



**NEWMARK**  
TECHNOLOGY GROUP PLC

**Annual Report**  
**For the year ended 30 April 2002**

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## DIRECTORS, SECRETARY AND ADVISERS

<b>Company registration number:</b>	3339998
<b>Registered Office:</b>	Suite 3 23 Bruton Street London W1X 7DA
<b>Directors:</b>	M Dwek (Chairman) S Rajwan (Chief Executive) B Beecraft FCA (Finance Director) A Reid FCA (Non-Executive Director) M Rapoport (Non-Executive Director)
<b>Secretary:</b>	B Beecraft FCA
<b>Bankers:</b>	Bank of Scotland PLC
<b>Solicitors:</b>	Travers Smith Braithwaite 10 Snow Hill London EC1A 2AL
<b>Auditors:</b>	Hacker Young St. Alphage House 2 Fore Street London EC2Y 5DH
<b>Nominated Adviser:</b>	Williams de Broë Plc 4 Park Place Leeds LS1 2RU
<b>Joint Stockbroker:</b>	Williams de Broë Plc 4 Park Place Leeds LS1 2RU
<b>Joint Stockbroker:</b>	Seymour Pierce Ellis Limited Talisman House Jubilee Walk Three Bridges Crawley West Sussex RH10 1LQ
<b>P R Consultants:</b>	Hansard Group plc One Citadel Place Tinworth Street London SE11 5EP

## CHAIRMAN'S STATEMENT

### Overview

The year has seen the disposal of the business and trading assets of Vema N.V. ("Vema"). Accompanying these accounts are a number of documents relating to the proposed purchase of the minority interest in Vema and acquisition of Grosvenor Technology Limited ("Grosvenor"). The sale of the Vema business is discussed in detail below. This, together with the acquisition of Grosvenor, reflects your Board's concern to improve shareholder value. These transactions represent a "reverse takeover" under the rules of the Alternative Investment Market ("AIM"). These documents require your detailed consideration and I trust that you will support the Board and vote in favour of these resolutions at the Extraordinary General Meeting.

### Disposal of Vema business

We announced in May 2001 the flotation of our Dutch subsidiary, Vema, on AIM, which resulted in our interest in Vema being reduced to 51 per cent. We believed that this would help Vema to develop its geographical and product range whilst demonstrating that the market capitalisation of the Newmark Group did not reflect the underlying value of its businesses. In our interim report, the Board was pleased to report a substantial increase in profits for the six month period with a 10 per cent increase in turnover. However, greater competitive pressures since the introduction of the Euro affected trading results in the second half.

In the second half of the year, there was an approach from Assa Abloy AB Group ("Assa Abloy") to acquire the Vema business. Vema is a major distributor for Assa Abloy's subsidiary, Fritz Fuss GmbH & Co ("Eff Eff") a leading lock manufacturer based in Germany, over 60 per cent of Vema's products are sourced from Eff Eff. On 29 April 2002, your Board announced the disposal of the trading business and assets of Vema to Assa Abloy for £6 million payable in two tranches, £5.5 million on completion and the balance of £0.5 million agreed since the year end on the basis of the net assets and profits in the audited accounts for the year. In view of the increases in competitive pressures, the Board believed that it was prudent to dispose of the business for a good price. We wish the company every success in the future.

As a consequence there is now little point in Vema continuing as a separate listed company with its associated costs, and accompanying these accounts there are details of an offer by Newmark Technology Group PLC to buy back the 49 per cent minority interest in Vema. The financial adviser to Vema has advised the Board of Vema that this offer is fair and reasonable and that Vema shareholders should accept the offer, in the absence of any higher offer.

As Newmark Technology Group PLC is unable to issue shares at below nominal value, there is also attached the details of a capital reorganisation which will be presented for approval at the Extraordinary General Meeting.

### Acquisition of Grosvenor Technology Limited

I commented in the interim and previous reports on the difficulties that Newmark Technology Limited had experienced in gaining critical sales mass and that from 1 March 2002 the day to day management of Newmark Technology Limited would be performed by Grosvenor, a well established and profitable private company in the access control business. Following a successful period of working together, we have made an offer to acquire Grosvenor for an initial consideration of £3.287 million with a potential maximum deferred consideration of £3.5 million, based on the trading performance of Grosvenor over the next four years. The full details of the offer are set out in the attached documents. Grosvenor's main product is a Windows based access control system called JANUS. All Grosvenor's products are designed by its in-house research and development team. Newmark Technology Limited will continue to distribute the C-Cure range of products. Newmark's Omni range of products will be streamlined and will in due course be replaced with JANUS. The Board believes that Grosvenor meets the criteria laid down for successful acquisitions into the Group and that this will form the basis for a quantum leap forward for the Group.

## Change of name

Your Board believes that the existing name of your Company does not reflect the activities performed by the Group. It is proposed to change the name of the Company to Newmark Security PLC at the Extraordinary General Meeting as the Directors believe that the proposed new name better reflects the security focus and established nature of the Group's activities.

## Financial results

The profit on ordinary activities before interest, tax and minority interests in the year was £2,315,000 (2001: loss £414,000). The accounts include four exceptional items in the year:

	£000
Profit on part disposal of investment in Vema arising from the flotation of Vema in the year	182
Profit on disposal of business and trading assets of Vema NV	3,007
Costs of reorganisation and restructuring	(489)
Amortisation of goodwill	(128)

The profits on disposal of the Vema business in the year are stated net of £3,460,000 goodwill on the original acquisition of the Vema business and written off to reserves at that time. In accordance with standard accounting convention, this goodwill is required to be charged in the profit and loss account on disposal of the business and credited to reserves (note 17).

The operating loss for the year before exceptional items was £257,000 (2001: loss £298,000). Turnover for the year was £12.0 million (2001: £12.0 million). The reasons for the more significant factors affecting the results of the divisions are set out below.

## Electronic Division

This division specialises in integrated security management systems designed to control access of personnel and track asset movements. We launched the new Omni 5 series at the beginning of the year and continued to supply the C-Cure product line sourced from Sensormatic. However the underlying sales to sustain the overhead of the business were still disappointing and, as a result, we decided to transfer the day to day management of the business to Grosvenor. This was completed successfully and following a successful trial period, we now propose the acquisition of Grosvenor. Accompanying these accounts are the details of and rationale for the acquisition.

The closure costs of the offices in Redhill and the assembly plant in Rainton Bridge have been provided for in the accounts and the estimated cost savings in excess of £500,000 will benefit the Group going forward. We will continue to sell the C-Cure product range alongside the Janus product line of Grosvenor Technology.

In the last annual statement I referred to the ongoing problems we had experienced with the purchasing commitment by Lik On Security Limited in Hong Kong, and I reported in the interim figures on the rescheduling of the contract. I am pleased to report that we have now been able to conclude the contract with Lik On, and the final settlement has been received and accounted for in the period. This terminates the contract that should have been completed in December 2000. We are now supplying the Hong Kong market on a non exclusive basis via Hall Smart Limited, a sister company of Lik On and a wholly owned subsidiary of Sun Hung Kai Properties.

We have continued our sales and marketing effort in the USA for the Parsec product range which culminated in the signing up of Casi Rusco, a subsidiary of Interlogix (now part of GE Capital) as an OEM. Casi Rusco is one of the main suppliers to ADT for their access control product and the objective is to supply and support the ADT branches with Parsec. This necessitated a proven beta site for ADT which is now under construction and the launch of Parsec into ADT in the USA awaits their approval of the beta site. Subject to the trials proving successful, ADT will train and launch the product to their internal sales force. However, progress is taking longer than anticipated and sales are still slow, therefore we have trimmed overheads to minimise any adverse affects until sales gather momentum. We are also in discussions with other potential customers such as ADI and Ademco International.

## **Asset Protection Division**

The Drion managing director left during the year to pursue other business interests, which are complementary to the company and is, therefore, expected to be a major customer of Drion. A new managing director was appointed to, *inter alia*, perform a full review of operating procedures and establish an action plan to improve the operational efficiency of the business. The restructuring that followed this review included the appointment of a new senior management team to control the three major business operations, sales and marketing, manufacturing and finance. The management team has been given business objectives and specific tasks and the benefits of these changes will be effective during the second half of the current year. The changes that have already taken place include the implementation of computer aided design, increased training for staff and a more efficient manufacturing process being devised.

On the trading front, the consolidation and rationalisation within the Belgian banking sector has continued, but Drion has maintained its market share within the existing customer base as well as establishing new banking customers. The commercial section that was established last year has prompted great interest and the company has gained new customers such as post offices, hospitals, embassies and government offices. In particular we were delighted to win a major contract for security work at Namur railway station with a value of Euros 360,000, (£225,000).

We were disappointed that the third phase of the Algerian export contract was delayed by twelve months and, consequently, there were no export orders in the year. However, a tender was issued by CNEP in Algeria in March for this project with a value of Euros 20 million over three years. Positive news in the near future on at least a part of this tender could greatly enhance the division's performance in the current year.

The increased activity in Safetell in the last few months of the previous year continued throughout the year under review. Both order intake and sales enjoyed a 30 per cent improvement over the previous year. These higher volumes enhanced direct labour efficiency which, together with cost control in other areas, improved margins.

The historical core business of Eclipse rising screens increased by nearly 30 per cent, and the associated after sales service and maintenance improved by 14 per cent. Counterscreen sales proved successful in new market areas and achieved growth of 400 per cent. Sales of RollerCash increased by 73 per cent with new customers being gained. Another cash handling product has been sourced from Germany to complement RollerCash at the bottom end of the range. Sales have already been made to The Post Office and interest has also been expressed by retail banking customers to address their obligations under the disability access rules.

The new Eye2Eye product was developed in response to the Disability Discrimination Act and the first unit has been operational for over six months. New orders have been secured for installation during the summer using variants of the basic product. The Strategic Rail Authority guidelines for station design specifically require a ticketing counter similar to the Eye2Eye product.

A new wide-span moving glass screen product, MaxiView, has been commissioned by a major petrol retailer for installation in London during the summer, with good prospects for a major rollout programme in the following financial year.

## **Secure Locking Division**

This division included Vema prior to the disposal, but still includes Newmark Security Products Limited which supplies third party sophisticated electronic and electro mechanical locking systems for a wide variety of high security applications in the UK.

## **Balance sheet and cash flow**

The Group balance sheet and cash flow reflect the receipt of the proceeds from the sale of the business and trading assets of Vema on 29 April 2002. The balance sheet is also affected by the disposal of the Vema business and trading assets particularly with regard to stocks and trade debtors. Other debtors include the retention of £532,000 on the Vema sale proceeds whilst most of the corporation tax liability relates to the tax payable on the disposal. Borrowings have also been substantially reduced in the period with the repayment of the bank loan for the original acquisition of Safetell.

**Employees**

I would like to thank all employees for their unstinting efforts on behalf of the Group, and to send our best wishes for the future to the staff at Vema.

**The future**

The changes that have taken place during the last twelve months, together with those that will occur following the Annual General Meeting, will have a fundamental impact on the structure and composition of the Group. Your Board will continue to consider further acquisitions that the Board believe will increase shareholder value.

**MAURICE DWEK**

Chairman

## REPORT OF THE DIRECTORS

The Directors submit their annual report and audited financial statements of the Group for the year ended 30 April 2002.

### 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 on ordinary activities before interest, tax and minority interest in the year was £2,315,000 (2001: loss £414,000). The accounts include four exceptional items in the year:

	£000
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The operating loss for the year before exceptional items was £257,000 (2001: £298,000). Turnover for the year was £12.0 million (2001: £12.0 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 page 3.

### Acquisitions and disposals

In May 2001, the Group's subsidiary company Vema N.V. was admitted to trading on the Alternative Investment Market and a placing and offer for Global Depository Receipts in the company reduced the Newmark shareholding to 51 per cent. Vema N.V. continues to be consolidated within the results of the Group.

On 29 April 2002 the Group disposed of the trading business and assets of Vema to Assa Abloy Group for £6 million payable in two tranches, £5.5 million payable on completion and the balance of £0.5 million agreed since the year end on the basis of the net assets and profits in the audited accounts for the year.

The Board continues to seek to improve the profitability and cash flow of the Group from existing activities and to acquire suitable businesses within the security sector which satisfy the requirements set by the Board. There is attached to this document an admission document for the acquisition of Grosvenor Technology Limited a private company in the access control business.

### Directors

The Directors who served during the year were as follows:

M Dwek  
S Rajwan  
B Beecraft  
A Reid  
M Rapoport

Details of the Directors' service contracts are shown in the Remuneration Committee Report on pages 12 and 13.



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

### Directors' interests

The beneficial and other interests of the Directors in the shares of the Company as at 30 April 2001 (or the date of their appointment to the Board, if later) and 30 April 2002 were as follows:

	Percentage holding at 30 April 2002	30 April 2002	30 April 2001 (or date of appointment if later)
M Dwek <sup>(a)</sup>	12.4%	15,075,000	15,000,000
A Reid <sup>(b)</sup>	20.8%	25,208,238	23,608,238
M Rapoport	0.8%	1,605,000	1,000,000

(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 70.7 per cent by A Reid of which 64.5 per cent is a beneficial holding and 6.2 per cent is a non beneficial holding, and the R.K. Harrison Retirement Benefit Scheme in which A Reid has a beneficial interest.

There were no changes in these holdings to the date of this document.

The interests of Directors (and related parties) in Share Option Schemes operated by the Company at 30 April 2001 and 2002 were as follows:

	Number of Ordinary Shares under the Approved Scheme 30 April 2002	Number of Ordinary Shares under the Unapproved Scheme 30 April 2002	Number of Ordinary Shares under the Approved Scheme 30 April 2001	Number of Ordinary Shares under the Unapproved Scheme 30 April 2001
S Rajwan	420,000	1,680,000	420,000	1,680,000
B Beecraft	375,000	375,000	250,000	250,000

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 3(b) to the accounts.

### Substantial shareholdings

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

	Percentage of class	Number of shares
Albany Life Assurance Company Limited	4.9%	5,900,000
M V. Beheer BV	11.1%	13,447,725
HSBC Global Custody Nominee (UK) Limited	5.5%	6,666,666
Pershing Keen Nominees Limited PSL982 Account	3.5%	4,181,000
PH Nominees Limited Peclt Account	6.3%	7,587,000

### Employee involvement

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

## **Disabled persons**

The Group gives sympathetic consideration to the employment of disabled people. Whilst no special facilities are provided for training the disabled, all employees are given equal opportunities for training and promotion, having regard to their particular aptitudes and abilities. In the event of employees becoming disabled, every effort is made to retain them in order that their employment with the Group may continue.

## **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 administers and operates each Scheme. The maximum number of Ordinary Shares in respect of which options may be granted under each Scheme is equivalent to 5 per cent in aggregate of the Company’s issued Ordinary share capital. Further details of the share option schemes are in note 16 to the accounts.

## **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 continually review 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. Trade creditors at the year end were 79 days (2001: 41 days) of average supplies for the period.

## **Corporate governance**

The Company has complied throughout the year with the provisions set out in Section 1 of the Principles of Good Governance and Code of Best Practice (“the Combined Code”) which embraces the work of the Cadbury, Greenbury and Hempel Committees, in so far as this is practical and appropriate for a small public limited company, with the exception of certain matters set out below.

At 30 April 2002, the Board comprised an Executive Chairman, two Executive Directors and two independent 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. There is a clear division of responsibilities between the Chairman and Chief Executive. The Chairman takes responsibility for the conduct of the Group and overall strategy whilst the Chief Executive is required to develop and lead day to day business strategies and actions.

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 assurance that the assets of the Group are safeguarded and that transactions are properly authorised and recorded.

The Directors have reviewed the effectiveness of the Group's systems of internal financial control and found no matters which indicated that the system of internal financial control could not provide reasonable assurance that the objectives above were satisfied.

During the year, key controls were:

- day to day supervision of the business by the Executive Directors,
- 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 the two independent Non-Executive Directors. Each committee has written terms of reference which are regularly reviewed by the Board.

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 pages 12 and 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 the going concern basis.

### **Directors' responsibilities**

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

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

The Directors are responsible for maintaining proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to

ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. The Directors confirm that the financial statements comply with the above requirements.

**Auditors**

A resolution for the re-appointment of Hacker Young, Chartered Accountants, as auditors of the Company is to be proposed at the Annual General Meeting.

By order of the Board

B BEECRAFT  
Secretary

15 August 2002

## **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 2002 comprised only the two existing Non-Executive Directors, Michel Rapoport and Alexander Reid.

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 Chairman of Chloralp S.A., a chloralkali manufacturer in Grenoble, France, and President of La Roche Industries Inc., an ammonia distributor based in Atlanta, U.S.A.

Alexander Reid is executive chairman of R.K. Harrison & Company Limited (a shareholder of the Company), a director of Yeoman Investment Trust Plc and 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 (now Amvescap).

### **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 24 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.

On 4 April 2001, Arbury Inc. entered into a consultancy agreement with Vema N.V. (a subsidiary company) pursuant to which Mr Dwek acts as Chairman of that Company. This agreement can be terminated by 12 months' written notice given by either party.

On 30 April 1997, the Company entered into a Service Agreement with Mr Rajwan which may now be terminated by either party serving 12 months' notice.

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

On 4 April 2001 R.K. Harrison & Company Limited entered into a consultancy agreement with Vema N.V. pursuant to which Mr Reid acts as Finance Director of Vema N.V.. This agreement can be terminated by 12 months' written notice given by either party.

### **Bonus scheme**

The Executive Directors are entitled to receive bonuses pursuant to a bonus scheme based upon the Group's performance. Under the Scheme, up to 10 per cent of the consolidated net pre-tax profits of the Group in excess of such profits as are required to generate a minimum amount of Earnings per Share for the Group may be allocated.

## Directors' emoluments

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

	Consultancy/ management agreement	Salary	Benefits in kind	Fees	Total	Pension contri- butions
	£000	£000	£000	£000	£000	£000
<b>Executive Directors</b>						
M Dwek <sup>(a)</sup>	174	—	—	145	319	—
S Rajwan <sup>(b)</sup>	—	100	16	30	146	11
B Beecraft <sup>(c)</sup>	—	79	8	20	107	—
<b>Non-Executive Directors</b>						
A Reid <sup>(d)</sup>	—	—	—	21	21	—
M Rapoport	—	—	—	8	8	—
	<u>174</u>	<u>179</u>	<u>24</u>	<u>224</u>	<u>601</u>	<u>11</u>
2001	<u>121</u>	<u>173</u>	<u>20</u>	<u>10</u>	<u>324</u>	<u>10</u>

The directors' share interests are detailed in the Report of the Directors on page 8.

- (a) The Company paid a consultancy fee of £121,000 (2001: £121,000) to Arbury Inc., a company 51 per cent owned by M Dwek which covers salary, pension and car benefits. A consultancy fee of £52,903 (2001: Nil) was paid to Arbury Inc., by Vema NV for services as Chairman of that company. In addition, Arbury Inc., received a fee of £50,000 from Vema NV in connection with consultancy services provided by M Dwek in relation to the fund raising and admission to AIM of Vema NV. A further £95,000 was accrued in the accounts of Vema NV for Arbury Inc., in connection with consultancy services provided by M Dwek in relation to the disposal of the business and trading assets of Vema NV.
- (b) A fee of £30,000 payable to S. Rajwan has been accrued in the accounts of Vema NV in relation to the disposal of the business and trading assets of Vema NV. The pension contributions in respect of S Rajwan were for a money purchase pension scheme.
- (c) £9,900 has been paid to Beecraft Consultants Limited, a company of which B Beecraft is a director, by Vema NV in connection with consultancy services provided by B Beecraft in relation to the fund raising and admission to AIM of Vema NV. A further £10,000 has been accrued in the accounts of Vema NV for Beecraft Consultants Limited in connection with consultancy services provided by B. Beecraft in relation to the disposal of the business and trading assets of Vema NV.
- (d) Directors' fees in respect of A Reid of £7,500 (2001: £7,500) were paid by the Company to R. K. Harrison & Co. Limited. In addition, Vema NV paid fees to R. K. Harrison & Co. Limited of £14,135 (2001: Nil) for services as director of that company.

**REPORT OF THE INDEPENDENT AUDITORS  
TO THE SHAREHOLDERS OF NEWMARK TECHNOLOGY GROUP PLC**

We have audited the financial statements of Newmark Technology Group PLC on pages 15 to 34 for the year ended 30 April 2002. These financial statements have been prepared under the historical cost convention and the accounting policies set out therein.

**Respective responsibilities of Directors and Auditors**

As described in the directors' report on page 10 the Company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards.

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

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

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

**Basis of opinion**

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

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

**Opinion**

In our opinion the financial statements give a true and fair view of the state of the affairs of the Company and of the Group at 30 April 2002, and of the loss of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

HACKER YOUNG  
Chartered Accountants  
Registered Auditors

15 August 2002

London

**CONSOLIDATED PROFIT AND LOSS ACCOUNT**  
**For the year ended 30 April 2002**

	Notes	2002 Before goodwill and exceptional items £000	2002 Goodwill and exceptional items £000	2002 Total £000	2001 Total (As restated) £000
<b>Turnover</b>	2				
Continuing operations		6,479	—	6,479	6,645
Discontinued operations		5,548	—	5,548	5,404
		12,027	—	12,027	12,049
Cost of sales	3(c)	(7,687)	(98)	(7,785)	(7,522)
<b>Gross profit</b>		4,340	(98)	4,242	4,527
Other operating income	3(d)	597	—	597	—
Administrative expenses pre amortisation of goodwill and exceptional items	3(c)	(5,194)	—	(5,194)	(4,825)
Reorganisation and restructuring costs	3(e)	—	(391)	(391)	—
Amortisation of goodwill		—	(128)	(128)	(116)
Administrative expenses — total		(5,194)	(519)	(5,713)	(4,941)
<b>Operating loss</b>	3				
Continuing operations		(814)	(617)	(1,431)	(1,133)
Discontinued operations		557	—	557	719
		(257)	(617)	(874)	(414)
Profit on part disposal of investment in subsidiary company	3(f)	—	182	182	—
Profit on disposal of business and net trading assets	23	—	3,007	3,007	—
<b>Profit/(loss) on ordinary activities before interest</b>		(257)	2,572	2,315	(414)
Interest payable	4	(55)	—	(55)	(206)
<b>Profit/(loss) on ordinary activities before taxation</b>		(312)	2,572	2,260	(620)
Tax on profit/(loss) on ordinary activities	6	(122)	(1,395)	(1,517)	(284)
<b>Profit/(loss) on ordinary activities after taxation</b>		(434)	1,177	743	(904)
Minority interest	18	(131)	(1,571)	(1,702)	—
<b>Loss for the financial year</b>		(565)	(394)	(959)	(904)
Dividends		—	—	—	—
<b>Amount withdrawn from reserves</b>	17	(565)	(394)	(959)	(904)
				pence	pence
Loss per share	7				
— basic and diluted				(0.8p)	(0.8p)
— before exceptional items				(0.5p)	(0.7p)



**BALANCE SHEETS**  
as at 30 April 2002

		<b>Group</b>	<b>Group</b>	<b>Company</b>	<b>Company</b>
	<b>Notes</b>	<b>2002</b>	<b>2001</b>	<b>2002</b>	<b>2001</b>
		<b>(as restated)</b>		<b>(as restated)</b>	
		<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Fixed Assets</b>					
Intangible assets	8	2,014	2,158	—	—
Tangible assets	9	1,344	1,483	—	—
Investments	10	—	—	7,218	7,218
		<u>3,358</u>	<u>3,641</u>	<u>7,218</u>	<u>7,218</u>
<b>Current Assets</b>					
Stocks	11	773	1,656	—	—
Debtors	12	1,994	2,500	2,601	2,665
Cash at bank and in hand		6,409	652	—	—
		<u>9,176</u>	<u>4,808</u>	<u>2,601</u>	<u>2,665</u>
<b>Creditors: amounts falling due within one year</b>	13	<u>(5,022)</u>	<u>(5,466)</u>	<u>(2,662)</u>	<u>(1,366)</u>
<b>Net current assets/ (liabilities)</b>		<u>4,154</u>	<u>(658)</u>	<u>(61)</u>	<u>1,299</u>
<b>Total assets less current liabilities</b>		<u>7,512</u>	<u>2,983</u>	<u>7,157</u>	<u>8,517</u>
<b>Creditors: amounts falling due after more than one year</b>	14	(525)	(665)	—	—
<b>Provisions for liabilities and charges</b>	15	<u>(453)</u>	<u>(249)</u>	<u>—</u>	<u>—</u>
		<u>6,534</u>	<u>2,069</u>	<u>7,157</u>	<u>8,517</u>
<b>Capital and reserves</b>					
Called up share capital	16	6,060	6,060	6,060	6,060
Share premium	17	5,194	5,194	5,194	5,194
Profit and loss reserve	17	(6,750)	(9,185)	(4,097)	(2,737)
<b>Equity shareholders' funds</b>		<u>4,504</u>	<u>2,069</u>	<u>7,157</u>	<u>8,517</u>
Minority interests	18	2,030	—	—	—
		<u>6,534</u>	<u>2,069</u>	<u>7,157</u>	<u>8,517</u>

The financial statements on pages 15 to 34 were approved by the Board of Directors on 15 August 2002 and were signed on its behalf by:

M DWEK  
Chairman

B BEECRAFT  
Finance Director

**CONSOLIDATED CASH FLOW STATEMENT**  
**For the year ended 30 April 2002**

	Notes	2002 £000	2001 £000
<b>Net cash (outflow)/inflow from operating activities</b>	19	<u>(458)</u>	<u>236</u>
<b>Returns on investments and servicing of finance</b>			
Interest paid		<u>(55)</u>	<u>(206)</u>
<b>Net cash outflow from returns on investments and servicing of finance</b>		<u>(55)</u>	<u>(206)</u>
<b>Taxation</b>		<u>(145)</u>	<u>(517)</u>
<b>Capital expenditure and financial investment</b>			
Purchase of tangible fixed assets		<u>(200)</u>	<u>(402)</u>
<b>Net cash outflow from capital expenditure and financial investment</b>		<u>(200)</u>	<u>(402)</u>
<b>Disposals</b>			
Proceeds on sale of subsidiary undertaking, and business and trading assets	23	5,525	—
Net overdraft disposed of with business		<u>61</u>	<u>—</u>
<b>Net cash inflow from disposals</b>		<u>5,586</u>	<u>—</u>
<b>Net cash inflow/(outflow) before financing</b>		<u>4,728</u>	<u>(889)</u>
<b>Financing</b>			
Proceeds from flotation of Vema	3(f)	2,880	—
Costs related to flotation of subsidiary		<u>(705)</u>	<u>—</u>
Loan to finance acquisition of property		—	251
Repayment of loans		<u>(1,029)</u>	<u>(246)</u>
		1,146	5
Issue of shares		—	715
Expenses paid in connection with share issues		<u>—</u>	<u>(22)</u>
<b>Net cash inflow from financing</b>		<u>1,146</u>	<u>698</u>
<b>Increase/(decrease) in cash</b>	21	<u><u>5,874</u></u>	<u><u>(191)</u></u>

**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES**  
**For the year ended 30 April 2002**

	<b>2002</b>	<b>2001</b>
	<b>£000</b>	<b>(As restated)</b>
		<b>£000</b>
Loss for the financial year	(959)	(904)
Exchange difference on translation of net assets and results of subsidiary undertakings	(66)	78
Total recognised gains and losses relating to the year	<u>(1,025)</u>	<u>(826)</u>

**RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS**  
**For the year ended 30 April 2002**

	<b>2002</b>	<b>2001</b>
	<b>£000</b>	<b>(As restated)</b>
		<b>£000</b>
Loss for the financial year	(959)	(904)
New share capital subscribed (net of issue costs)	—	693
Goodwill on disposal of business and trading assets	3,460	—
Exchange difference on translation of net assets and results of subsidiary undertakings	(66)	78
Net increase/(reduction) to shareholders' funds	<u>2,435</u>	<u>(133)</u>
Opening shareholders' funds	2,069	2,202
Closing shareholders' funds	<u>4,504</u>	<u>2,069</u>

## Notes to the financial statements For the year ended 30 April 2002

### 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 consolidated financial statements include the results of subsidiaries since the date of acquisition. The principal accounting policies which the directors have adopted are set out below.

#### *Turnover*

Turnover represents the invoiced value of goods sold and services rendered as principal excluding value added tax and trade discounts.

#### *Goodwill*

Goodwill represents the difference between the costs of acquisition and the fair value of the net tangible assets acquired.

In accordance with Financial Reporting Standard 10 ("FRS 10"), goodwill arising on the acquisition of subsidiaries is capitalised as an intangible asset and amortised over its useful economic life of 20 years. The Board considers that the activities of the subsidiaries acquired will be ongoing and they will contribute to the Group's earnings for over 20 years.

Goodwill arising on the acquisition of subsidiaries prior to FRS 10 was written off immediately against reserves. The Group has adopted the transitional arrangement allowed by FRS10 in that this goodwill remains eliminated against reserves and will be charged to the profit and loss account on the subsequent disposal of the businesses to which it relates.

#### *Intellectual property rights and development costs*

Intellectual property rights and development costs are written off to the profit and loss account as incurred.

#### *Tangible fixed assets*

The Group's tangible fixed assets are stated at cost less depreciation. Provision for depreciation is made in equal annual instalments to write off the cost less estimated residual value of each asset over its estimated useful life as follows:

Freehold land	Nil
Freehold buildings	5% per annum
Plant and machinery	20% per annum
Fixtures and fittings	10% per annum
Motor vehicles	25% per annum
Computer equipment	25% per annum

#### *Leased assets and obligations*

Assets acquired under hire purchase contracts and finance leases are capitalised as tangible assets and depreciated over the shorter of the lease term and their useful lives. Obligations under such agreements are included in creditors net of the finance charge allocated to future periods. The finance element of the rental payment is charged to the profit and loss account so as to produce a constant periodic rate of charge on the net obligation outstanding in each period.

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

#### *Fixed asset investments*

Fixed asset investments are recorded at cost less any provision for impairments.

#### *Stock and work in progress*

Stocks and work in progress are stated at the lower of cost and net realisable value. Cost is determined on an average cost basis. The cost of work in progress and finished goods comprises materials, direct labour and attributable production overheads. Net realisable value is based on estimated selling price less further costs expected to be incurred to completion and disposal.

### *Deferred taxation*

The accounting policy in respect of deferred tax has been changed to reflect the requirements of Financial Reporting Standard 19 (“FRS19”) – Deferred Tax. Deferred tax is provided in full in respect of taxation deferred by timing differences between the treatment of certain items for taxation and accounting purposes. Deferred tax assets are only recognised when that asset is regarded as recoverable. The previous policy was to provide deferred tax only to the extent that it was probable that liabilities would crystallise in the foreseeable future. The deferred tax balance has not been discounted.

In prior years deferred tax was provided for a gain recognised on revaluing fixed assets for fair value purposes on the acquisition of a subsidiary. In accordance with FRS19, no provision should be made for deferred tax on gains recognised on revaluing fixed assets as the company does not intend to sell the revalued assets. This amounts to a change in accounting policy. The adoption of the standard requires a prior period adjustment to be made to eliminate the provision which existed at the start of the financial year. The effect has been to decrease intangible fixed assets and the deferred tax provision by £200,000. The deferred tax asset of £46,000 has been restated in other debtors.

### *Foreign currencies*

The assets and liabilities of overseas subsidiary undertakings are translated into sterling at the rates of exchange ruling at the balance sheet date. The results of the foreign subsidiary undertakings are translated into sterling at the average rates of exchange for the financial year. Surpluses and deficits arising from changes in exchange rates during the year, in so far as they relate to the net investment in overseas subsidiaries together with surpluses or deficits arising from the translation of overseas subsidiaries’ results at rates ruling at the year end compared to the average rates of exchange for the financial year, are taken direct to reserves.

Assets and liabilities denominated in foreign currencies are translated into sterling at the rate of exchange ruling at the balance sheet date, trading results are translated at the average exchange rate for the financial period. Gains or losses arising from trading operations are dealt with in the profit and loss account.

### *Pensions*

Vema operated an optional non-contributory final salary pension scheme for staff aged 25 years or over with more than one year’s service. The assets of the scheme were held separately from those of the company. Contributions to the scheme were charged to the profit and loss account so as to spread the cost of pensions over employees’ working lives with the company. The contributions were determined by a qualified actuary on the basis of an annual valuation. The most recent valuation was performed in October 2000. Safetell operates a fully insured money purchase scheme open to all employees and more than half are members. The scheme is funded and its assets are held by an insurance company in a separate trustee administered fund. Both the company and employees make contributions to the fund.

In addition to the contributions paid in respect of S Rajwan for a money purchase scheme, other employees of the Group contribute to state schemes. Contributions are charged to the profit and loss account when paid.

## **2. Analysis by geographical area**

The analysis by geographical area of the Group’s turnover, profit before taxation and net assets is set out below:

	<b>2002</b>	<b>2001</b>	<b>2002</b>	<b>2001</b>
	<b>By</b>	<b>By</b>	<b>By</b>	<b>By</b>
	<b>origin</b>	<b>origin</b>	<b>destination</b>	<b>destination</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Turnover</b>				
UK	4,918	4,860	4,518	4,306
Europe	7,109	7,189	7,270	6,727
Rest of the World	—	—	239	1,016
<b>Total</b>	<b>12,027</b>	<b>12,049</b>	<b>12,027</b>	<b>12,049</b>

## 2. Analysis by geographical area (continued)

### Profit/(loss) before tax

	2002 Before goodwill and exceptional items £000	2002 Goodwill and exceptional items £000	2002 Total £000	2001 Total £000
UK	(214)	(572)	(786)	(990)
Europe	264	3,144	3,408	738
Rest of the World	(362)	—	(362)	(368)
	<u>(312)</u>	<u>2,572</u>	<u>2,260</u>	<u>(620)</u>

### Net Assets

	2002 Net assets £000	2001 Net assets £000
UK	550	1,264
Europe	6,708	1,181
Rest of the World	(724)	(376)
	<u>6,534</u>	<u>2,069</u>

## 3. Operating loss

### (a) Continuing and discontinued operations

	2002 Continuing operations £000	2002 Dis- continued operations £000	2002 Total £000	2001 Continuing operations £000	2001 Dis- continued operations £000	2001 Total £000
Sales	6,479	5,548	12,027	6,645	5,404	12,049
Cost of sales	(4,565)	(3,220)	(7,785)	(4,391)	(3,131)	(7,522)
<b>Gross profit</b>	1,914	2,328	4,242	2,254	2,273	4,527
Other operating income	597	—	597			
Administrative expenses						
pre-amortisation of goodwill and exceptional items	(3,423)	(1,771)	(5,194)	(3,271)	(1,554)	(4,825)
Reorganisation and restructuring costs	(391)	—	(391)	—	—	—
Amortisation of goodwill	(128)	—	(128)	(116)	—	(116)
<b>Operating (loss)/profit</b>	<u>(1,431)</u>	<u>557</u>	<u>(874)</u>	<u>(1,133)</u>	<u>719</u>	<u>(414)</u>

**(b) Operating loss is arrived at after charging the following:**

<b>Group</b>	<b>2002</b>	<b>2001</b>
	<b>£000</b>	<b>£000</b>
Depreciation of tangible fixed assets	241	236
Amortisation of goodwill	128	116
Research and development	70	82
Auditors' remuneration:		
Parent company auditors		
Audit fees	35	36
Non audit fees	2	2
Other auditors		
Audit fees	67	64
Non audit services	9	1
Operating lease rentals:		
Motor vehicles and computer equipment	173	194
Property	141	141
	<u>          </u>	<u>          </u>

**(c) Administrative expenses and cost of sales**

The allocation of direct labour to cost of sales has been amended in the year by a subsidiary company, and the prior year figures have been restated by the transfer of £485,000 from administrative expenses to cost of sales.

**(d) Other operating income**

Other operating income represents the monies received from Lik On Security Limited in settlement of their purchasing commitment.

**(e) Reorganisation and restructuring costs comprise:**

	<b>£000</b>
Accrual for staff termination costs	105
Provision for unexpired portion of property and other operating leases related to Newmark Technology Limited	220
Exceptional depreciation of fixed assets owned by Newmark Technology Limited	21
Termination costs for restructuring in another subsidiary company	45
	<u>          </u>
	391
	<u>          </u>

**(f) Profit on part disposal of investment in subsidiary**

	<b>2002</b>	<b>2001</b>
	<b>£000</b>	<b>£000</b>
Proceeds from partial disposal of investment in subsidiary	2,880	—
Goodwill on partial disposal of investment	(1,695)	—
Costs of flotation and share issue	(705)	—
Share of net assets relating to minority interests at date of flotation	(298)	—
	<u>          </u>	<u>          </u>
	182	—
	<u>          </u>	<u>          </u>

This profit relates to the flotation of Vema N.V. on the Alternative Investment Market, and the subscription for 49 per cent of the A issued share capital by external shareholders.

**4. Interest**

**Interest payable and similar charges**

Bank loans, overdrafts and other short term finance	<u>          </u>	<u>          </u>
	55	206

## 5. Employees and directors

The average numbers employed by the Group (including Executive Directors) within the following categories were:

	Number	Number
Management, sales and administration	72	72
Production	66	58
	<u>138</u>	<u>130</u>

The costs incurred in respect of these employees were:

	£000	£000
Wages and salaries	3,322	3,141
Social security costs	520	446
Other pension costs	134	111
	<u>3,976</u>	<u>3,698</u>

Details of directors' emoluments are disclosed in the Report of the Remuneration Committee on page 13 which forms part of this note.

## 6. Taxation

Taxation is based on the results for the year and comprises:

	2002 £000	2001 £000
UK Corporation taxation	—	—
Overseas taxation	122	273
Deferred taxation	—	11
Taxation charge on loss for the year before exceptional items	122	284
Taxation on gain on disposal of business and trading assets	1,395	—
	<u>1,517</u>	<u>284</u>

The tax charged for the year is higher than the standard rate of corporation tax in the UK (30 per cent).

The differences are explained below:

	2002 £000	2001 £000
Profit/(loss) on ordinary activities before taxation	<u>2,260</u>	<u>(620)</u>
Profit on ordinary activities at the standard rate of UK corporation tax of 30% (2001: 30%)	678	(186)
Effects on profits of items not deductible for the tax purposes	267	315
Tax losses carried forward	338	155
Timing differences including capital allowances in excess of depreciation dealt with under deferred tax	(3)	(2)
Grossing up of foreign income	2	63
Marginal relief	—	(2)
Double tax relief	(6)	(106)
Adjustment to tax charge in respect of previous periods	2	—
Higher tax rates on overseas earnings	239	47
Current tax charge for year	<u>1,517</u>	<u>284</u>



## 7. Loss per share

The calculation of the basic loss per ordinary share is based on a loss of £959,000 (2001: loss £904,000) and the weighted average number of shares in issue during the year of 121,208,952 (2001: 116,625,619). The options in issue have no dilutive effect.

The basic loss per share before goodwill amortisation and exceptional items 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 loss per share as follows:

	<b>2002</b>	<b>2001</b>
Basic loss per share (pence)	(0.8)	(0.8)
Goodwill amortisation and exceptional items per share	0.3	0.1
Loss per share before goodwill amortisation and exceptional items	<u>(0.5)</u>	<u>(0.7)</u>

## 8. Intangible fixed assets

<b>Group</b>	<b>Goodwill</b>
	<b>£000</b>
<b>Cost</b>	
At 1 May 2001 as previously reported	2,544
Prior year adjustment (note 15)	(200)
At 1 May 2001 as restated	<u>2,344</u>
Disposal of subsidiary in year	(16)
At 30 April 2002	<u>2,328</u>
<b>Amortisation</b>	
At 1 May 2001	(186)
Charge for the year	(128)
At 30 April 2002	<u>(314)</u>
<b>Net book value</b>	
At 30 April 2002	<u>2,014</u>
At 30 April 2001 as restated	<u>2,158</u>

## 9. Tangible fixed assets

Group	Freehold land and buildings £000	Plant, machinery & motor vehicles £000	Computers, fixtures & fittings £000	Total £000
<b>Cost</b>				
At 1 May 2001	1,333	1,093	614	3,040
Additions	—	117	78	195
Disposals	—	(99)	(70)	(169)
Disposal of subsidiary/business	—	(2)	(244)	(246)
Reclassifications	—	(46)	46	—
Exchange adjustment	(2)	(3)	3	(2)
At 30 April 2002	<u>1,331</u>	<u>1,060</u>	<u>427</u>	<u>2,818</u>
<b>Depreciation</b>				
At 1 May 2001	150	970	437	1,557
Charge for the year	37	61	143	241
Disposals	—	(99)	(70)	(169)
Disposal of subsidiary	—	(2)	(154)	(156)
Reclassifications	—	(10)	10	—
Exchange adjustment	1	(2)	2	1
At 30 April 2002	<u>188</u>	<u>918</u>	<u>368</u>	<u>1,474</u>
<b>Net book value</b>				
At 30 April 2002	<u>1,143</u>	<u>142</u>	<u>59</u>	<u>1,344</u>
At 30 April 2001	<u>1,183</u>	<u>123</u>	<u>177</u>	<u>1,483</u>

## 10. Fixed asset investments

### Company

#### Investment in subsidiary companies

<b>Cost</b>	<b>£000</b>
At 1 May 2001 and 30 April 2002	<u>9,347</u>
<b>Provision for impairment</b>	
At 1 May 2001 and 30 April 2002	<u>2,129</u>
<b>Net book value</b>	
At 30 April 2002	<u>7,218</u>
At 30 April 2001	<u>7,218</u>

The provision for impairment in 2001 was calculated to state the net book value of an investment in a subsidiary company at the commercial valuation of that company.

The details of the Company's subsidiary undertakings (wholly owned unless otherwise stated) which are involved in the supply of access control and other security products, are as follows:

<b>Name</b>	<b>Activity</b>	<b>Country of incorporation</b>	<b>Description of shares held</b>
Newmark Technology Limited	Trading	England & Wales	Ordinary
Newmark Security Products Limited	Trading	England & Wales	Ordinary
Newmark Technology (C-Cure Division) Limited	Dormant	England & Wales	Ordinary
Vema B.V.	Holding	The Netherlands	Ordinary
Vema N.V. <sup>(3)</sup> (51% owned)	Trading	The Netherlands	Ordinary
Newmark Technology S.A.	Trading	Belgium	Ordinary
Ateliers Drion S.A. <sup>(2)</sup>	Trading	Belgium	Ordinary
Safetell International Limited	Holding	England & Wales	Ordinary and Redeemable Preference
Safetell Limited <sup>(1)</sup>	Trading	England & Wales	Ordinary
Safetell Security Screens Limited <sup>(1)</sup>	Trading	England & Wales	Ordinary
Newmark Onroerend Goed B.V. <sup>(2)</sup>	Property	Belgium	Ordinary
Newmark Technology Inc.	Trading	USA	Ordinary
Vema U.K. Limited <sup>(4)</sup>	Dormant	England & Wales	Ordinary

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

- (1) Owned by Safetell International Limited
- (2) Owned by Newmark Technology S.A.
- (3) Owned by Vema B.V. The company's business and trading assets were sold during the year.
- (4) Owned by Vema N.V.

## 11. Stocks

	<b>2002</b>	<b>2001</b>	<b>2002</b>	<b>2001</b>
	<b>Group</b>	<b>Group</b>	<b>Company</b>	<b>Company</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Raw materials	470	722	—	—
Work in progress	139	182	—	—
Finished goods	164	752	—	—
	<u>773</u>	<u>1,656</u>	<u>—</u>	<u>—</u>

## 12. Debtors

	<b>2002</b>	<b>2001</b>	<b>2002</b>	<b>2001</b>
	<b>Group</b>	<b>Group</b>	<b>Company</b>	<b>Company</b>
	<b>£000</b>	<b>(as restated)</b>	<b>£000</b>	<b>£000</b>
Amounts falling due within one year:				
Amounts owed by subsidiary undertakings	—	—	2,577	2,658
Trade debtors	1,005	2,062	—	—
Prepayments and accrued income	150	178	24	7
Other debtors	793	214	—	—
Deferred tax asset (note 15)	46	46	—	—
	<u>1,994</u>	<u>2,500</u>	<u>2,601</u>	<u>2,665</u>
Deferred tax				
Other timing differences	<u>46</u>	<u>46</u>	<u>—</u>	<u>—</u>

### 13. Creditors: amounts falling due within one year

	2002	2001	2002	2001
	Group	Group	Company	Company
	£000	£000	£000	£000
Bank loans and overdrafts (note 14)	152	1,660	—	1,333
Amounts due to group companies	—	—	2,619	—
Trade creditors	995	935	—	—
Accruals	533	1,009	23	20
Other taxation and social security	104	128	—	—
Other creditors	1,763	1,734	20	13
Corporation tax	1,475	—	—	—
	<u>5,022</u>	<u>5,466</u>	<u>2,662</u>	<u>1,366</u>

Other creditors within the Group includes an amount of £29,775 (2001: £171,487) in respect of a factoring company which was secured on trade debtors of a subsidiary company.

Bank overdrafts of £Nil (2001: £109,000) were secured by a floating charge on the assets (excluding freehold property) of a subsidiary.

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

	Group 2002 £000	Group 2001 £000	Company 2002 £000	Company 2001 £000
Bank loans and overdrafts	525	662	—	—
Other creditors	—	3	—	—
	<u>525</u>	<u>665</u>	<u>—</u>	<u>—</u>

#### Company

The terms of repayment, interest and security for the loan to the Company are set out as loan (c) in the analysis of Group Loans.

Group	2002 Unsecured £000	2002 Secured £000	2001 Unsecured £000	2001 Secured £000
Loans are repayable as follows:				
<b>Within one year</b>				
Bank loans <sup>(a)</sup>	—	9	—	13
Bank overdrafts	—	—	—	117
Finance leases	—	—	—	11
Bank loan <sup>(b)</sup>	121	—	162	—
Bank loan <sup>(c)</sup>	—	—	—	1,333
Bank loan <sup>(d)</sup>	—	15	—	15
Bank loan <sup>(e)</sup>	7	—	9	—
<b>Total within one year</b>	<u>128</u>	<u>24</u>	<u>171</u>	<u>1,489</u>
<b>After one and within two years</b>				
Bank loans <sup>(a)</sup>	—	9	—	13
Finance leases	—	—	—	3
Bank loan <sup>(b)</sup>	121	—	108	—
Bank loan <sup>(d)</sup>	—	15	—	15
Bank loan <sup>(e)</sup>	8	—	9	—
	<u>129</u>	<u>24</u>	<u>117</u>	<u>31</u>
<b>Between two and five years</b>				
Bank loans <sup>(a)</sup>	—	26	—	39
Bank loan <sup>(b)</sup>	—	—	108	—
Bank loan <sup>(d)</sup>	—	46	—	46
Bank loan <sup>(e)</sup>	9	—	18	—
	<u>9</u>	<u>72</u>	<u>126</u>	<u>85</u>
<b>After five years</b>				
Bank loans <sup>(a)</sup>	—	168	—	167
Bank loan <sup>(d)</sup>	—	123	—	139
	<u>—</u>	<u>291</u>	<u>—</u>	<u>306</u>
<b>Total after more than one year</b>	<u>138</u>	<u>387</u>	<u>243</u>	<u>422</u>

(a) The bank loan is repayable in quarterly instalments over 25 years. Interest is charged at 6.125 per cent over the first 5 years and the loan is secured on the freehold property of Vema B.V..

(b) The bank loan is repayable in quarterly instalments over 2 years. Interest is charged at 5.25 per cent per annum.

(c) The bank loan was repayable in quarterly instalments over 7 years and was secured by a composite debenture and cross guarantee by the Company and Newmark Technology Limited, incorporating a fixed and floating charge over all the assets and undertaking of these companies. There was also a first fixed charge over the Company's shares in Safetell International Limited and all monies guarantees from Safetell supported by debentures over their assets and undertakings. Interest was payable at 2% over LIBOR. The loan was repaid in full during the year.

(d) The bank loan is repayable in quarterly instalments over 15 years and is secured on the freehold property of Newmark Onroerend Goed B.V. Interest is charged at 7.05 per cent per annum.

(e) The bank loan is repayable in quarterly instalments over 3 years and interest is charged at 4.6 per cent per annum.

## 15. Provisions for liabilities and charges

Group	Reorganisation and restructuring		Rental	Deferred	Other	Total
	provision	provision	taxation			
	£000	£000	£000	£000	£000	£000
At 1 May 2001 as previously reported	—	184	154	65	403	
Prior year adjustment	—	—	(154)	—	(154)	
At 1 May 2001 as restated	—	184	—	65	249	
Charge for year	220	—	—	—	220	
Released in year	—	(16)	—	—	(16)	
At 30 April 2002	<u>220</u>	<u>168</u>	<u>—</u>	<u>65</u>	<u>453</u>	

The reorganisation and restructuring provision relates to the unexpired portion of property and other operating leases relating to Newmark Technology Limited.

The rental provision relates to the excess of Safetell's contractual legal obligation over the current market rental, and will be reversed over the remaining eleven years of the lease.

The accounting policy in respect of deferred tax has been changed to reflect the requirements of FRS19 – Deferred Tax. Deferred tax is provided in full in respect of taxation deferred by timing differences between the treatment of certain items for taxation and accounting purposes. The previous policy was to provide deferred tax only to the extent that it was probable that liabilities would crystallise in the foreseeable future. The deferred tax balance has not been discounted.

In prior years deferred tax was provided for a gain recognised on revaluing fixed assets for fair value purposes on the acquisition of a subsidiary. In accordance with FRS19, no provision should be made for deferred tax on gains recognised on revaluing fixed asset investments as the company does not intend to sell the revalued assets. This amounts to a change in accounting policy. The adoption of the standard requires a prior period adjustment to be made to eliminate the provision which existed at the start of the financial year. The effect has been to decrease intangible fixed assets and the deferred tax provision by £200,000. The deferred tax asset of £46,000 has been restated in other debtors (note 12).

## 16. Share capital

	2002	2001
Authorised:		
300,000,000 (2001: 250,000,000) Ordinary shares of 5p each	<u>£15,000,000</u>	<u>£12,500,000</u>
Allotted, called up and fully paid:		
121,208,952 (2001: 121,208,952) Ordinary shares of 5p each	<u>£6,060,450</u>	<u>£6,060,450</u>

The total number of share options outstanding at 30 April 2002 under the Approved and Unapproved Share Option Schemes were 928,000 (2001: 1,314,000) and 2,588,000 (2001: 2,574,000) respectively. The subscription price payable upon the exercise of the 504,000 (2001: 952,000) and 1,764,000 (2001: 2,212,000) Approved and Unapproved Share Options respectively granted in October 1997 is 14.5 pence per share. The exercise price for the 278,000 (2001: 362,000) options granted under both the Approved and Unapproved Schemes, granted in January 1999, is 8.25 pence per share. A further 146,000 and 546,000 options were granted under the Approved and Unapproved Schemes respectively in December 2001 at an exercise price of 5 pence per share. The options may be exercised within 10 years from the date of issue.

## 17. Share premium and reserves

	Share premium account £000	Profit and loss account £000
<b>Group</b>		
Accumulated reserves at 1 May 2001	5,194	(9,185)
Retained loss for the year	—	(959)
Exchange differences on foreign currency investments	—	(66)
Goodwill on disposal of business and trading assets of Vema charged to the profit and loss account	—	3,460
Accumulated reserves at 30 April 2002	<u>5,194</u>	<u>(6,750)</u>

The cumulative amount of goodwill eliminated against reserves is £4,079,000 (2001: £7,539,000). This goodwill will be charged in the profit and loss account on any eventual disposal of the businesses to which it related.

	Share premium account £000	Profit and loss account £000
<b>Company</b>		
Accumulated reserves at 1 May 2001	5,194	(2,737)
Retained loss for the year	—	(1,360)
Accumulated reserves at 30 April 2002	<u>5,194</u>	<u>(4,097)</u>

## Loss attributable to the members of the parent company

As permitted by section 230 of the Companies Act 1985, the parent company has not presented its own profit and loss account. The loss on ordinary activities after tax dealt with in the financial statements of the parent company for the year was £1,360,000 (2001: loss £3,246,000).

## 18. Minority interests

	2002 £000	2001 £000
Share of net assets relating to minority interest at date of flotation of Vema	312	—
Share of profits in period	1,702	—
Exchange differences	16	—
	<u>2,030</u>	<u>—</u>

## 19. Reconciliation of operating loss to operating cashflow

	2002 £000	2001 £000
Operating loss	(874)	(414)
Depreciation and amortisation of goodwill	369	352
Charges for reorganisation and restructuring	423	—
(Increase) in stocks	(57)	(338)
Decrease in debtors	59	293
(Decrease)/increase in creditors	(378)	343
Operating cash (outflow)/inflow	<u>(458)</u>	<u>236</u>

## 20. Reconciliation of net cash flows to movement in net (debt)/funds

	2002 £000	2001 £000
Increase/(decrease) in cash from cash flows of the group	5,813	(166)
Net overdraft disposed of on sale of Vema business and trading assets	61	—
Decrease/(increase) in debt in the year from cash flows	1,029	(51)
Increase/(decrease) in net funds resulting from cash flows	6,903	(217)
Debt disposed of on sale of Vema business and trading assets	502	—
Increase/(decrease) in net funds	<u>7,405</u>	<u>(217)</u>

## 21. Analysis of changes in net (debt)/funds

	April 2001	Cash flow	Disposed of with subsidiaries (excluding cash balances)	April 2002
	£000	£000	£000	£000
Cash at bank and in hand	652	5,757	—	6,409
Overdrafts	(117)	117	—	—
	<u>535</u>	<u>5,874</u>	<u>—</u>	<u>6,409</u>
Debt due after one year	(665)	68	72	(525)
Debt due within one year	(1,543)	961	430	(152)
	<u>(2,208)</u>	<u>1,029</u>	<u>502</u>	<u>(677)</u>
Net (debt)/funds	<u>(1,673)</u>	<u>6,903</u>	<u>502</u>	<u>5,732</u>

## 22. Financial instruments

The Group's financial instruments comprise borrowings, cash resources, and various items, such as trade debtors, trade creditors, etc, that arise directly from its operations. The main purpose of these financials instruments is to raise finance for the Group's operations.

It is, and has been throughout the year, the Group's policy that no trading in financial instruments shall be undertaken.

The main risks arising from the Group's financial instruments are interest rate risk, liquidity risk and foreign currency risk. The Board reviews and agrees policies for managing each of these risks. These policies have remained unchanged during the year and are summarised below.

### *Interest rate risk*

The Group finances its operations through a mixture of retained profits and bank borrowings. The Group borrows at fixed rates of interest on long term loans to secure the Group's exposure to interest rate fluctuations. At the year end, 100% (2001: 26%) of the Group's borrowings were at fixed rates with Nil% (2001: Nil%) of these borrowings comprising liabilities on which no interest is paid.

### *Liquidity risks*

Short-term flexibility in borrowings is achieved by overdraft facilities in the UK.

A long term loan existed in the Netherlands at the date of acquisition of Vema, secured on the freehold property. An unsecured loan of BEF 35 million partly financed the acquisition of Drion in Belgium. A secured loan of £1.5 million which financed the acquisition of Safetell International Limited was repaid during the year.

At the year end, 39% (2001: 19%) of the Group's borrowings were due to mature in more than five years.

### *Foreign currency risk*

At the years end, the Group has a significant overseas subsidiary operating in Belgium and the Belgian acquisition was partly financed by a loan in Belgian francs. The sales of the UK companies are predominantly priced and invoiced in sterling, whilst the Belgian company invoices its customers exclusively in Euros.



*Interest rate risk of financial assets and financial liabilities*

The interest rate profile of the Group's financial assets at 30 April 2002 was:

	<b>Total</b>	<b>Floating rate financial assets</b>	<b>Fixed rate financial assets</b>	<b>Financial assets on which no interest is received</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Sterling	954	954	—	—
Euros	5,430	5,430	—	—
Dollars	25	25	—	—
	<u>6,409</u>	<u>6,409</u>	<u>—</u>	<u>—</u>

The interest rate profile of the Group's financial liabilities at 30 April 2002 was:

	<b>Total</b>	<b>Floating rate financial liabilities</b>	<b>Fixed rate financial liabilities</b>	<b>Financial liabilities on which no interest has been paid</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Currency				
Euros	677	—	677	—
	<u>677</u>	<u>—</u>	<u>677</u>	<u>—</u>

	<b>Weighted average interest rate</b>	<b>Weighted average period for which rate is fixed</b>
	<b>%</b>	<b>Years</b>
Currency		
Euros	6.03	12.44
Total	<u>6.03</u>	<u>12.44</u>

*Currency exposures*

Gains and losses from the Group's net investment overseas are recognised in the statement of total recognised gains and losses.

The table below shows the Group's currency exposures that give rise to the net currency gains and losses recognised in the profit and loss account. Such exposures comprise the monetary assets and monetary liabilities of the Group that are not denominated in the operating currency of the operating unit involved. As at 30 April 2002, these exposures were as follows:

	<b>Net foreign currency monetary assets/(liabilities) in £000</b>	
	<b>US dollars</b>	<b>Total</b>
Functional currency of Group operation		
Sterling	(113)	(113)
Total	<u>(113)</u>	<u>(113)</u>

### *Maturity of financial liabilities*

The maturity of profile of the Group's financial liabilities at 30 April 2002 was as follows:

	<b>£000</b>
In one year or less or on demand	152
In more than one year but not more than two years	153
In more than one year but not more than five years	81
In more than five years	291
	<u>677</u>

### *Borrowing facilities*

The Group has various undrawn committed borrowing facilities. The facilities available at 30 April 2002 in respect of which all conditions precedent had been met were as follows:

	<b>£000</b>
Expiring in one year or less	Nil

### *Fair values of financial liabilities*

Set out below is a comparison by category of book values and fair values of the Group's financial liabilities as at 30 April 2002.

	<b>Book values £000</b>	<b>Fair values £000</b>
Short-term financial liabilities and current portion of long-term liabilities	152	150
Long term borrowings	525	347

The fair values shown above have been calculated by discounting cash flows at prevailing interest rates. The fair values of all other monetary assets and liabilities is equal to their book values.

### **23. Disposal of business and trading assets**

On 29 April 2002 the Group disposed of the business and trading assets of a subsidiary company Vema NV, including the investment in its subsidiary company Vema Belgie BV.

	<b>£000</b>	<b>£000</b>
Proceeds of sale received		5,525
Retention receivable		532
Total proceeds receivable		<u>6,057</u>
Net assets disposed of:		
Fixed assets	90	
Goodwill in subsidiary	16	
Stocks	842	
Debtors	1,106	
Creditors	(444)	
Cash	29	
Bank Overdrafts	(90)	
Loans	(502)	
		<u>(1,047)</u>
Goodwill on disposal of investment in subsidiary		(1,760)
Costs of disposal		(243)
		<u>3,007</u>

## 24. Other financial commitments

At 30 April 2002, the Company had annual commitments under non-cancellable operating leases as follows:

	2002 £000	2001 £000
<b>Plant and equipment</b>		
Expiring within 1 year	128	59
Expiring between 2 and 5 years inclusive	30	103
Expiring in over 5 years	—	8
	<u>          </u>	<u>          </u>
<b>Property leases</b>		
Expiring between 2 and 5 years	67	67
Expiring over 5 years	78	78
	<u>          </u>	<u>          </u>

## 25. Related party transactions

- (a) A Reid is a director of the Company and has a controlling interest in R.K. Harrison & Co. Limited. R.K. Harrison & Co. Limited received director's fees of £7,500 from the Company during the year (2001: £7,500) in respect of Mr. Reid. In addition Vema NV paid fees of £14,135 (2001: £Nil) to R. K. Harrison & Co. Limited for services as director of that company.
- (b) M Dwek is a director of the Company and owns 51% of the share capital of Arbury Inc., which received consultancy fees from the Company of £121,000 (2001: £121,000) in the year. A consultancy fee of £52,903 (2001: £Nil) was paid to Arbury Inc. by Vema NV for services as Chairman of that Company. In addition Arbury Inc., received a fee of £50,000 from Vema NV in connection with consultancy services provided by M Dwek in relation to the fund raising and admission to AIM of Vema NV. A further £95,000 was accrued in the accounts of Vema NV for Arbury Inc., in connection with consultancy services provided by M Dwek in relation to the disposal of the business and trading assets of Vema NV.
- (c) Amounts totalling £4,521 (2001: £5,880) were paid on an arm's length basis during the year to a company of which B Beecraft is a director, in respect of consultancy and other accountancy services. A further £9,900 has been paid to Beecraft Consultants Limited by Vema NV in connection with consultancy services provided by B Beecraft in relation to the fund raising and admission to AIM of Vema NV, and £10,000 has been accrued in the accounts of Vema N.V. in relation to the disposal of the business and trading assets of Vema N.V.

## 26. Post balance sheet events

The Company has recently announced the proposed acquisition of a new trading subsidiary and the purchase of the minority interest in Vema N.V., both of which the directors believe will improve shareholder value. Details of these transactions can be found in the documents accompanying these accounts.

