</u>
2006	<u>124</u>	<u>150</u>	<u>99</u>	<u>30</u>	<u>403</u>	<u>8</u>

The directors' share interests are detailed in the Report of the Directors on pages 7 and 8.

(a) The Company paid a consultancy fee of £50,000 (2006: £124,127) to Arbury Inc., a company 51 per cent. owned by M Dwek which covers salary, pension and car benefits. In addition the Company issued 10 million shares in the previous year as compensation for the change of terms from executive to non-executive chairman.

(b) Directors' fees in respect of A Reid of £15,000 (2006: £15,000) were paid by the Company to R. K. Harrison & Co. Limited.

REPORT OF THE INDEPENDENT AUDITORS
To the shareholders of Newmark Security PLC

We have audited the group and parent company financial statements (the "financial statements") of Newmark Security PLC for the year ended 30 April 2007 which comprise the group income statement, the group and parent company balance sheets, the group cash flow statement, the group statement of change in shareholders' equity and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the group financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and for preparing the parent company financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the statement of directors' responsibilities. Where a company is fully listed, there are additional responsibilities contained in the Listing Rules of the Financial Services Authority. Newmark Security PLC has voluntarily complied with the requirements of the 2003 FRC Combined Code in preparing its annual report.

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 and have been properly prepared in accordance with the Companies Act 1985 and whether the information given in the directors' report is consistent with these financial statements. We also report to you 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 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. The other information comprises only the directors' report and the chairman's 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.

Our report has been prepared pursuant to the requirements of the Companies Act 1985 and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of the Companies Act 1985 or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

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 group financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the group's affairs as at 30 April 2007 and of its profit for the year then ended;
- the parent company financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the parent company's affairs as at 30 April 2007;
- 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.

BDO STOY HAYWARD LLP
Chartered Accountants and Registered Auditors

London

Date 16 July 2007

CONSOLIDATED INCOME STATEMENT
for the year ended 30 April 2007

	Note	2007 £'000	2006 £'000
Revenue	3	13,422	11,839
Cost of sales		(7,605)	(6,963)
Gross profit		5,817	4,876
Provision for exchange loss		(111)	–
Administrative expenses		(4,074)	(3,895)
Profit from operations	4	1,632	981
Finance income	7	30	31
Finance costs	7	(113)	(102)
Other finance (losses)/gains	7	(44)	147
Profit before tax		1,505	1,057
Tax expense	8	(368)	(149)
Profit for the year from continuing operations		1,137	908
Post-tax loss related to discontinued operations	9	(48)	(519)
Profit for the year	26	1,089	389
Attributable to:			
– Equity holders of the parent		1,089	389
Earnings per share			
Continuing operations			
– Basic and diluted (pence)	10	0.25p	0.11p
Discontinued operations			
– Basic and diluted (pence)	10	(0.01p)	(0.14p)

The notes on pages 20 to 45 form part of these financial statements.

CONSOLIDATED STATEMENT OF RECOGNISED INCOME AND EXPENSE
for the year ended 30 April 2007

	2007	2006
	£'000	£'000
Profit for the year	1,089	389
Foreign exchange gains/(losses) on retranslation of overseas operations	1	(39)
Total recognised income and expense for the year	<u>1,090</u>	<u>350</u>
Attributable to:		
– Equity holders of the parent	<u>1,090</u>	<u>350</u>

CONSOLIDATED BALANCE SHEET
at 30 April 2007

	Note	2007 £'000	2007 £'000	2006 £'000	2006 £'000
ASSETS					
Non-current assets					
Property, plant and equipment	11	880		941	
Intangible assets	12	7,136		6,944	
Deferred tax assets	24	37		116	
Total non-current assets		<u>8,053</u>		<u>8,001</u>	
Current assets					
Inventories	15	1,381		1,256	
Trade and other receivables	16	3,196		2,326	
Cash and cash equivalents		1,948		1,373	
Total current assets		<u>6,525</u>		<u>4,955</u>	
Total assets			14,578		12,956
LIABILITIES					
Current liabilities					
Trade and other payables	17	3,173		2,608	
Other short term borrowings	18	3,930		1,623	
Corporation tax liability		1,443		1,324	
Provisions	23	113		113	
Total current liabilities		<u>8,659</u>		<u>5,668</u>	
Non-current liabilities					
Long term borrowings	19	553		301	
Provisions	23	156		172	
Other creditors	20	—		3,369	
Total non-current liabilities		<u>709</u>		<u>3,842</u>	
Total liabilities			9,368		9,510
TOTAL NET ASSETS			<u>5,210</u>		<u>3,446</u>
Capital and reserves attributable to equity holders of the company					
Share capital	25	4,490		3,740	
Share premium reserve	26	493		493	
Merger reserve	26	801		801	
Foreign exchange difference reserve	26	(38)		(39)	
Warrant reserve	26	—		248	
Retained earnings	26	(600)		(1,861)	
			5,146		3,382
Minority interest			64		64
TOTAL EQUITY			<u>5,210</u>		<u>3,446</u>

The financial statements were approved by the Board of Directors and authorised for issue on 16 July 2007.

M Dwek
Director

The notes on pages 20 to 45 form part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT
for the year ended 30 April 2007

	Note	2007 £'000	2007 £'000	2006 £'000	2006 £'000
Cash flow from operating activities					
Net profit after tax from ordinary activities		1,089		389	
Adjustments for:					
Depreciation		348		302	
Investment income		(30)		(31)	
Interest expense		113		311	
Other finance losses		158		251	
Loss on sale of discontinuing operations		—		192	
Income tax expense		347		57	
Costs settled by share issues		—		184	
Share option charge		38		21	
Warrant revaluation		(114)		(398)	
		<u> </u>		<u> </u>	
Operating profit before changes in working capital and provisions		1,949		1,278	
(Increase)/decrease in trade and other receivables		(798)		385	
(Increase)/decrease in inventories		(125)		316	
Increase/(decrease) in trade and other payables		654		(1,017)	
		<u> </u>		<u> </u>	
Cash generated from operations			1,680		962
Income taxes paid			(210)		(423)
			<u> </u>		<u> </u>
Cash flows from operating activities			1,470		539
Cash flow from investing activities					
Acquisition of subsidiary, net of cash acquired		—		(1,937)	
Disposal of subsidiary, net of cash disposed		—		(25)	
Payments for property, plant & equipment		(242)		(329)	
Sale of property, plant & equipment		47		24	
Research & development expenditure		(269)		(112)	
Interest received		30		31	
		<u> </u>		<u> </u>	
			(434)		(2,348)
Cash flow from financing activities					
Proceeds from loan notes		—		225	
Proceeds from loan		750		—	
Repayment loan notes		(750)		—	
Repayment of bank loans		(194)		—	
Repayment of finance lease creditors		(154)		(106)	
Interest paid		(113)		(112)	
		<u> </u>		<u> </u>	
			(461)		7
Increase/(decrease) in cash and cash equivalents	30		<u> </u>	<u> </u>	<u> </u>
			575		(1,802)

The notes on pages 20 to 45 form part of these financial statements.

**NOTES FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 April 2007**

1. Accounting policies

Newmark Security PLC (the "Company") is a company domiciled in England. The consolidated financial statements of the Company for the year ended 30 April 2007 comprise the Company and its subsidiaries (together referred to as the "Group")

Basis of preparation

The principal accounting policies adopted in the preparation of the financial statements are set out below. The policies have been consistently applied to all the years presented, unless otherwise stated.

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) and its interpretations (IFRICs) issued by the International Accounting Standards Board (IASB) and with those parts of the Companies Act 1985 applicable to companies preparing their accounts under IFRS. This is the first time the Group has prepared its financial statements in accordance with IFRSs, having previously prepared its financial statements in accordance with UK accounting standards. Details of how the transition from UK accounting standards to IFRSs has affected the Group's reported financial position, financial performance and cash flows are given in note 2.

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of income and expenses, and assets and liabilities. These judgements and assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the result of which form the basis of making the judgements about carrying values of assets and liabilities. Actual results may differ from these estimates.

These estimates and underlying assumptions are reviewed on an ongoing basis. Any revisions to the accounting estimates are recognised in the period on which the revision is made.

The Company has elected to prepare its parent company financial statements in accordance with UK GAAP. These are presented on pages 46 to 50.

First-time adoption

In preparing these financial statements, the Group has elected to apply the following transitional arrangements permitted by IFRS 1 'First-time Adoption of International Financial Reporting Standards':

- Business combinations effected before 1 May 2005, including those that were accounted for using the merger method of accounting under UK accounting standards have not been restated.
- The carrying amount of capitalised goodwill at 30 April 2005 that arose on business combinations accounted for using the acquisition method under UK GAAP was frozen at this amount and tested for impairment at 1 May 2005
- Goodwill written-off directly to reserves on business combinations effected before 1 January 1998 has not retrospectively been capitalised and will not be transferred to the income statement on the disposal of a subsidiary to which it relates.
- Only those exchange differences arising on the retranslation of foreign operations since 1 May 2005 have been recognised as a separate component of equity.
- IFRS 2 'Share-based payments' has been applied to employee options granted after 7 November 2002 that had not vested at the date of transition, 1 May 2005.

Except as noted above, the following principal accounting policies have been applied consistently in the preparation of these financial statements:

Standards, Amendments and Interpretations Effective But Not Relevant

The following standards, amendments and interpretations to the published standards are mandatory for accounting periods beginning on or after 1 May 2006 but they are not relevant to the Group for the year ended 30 April 2007.

- IAS 19 (Amendment) – Employee Benefits
- IAS 28 – Investments in Associates

- IAS 39 (Amendment) – Cash Flow Hedge Accounting of Forecast Intragroup Transactions
- IAS 39 (Amendment) – The Fair Value Option
- IAS 39 and IRFS (Amendment) – Financial Guarantee Contracts
- IFRS 6 – Exploration for and Evaluation of Mineral Resources
- IFRIC 4 – Determining whether an arrangement contains a lease
- IFRIC 5 – Rights to Interest Arising from Decommissioning, Restoration and Environmental funds
- IFRIC 6 – Liabilities Arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment
- IFRIC 7 – Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies.

Standards and Interpretations to Existing Standards that are not yet effective and have not been adopted early by the Group

The following standards and interpretations to published standards have been published that are mandatory for the Group's accounting periods beginning on or after 1 May 2007 or later periods but which the Group has not adopted early. It is noted that IFRS 8 and IAS 23 (revised) have not yet been endorsed by the EU.

- IFRS 7 – Financial Instruments: Disclosure and the complementary amendment to IAS 1, Presentation of financial statements – capital disclosures (applicable for annual periods beginning on or after 1 January 2007). IFRS 7 introduces new disclosures of qualitative and quantitative information about exposure to risks. This is not expected to have an impact on the classification or valuation of the Group's financial instruments.
- IFRS 8 – Operating Segments (effective for annual periods beginning on or after 1 January 2009). IFRS 8 requires revision to the identification of segments, the explanations of the basis on which the segment information is prepared, and provide reconciliations to the amounts recognised in the income statement and balance sheet. This is not expected to affect reported net assets or net profit.
- IFRIC 10 – Interim Financial Reporting and Impairment (effective for annual periods beginning on or after 1 November 2006). IFRIC 10 prohibits impairment losses recognised in an interim period on goodwill, investments in equity instruments and investments in financial assets carried at cost to be reversed at a subsequent balance sheet date. This is not expected to have any impact on the accounts.
- IFRIC 9 – Reassessment of Embedded Derivatives (effective for annual periods beginning on or after 1 June 2006). IFRIC 9 requires an entity to assess whether an embedded derivative is required to be separated from the host contract and accounted for as a derivative when the entity first becomes a party to the contract. Subsequent reassessment is prohibited unless there is a change in the terms of the contract that significantly modifies the cash flows that otherwise would be required under the contract, in which case reassessment is required. The Group does not expect IFRIC 9 to have a material impact.
- IFRIC 11 – IFRS 2: Group and Treasury Share Transactions (effective for annual periods beginning on or after 1 March 2007). IFRIC 11 contains guidance on how an entity should account for share-based payment involving an entity's own equity instruments in which the entity chooses or is required to buy its own equity instruments to settle the shares-based payment obligation. It also contains guidance on the treatment when a parent grants rights to its equity instruments to employees of its subsidiary or a subsidiary grants rights to equity instruments of its parent to its employee in the individual entities' financial statements. IFRIC 11 is not expected to have an impact on the Group because it does not intend nor is it required to purchase its own equity instrument to settle the share-based payment obligation, and the individual entities do not produce accounts under IFRSs.
- IFRIC 12 – Service Concession Arrangements (effective for annual periods beginning on or after 1 January 2008). IFRIC 12 clarifies how certain aspects of existing IASB literature are to be applied to service concession arrangements. IFRIC 12 is not relevant to the Group's operations.
- IAS 23 (revised) – Borrowing costs (effective for borrowing costs relating to qualifying assets for which the commencement date for capitalisation is on or after 1 January 2009). IAS 23 (revised) requires the capitalisation of interest on qualifying assets, while these qualifying assets include development intangibles, it is not anticipated that the standard will have a material impact on profit or net assets.

Revenue

Turnover is stated net of value added tax. Sales of equipment are recognised when the equipment is shipped to the customer or installed. Other sales are either recognised on completion of work, or spread evenly over the term of the contract.

Basis of consolidation

Where the company has the power, either directly or indirectly, to govern the financial and operating policies of another entity or business so as to obtain benefits from its activities, it is classified as a subsidiary. The consolidated financial statements present the results of the Group as if it formed a single entity. Intercompany transactions and balances between group companies are therefore eliminated in full.

Business combinations

The consolidated financial statements incorporate the results of business combinations using the purchase method other than disclosed above (see 'first-time adoption'). In the consolidated balance sheet, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal as appropriate.

Goodwill

Goodwill represents the excess of the cost of a business combination over the interest in the fair value of identifiable assets, liabilities and contingent liabilities acquired. Cost comprises the fair values of assets given, liabilities assumed and equity instruments issued, plus any direct costs of acquisition.

Goodwill is capitalised as an intangible asset with any impairment in carrying value being charged to the income statement.

Where the fair value of identifiable assets, liabilities and contingent liabilities exceed the fair value of consideration paid, the excess is credited in full to the income statement.

Impairment of non-financial assets

Impairment tests on goodwill and other intangible assets with indefinite useful economic lives are undertaken annually on 30 April. Where the carrying value of an asset exceeds its recoverable amount (ie the higher of value in use and fair value less costs to sell), the asset is written down accordingly. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the current market assessment of the time value of money and risk specific to the asset.

Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is carried out on the asset's cash-generating unit (ie the lowest group of assets in which the asset belongs for which there are separately identifiable cash flows). Goodwill is allocated on initial recognition to each of the Group's cash-generating units that are expected to benefit from the synergies of the combination giving rise to the goodwill.

Impairment charges are included in the administrative expenses line item in the income statement. An impairment loss in respect of goodwill is not reversed. In respect of other assets, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment had been recognised.

In testing for impairment, management has to make judgements and estimates about future events which are uncertain. Adverse results compared to these judgements could alter the decision of whether an impairment is required.

Foreign currency

Items included in the financial statements of each of the Group entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in sterling, which is the Company's functional and presentation currency.

Transactions entered into by Group entities in a currency other than the functional currency of the primary economic environment in which it operates are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the balance sheet date.

Exchange differences arising on the retranslation of unsettled monetary assets and liabilities are similarly recognised immediately in the income statement, except for foreign currency borrowings qualifying as a hedge of a net investment in a foreign operation.

The results and financial position of all Group companies that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (i) assets and liabilities are translated at the closing rate at the date of the balance sheet;
- (ii) income and expenses are translated at average exchange rates; and
- (iii) all resulting exchange differences are recognised as a separate component of equity.

On consolidation, the results of overseas operations are translated into sterling at rates approximating to those ruling when the transactions took place. All assets and liabilities of overseas operations, including goodwill arising on the acquisition of those operations, are translated at the rate ruling at the balance sheet date. Exchange differences arising on translating the opening net assets at opening rate and the results of overseas operations at average rate are recognised directly in equity (the "foreign exchange reserve"). Exchange differences recognised in the income statement of Group entities' separate financial statements on the translation of long-term monetary items forming part of the group's net investment in the overseas operation concerned are reclassified to the foreign exchange reserve if the item is denominated in the functional currency of the Group or the overseas operation concerned.

At the date of the transition to IFRS the cumulative translation differences for foreign operations have been deemed to be zero.

On disposal of a foreign operation, the cumulative exchange differences recognised in the foreign exchange reserve relating to that operation up to the date of disposal are transferred to the income statement as part of the profit or loss on disposal.

Financial assets

Loans and receivables: These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (trade receivables), but also incorporate other types of contractual monetary asset. They are carried at amortised cost.

Other financial liabilities: Other financial liabilities include the following items:

- Trade payables and other short-term monetary liabilities, which are recognised at amortised cost.
- Bank borrowings are initially recognised at fair value. Such interest bearing liabilities are subsequently measured at amortised cost using the effective interest rate method, which ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried in the balance sheet. "Interest expense" in this context includes initial transaction costs, as well as any interest or coupon payable while the liability is outstanding.

Share-based payments

Where share options are awarded to employees, the fair value of the options at the date of grant is charged to the income statement over the vesting period. Equity settled share options are recognised with a corresponding credit to equity.

Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each balance sheet date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Market vesting conditions are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether the market vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition.

Leased assets

Where substantially all of the risks and rewards incidental to ownership of a leased asset have been transferred to the Group (a "finance lease"), the asset is treated as if it had been purchased outright. The amount initially recognised as an asset is the fair value, or if lower, the present value of the minimum lease payments payable over the term of the lease. The corresponding lease commitment is shown as a liability. Lease payments are analysed between capital and interest. The interest element is charged to the income statement over the

period of the lease and is calculated so that it represents a constant proportion of the lease liability. The capital element reduces the balance owed to the lessor.

Where substantially all of the risks and rewards incidental to ownership are retained by the lessor (an "operating lease"), the total rentals payable under the lease are charged to the income statement on a straight-line basis over the lease term.

The land and buildings elements of property leases are considered separately for the purposes of lease classification.

Internally generated intangible assets (research and development costs)

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

Expenditure on internally developed products is capitalised if it can be demonstrated that:

- it is technically feasible to develop the product for it to be sold;
- adequate resources are available to complete the development;
- there is an intention to complete and sell the product;
- the group is able to sell the product;
- sale of the product will generate future economic benefits; and
- expenditure on the project can be measured reliably.

Capitalised development costs are amortised over the periods the Group expects to benefit from selling the products developed. The amortisation expense is included within the cost of sales line in the income statement.

Development expenditure not satisfying the above criteria and expenditure on the research phase of internal projects are recognised in the income statement as incurred.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current Tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred taxation

Deferred tax assets and liabilities are recognised where the carrying amount of an asset or liability in the balance sheet differs to its tax base, except for differences arising on:

- the initial recognition of goodwill;
- goodwill for which amortisation is not tax deductible;
- the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting or taxable profit; and
- investments in subsidiaries and jointly controlled entities where the group is able to control the timing of the reversal of the difference and it is probable that the difference will not reverse in the foreseeable future.

Recognition of deferred tax assets is restricted to those instances where it is probable that taxable profit will be available against which the difference can be utilised.

The amount of the asset or liability is determined using tax rates that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the deferred tax liabilities/(assets) are settled/(recovered). Deferred tax balances are not discounted.

Deferred tax assets and liabilities are offset when the group has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority on either:

- the same taxable group company; or

- different group entities which intend either to settle current tax assets and liabilities on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax assets or liabilities are expected to be settled or recovered.

Property, plant and equipment

Items of property, plant and equipment are recognised at cost. As well as the purchase price, cost includes directly attributable costs and the estimated present value of any future costs of dismantling and removing items. The corresponding liability is recognised within provisions.

Freehold land is not depreciated. Depreciation is provided on all other items of property, plant and equipment to write off the carrying value of items over their expected useful economic lives. It is applied at the following rates:

Freehold buildings	–	5 per cent. per annum straight line
Short leasehold improvements	–	evenly over the length of the lease
Plant and machinery	–	20 per cent. per annum straight line
Fixtures and fittings	–	10 per cent. per annum straight line
Computer equipment	–	25 per cent. per annum straight line
Motor vehicles	–	25 per cent. per annum reducing balance

Inventories

Inventories are initially recognised at cost, and subsequently at the lower of cost and net realisable value. Cost comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Weighted average cost is used to determine the cost of ordinarily interchangeable items.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs necessary to make the sale.

Provisions

Provisions are recognised for liabilities of uncertain timing or amount that have arisen as a result of past transactions, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation.

Where a provision is measured using the estimated cashflow required to settle the obligation then its carrying value is the present value of those cashflows.

Onerous contracts – Present obligations arising under onerous contracts are recognised and measured as a provision. An onerous contract is considered to exist where the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

Dilapidations – Dilapidation provisions are provided on leasehold properties where the terms of the lease require the Group to make good any changes made to the property during the period of the lease. Where a dilapidation provision is required the Group recognises an asset and provision equal to the discounted cost of restating the property to its original state. The asset is depreciated over the remaining term of the lease.

Warranty – Provisions for warranty costs are recognised at the date of sale of the relevant products at the directors' best estimate of the expenditure required to settle the Group's obligation.

Cash and cash equivalents

Cash and cash equivalents in the cash flow statement include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are included in borrowings in current liabilities in the balance sheet.

Derivative financial instruments

Derivatives are initially recognised at fair value at the date of transition to IAS or, if later, on the date a derivative is entered into. Derivatives are subsequently re-measured at their fair value at each balance sheet date. The resulting gain or loss is recognised immediately in the income statement. The fair value of derivatives has been determined by using market data and the use of established estimation techniques such

as discounted cash flow and option valuation models. Derivatives embedded in other financial instruments or other host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at fair value with changes in fair value recognised in profit or loss.

Borrowing costs

Borrowing costs are recognised as an expense in the period in which they are incurred.

Critical accounting estimates and judgements

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. These estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Estimated impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in note 1. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates.

(b) Development costs on internally developed products are capitalised if it can be demonstrated that the expenditure meets the criteria set out in note 1. These judgements are made using the historical, commercial and technical experience of senior members of the management team.

2. First time adoption of International Financial Reporting Standards (IFRS)

Reconciliations and explanatory notes on how the transition to IFRS has affected profit and net assets previously reported under UK Generally Accepted Accounting Principles are given below:

Profit and loss account reconciliation for the year ended 30 April 2006

	Sub-note	UK GAAP £'000	Adjustments £'000	IFRS £'000
Turnover	(ii)	12,159	(320)	11,839
Cost of sales	(ii)/(iii)	(7,317)	354	(6,963)
Gross profit		4,842	34	4,876
Administrative expenses	(i), (ii) and (iv)	(4,480)	585	(3,895)
Loss on disposal/closure of subsidiary	(ii)	(192)	192	—
Profit from operations		170	811	981
Finance costs	(ii)	(311)	209	(102)
Finance income		31	—	31
Other finance losses	(v)	(251)	398	147
(Loss)/profit before tax		(361)	1,418	1,057
Corporation tax expense	(ii), (iii), (iv), (vi), (vii) and (viii)	(58)	(91)	(149)
Post-tax loss related to discontinued operations	(ii)	—	(519)	(519)
(Loss)/profit after tax		(419)	808	389
Dividends		—	—	—
Retained (loss)/profit for the year		(419)	808	389

Balance sheet reconciliation as at 1 May 2005

	Sub-note	UK GAAP £'000	Adjustments £'000	IFRS £'000
Non-current assets				
Property, plant and equipment		803	–	803
Intangible assets		6,820	–	6,820
Deferred tax asset	(vi)	70	45	115
Total non-current assets		<u>7,693</u>	<u>45</u>	<u>7,738</u>
Current assets				
Inventories		1,664	–	1,664
Trade and other receivables		2,898	–	2,898
Cash and cash equivalents		3,205	–	3,205
Total current assets		<u>7,767</u>	<u>–</u>	<u>7,767</u>
Total assets		<u>15,460</u>	<u>45</u>	<u>15,505</u>
Current liabilities				
Bank overdraft		30	–	30
Trade and other payables		5,037	–	5,037
Other financial liabilities		83	–	83
Corporation tax liability		826	–	826
Other taxation and social security		491	–	491
Provisions	(vii)	16	77	93
Total current liabilities		<u>6,483</u>	<u>77</u>	<u>6,560</u>
Non-current liabilities				
Financial liabilities		1,582	–	1,582
Other creditors		3,156	–	3,156
Corporation tax		750	–	750
Provisions		169	–	169
Total non-current liabilities		<u>5,657</u>	<u>–</u>	<u>5,657</u>
Total liabilities		<u>12,140</u>	<u>77</u>	<u>12,217</u>
TOTAL NET ASSETS AND EQUITY		<u>3,320</u>	<u>(32)</u>	<u>3,288</u>

Balance sheet reconciliation as at 30 April 2006

	Sub-note	UK GAAP £'000	Adjustments £'000	IFRS £'000
Non-current assets				
Property, plant and equipment		941	—	941
Intangible assets	(i)/(iii)	6,439	505	6,944
Deferred tax asset	(vi)	70	46	116
Total non-current assets		<u>7,450</u>	<u>551</u>	<u>8,001</u>
Current assets				
Inventories		1,256	—	1,256
Trade and other receivables	(iv)	2,401	(75)	2,326
Cash and cash equivalents		1,373	—	1,373
Total current assets		<u>5,030</u>	<u>(75)</u>	<u>4,955</u>
Total assets		<u>12,480</u>	<u>476</u>	<u>12,956</u>
Current liabilities				
Bank overdraft		—	—	—
Trade and other payables		2,268	—	2,268
Other financial liabilities		1,623	—	1,623
Corporation tax liability		1,324	—	1,324
Employee benefits		—	—	—
Current tax liabilities		340	—	340
Provisions	(vii)	28	77	105
Total current liabilities		<u>5,583</u>	<u>77</u>	<u>5,660</u>
Non-current liabilities				
Financial liabilities		301	—	301
Other creditors		3,369	—	3,369
Employee benefits		—	—	—
Provisions		180	—	180
Total non-current liabilities		<u>3,850</u>	<u>—</u>	<u>3,850</u>
Total liabilities		<u>9,433</u>	<u>77</u>	<u>9,510</u>
TOTAL NET ASSETS AND EQUITY		<u>3,047</u>	<u>399</u>	<u>3,446</u>

Adjustments

Explanations of the adjustments made to the UK GAAP income statement and balance sheets are as follows:

Sub-note Explanation

(i)	Reversal of the goodwill amortisation charge of £393,000 in the 2006 UK GAAP accounts	
(ii)	Transfer of results of discontinued operations to separate line comprising	
		£'000
	Turnover	320
	Cost of sales	(242)
		<hr/>
	Gross profit	78
	Administrative expenses	(288)
	Loss on disposal/closure of subsidiary	(192)
		<hr/>
	Loss from operations	(402)
	Finance costs	(209)
	Tax	92
		<hr/>
	Post-tax loss related to discontinued operations	(519)
		<hr/> <hr/>
(iii)	Capitalisation of development costs in cost of sales to intangible assets £112,000	
(iv)	Write off compensation paid to Chairman for change of role from executive to non-executive role £75,000	
(v)	Adjustment to valuation of warrants attached to loan notes issued by Company, £398,000	
(vi)	Deferred tax recalculated in accordance with IFRS and other IFRS accounting policy changes	
(vii)	Holiday pay provision	
(viii)	Employee share options granted after 7 November 2002	

Cash flow statement for the year ended 30 April 2006

The only changes to the cash flow statement are presentational. The key ones include:

- Presenting a statement showing movements in cash and cash equivalents, rather than just cash. Cash under UK GAAP comprised only amounts accessible in 24 hours without penalty less overdrafts repayable on demand. The components of cash equivalents are shown in note 30.
- Classifying tax cash flows as relating to operating activities.

3. Revenue

Revenue arises from:	2007	2006
	£'000	£'000
Sale of goods	10,320	8,934
Provision of services	3,102	2,905
	<hr/>	<hr/>
	13,422	11,839
	<hr/> <hr/>	<hr/> <hr/>

4. Profit from operations

This has been arrived at after charging/(crediting):	2007	2006
	£'000	£'000
Staff costs (note 5)	4,898	4,711
Depreciation of property, plant and equipment		
– owned assets	241	195
– leased assets	107	107
Foreign exchange differences	35	19
Research and development costs	618	459
Operating lease expense		
– Plant and machinery	18	53
– Property	196	235
Write-down of inventory to net realisable value	–	–
Audit fees	61	47
Fees paid to the Group's auditors for tax services provided to the company and UK subsidiaries	19	13
(Profit) on disposal of fixed assets	(6)	–
	<hr/> <hr/>	<hr/> <hr/>

5. Staff costs

Staff costs (including Executive Directors) comprise:	2007 £'000	2006 £'000
Wages and salaries	4,142	3,966
Short-term non-monetary benefits	108	137
Defined contribution pension cost	153	148
Share-based payment expense	38	21
Employer's national insurance contributions and similar taxes	457	439
	<u>4,898</u>	<u>4,711</u>

The average numbers employed (including Executive Director) within the following categories were:

	2007 No.	2006 No.
Management, sales and administration	73	75
Production	41	44
	<u>114</u>	<u>119</u>

Key management remuneration (comprising Executive Director and Directors of subsidiary companies);

	2007 £'000	2006 £'000
Salaries and benefits	<u>834</u>	<u>764</u>

6. Segment information

The Group's primary reporting format for reporting segment information is business segments which reflect the management and reporting structure in the Group. Electronic division includes Grosvenor Technology, Newmark Technology and Custom Micro Products, whilst the asset protection division includes Safetell Limited and its affiliated companies.

	Business segments				
	Electronic division	Asset protection division	Discontinued businesses	Head office	Total
	2007	2007	2007	2007	2007
	£'000	£'000	£'000	£'000	£'000
<i>Revenue</i>					
External	7,441	5,981	–	–	13,422
Intercompany	–	–	–	–	–
Total	<u>7,441</u>	<u>5,981</u>	<u>–</u>	<u>–</u>	<u>13,422</u>
<i>Profit before tax</i>					
Continuing operations	1,706	512	–	(713)	1,505
Discontinued operations	–	–	(69)	–	(69)
Total	<u>1,706</u>	<u>512</u>	<u>(69)</u>	<u>(713)</u>	<u>1,436</u>
<i>Balance sheet</i>					
Assets	10,181	4,056	284	73	14,594
Liabilities	(1,476)	(1,908)	(1,634)	(4,366)	(9,384)
Net assets	<u>8,705</u>	<u>2,148</u>	<u>(1,350)</u>	<u>(4,293)</u>	<u>5,210</u>
<i>Other</i>					
Capital expenditure					
– Tangible fixed assets (net)	181	101	–	7	289
– Intangible fixed assets	269	–	–	–	269
Depreciation, amortisation and other non-cash expenses	147	187	13	1	348
	<u>2006</u>	<u>2006</u>	<u>2006</u>	<u>2006</u>	<u>2006</u>
	£'000	£'000	£'000	£'000	£'000
<i>Revenue</i>					
External	6,407	5,432	320	–	12,159
Intercompany	–	–	–	–	–
Total	<u>6,407</u>	<u>5,432</u>	<u>320</u>	<u>–</u>	<u>12,159</u>
<i>Profit before tax</i>					
Continuing operations	1,114	516	–	(573)	1,057
Discontinued operations	–	–	(611)	–	(611)
Total	<u>1,114</u>	<u>516</u>	<u>(611)</u>	<u>(573)</u>	<u>446</u>
<i>Balance sheet</i>					
Assets	9,176	3,335	320	125	12,956
Liabilities	(1,093)	(1,450)	(1,878)	(5,089)	(9,510)
Net assets	<u>8,083</u>	<u>1,885</u>	<u>(1,558)</u>	<u>(4,964)</u>	<u>3,446</u>
<i>Other</i>					
Capital expenditure (net)					
– tangible	194	250	–	–	444
– intangible	112	–	–	–	112
Depreciation, amortisation and other non-cash expenses	125	155	17	189	486

The Group's secondary reporting format for reporting segment information is geographic segments.

	External revenue by location of customers		Total assets by location of assets		Net tangible capital expenditure by location of assets	
	2007	2006	2007	2006	2007	2006
	£'000	£'000	£'000	£'000	£'000	£'000
UK	11,546	10,663	14,294	12,643	289	444
Europe	925	943	284	313	—	—
USA	800	431	—	—	—	—
Other	151	122	—	—	—	—
	<u>13,422</u>	<u>12,159</u>	<u>14,578</u>	<u>12,956</u>	<u>289</u>	<u>444</u>
	Revenue		Segment assets		Capital expenditure	
	2007	2006	2007	2006	2007	2006
	£'000	£'000	£'000	£'000	£'000	£'000
<i>Continuing operation</i>						
UK	11,546	10,343	14,294	12,323	289	444
Europe	925	943	—	—	—	—
USA	800	431	—	—	—	—
Other	151	122	—	—	—	—
	<u>13,422</u>	<u>11,839</u>	<u>14,294</u>	<u>12,323</u>	<u>289</u>	<u>444</u>
<i>Discontinued operations</i>						
UK	—	320	—	320	—	—
Europe	—	—	284	313	—	—
	<u>—</u>	<u>320</u>	<u>284</u>	<u>633</u>	<u>—</u>	<u>—</u>
	<u>13,422</u>	<u>12,159</u>	<u>14,578</u>	<u>12,956</u>	<u>289</u>	<u>444</u>

7. Finance income and expense

	2007	2007	2006	2006
	£'000	£'000	£'000	£'000
<i>Finance income</i>				
Bank interest received		30		31
<i>Finance expense</i>				
Bank borrowings	(30)		(5)	
Company loan notes	(27)		(88)	
Interest on loan notes for deferred consideration	(38)		—	
Finance leases	(18)		(9)	
		(113)		(102)
<i>Other finance gains/(losses)</i>				
Discount charge on deferred consideration	(131)		(251)	
Gain on warrant valuation	114		398	
Interest rate adjustment on deferred consideration	(27)		—	
		(44)		147
		<u>(127)</u>		<u>76</u>

8. Tax expense

	2007 £'000	2007 £'000	2006 £'000	2006 £'000
<i>Current tax expense</i>				
<i>Continuing businesses</i>				
UK corporation tax and income tax of overseas operations on profits for the year	329		98	
Adjustment for (over)/under provision in prior periods	(40)		52	
		289		150
<i>Discontinued businesses</i>				
UK corporation tax and income tax of overseas operations on profits for the year	5		29	
Adjustment for over provision in prior periods	(26)		(121)	
		(21)		(92)
<i>Deferred tax expense</i>				
Origination and reversal of temporary differences	79		(1)	
		79		(1)
Total tax charge		347		57

The reasons for the difference between the actual tax charge for the year and the standard rate of corporation tax in the UK applied to profits for the year are as follows:

	2007 £'000	2006 £'000
Profit before tax	1,505	446
Expected tax charge based on the standard rate of corporation tax in the UK of 30 per cent. (2006 – 30 per cent.)	451	134
Interest discount charge on deferred consideration	47	78
Effects on profits of other items not deductible for tax purposes	(48)	(73)
Grossing up foreign income	–	2
Double tax relief	–	(8)
Utilisation of previously unrecognised tax losses	(37)	(39)
Adjustment to tax charge in respect of previous periods	(66)	(69)
Losses not utilised	–	32
Total tax charge	347	57

The Group has the following tax losses, subject to agreement by HM Inspector of Taxes, available for affect against future trading profits and capital gains as appropriate:

	2007 £'000	2006 £'000
Management expenses	523	523
Trading losses	2,139	2,323
Capital losses	792	792

If the losses were to be recognised this would give rise to deferred tax assets as follows:

	2007 £'000	2006 £'000
Management expenses	157	157
Trading losses	642	697
Capital losses	238	238

9. Discontinued operations

	2007 £'000	2006 £'000
Turnover	–	320
Cost of sales	–	(242)
Gross profit	–	78
Administrative expense	–	(288)
Loss on disposal/closure of subsidiary	–	(192)
Loss from operations	–	(402)
Finance costs	(69)	(209)
Loss before tax	(69)	(611)
Tax	21	92
Post-tax loss related to discontinued operations	(48)	(519)

The cash flow statement includes the following amounts relating to discontinued operations:

	2007 £'000	2006 £'000
Operating activities	–	(551)
Investing activities	–	(36)
Financing activities	(69)	–
	(69)	(587)

10. Earnings per share

	2007 £'000	2006 £'000
<i>Numerator</i>		
Earnings used in basic and diluted EPS-continuing operations	1,137	908
(Losses) used in basic and diluted EPS-discontinued operations	(48)	(519)
	No.	No.
<i>Denominator</i>		
Weighted average number of shares used in basic and diluted EPS –continuing and discontinued operations	429,437,268	367,856,416

Employee share options have been excluded from the calculation of diluted EPS as their exercise price is greater than the weighted average share price during the year (i.e. they are out-of-the-money) and therefore would not be advantageous for the holders to exercise those options. Further information concerning share options is set out in note 28.

The basic earnings per share before interest discount, losses of discontinued operations, provision for exchange losses and warrant revaluation has also been presented since, in the opinion of the directors, this provides shareholders with a more appropriate measure of earnings derived from the Group's businesses. It can be reconciled to basic earnings per share as follows:

	2007 pence	2006 pence
Basic earnings per share (pence)	0.25	0.11
Discount charge on deferred consideration	0.04	0.07
Losses of discontinued operations	0.01	0.14
Provision for foreign exchange loss	0.03	–
Warrant revaluation	(0.03)	(0.11)
Earnings per share before interest discount, losses of discontinued operations, provision for foreign exchange loss and warrant revaluation	0.30	0.21

	2007 £'000	2006 £'000
Reconciliation of earnings		
Profit used for calculation of basic earnings per share	1,089	389
Discount charge on deferred consideration	158	251
Losses of discontinued operations	48	519
Provision for foreign exchange loss	111	—
Warrant revaluation	(114)	(398)
	<u>1,292</u>	<u>761</u>
Earnings before interest discount, losses of discontinued operations, provision for foreign exchange loss and warrant revaluation	<u>1,292</u>	<u>761</u>

11. Property, plant and equipment

	Freehold land and buildings £'000	Short leasehold improvements £'000	Plant, machinery and motor vehicles £'000	Computers, fixtures and fittings £'000	Total £'000
<i>At 30 April 2006</i>					
Cost	322	260	1,227	336	2,145
Accumulated depreciation	(113)	(141)	(712)	(238)	(1,204)
Net book value	<u>209</u>	<u>119</u>	<u>515</u>	<u>98</u>	<u>941</u>
<i>At 30 April 2007</i>					
Cost	320	260	1,332	364	2,276
Accumulated depreciation	(125)	(165)	(853)	(253)	(1,396)
Net book value	<u>195</u>	<u>95</u>	<u>479</u>	<u>111</u>	<u>880</u>
<i>Year ended 30 April 2006</i>					
Opening net book value	220	38	462	83	803
Additions	—	103	321	45	469
Disposed through business combinations	—	—	—	(8)	(8)
Disposals	—	—	(22)	(3)	(25)
Depreciation	(15)	(22)	(215)	(50)	(302)
Exchange differences	4	—	—	—	4
Reclassifications	—	—	(31)	31	—
Closing net book value	<u>209</u>	<u>119</u>	<u>515</u>	<u>98</u>	<u>941</u>
<i>Year ended 30 April 2007</i>					
Opening net book value	209	119	515	98	941
Additions	—	—	274	58	332
Disposals	—	—	(43)	—	(43)
Depreciation	(12)	(24)	(267)	(45)	(348)
Exchange differences	(2)	—	—	—	(2)
Closing net book value	<u>195</u>	<u>95</u>	<u>479</u>	<u>111</u>	<u>880</u>

The net book value of tangible fixed assets for the Group includes an amount of £131,244 (2006: £249,901) in respect of assets held under finance leases and hire purchase contracts. The related depreciation charge on these assets for the year was £106,826 (2006: £107,204).

12. Intangible assets

	Goodwill £'000	Development costs (internally generated) £'000	Total £'000
<i>At 30 April 2006</i>			
Cost	6,832	112	6,944
Accumulated impairment losses	—	—	—
Net book value	<u>6,832</u>	<u>112</u>	<u>6,944</u>
<i>At 30 April 2007</i>			
Cost	6,755	381	7,136
Accumulated impairment losses	—	—	—
Net book value	<u>6,755</u>	<u>381</u>	<u>7,136</u>
<i>Year ended 30 April 2006</i>			
Opening net book value	6,820	—	6,820
Additions			
– Internally developed	—	112	112
– Through business combinations	12	—	12
Closing net book value	<u>6,832</u>	<u>112</u>	<u>6,944</u>
<i>Year ended 30 April 2007</i>			
Opening net book value	6,832	112	6,944
Additions			
– Internally developed	—	269	269
Discount adjustment on contingent consideration	(77)	—	(77)
Closing net book value	<u>6,755</u>	<u>381</u>	<u>7,136</u>

The group has no contractual commitments for development costs (2006 – £Nil).

All development costs have a finite useful economic life.

13. Goodwill and impairment

Details of goodwill allocated to cash generating units for which the amount of goodwill so allocated is significant in comparison to total goodwill is as follows:

	Goodwill carrying amount	
	2007 £'000	2006 £'000
Electronic division	5,871	5,871
Asset protection division	961	961
	<u>6,832</u>	<u>6,832</u>

The recoverable amounts of all the above CGUs have been determined from value in use calculations based on cash flow projections from formally approved budgets covering a five year period to 30 April 2012. The discount rate which was applied was 11.8 per cent., the estimated weighted average cost of capital.

The trading companies all operate in certain niche markets, each of which can be in part project driven. Therefore the budgets produced take known future projects into account, and allow for historic projects as well. Within the electronic division, market share is assumed to remain unchanged except for these known projects. In the asset protection division, there is a range of products and different assumptions have been made about possibilities of growth for each of these products. Operating margins have been based on historic figures for each product range and overheads, mainly salaries, are expected to increase in line with inflation.

The reviews which are carried out at 30 April each year indicated that no impairment provision was necessary.

14. Subsidiaries

The principal subsidiaries of Newmark Security PLC, all of which have been included in these consolidated financial statements, are as follows:

Name	Country of incorporation	Proportion of ownership interest ⁽¹⁾	Activity
Newmark Technology Limited ^(2a)	Great Britain	100%	Trading
Newmark Technology (C-Cure Division) Limited	Great Britain	100%	Dormant
Newmark Technology S.A.	Belgium	100%	Dormant
Safetell International Limited	Great Britain	100%	Holding
Safetell Limited ^(2b)	Great Britain	100%	Trading
Safetell Security Screens Limited ^(2b)	Great Britain	100%	Trading
Newmark Technology Inc.	USA	100%	Dormant
Vema B.V.	The Netherlands	100%	Holding
Vema N.V. ^(2c)	The Netherlands	98%	Property
Vema UK Limited ^(2d)	Great Britain	100%	Finance
Grosvenor Technology Limited	Great Britain	100%	Trading
Newmark Group Limited	Great Britain	100%	Dormant
Sateon Limited	Great Britain	100%	Dormant

(1) The shares held in all companies are ordinary shares

(2) The investments in subsidiary companies are held directly by the Company apart from the following:

- (a) Owned by Grosvenor Technology Limited
- (b) Owned by Safetell International Limited
- (c) Owned by Vema BV 51 per cent., Newmark Security PLC 47 per cent.
- (d) Owned by Vema NV

15. Inventories

	2007 £'000	2006 £'000
Raw materials and consumables	740	728
Work-in-progress	178	154
Finished goods and goods for resale	463	374
	<u>1,381</u>	<u>1,256</u>

Finished goods include an amount of £Nil (2006: £Nil) carried at fair value less costs to sell. The value of stocks consumed in the year was £4,835,000 (2006: £4,088,000). The amount of stock write downs in the year was £19,000 (2006: £Nil). There are no stocks recoverable after 12 months (2006: £Nil).

16. Trade and other receivables

	2007 £'000	2006 £'000
Trade receivables (net)	2,651	2,009
Other receivables	80	74
Accrued income	228	223
Prepayments	237	20
	<u>3,196</u>	<u>2,326</u>

17. Trade and other payables – current

	2007 £'000	2006 £'000
Trade payables	1,205	949
Other tax and social security taxes	294	340
Other payables	631	428
Deferred income	572	466
Accruals	471	425
	<u>3,173</u>	<u>2,608</u>

18. Other short term borrowings

	2007 £'000	2006 £'000
Bank loans		
– secured	250	–
Mortgage loan-secured	10	10
Finance lease creditor (note 27)	109	113
Loan notes	–	1,500
Deferred consideration loan notes	3,561	–
	<u>3,930</u>	<u>1,623</u>

UK subsidiaries of the group use the same principal banker. The Group has entered into a netting arrangement with the bank which enables group companies with bank accounts in surplus to be offset against overdrawn amounts of other group companies, with a Group overdraft facility.

The bank loan is secured on the assets of the UK subsidiary companies and is repayable by equal monthly instalments until July 2009. Interest is payable at 2 per cent. above base rate.

The mortgage loan is secured on a freehold property in Holland.

The loan notes issued by the Company were settled on 24 July 2006, and interest had been payable at 6 per cent. per annum thereon.

The deferred consideration loan notes were issued in Euros, are unsecured and not repayable in cash before 1 November 2007. Interest is payable at $\frac{7}{4}$ per cent. below base rate.

Information about fair values on the financial liabilities is given in note 22.

19. Long term borrowings

	2007 £'000	2006 £'000
Bank loans – secured (note 18)	313	–
Mortgage loan-secured (note 18)	182	187
Finance lease creditor (note 27)	58	114
	<u>553</u>	<u>301</u>

20. Non-current other creditors

	2007 £'000	2006 £'000
Contingent consideration	–	3,369

Other creditors at 30 April 2006 comprised the fair value of the contingent consideration payable related to the acquisition of Grosvenor Technology Limited, which was taken to be the estimated amount of cash value discounted to its present value. Settlement by way of loan notes was made in the year.

21. Financial instruments – Risk Management

The Group's overall risk management programme seeks to minimise potential adverse effects on the Group's financial performance.

The Group's financial instruments comprise cash and liquid resources, and various items such as trade receivables and payables that arise directly from its operations. The Group is exposed through its operations to one or more of the following financial risks:

- Fair value or cash flow interest rate risk
- Foreign currency risk
- Liquidity risk
- Credit risk

The Board identifies and evaluates financial risks in conjunction with the Group's operating companies and the policy for managing these risks is set by the Board following recommendations from the Finance Director. Certain risks are managed centrally, while others are managed locally following guidelines communicated from the centre. The policy for each of the above risks is described in more detail below, with the accounting policies as set out in Note 1.

Fair value and cash flow interest rate risk

External group borrowings (excluding finance lease payables) are managed centrally and operating companies are not permitted to borrow long term from external sources locally. Although the Board accepts that this neither protects the Group entirely from the risk of paying rates in excess of current market rates nor eliminates fully cash flow risk associated with interest payments, it considers that it achieves an appropriate balance of exposure to these risks.

Foreign currency risk

Foreign exchange risk arises when individual Group operations enter into transactions denominated in a currency other than their functional currency. Where it is considered that the risk to the Group is significant, a matching forward contract will be entered into with a reputable bank.

Liquidity risk

The liquidity risk of each group entity is managed centrally and the Group maintains a draw down facility with a major banking corporation to manage any unexpected short-term cash shortfalls.

Credit risk

The Group is mainly exposed to credit risk from credit sales. It is Group policy, implemented locally, to assess the credit risk of new customers before entering contracts. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet. Cash deposits are made with reputable high street banks.

22. Financial assets and liabilities – Numerical information

Maturity of financial liabilities

The carrying amounts of financial liabilities, all of which are exposed to cash flow or fair value interest rate risk, are repayable as follows:

	2007 £'000	2006 £'000
In less than one year	3,930	1,623
In more than one year but not more than two years	311	99
In more than two years but not more than three years	80	34
In more than three years but not more than four years	10	10
In more than four years but not more than five years	10	10
In more than five years	142	148
	<u>4,483</u>	<u>1,924</u>

Borrowing facilities

The Group has undrawn committed borrowing facilities available at 30 April 2007 in which all conditions have been met.

	Floating rate £'000	Fixed rate £'000	2007 Total £'000	2006 Total £'000
Expiry within 1 year	<u>2,448</u>	<u>—</u>	<u>2,448</u>	<u>1,242</u>

Interest rate risk

The currency and interest profile of the Group's financial assets and liabilities after taking account of interest rate swaps are as follows:

	Floating rate liabilities 2007 £'000	Fixed rate liabilities 2007 £'000	Interest free liabilities 2007 £'000	Total £'000
Sterling	563	167	–	730
Euro	3,561	192	–	3,753
	<u>4,124</u>	<u>359</u>		<u>4,483</u>

	Floating rate liabilities 2006 £'000	Fixed rate liabilities 2006 £'000	Interest free liabilities 2006 £'000	Total £'000
Sterling	–	1,727	–	1,727
Euro	–	197	–	197
	<u>–</u>	<u>1,924</u>	<u>–</u>	<u>1,924</u>

	Floating rate assets 2007 £'000	Fixed rate assets 2007 £'000	Interest free assets 2007 £'000	Total £'000
Sterling	1,948	–	–	1,948

	Floating rate assets 2006 £'000	Fixed rate assets 2006 £'000	Interest free assets 2006 £'000	Total £'000
Sterling	1,373	–	–	1,373

The weighted average interest rate of fixed rate liabilities and the weighted average period for which they are fixed is as follows:

	Rate 2007 %	Period 2007 Years	Rate 2006 %	Period 2006 Years
Sterling	4.0	0.9	6.1	0.4
Euro	6.1	20.0	6.1	21.0
	<u>5.1</u>	<u>11.1</u>	<u>6.1</u>	<u>1.6</u>

Fair values

The book value and fair value of financial liabilities are as follows:

	Book value 2007 £'000	Fair value 2007 £'000	Book value 2006 £'000	Fair value 2006 £'000
Bank loans	563	517	—	—
Mortgage loan	192	118	197	108
Finance lease creditor	167	157	227	211
Company loan notes	—	—	1,500	1,478
Deferred consideration loan notes	3,561	3,561	—	—
	<u>4,483</u>	<u>4,353</u>	<u>1,924</u>	<u>1,797</u>

Fair values of financial liabilities have been determined by discounting cash payments at prevailing market rates of interest having regard to the specific risks attaching to them.

The fair values of all other monetary assets and liabilities at 30 April 2006 and 2007 is equal to their book value.

23. Provisions

	Rental provision contracts £'000	Leasehold dilapidations £'000	Warranty £'000	Holiday pay £'000	Total £'000
At 1 May 2006	104	84	20	77	285
Released in year	(16)	—	—	—	(16)
At 30 April 2007	<u>88</u>	<u>84</u>	<u>20</u>	<u>77</u>	<u>269</u>
Due within one year or less	16	—	20	77	113
Due after more than one year	72	84	—	—	156
	<u>88</u>	<u>84</u>	<u>20</u>	<u>77</u>	<u>269</u>

The rental provision related to the excess of Safetell's contractual legal obligation at date of acquisition over the market rental, and will be reversed over the remaining six years of the lease.

Leasehold dilapidations relate to the estimated cost of returning a leasehold property to its original state at the end of the lease in accordance with the lease terms. On recognition of the initial provision, an equal amount was recognised as part of the cost of the leasehold improvements. This cost is recognised as depreciation of leasehold improvements over the remaining term of the lease. The main uncertainty relates to estimating the cost that will be incurred at the end of the lease.

24. Deferred tax

Deferred tax is calculated in full on temporary differences under the liability method using a tax rate of 30 per cent. (2006: 30 per cent.).

The movement on the deferred tax account is as shown below:

	Group	
	2007	2006
(Asset)/liability		
At 1 May	(116)	(115)
Income statement	79	(1)
At 30 April	<u>(37)</u>	<u>(116)</u>

Deferred tax assets have been recognised in respect of all temporary timing differences giving rise to deferred tax assets because it is probable that these assets will be recovered.

The movements in deferred tax assets and liabilities (prior to the offsetting of balances within the same jurisdiction as permitted by IAS12) during the period are shown below.

Deferred tax assets and liabilities are only offset where there is a legally enforceable right of offset and there is an intention to settle the balances net.

Details of the deferred tax liability, and amounts charged/(credited) to the consolidated income statement and amounts charged/(credited) to reserves are as follows:

	(Asset)/ Liability 2007 £'000	Charged/ (credited) to income 2007 £'000
Accelerated capital allowances	(42)	(12)
Other temporary and deductible differences	75	91
Available losses	(70)	–
	<u>(37)</u>	<u>79</u>

	(Asset)/ Liability 2006 £'000	Charged/ (credited) to income 2006 £'000
Accelerated capital allowances	(30)	(13)
Other temporary and deductible differences	(16)	7
Available losses	(70)	–
	<u>(116)</u>	<u>(6)</u>

A deferred tax asset has not been recognised for the following:

	2007 £'000	2006 £'000
Unused tax losses	967	1,022

25. Share capital

	2007 Number	Authorised		2006 £
		2007 £	2006 Number	
Ordinary shares of 1p each	1,015,164,192	10,151,642	1,015,164,192	10,151,642

	Issued and fully paid			
	2007 Number	2007 £	2006 Number	2006 £
<i>Ordinary shares of 1p each</i>				
At beginning of the year	373,957,816	3,739,578	361,755,016	3,617,550
Other issues	75,000,000	750,000	12,202,800	122,028
At end of the year	<u>448,957,816</u>	<u>4,489,578</u>	<u>373,957,816</u>	<u>3,739,578</u>

26. Reserves

	Share premium £'000	Merger reserve £'000	Retained earnings £'000	Foreign exchange reserve £'000	Warrant reserve £'000
At 1 May 2005	432	801	(2,271)	—	646
Proceeds on share issue	61	—	—	—	—
Translation differences on overseas operations	—	—	—	(39)	—
Share-based payment provision	—	—	21	—	—
Profit for the year	—	—	389	—	(398)
At 30 April 2006	<u>493</u>	<u>801</u>	<u>(1,861)</u>	<u>(39)</u>	<u>248</u>
At 30 April 2006	493	801	(1,861)	(39)	248
Translation differences on overseas operations	—	—	—	1	—
Share-based payments provision	—	—	38	—	—
Profit for the year	—	—	1,089	—	(114)
Reclassification between reserves	—	—	134	—	(134)
At 30 April 2007	<u>493</u>	<u>801</u>	<u>(600)</u>	<u>(38)</u>	<u>—</u>

The share premium account represents the excess of the market value of shares issued over the nominal value of those shares, less expenses.

The merger reserve arose in the year ended 30 April 2003 when the Company made an offer to the Global Depository Receipt ("GDR") holders of Vema N.V. for the 49 per cent. of the issued share capital of that company not already owned by the Group. The offer represents 1.5 Newmark shares for each GDR and the merger reserve represented the excess of market value over nominal value of the shares issued.

Retained earnings represents the cumulative amount of retained profits/losses each year as reported in the income statement, plus the exchange differences on the retranslation of foreign operations up to 1 May 2005 (the date of transition to IFRS).

Foreign exchange reserve represents the cumulative exchange differences on the retranslation of foreign operations from 1 May 2005.

The warrant reserve arose from the valuation of warrants attached to loan notes issued by the Company as adjusted by the subsequent revaluations of those loan notes at 30 April 2006 and at exercise date.

27. Leases

Finance leases

Future lease payments are due as follows:

	Minimum lease payments 2007 £'000	Interest 2007 £'000	Present value 2007 £'000
Not later than one year	119	10	109
Later than one year and not later than five years	65	7	58
	<u>184</u>	<u>17</u>	<u>167</u>
	Minimum lease payments 2006 £'000	Interest 2006 £'000	Present value 2006 £'000
Not later than one year	124	11	113
Later than one year and not later than five years	128	14	114
	<u>252</u>	<u>25</u>	<u>227</u>

The present value of future lease payments are analysed as:

	2007 £'000	2006 £'000
Current liabilities	109	113
Non-current liabilities	58	114
	<u>167</u>	<u>227</u>

Operating leases – lessee

The Group leases the majority of its properties. The terms of property leases vary, although they all tend to be tenant repairing with rent reviews every 2 to 5 years.

Commitments under non-cancellable operating leases expiring:

	2007 £'000	2006 £'000
Not later than one year	7	6
Later than one year and not later than five years	91	135
Later than five years	815	963
	<u>913</u>	<u>1,104</u>

28 Share-based payment

The Group has operated two share option schemes, a HM Custom & Revenue Approved Share Option Scheme and an Unapproved Share Option Scheme. The schemes require that exercise of options be subject to the satisfaction of certain performance criteria. Rights over share options will be forfeited after leaving the Group's employment.

The total number of share options outstanding under the Approved and Unapproved Share Option Schemes were:

Date of Grant	Subscription Price payable	2007		2006	
		Approved	Unapproved	Approved	Unapproved
October 1997	14.5p	28,000	28,000	28,000	28,000
January 1999	8.25p	250,000	250,000	250,000	250,000
December 2001	5p	125,000	125,000	125,000	125,000
September 2002	2p	125,000	6,075,000	125,000	6,075,000
October 2005	1.5p	7,000,000	7,000,000	7,000,000	7,000,000
Total		<u>7,528,000</u>	<u>13,478,000</u>	<u>7,528,000</u>	<u>13,478,000</u>

The options may be exercised within 10 years from the date of issue.

The remaining weighted average contractual lives for Approved and Unapproved Options were 8.1 and 6.9 years respectively (2006: 9.1 and 7.9).

Of the total number of options outstanding at the end of the year 528,000 Approved and 6,478,000 Unapproved (2006: same) had vested at the end of the year.

There were no options granted or exercised during the year.

The following information is relevant in the determination of the fair value of options granted during the year under the equity settled share-based remuneration schemes operated by the Group.

Option pricing model used: Binomial option pricing model

Share price at grant date: 1.36p

Exercise price: 1.5p

Estimated period to exercise of options: 10 years

Expected volatility: 69 per cent.

Risk-free interest rate: 4.23 per cent.

Dividends: nil

The volatility assumption was based on a statistical analysis of daily share prices over a period of 5 years.

The share based remuneration expense for equity settled schemes was £38,000 (2006: £21,000).

29. Related party transactions

Details of directors' remuneration are given in the Remuneration Report on page 13.

The Group has not made any provision for bad or doubtful receivables in respect of related party debtors nor has any guarantee been given or received during 2007 or 2006 regarding related party transactions.

30. Notes supporting cash flow statement

Cash and cash equivalents comprises:

	2007 £'000	2006 £'000
Cash available on demand	1,948	1,373
Net cash increase/(decrease) in cash and cash equivalents	575	(1,802)
Changes in foreign exchange rates	–	–
Cash and cash equivalents at beginning of year	1,373	3,175
Cash and cash equivalents at end of year	1,948	1,373
Significant non-cash transactions are as follows:		
<i>Financing activities</i>		
Proceeds from finance lease creditor	94	140
Debt converted into equity	750	–
Share issues to settle expenses	–	184
	844	324

COMPANY BALANCE SHEET
30 April 2007 – UK GAAP Financial Statements

	Note	2007 £'000	2007 £'000	2006 £'000	2006 £'000
Fixed assets					
Investment in subsidiary	3		16,587		16,587
Tangible assets	4		6		–
			<u>16,593</u>		<u>16,587</u>
Current assets					
Debtors	5	16		717	
Cash at bank and in hand		28		74	
		<u>44</u>		<u>791</u>	
Creditors: amounts falling due within one year	6	<u>(12,816)</u>		<u>(11,598)</u>	
Net current liabilities			<u>(12,772)</u>		<u>(10,807)</u>
Total assets less current liabilities			3,821		5,780
Creditors: amounts falling due after more than one year	7		(313)		(3,369)
Accruals and deferred income			<u>(108)</u>		<u>(201)</u>
Net assets			<u>3,400</u>		<u>2,210</u>
Capital and reserves					
Called up share capital	8		4,490		3,740
Share premium account	9		493		493
Merger reserve	9		801		801
Profit and loss account	9		<u>(2,384)</u>		<u>(2,824)</u>
Shareholder's funds–Equity	10		<u>3,400</u>		<u>2,210</u>

The notes of pages 47 to 50 from part of these financial statements.

These financial statements were approved by the Board of Directors and authorised for issue on 16 July 2007.

M Dwek
Director

NOTES FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 April 2007

1. Accounting policies

The financial statements have been prepared in accordance with applicable accounting standards in the United Kingdom and under the historical cost convention. The accounts have been prepared on the going concern basis.

The following principal accounting policies have been applied consistently in dealing with items which are considered material in relation to the Company's financial statements.

Profit and Loss Account

Under Section 230(4) of the Companies Act 1985 the Company is exempt from the requirement to present its own profit and loss account. The loss for the year ended 30 April 2007 is disclosed in note 10. The charge for taxation is based on the loss for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Depreciation

Depreciation is provided to write off the cost, less estimated residual values, of all fixed assets evenly over their expected useful lives. It is calculated at the following rates:

Computer equipment	– 33 1/3 per cent. per annum straight line
Fixtures and fittings	– 15 per cent. per annum straight line

Valuation of investments

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

Deferred taxation

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date except that the recognition of deferred tax assets is limited to the extent that the company anticipates to make sufficient taxable profits in the future to absorb the reversal of the underlying timing differences.

Deferred tax balances are not discounted.

Leased assets

Operating lease rentals are charged to the profit and loss account on a straight-line basis over the term of the lease.

2. Employees and staff costs

The average number of employees, including directors, during the period was:

Office and management	2	2
-----------------------	---	---

Staff costs (including Executive Director) comprise:

	2007 £'000	2006 £'000
Wages and salaries	123	117
Employer's national insurance contributions and similar taxes	14	13
	<u>137</u>	<u>130</u>

3. Investment in subsidiary

	£'000
<i>Cost</i>	
At 30 April 2006 and 2007	16,587
Net book value 30 April 2006 and 2007	<u>16,587</u>

The subsidiaries of Newmark Security PLC, are as follows:

Name	Country of incorporation	Proportion of ownership interest
Newmark Technology (C-Cure Division) Limited	Great Britain	100%
Vema B.V.	The Netherlands	100%
Newmark Technology S.A.	Belgium	100%
Safetell International Limited	Great Britain	100%
Newmark Technology Inc.	USA	100%
Grosvenor Technology Limited	Great Britain	100%
Newmark Group Limited	Great Britain	100%
Sateon Limited	Great Britain	100%

4. Tangible assets

	Computers Fixtures & Fittings £'000	Total £'000
<i>Cost</i>		
At 1 May 2006	23	23
Additions	7	7
Disposals	(23)	(23)
At 30 April 2007	<u>7</u>	<u>7</u>
<i>Depreciation</i>		
At 1 May 2006	23	23
Charge for the year	1	1
Eliminated in respect of Disposals	(23)	(23)
At 30 April 2007	<u>1</u>	<u>1</u>
<i>Net book value</i>		
At 30 April 2007	<u>6</u>	<u>6</u>
At 30 April 2006	<u>—</u>	<u>—</u>

5. Debtors

	2007 £'000	2006 £'000
Other debtors	6	14
Prepayments	10	78
Amount due from group undertaking	—	625
	<u>16</u>	<u>717</u>

All amounts shown under debtors fall due for payment within one year.

6. Creditors: amounts falling due within one year

	2007 £'000	2006 £'000
Loan (note below)	250	—
Loan notes	—	1,500
Deferred consideration loan notes (note below)	3,611	2
Amount due to group undertakings	8,950	10,090
Other taxation and social security	5	6
	<u>12,816</u>	<u>11,598</u>

The loan is repayable by equal monthly instalments, and is secured on the assets of the Group. Interest is payable at 2 per cent. above base rate.

The loan notes issued by the Company were settled on 24 July 2006, and interest had been payable at 6 per cent. per annum thereon.

The deferred consideration loan notes are denominated in Euros and derive from the contingent consideration payable on the acquisition of Grosvenor Technology Limited. The loan notes are unsecured and payable in cash on 1 November 2007 at the earliest. Interest is payable at $\frac{1}{4}$ per cent. below base rate.

7. Creditors: amounts falling due after more than one year

	2007 £'000	2006 £'000
Loan (see note 6)	313	—
Other creditors	—	3,369
	<u>313</u>	<u>3,369</u>

Other creditors at April 2006 comprised the fair value of the contingent consideration payable related to the acquisition of Grosvenor Technology Limited, which was taken to be the estimated amount of cash value discounted to its present value. Settlement by way of loan notes was made in the year.

8. Share capital

	2007 £	2006 £
Authorised: 1,015,164,192 Ordinary shares of 1p each (2006: 1,015,164,192)	<u>10,151,642</u>	<u>10,151,642</u>
Allotted, called up and fully paid: 448,957,816 Ordinary shares of 1p each (2006: 373,957,816)	<u>4,489,578</u>	<u>3,739,578</u>

9. Reserves

	Share premium account £'000	Merger reserve £'000	Profit and loss account £'000
At 1 May 2006	493	801	(2,824)
Retained profit for the year	—	—	440
At 30 April 2007	<u>493</u>	<u>801</u>	<u>(2,384)</u>

10. Reconciliation of movements in shareholder's funds

	2007	2006
	£'000	£'000
Opening shareholder's funds	2,210	2,067
Loss for the year	440	(41)
New share capital subscribed	750	184
Closing shareholder's funds	<u>3,400</u>	<u>2,210</u>

11. Financial commitments

There was a fixed and floating charge over the assets of the company in favour of the holder of Loan Notes issued by the parent undertaking, Newmark Security PLC on 24 July 2003. As at 30 April 2007 loan notes in the sum of £Nil were in issue (2006: £1,500,000), the loan notes having been settled in the year.

12. Commitments under operating leases

At 30 April 2007 the company had annual commitments under non-cancellable operating leases as follows:

	2007	2006
	Land and buildings	Land and buildings
	£'000	£'000
Expiring within one year	<u>27</u>	<u>27</u>

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Annual General Meeting of Newmark Security PLC will be held at 57 Grosvenor Street, London W1K 3JA on 10 September 2007 at 12.00 noon for the following purposes:

ORDINARY BUSINESS

1. To receive and adopt the financial statements and reports of the Directors and auditors for the financial period ended 30 April 2007.
2. To re-appoint Maurice Dwek as a director of the Company, who retires in accordance with the Company's Articles of Association and offers himself for re-appointment.
3. To re-appoint BDO Stoy Hayward LLP as the auditors of the Company until the next Annual General Meeting and to authorise the Directors to fix their remuneration.
4. To approve the adoption of the Newmark Security PLC EMI Share Option Plan ("the Scheme") constituted by the rules produced in draft to this meeting and signed by the Chairman for the purposes of identification (the principal terms of which are summarised in Appendix 1 to this Notice) be approved; and that the Directors be authorised to adopt the rules (subject to such modifications as the Directors may consider necessary or desirable) and do all acts and things necessary or expedient to operate the Scheme.

SPECIAL BUSINESS

5. To consider and, if thought fit, to pass the following Resolution as an Ordinary Resolution: That the Directors be and they are hereby generally and unconditionally authorised in accordance with section 80 of the Companies Act 1985 (the "Act") to allot relevant securities (as defined in that section) up to a maximum aggregate nominal amount of relevant securities of £1,496,526; and this authority will (unless renewed) expire at the conclusion of the next Annual General Meeting of the Company but the Company may, before this authority expires, make an offer or agreement which would or might require relevant securities to be allotted after the authority expires and the Directors may allot relevant securities pursuant to such offer or agreement as if the authority conferred hereby had not expired.
6. To consider and, if thought fit, to pass the following Resolution as a Special Resolution: That, subject to the passing of the previous resolution, the Directors be and they are hereby empowered pursuant to section 95 of the Act to allot equity securities (within the meaning of section 94 of the Act) for cash pursuant to the authority conferred by Resolution 4 above as if section 89(1) of the Act did not apply to any such allotment provided that this power shall be limited to:
 - (a) the allotment of equity securities in connection with an issue in favour of the holders of ordinary shares of the Company in proportion (as nearly as may be) to their respective holdings of ordinary shares, subject only to exclusions or other arrangements which the Directors may deem necessary or expedient to deal with fractional entitlements, legal or practical problems arising in any overseas territory or the requirements of any regulatory body or stock exchange in any territory; and
 - (b) the allotment otherwise than pursuant to sub-paragraph (a) above of equity securities up to an aggregate nominal amount of £897,916,

and the power hereby granted shall expire at the conclusion of the next Annual General Meeting of the Company save that the Company may before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry but otherwise in accordance with the foregoing provisions of this power in which case the Directors may allot equity securities in pursuance of such offer or agreement as if the power conferred hereby had not expired.

By order of the Board
B G Beecraft
Company Secretary

16 July 2007
Registered Office
57 Grosvenor Street
London W1K 3JA

Notes:

1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and, on a poll, vote instead of him. A proxy need not be a member of the Company.
2. To be effective, completed forms of proxy and the power of attorney or other authority (if any) under which they are signed or a copy of that power or authority certified notarially or in accordance with the Powers of Attorney Act 1971 must be lodged in accordance with the instructions printed thereon, not later than 48 hours before the time appointed for the meeting or any adjourned meeting.

3. The following documents are available for inspection at the Company's registered office during normal business hours on any weekday (excluding Saturdays, Sundays and public holidays) until 7 September 2007 and will also be available for inspection at the place of the annual general meeting for at least 15 minutes prior to and until the conclusion of the meeting:
 - (a) a register in which are recorded details of all transactions in the shares of the Company in respect of all Directors and their families; and
 - (b) a copy of every service contract between the Company and any Director of the Company.
4. Completion and return of a form of proxy will not preclude a member from attending and voting at the meeting in person should he wish to do so.
5. The Company, pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, specifies that only those members registered in the register of members of the Company 48 hours before the time of the meeting shall be entitled to attend and vote at this meeting in respect of the number of shares registered in their name at that time. Changes to entries in the register of members after that time shall be disregarded in determining the rights of any person to attend or vote at this meeting.
6. In the case of joint holders the vote of the senior who tenders a vote whether in person or by proxy will be accepted to the exclusion of the votes of the other joint holders and for this purpose seniority will be determined by the order in which the names stand in the register of members of the Company in respect of the relevant joint holding.
7. Directors authority to allot shares.

Under Section 80 of the Companies Act 1985, the Directors may not exercise any powers of the Company to allot relevant securities (as defined in that section) unless authorised to do so by the Company in general meeting or by its articles. Resolution 4 authorises allotment sufficient to cover the allotment of up to an amount approximately equal to (but not exceeding) one third of the issued share capital of the Company for the period to the conclusion of the Annual General Meeting in 2008. It replaces all previous authorities and is in line with the institutional guidelines followed by other publicly listed companies.

Partial exclusion of pre-emption rights

Section 89 of the Companies Act 1985 requires that a public company allotting shares for cash must first offer them to existing shareholders following a statutory procedure which is both costly and cumbersome. Resolution 5 enables the Directors to allot a number of shares equal to twenty per cent. of the ordinary share capital of the Company in issue. It replaces all previous such powers.

The taking of powers of this sort is reasonably standard practice for public companies and the Directors believe that the limited powers provided by this resolution will maintain a desirable degree of flexibility. Unless previously revoked or varied the disapplication will expire on the conclusion of the next Annual General Meeting of the Company.

APPENDIX 1

Newmark Security PLC EMI Share Option Plan ("the Scheme")

The Scheme is a share option scheme, pursuant to which employees and directors may be granted options to acquire shares in the Company ("Options"). It is proposed that tax efficient Options be granted under the Scheme ("EMI Options"). There are individual limits on the value of shares in the Company that can be subject to EMI Options. Therefore, it is also possible to grant Options under the Scheme on a non-tax efficient basis ("Unapproved Options"). It is proposed that the Company will adopt the Scheme and grant Options after the resolution to approve the Scheme is passed by shareholders. The Scheme will be administered by the Remuneration Committee.

The headline features of the Scheme may be summarised as follows:

Eligibility

Any employees, including executive directors, of the Company will be eligible to be granted Options. EMI Options can be granted provided that the employees or directors meet the requirement as to commitment of working time, being at least 25 hours per week or, if less, 75 per cent. of working time. Any individual holding a "material interest" (being 30 per cent. or more) in the shares in the Company will be precluded from receiving an EMI Option. Where the employee or director cannot receive an EMI Option, an Unapproved Option may be granted instead.

Options cannot be granted to individuals who are not employees or directors.

Grant of Options

The Remuneration Committee may at its discretion grant Options under the Scheme to selected employees and executive directors.

The Remuneration Committee will determine the price at which shares in the Company may be acquired on the exercise of an Option ("the Exercise Price") which price will be the higher of nominal value and market value at the date of grant. Market value means the price agreed with the HM Revenue and Customs, but will generally be the closing middle market quotation of an Ordinary Share as derived from the London Stock Exchange for the immediately preceding dealing day.

Limits

Ordinary Shares acquired under the Scheme may be either newly issued or purchased on the market. Grants of options to subscribe for Ordinary Shares under the Scheme or any other employee share scheme within any ten year rolling period may not exceed an overall limit of 10 per cent. of the issued share capital of the Company.

Vesting of EMI and Unapproved Options

EMI and Unapproved Options will vest (to the extent they have not already lapsed) and become exercisable on the earliest of the following events:

- (i) 3 years after the date of grant or such other period, dates or events specified by the Remuneration Committee;
- (ii) upon a change in control of the company, but excluding a reorganisation whereby a new holding company acquires the Company by way of share exchange where there is identity, or substantial identity, of the holders of Shares before, and of shares of the new holding company after, such share exchange;
- (iii) the death of the employee; or
- (iv) the cessation of employment of the Participant by reason of a defined Good Leaver provision.

Cessation of employment

An Option held by an Option holder who ceases employment with the Company or its group for any reason other than death, or a defined Good Leaver provision, will lapse in full on the date of such cessation of employment. For these purposes a Good Leaver is defined as an employee who ceases to be employed by reason of:

- (i) injury or disability (in each case as evidence to the satisfaction of the Board);

- (ii) being a female employee who is absent from work by reason of pregnancy or confinement, when she ceases to be entitled to exercise her right to return to work under the Employment Rights Act 1996;
- (iii) the company by which he is employed or engaged leaving the Group;
- (iv) the transfer or sale of the undertaking or part-undertaking in which the Participant is employed and by virtue of which he is an Eligible Employee to a person other than a member of the Group; or
- (v) by reason of the termination of his employment by his employing company in circumstances other than those stated above and not involving misconduct or impropriety on his part (in relation to which the determination of the Board in any case shall be conclusive).

If an Option holder ceases to be employed by the Company or its group by reason of a Good Leaver provision then the Option will vest and become exercisable in full on the date of such cessation of employment, irrespective of the attainment of a performance condition. In this scenario the option holder will have a given period (six months, or twelve months in the case of cessation by reason of death) within which to exercise the Option.

Takeover

In the event of a change of control of the Company, liquidation or similar corporate event, the Options will vest in full and become exercisable irrespective of the performance conditions (save in the event that a change of control is effected on the voluntary winding-up of the company in which case both the initial holding period and performance conditions must have been satisfied). If another company obtains control of the Company in certain circumstances, existing Options may be exchanged for new options over shares in the acquiring company, if it so agrees. New options must be broadly equivalent to the original Options.

Exercise of Options

Options will be exercisable on payment of the Exercise Price and any liability arising to income tax and National Insurance. The rules are drafted to allow the Company's employer's National Insurance liability to be passed on to the employees.

In the event of the Scheme no longer qualifying under the EMI legislation (i.e. due to the occurrence of a "disqualifying event" relating to the Company), the EMI Options may be exercised at the discretion of the Remuneration Committee within a period of 40 days following the event. Alternatively the EMI Options will continue to subsist under the Scheme but the beneficial tax treatment will be reduced.

In any event, unexercised Options under the Scheme will lapse on the tenth anniversary of the date of grant.

Performance Conditions

The exercise of an Option may be made subject to the achievement of a specific performance condition, as determined by the Remuneration Committee. If events occur which cause the Remuneration Committee to consider that any existing performance conditions have become unfair or impractical, they will retain discretion to relax, amend or waive such conditions.

Issue of Ordinary Shares

Ordinary Shares acquired under the Scheme will rank *pari passu* with Ordinary Shares in issue. Participants will be entitled to dividends where the relevant record date falls after the exercise date. Where Ordinary Shares are to be admitted to AIM, the Company will apply for admission of such Ordinary Shares.

Variations of Ordinary Share Capital

If the issued Ordinary Share capital of the Company is varied on a capitalisation, consolidation or reduction of capital or a rights issue or other variation in the share capital, on the advice of the auditors and with the approval of HM Revenue and Customs where necessary, the Exercise Price or the number of Ordinary Shares comprised in an Option may be adjusted.

No such adjustment may reduce the Exercise Price per Ordinary Share for Options where Ordinary Shares are to be allotted under the Scheme below its nominal value unless the Remuneration Committee is authorised to capitalise from reserves a sum equal to the excess.

Rights Not Pensionable

Rights and benefits conferred upon participating employees and executive directors under the Scheme will not be taken into account for the purposes of determining remuneration for pension, bonus or profit sharing purposes, and shall not form part of the employee's contract of employment.

Amendment/Administration

The Remuneration Committee may amend the Scheme as it in its discretion may determine.

