



INTERIM REPORT



CHAIRMAN'S STATEMENT

RESULTS FOR THE SIX MONTHS ENDED 31 OCTOBER 2001

The Group made a profit before interest and amortisation of goodwill of £129,000 during the six months ended 31 October 2001 compared to a loss of £95,000 for the same period in the preceding year. After the inclusion of the gain on the part disposal of our investment in Vema of £362,000, the profit before tax for the period under review was £388,000 (2000: loss £251,000).

ASSET PROTECTION DIVISION

This division specialises in physical security equipment for the protection of staff at transaction counters. As stated in previous reports, the historical major customer base of Drion has been the Belgian banking sector and turnover has been affected by the consolidation within that business sector. Although work continues for some of the major banks, gross margins on some contracts have been reduced due to changes in the type of work being performed. There has been no export turnover in the period with the release of the third tender for Algeria still awaited, although recent communications suggest that there should be progress in this area in the near future. Our new commercial division has continued to attract interest from new customers and we have received a letter of intent for a major contract in the transport sector which will add momentum to our efforts in this area.

The increase in sales of the historical business of Eclipse rising screens in Safetell that was noted towards the end of the last financial year was maintained during the period under review. CounterShield sales were also ahead of expectations with a number of large contracts also secured for the second half. InterScreen sales have been below expectations and The Post Office RollerCash programme has been slower than anticipated, although momentum has increased recently. Overall, sales were 26% higher than for the corresponding period last year, and margins have been maintained.

SECURE LOCKING DIVISION

Following the successful flotation of Vema N.V. on the Alternative Investment Market of the London Stock Exchange in May 2001, we were pleased to announce a substantial increase in profits for the period with a 10% increase in turnover following a general increase in activity across our range of products. Vema Belgium has also traded profitably in the period following start up losses incurred in the corresponding period last year.

ELECTRONIC DIVISION

This division specialises in integrated security management systems designed to control access of personnel and track asset movements. I referred in the last annual report to the fact that the access control market in the UK had been flat in the last financial year, most noticeably in the fourth quarter. This low level of activity continued in the first half, and we have concentrated our efforts on increasing the customer base for our broader product offering. The rescheduling of purchase commitments by Lik On Security in Hong Kong that was announced in our annual accounts has also adversely affected turnover in the current year. However, we have now renegotiated the terms of this contract and the benefits of this settlement which have been received to date are included in the results for the period under review.

Although there have been sales by Newmark Technology Inc., in the period these continue to be below expectations. Steps have therefore been taken to reduce the level of overhead although this will not be reflected in the results until the second half.



BALANCE SHEET AND CASH FLOW

The Group balance sheet has changed significantly following the receipt of proceeds from the Vema flotation, and the subsequent repayment in full of the bank loan for the acquisition of Safetell.

The last instalment of the consideration for the acquisition of Drion is payable in April 2002 and is therefore included in current liabilities.

THE FUTURE

The Asset Protection and Secure Locking divisions remain profitable and cash generative with the capacity to produce growth in both new products and geographical markets. In view of the problems in gaining critical sales mass experienced in the past, from 1 March 2002, the day to day management of the access control and asset tagging businesses will be managed by Grosvenor Technology Limited, a well established private business in the access control market with the possibility of joint operations in the future with Grosvenor.

There are busy and exciting times ahead and we look forward to the future with renewed confidence.

Maurice Dwek
Executive Chairman

31 January 2002



CONSOLIDATED PROFIT AND LOSS ACCOUNT
for the six months ended 31 October 2001

	Notes	Unaudited Six months ended 31 October 2001 £'000	Audited Year ended 30 April 2001 £'000	Unaudited Six months ended 31 October 2000 £'000
TURNOVER		6,480	12,049	6,440
Cost of sales		(3,790)	(7,037)	(4,205)
Gross profit		2,690	5,012	2,235
Administrative expenses		(2,561)	(5,310)	(2,330)
Amortisation of goodwill		(64)	(116)	(60)
OPERATING PROFIT		65	(414)	(155)
Profit on part disposal of investment	2	362	–	–
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE INTEREST AND TAXATION		427	(414)	(155)
Interest payable		(39)	(206)	(96)
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION		388	(620)	(251)
Tax on ordinary activities	3	(161)	(284)	(130)
PROFIT/(LOSS) FOR THE PERIOD AFTER TAX		227	(904)	(381)
Minority interest	5	(129)	–	–
	4	98	(904)	(381)
Earnings/(loss) per share	6	Pence 0.08p	Pence (0.77p)	Pence (0.34p)
Loss per share before amortisation of goodwill and profit on part disposal of investment		(0.17p)	(0.67p)	(0.29p)



CONSOLIDATED BALANCE SHEET
as at 31 October 2001

	Notes	Unaudited 31 October 2001 £'000	Audited 30 April 2001 £'000	Unaudited 31 October 2000 £'000
FIXED ASSETS				
Intangible assets		2,294	2,358	2,410
Tangible assets		1,463	1,483	1,460
		<u>3,757</u>	<u>3,841</u>	<u>3,870</u>
CURRENT ASSETS				
Stocks		1,827	1,656	1,475
Debtors		2,666	2,454	2,657
Cash at bank and in hand		966	652	892
		<u>5,459</u>	<u>4,762</u>	<u>5,024</u>
CREDITORS: amounts falling due within one year		<u>(3,685)</u>	<u>(5,466)</u>	<u>(3,545)</u>
NET CURRENT ASSETS/(LIABILITIES)		<u>1,774</u>	<u>(704)</u>	<u>1,479</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		5,531	3,137	5,349
CREDITORS: amounts falling due after more than one year		(935)	(665)	(2,380)
Provisions for liabilities and charges		(395)	(403)	(407)
NET ASSETS		<u>4,201</u>	<u>2,069</u>	<u>2,562</u>
CAPITAL AND RESERVES				
Called up share capital		6,060	6,060	6,060
Share premium		5,194	5,194	5,195
Profit and loss reserve	4	(7,480)	(9,185)	(8,693)
EQUITY SHAREHOLDERS' FUNDS		<u>3,774</u>	<u>2,069</u>	<u>2,562</u>
Minority interest	5	427	-	-
		<u>4,201</u>	<u>2,069</u>	<u>2,562</u>



NOTES TO THE ACCOUNTS

1. BASIS OF ACCOUNTS

The unaudited results for the six months ended 31 October 2001 have been prepared on a basis consistent with the accounting policies disclosed in the Group's 2001 Report and Accounts, and do not constitute statutory accounts within the meaning of Section 240 of the Companies Act 1985. The results for the year ended 30 April 2001 are an abridged version of the full accounts, which received an unqualified audit report and have been filed with the Registrar of Companies.

2. PROFIT ON PART DISPOSAL OF INVESTMENT IN SUBSIDIARY

	£'000
Proceeds from partial disposal of investment in subsidiary	2,880
Goodwill on partial disposal of investment (note 4)	(1,695)
Costs of flotation and share issue (net of tax)	(525)
Share of net assets relating to minority interests at date of flotation	(298)
Profit on disposal	<u>362</u>

3. TAXATION

The tax charge for the period is disproportionate to the result for the period due to the non-availability of tax relief on the UK losses for the period to be offset against the tax charged on the profits in The Netherlands and Belgium, and the profit on part disposal of the investment in the subsidiary not being liable to tax.

4. RESERVES

	£'000
Profit and loss reserve	
At 1 May 2001	(9,185)
Retained profit for the period	98
Goodwill on part disposal of investment in subsidiary (note 2)	1,695
Exchange adjustment	(88)
At 31 October 2001	<u>(7,480)</u>

5. MINORITY INTEREST

	£'000
Share of net assets relating to minority interest at date of flotation	298
Share of profits in period	129
At 31 October 2001	<u>427</u>

6. EARNINGS/(LOSS) PER SHARE

	Pence per share	£'000
Profit after taxation and minority interest	0.08	98
Profit on part disposal of subsidiary	(0.30)	(362)
Amortisation of goodwill	0.05	64
Adjusted loss	<u>(0.17)</u>	<u>(200)</u>

The loss per share has been calculated based on the weighted average number of shares in issue during the period, which was 121,208,952 shares (31 October 2000: 112,042,285).

7. DIVIDENDS

No interim dividend is proposed (2000: Nil).

8. A copy of the interim report has been sent to shareholders and is available for inspection at the Company's registered office, 21/23 Ormside Way, Redhill, Surrey RH1 2NT, during normal office hours, Saturdays, Sundays and bank holidays excepted, for 14 days from today.