



**Annual Report**  
**For the year ended 30 April 2005**

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## DIRECTORS, SECRETARY AND ADVISERS

**Company number;** 3339998

**Registered Office:** 57 Grosvenor Street  
London W1K 3JA

**Directors:** M Dwek (Chairman)  
B Beecraft FCA (Finance Director)  
M Rapoport (Non-Executive Director)  
A Reid FCA (Non-Executive Director)

**Secretary:** B Beecraft FCA

**Bankers:** Lloyds TSB PLC  
1st Floor  
Navigation House  
Walnut Tree Park  
Walnut Tree Close  
Guildford  
Surrey GU1 4TR

**Solicitors:** Field Fisher Waterhouse  
35 Vine Street  
London EC3N 2AA

**Auditors:** BDO Stoy Hayward LLP  
Northside House  
69 Tweedy Road  
Bromley  
Kent BR1 3WA

**Nominated Adviser:** Seymour Pierce Limited  
Bucklersbury House  
3 Queen Victoria Street  
London EC4N 8EL

**Broker:** Seymour Pierce Ellis Limited  
Talisman House  
Jubilee Walk  
Three Bridges  
Crawley  
West Sussex RH10 1LQ

**Registrars:** Capita Registrars  
The Registry  
34 Beckenham Road  
Beckenham  
Kent BR3 4TU

## CHAIRMAN'S STATEMENT

### Overview

The year under review has seen the acquisition of Custom Micro Products Limited ("CMP") as detailed below. During the year the Group disposed of its subsidiary company, Newmark Onroerend Goed SA, a property holding company in Belgium. Since the year end, NSP Europe Limited ("NSP") has been sold and Concept Hardware and Security Solutions Limited ("Concept") has been closed. We had been hopeful that both of these businesses would grow over the last two years to eliminate the trading losses that they had been incurring. However, as these levels of activity have still not been achieved, the decision was made to dispose of these two operations and eliminate the losses that were still being incurred. The results of these two businesses are included within discontinued operations for the year under review.

### Acquisitions and share issues

The Group acquired the entire issued share capital of CMP, for a total consideration of £2.725 million (before costs and interest discount adjustment). Further details are included in note 23 to the financial statements.

The initial consideration of £800,000 was satisfied by cash on completion, with two tranches of deferred consideration of £1.4 million and £525,000 respectively, the latter payable on the basis of the profit before tax for the year ending 30 April 2005.

In order to part fund the acquisition of CMP, the Group raised an additional £1,700,000 (before expenses) through a placing of 136,000,000 ordinary shares at 1.25p per share.

### Financial results

The operating profit for the year was £414,000 (2004: loss £523,000).

The operating profit for the year for continuing operations before exceptional items and goodwill amortisation was £1,519,000 (2004: £935,000), both figures exclude the operating losses of £734,000 and £1,160,000 from the discontinued businesses.

Turnover for the year for continuing operations was £12.3 million (2004: £8.7 million). The main commercial factors affecting the results of the divisions are set out below.

### Electronic Division

Turnover £6,682,000 (2004: £4,032,000)

Operating profit £1,350,000 (2004: £828,000)

The combined access control operation comprising Grosvenor and Newmark Technology was ahead of plan for the year. CMP's sales for the ten months from date of acquisition were £2.5 million for the period under review. The previously anticipated major end-user sales opportunities did not materialise and, as a result, profits were lower than the projected level.

Sales of Siteguard Access (manufactured by Tyco under license from Grosvenor) remain strong and a new training initiative by Grosvenor has directly targeted the ADT branch network. This will endorse the position of the Siteguard product within the Tyco/ADT portfolio and should increase sales where some branches have yet to be converted to the product.

Grosvenor continues to develop its core product, JANUS access control, and has released a new software module to allow generic CCTV control and integration. The product will be further developed to include multiple CCTV systems within the same JANUS platform and is due for release early next year. Also being developed is an Enterprise edition where multiple JANUS access systems can have their personnel administration managed from a single database source.

We have developed and released a brand new high-end access control product, N-TEC Access ("N-TEC"). A distribution deal with Simplex and Thorn International has already been agreed, where N-TEC will be interfaced directly to their fire systems and sold exclusively throughout the Middle East, Africa and Russia ("MEAR"). The product was launched in July 2005 in Abu Dhabi, UAE, and Amman in Jordan. MEAR is a brand new territory for the company with orders already being processed. N-TEC, being unique to Newmark Technology will run side by side with the third party C.Cure business and provides a new opportunity to revitalise sales which will be entirely under the company's own control.

The combined sales of Newmark and Grosvenor remain on-plan for the current year and are expected to remain so for the remainder of the period.

The underlying business trends remain strong, particularly for Grosvenor, with a continuing steady volume of core business. Other contracts, some of which have been delayed from last year, are being sought and due to be placed in the coming period and include a major bank looking to upgrade its entire security infrastructure, defence companies and government facilities.

CMP is a leader in the UK market for Time & Attendance ("T&A") terminals and associated peripheral equipment, including access control and shop floor data collection equipment. The company has well established sales channel alliances in the UK, USA and Europe and is a UK sales channel for T&A software.

CMP is set to benefit from synergies with Grosvenor Technology, where mutual cooperation is enhancing the Group's access control and T&A offering, particularly into new export markets. Recent promising discussions with new potential partners in the UK suggest that an additional share of the UK T&A market is available and CMP is diligently pursuing these prospects. CMP is also taking steps to secure and enhance its presence in the US market, through opening an additional sales channel.

CMP maintains a UK based product development and production capability and is seeking to reinforce its current position in the T&A marketplace, whilst looking to exploit its capabilities to broaden its product base and take full advantage of its strong market position.

### **Asset Protection Division**

Turnover £5,666,000 (2004: £4,694,000)

Operating profit £787,000 (2004: £720,000)

Safetell's trading throughout the year was broadly in line with plan with the major benefit of a single programme of work for Abbey through the summer of 2004 to achieve revenue growth of 21 per cent over the previous period. However, that large programme was at lower than usual margin. The new maintenance work for HBoS that was started in March 2004 and the revised tender/contract for The Post Office were also at lower than normal margin. These two factors on the product mix depressed the overall gross margin by 4.2 per cent compared to the previous year. Overheads were controlled to the essentials required to manage the additional business level, resulting in a rise in operating profit of 9 per cent compared to last year.

The Eclipse rising screen programmes were maintained with long-term customers in retail finance and petrol retailing. For the first time, the value of reconfiguration/refurbishment works for Eclipse exceeded the value of new installations.

Both CounterShield and Eye2Eye were successful during the year with increases in revenue compared to the previous year of 21 per cent and 488 per cent respectively. The new customers for these products have been mainly Police Authorities and this market opportunity is being pursued vigorously with other forces.

The demand for RollerCash and BiDi Safe cash handling equipment is dependent on the roll-out programmes of established customers. Order intake from The Post Office for a specific programme was very high in the later months of the year but during June 2005 this project was put on hold with only one third of the originally expected value completed. New interest in this product range is being expressed by both historical and new retail finance customers who are tending towards an open plan format requiring secure cash management at the work station.

The development of the new product ("CashCycler") by the OEM supplier has been severely delayed by technical problems and the first unit has only just been made available in July 2005. Much testing and training will be required before this product will generate any significant volume.

Changes to the premises of service providers to comply with the Disability Discrimination Act in October 2004 continue to fuel demand from public bodies to make reasonable adjustments to their service areas. Police authorities, public train and bus ticketing organisations, central and local governments are proving to be a good source of work for all forms of screens as the best defence against violence in the front office/reception areas.

The service and maintenance business continues to increase pro-rata to the installed base of primary equipments. During the year new contracts were won to maintain all screen systems for a number of clients, irrespective of the screen OEM.

The early months of the current year are affected by the delayed Post Office contract works and performance will be below plan in the first half year.

The prospects for the second half are more difficult to predict but the level of outstanding quotations and orders is promising and a number of excellent prospects for major roll-out programmes offer good grounds for growth.

#### **Balance sheet and cash flow**

The balance sheet varies significantly from last year with the acquisition of CMP. Goodwill on the acquisition has been calculated as set out in Note 23 to the accounts, and other creditors include the deferred element of the purchase consideration which will be paid in September 2005. Cash balances include £1.2 million held as security for the deferred payment.

Working capital at April 2005 was affected by some shipping delays on major contracts with Safetell which had a significant impact on stock holding at the year end, although this was offset by advance payments from those customers, which are included in accruals and deferred income. Trade debtors were also high at the year end with large sales volumes in CMP in April.

With the shares issued in the year to finance the acquisition of CMP, shareholders funds increased from £1.4 million to £3.3 million.

Net cash flow from operating activities increased from £0.3 million to £0.8 million. With the disposal of the property in Belgium, net capital expenditure was minimal.

#### **Employees**

The Board wishes to thank all employees on their contribution during the year.

#### **Summary**

The results for the year have obviously been severely affected by the ongoing losses in NSP and Concept. These activities have now been terminated and all remaining businesses are profitable, although the results for the current year will include the trading losses for the three months to termination and the losses on termination of the businesses.

The Company has made an encouraging start to the new financial year which will be mainly reflected in the second half, experiencing a high level of interest in its products and services, particularly within Grosvenor Technology, with a number of new contracts with major companies in advanced stages of discussion.

M DWEK  
Chairman

14 September 2005

## REPORT OF THE DIRECTORS

The Directors submit their annual report and audited financial statements of the Group for the year ended 30 April 2005.

### 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 after exceptional items and goodwill amortisation and before interest, tax and minority interest in the year was £401,000 (2004: loss £1,656,000).

The operating profit for the year was £414,000 (2004: loss £523,000).

The operating profit for the year before exceptional items and goodwill amortisation for continuing operations was £1,519,000 (2004: £935,000). Turnover for the year for continuing operations was £12.3 million (2004: £8.7 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.

### 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 pages 10 and 11.

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

### Acquisitions and share issues

The Group acquired the entire issued share capital of CMP, for a total consideration of £2.725 million before costs and interest discount adjustment.

The initial consideration of £800,000 was satisfied by cash on completion, with two tranches of deferred consideration of £1.4 million and £525,000 respectively, the latter payable on the basis of the profit before tax for the year ending 30 April 2005.

In order to part fund the acquisition of CMP, the Group raised an additional £1,700,000 (before expenses) through a placing of 136,000,000 ordinary shares at 1.25p per share.

### Directors

#### *Directors' interests*

The beneficial and other interests of the Directors in the shares of the Company as at 1 May 2004 (or the date of their appointment to the Board, if later) and 30 April 2005 were as follows:

	Percentage holding at		1 May 2004 (or date of appointment if later)
	30 April 2005	30 April 2005	
M Dwek <sup>(a)</sup>	6.5%	23,366,667	21,241,667
M Rapoport	2.9%	10,555,000	10,555,000
A Reid <sup>(b)</sup>	15.3%	55,335,237	35,283,237

(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.

On 6 June 2005 Arbury Inc and A. Reid each acquired an additional 500,000 shares and on 7 June 2005 a further 1,000,000 shares each. This increased their shareholdings to 24,866,667 and 56,833,237 respectively representing 6.9% and 15.7% of the issued shares.

The interests of Directors (and related parties) in Share Option Schemes operated by the Company at 30 April 2004 and 2005 were as follows:

	Number of Ordinary Shares under the Approved Scheme 30 April 2005	Number of Ordinary Shares under the Unapproved Scheme 30 April 2005	Number of Ordinary Shares under the Approved Scheme 1 May 2004	Number of Ordinary Shares under the Unapproved Scheme 1 May 2004
M Dwek	—	5,000,000	—	5,000,000
B Beecraft	500,000	1,000,000	500,000	1,000,000

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 3(b) to the accounts.

### 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
Mrs G A B Reid	4.4%	15,750,000
L R Nominees Limited	3.8%	13,661,163
M V. Beheer BV	3.7%	13,447,725
HSBC Global Custody Nominee (UK) Limited	3.0%	11,000,000

### 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 approximately 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 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. Trade creditors at the year end were 24 days (2004: 31 days) of average supplies for the period.

## 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 2005, 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 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.

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 10 and 11.

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;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group 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 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

14 September 2005

## 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 2005 comprised only the 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 (now Amvescap).

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.

It has been agreed with Arbury Inc., that, with effect from 1 November 2005, Mr Dwek will continue as Chairman and that the fee paid to Arbury Inc., for his services will be reduced from approximately £200,000 per annum to £50,000 per annum.

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.

## Directors' emoluments

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

	Consultancy/ management agreement £000	Salary £000	Benefits in kind £000	Fees £000	Total £000	Pension contri- butions £000
Executive Directors						
M Dwek <sup>(a)</sup>	198	—	—	—	198	—
B Beecraft	—	99	—	—	99	—
Non-Executive Directors						
A Reid <sup>(b)</sup>	—	—	—	15	15	—
M Rapoport	—	—	—	15	15	—
	<u>198</u>	<u>99</u>	<u>—</u>	<u>30</u>	<u>327</u>	<u>—</u>
2004	<u>198</u>	<u>149</u>	<u>6</u>	<u>22</u>	<u>375</u>	<u>8</u>

The directors' share interests are detailed in the Report of the Directors on page 6.

- (a) The Company paid a consultancy fee of £198,433 (2004: £198,433) to Arbury Inc., a company 51 per cent owned by M Dwek which covers salary, pension and car benefits.
- (b) Directors' fees in respect of A Reid of £15,000 (2004: £11,250) were paid by the Company to R. K. Harrison & Co. Limited.

**REPORT OF THE INDEPENDENT AUDITORS**  
**Independent Auditors' Report to the Shareholders of Newmark Security PLC**

We have audited the financial statements of Newmark Security PLC for the year ended 30 April 2005 on pages 13 to 33 which have been prepared under the accounting policies set out on pages 17 and 18.

**Respective responsibilities of directors and auditors**

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards are set out in the Statement of Directors' Responsibilities.

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

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

We read other information contained in the annual report and consider whether it is consistent with the audited financial statements. This other information comprises only the Remuneration Report, 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 United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group's circumstances, consistently applied and adequately disclosed.

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

**Opinion**

In our opinion the financial statements give a true and fair view of the state of the affairs of the Company and the Group at 30 April 2005, and of the profit of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

BDO Stoy Hayward LLP  
Chartered Accountants  
Registered Auditors

14 September 2005

London

**CONSOLIDATED PROFIT AND LOSS ACCOUNT**  
For the year ended 30 April 2005

	Notes	2005 Before goodwill and exceptional items £000	2005 Goodwill and exceptional items £000	2005 Total £000	2004 Total £000
<b>Turnover</b>	2				
Continuing operations		9,804	–	9,804	8,726
Acquisitions		2,544	–	2,544	–
Discontinued operations		1,286	–	1,286	1,858
		13,634	–	13,634	10,584
Cost of sales		(8,150)	–	(8,150)	(6,479)
<b>Gross profit</b>		5,484	–	5,484	4,105
Administrative expenses pre amortisation of goodwill and exceptional items		(4,699)	–	(4,699)	(4,163)
Amortisation of goodwill		–	(371)	(371)	(298)
Termination costs		–	–	–	(167)
Administrative expenses – total		(4,699)	(371)	(5,070)	(4,628)
<b>Operating profit/(loss)</b>	3				
Continuing operations		1,107	(298)	809	637
Acquisitions		412	(73)	339	–
Discontinued operations		(734)	–	(734)	(1,160)
		785	(371)	414	(523)
Loss on disposal/closure of subsidiary/business	3(c)	–	(13)	(13)	(1,133)
<b>Profit/(loss) on ordinary activities before interest</b>		785	(384)	401	(1,656)
Interest receivable		52	–	52	15
Interest – discount charge on deferred consideration	4	(275)	–	(275)	(179)
Interest payable	4	(139)	–	(139)	(51)
<b>Profit/(loss) on ordinary activities before taxation</b>		423	(384)	39	(1,871)
Tax on profit/(loss) on ordinary activities	6	(106)	–	(106)	(146)
<b>Profit/(loss) on ordinary activities after taxation</b>		317	(384)	(67)	(2,017)
Minority interest	18	–	–	–	(27)
<b>Profit/(loss) for the financial year</b>		317	(384)	(67)	(2,044)
Dividends		–	–	–	–
<b>Amount transferred to/ (withdrawn) from reserves</b>	17	317	(384)	(67)	(2,044)
				pence	pence
Earnings/(loss) per share	7				
– basic and diluted				–p	(1.0p)
– before goodwill amortisation, interest discount, losses of discontinued operations and exceptional items				0.3p	0.3p

**BALANCE SHEETS**  
As at 30 April 2005

	Notes	Group 2005 £000	Group 2004 £000	Company 2005 £000	Company 2004 £000
<b>Fixed assets</b>					
Intangible assets	8	6,820	5,287	–	–
Tangible assets	9	803	903	5	11
Investments	10	–	–	16,573	15,187
		<u>7,623</u>	<u>6,190</u>	<u>16,578</u>	<u>15,198</u>
<b>Current assets</b>					
Stocks	11	1,664	893	–	–
Debtors: amounts falling due within one year	12	2,968	1,974	31	66
Debtors: amounts falling due after more than one year	12	–	–	625	1,242
		2,968	1,974	656	1,308
Cash at bank and in hand		3,205	1,522	1,200	104
		<u>7,837</u>	<u>4,389</u>	<u>1,856</u>	<u>1,412</u>
<b>Creditors: amounts falling due within one year</b>	13	<u>(6,467)</u>	<u>(2,911)</u>	<u>(11,936)</u>	<u>(9,747)</u>
<b>Net current asset/(liabilities)</b>		<u>1,370</u>	<u>1,478</u>	<u>(10,080)</u>	<u>(8,335)</u>
<b>Total assets less current liabilities</b>		8,993	7,668	6,498	6,863
<b>Creditors: amounts falling due after more than one year</b>	14	(5,488)	(5,741)	(4,431)	(4,102)
<b>Provisions for liabilities and charges</b>	15	<u>(185)</u>	<u>(201)</u>	<u>–</u>	<u>–</u>
		<u>3,320</u>	<u>1,726</u>	<u>2,067</u>	<u>2,761</u>
<b>Capital and reserves</b>					
Called up share capital	16	3,617	2,131	3,617	2,131
Share premium	17	432	–	432	–
Merger reserve	17	801	801	801	801
Profit and loss reserve	17	<u>(1,593)</u>	<u>(1,506)</u>	<u>(2,783)</u>	<u>(171)</u>
<b>Equity shareholders' funds</b>		3,257	1,426	2,067	2,761
Minority interests	18	<u>63</u>	<u>300</u>	<u>–</u>	<u>–</u>
		<u>3,320</u>	<u>1,726</u>	<u>2,067</u>	<u>2,761</u>

The financial statements were approved by the Board of Directors on 14 September 2005 and were signed on its behalf by:

M DWEK  
Chairman

B BEECRAFT  
Finance Director

**CONSOLIDATED CASH FLOW STATEMENT**  
**For the year ended 30 April 2005**

	Notes	2005 £000	2004 £000
<b>Net cash inflow from operating activities</b>	19	786	252
<b>Returns on investments and servicing of finance</b>			
Interest received		52	15
Interest paid		(139)	(51)
<b>Net cash outflow from returns on investments and servicing of finance</b>		(87)	(36)
<b>Taxation</b>		(404)	–
<b>Capital expenditure and financial investment</b>			
Purchase of tangible fixed assets		(277)	(235)
Receipts from sale of tangible fixed assets		247	30
<b>Net cash outflow from capital expenditure and financial investment</b>		(30)	(205)
<b>Acquisitions</b>			
Purchase of subsidiary undertakings		(918)	–
Net cash acquired on purchase of subsidiary undertakings		563	–
<b>Net cash outflow from acquisitions</b>		(355)	–
<b>Disposals</b>			
Costs related to sale of subsidiary undertaking, and business and trading assets		–	(189)
Cash disposed of with business		–	(1)
<b>Net cash outflow from disposals</b>		–	(190)
<b>Net cash outflow before financing</b>		(90)	(179)
<b>Financing</b>			
New finance loans		329	1,100
Repayment of loans		(209)	(176)
Share issues less expenses paid		120	924
<b>Net cash inflow from financing</b>		1,643	–
<b>Increase in cash</b>	21	1,673	745



**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES**

For the year ended 30 April 2005

	2005	2004
	£000	£000
Loss for the financial year	(67)	(2,044)
Exchange difference on translation of net assets and results of subsidiary undertakings	(20)	123
Total recognised gains and losses relating to the year	<u>(87)</u>	<u>(1,921)</u>

**RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS**

For the year ended 30 April 2005

	2005	2004
	£000	£000
<b>GROUP</b>		
Loss for the financial year	(67)	(2,044)
New share capital subscribed (net of issue costs)	1,918	17
Exchange difference on translation of net assets and results of subsidiary undertakings	(20)	123
Net increase in/(reduction) to shareholders' funds	1,831	(1,904)
Opening shareholders' funds	1,426	3,330
Closing shareholders' funds	<u>3,257</u>	<u>1,426</u>
<b>COMPANY</b>		
Loss for the financial year	(2,612)	(785)
New share capital subscribed (net of issue costs)	1,918	17
Reduction to shareholders' funds	(694)	(768)
Opening shareholders' funds	2,761	3,529
Closing shareholders' funds	<u>2,067</u>	<u>2,761</u>

## NOTES TO THE FINANCIAL STATEMENTS

### For the year ended 30 April 2005

#### 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.

##### *Basis of preparation*

The financial statements have been prepared on a going concern basis which assumes that the Group will continue in operational existence for the foreseeable future. The Group has made a profit for the year ended 30 April 2005 of £39,000, and had net current assets of £1,370,000 and net assets of £3,320,000 at that date.

In arriving at their conclusion that it was appropriate to adopt the going concern basis the directors have had regard to:

- (a) current trading; and
- (b) trading and cash flow forecasts.

##### *Turnover*

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.

##### *Goodwill*

Goodwill represents the difference between the fair value of the consideration payable and the fair value of the separable 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. The Board considers that there should be a presumption that the useful economic life of goodwill does not exceed a specified maximum period, chosen here to be 20 years, since after that date continued measurement is less reliable.

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 FRS 10 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.

##### *Contingent deferred consideration*

Contingent deferred consideration is accounted for in accordance with FRS 7. The fair value of the contingent consideration payable in cash is taken to be the estimated amount of cash value discounted to its present value.

##### *Development costs*

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.

#### *Stocks 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*

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 deferred tax balance has not been discounted.

#### *Foreign currencies*

Foreign currency transactions of individual companies are translated at the rates ruling when they occurred. Foreign currency monetary assets and liabilities are translated at the rate of exchange ruling at the balance sheet date. Any differences are taken to the profit and loss account.

The results of overseas operations are translated at the average rates of exchange during the year and the balance sheet translated into sterling at the rate of exchange ruling on the balance sheet date. Exchange differences which arise from translation of the opening net assets and results of foreign subsidiary undertakings are taken to reserves.

All other differences are taken to the profit and loss account.

#### *Pensions*

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. Grosvenor operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. Contributions to these schemes are charged to the profit and loss account in the year in which they become payable.

Employees of the Group contribute to state schemes. Contributions are charged to the profit and loss account when paid.

## 2. Segmental analysis

The analysis by geographical area of the Group's turnover, profit/(loss) before taxation and net assets is set out below:

### Turnover

	2005 By origin £000	2004 By origin £000	2005 By destination £000	2004 By destination £000
UK	13,634	9,830	11,952	9,408
Europe	—	754	767	1,068
USA	—	—	703	—
Rest of the World	—	—	212	108
Total	<u>13,634</u>	<u>10,584</u>	<u>13,634</u>	<u>10,584</u>

### Profit/(loss) before tax

	2005 Before goodwill and exceptional items £000	2005 Goodwill and exceptional items £000	2005 Total £000	2004 Total £000
UK	509	(371)	138	(137)
Europe	(86)	(13)	(99)	(1,734)
	<u>423</u>	<u>(384)</u>	<u>39</u>	<u>(1,871)</u>

### Net assets

	2005 Net assets £000	2004 Net assets £000
UK	4,477	3,129
Europe	(1,157)	(1,403)
	<u>3,320</u>	<u>1,726</u>

## 3. Operating profit/(loss)

### (a) Continuing and discontinued operations

	2005 Continuing operations £000	2005 Acquisitions £000	2005 Discontinued operations £000	2005 Total £000	2004 Continuing operations £000	2004 Discontinued operations £000	2004 Total £000
Sales	9,804	2,544	1,286	13,634	8,726	1,858	10,584
Cost of sales	(5,625)	(1,442)	(1,083)	(8,150)	(4,903)	(1,576)	(6,479)
<b>Gross profit</b>	<u>4,179</u>	<u>1,102</u>	<u>203</u>	<u>5,484</u>	<u>3,823</u>	<u>282</u>	<u>4,105</u>
Administrative expenses pre-amortisation of goodwill and exceptional items	(3,072)	(690)	(937)	(4,699)	(2,888)	(1,275)	(4,163)
Termination costs	—	—	—	—	—	(167)	(167)
Amortisation of goodwill	(298)	(73)	—	(371)	(298)	—	(298)
Administrative expenses in total	<u>(3,370)</u>	<u>(763)</u>	<u>(937)</u>	<u>(5,070)</u>	<u>(3,186)</u>	<u>(1,442)</u>	<u>(4,628)</u>
<b>Operating profit/(loss)</b>	<u>809</u>	<u>339</u>	<u>(734)</u>	<u>414</u>	<u>637</u>	<u>(1,160)</u>	<u>(523)</u>

The figures shown for discontinued operations in 2004 have been restated to include the results of NSP Europe Limited and Concept Hardware and Security Solutions Limited

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

<b>Group</b>	<b>2005</b>	<b>2004</b>
	<b>£000</b>	<b>£000</b>
Depreciation of tangible fixed assets	258	261
Amortisation of goodwill	371	298
Research and development	406	341
Auditors' remuneration:		
Parent company auditors		
Audit fees (Group)	54	51
Audit fees (parent company)	13	12
Non audit fees (Group)	11	9
Non audit fees (parent company)	3	2
Operating lease rentals:		
Property	247	151
Motor vehicles and computer equipment	82	104
	<u>          </u>	<u>          </u>

**(c) Loss on disposal/closure of subsidiary/business**

	<b>2005</b>	<b>2004</b>
	<b>£000</b>	<b>£000</b>
Net assets of subsidiary disposed of	–	(979)
Cost of disposal	–	(56)
	<u>          </u>	<u>          </u>
Net loss on disposal	–	(1,035)
Under provision for costs of closure/disposal in prior years	–	(98)
Costs of closure of operation in year	(13)	–
	<u>          </u>	<u>          </u>
Loss on disposal/closure of subsidiary/business	<u>(13)</u>	<u>(1,133)</u>

**4. Interest payable and similar charges**

	<b>2005</b>	<b>2004</b>
	<b>£000</b>	<b>£000</b>
Discount charge on deferred consideration	275	179
Loan notes, bank loans, overdrafts and other short term finance	139	51
	<u>          </u>	<u>          </u>
	<u>414</u>	<u>230</u>

Interest payable includes £40k related to discontinued operations (2004: £17k).

**5. Employees and directors**

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

	<b>2005</b>	<b>2004</b>
	<b>Number</b>	<b>Number</b>
Management, sales and administration	56	67
Production	67	54
	<u>          </u>	<u>          </u>
	<u>123</u>	<u>121</u>

The costs incurred in respect of these employees were:

	<b>£000</b>	<b>£000</b>
Wages and salaries	4,151	3,560
Social security costs	451	476
Other pension costs	126	112
	<u>          </u>	<u>          </u>
	<u>4,728</u>	<u>4,148</u>

## Directors emoluments

	2005 £000	2004 £000
Aggregate emoluments	327	375
Aggregate contributions under money purchase scheme	–	8
Aggregate payments for compensation for loss of office	–	167
Emoluments of highest paid director	198	198
Aggregate contributions under money purchase scheme for highest paid director	–	–
	<b>Number</b>	<b>Number</b>
Number of directors receiving benefit under money purchase scheme	–	1

## 6. Taxation

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

	2005 £000	2004 £000
UK Corporation taxation	147	–
Overseas taxation	28	100
Deferred taxation (note 15)	(70)	–
Taxation charge on profit/(loss) for the year before exceptional items	105	100
Underprovision for tax in prior years	1	46
	<b>106</b>	<b>146</b>

The tax charged for the year is greater than (2004: greater than) the standard rate of corporation tax in the UK (30 per cent).

The differences are explained below:

	2005 £000	2004 £000
Profit/(loss) on ordinary activities before taxation	39	(1,871)
Profit/(loss) on ordinary activities at the standard rate of UK corporation tax of 30% (2004: 30%)	12	(561)
Tax losses carried forward	–	31
Timing differences including capital allowances in excess of depreciation dealt with under deferred tax	2	3
Goodwill amortisation	111	90
Interest discount charge on deferred consideration	82	54
Effects on profits/(losses) of other items not deductible for tax purposes	10	177
Grossing up of foreign income	2	2
Double tax relief	(7)	(7)
Adjustment to tax charge in respect of previous periods	1	46
Higher tax rates on overseas earnings	–	(56)
Relief for losses brought forward	(55)	(46)
Losses not utilised	14	297
Adjustments to tax charge in respect of overseas tax	–	100
Other timing differences	4	16
Current tax charge for year	<b>176</b>	<b>146</b>

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

	2005 £000	2004 £000
Management expenses	147	524
Non-trading deficit	–	24
Trading losses	2,569	3,645
Capital losses	792	792

## 7. Earnings/(loss) per share

The calculation of the basic earnings/(loss) per ordinary share is based on a loss of £67,000 (2004: loss £2,044,000) and the weighted average number of shares in issue during the year of 329,241,000 (2004: 212,747,204). For every £1 of loan note issued, the loan note holder receives a warrant entitling the loan note holder to 50 ordinary shares of 1p each on exercise of the warrant.

The options in issue have no dilutive effect.

The basic earnings/(loss) per share before goodwill amortisation, interest discount, losses of discontinued operations 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 earnings/(loss) per share as follows:

	2005 pence	2004 pence
Basic earnings/(loss) per share (pence)	–	(1.0)
Goodwill amortisation	0.1	0.2
Discount charge on deferred consideration	0.1	0.1
Losses of discontinued operations (after tax)	0.1	0.5
Exceptional items	–	0.5
	<u>0.3</u>	<u>0.3</u>
	<b>£000</b>	<b>£000</b>
Reconciliation of earnings		
Earnings/(loss) used for calculation of basic earnings/(loss) per share	(67)	(2,044)
Goodwill amortisation	371	298
Discount charge on deferred consideration	275	179
Losses of discontinued operations (after tax)	548	972
Exceptional items	13	1,133
	<u>1,140</u>	<u>538</u>

## 8. Intangible fixed assets

Group	Goodwill £000
<b>Cost</b>	
At 1 May 2004	5,960
Addition in year (note 23)	1,904
At 30 April 2005	<u>7,864</u>
<b>Amortisation</b>	
At 1 May 2004	673
Charge for the year	371
At 30 April 2005	<u>1,044</u>
<b>Net book value</b>	
At 30 April 2005	<u>6,820</u>
At 30 April 2004	<u>5,287</u>

## 9. Tangible fixed assets

### Group

	Freehold land and buildings £000	Short leasehold improvements £000	Plant, machinery & motor vehicles £000	Computers, fixtures & fittings £000	Total £000
<b>Cost</b>					
At 1 May 2004	606	98	886	329	1,919
Additions	—	—	183	94	277
Acquisition of subsidiary (note 23)	—	59	186	25	270
Disposals	(289)	—	(130)	(152)	(571)
Exchange adjustment	(1)	—	—	—	(1)
At 30 April 2005	<u>316</u>	<u>157</u>	<u>1,125</u>	<u>296</u>	<u>1,894</u>
<b>Depreciation</b>					
At 1 May 2004	137	95	521	263	1,016
Charge for the year	13	8	146	91	258
Acquisition of subsidiary (note 23)	—	16	114	11	141
Disposals	(54)	—	(118)	(152)	(324)
At 30 April 2005	<u>96</u>	<u>119</u>	<u>663</u>	<u>213</u>	<u>1,091</u>
<b>Net book value</b>					
At 30 April 2005	<u>220</u>	<u>38</u>	<u>462</u>	<u>83</u>	<u>803</u>
At 30 April 2004	<u>469</u>	<u>3</u>	<u>365</u>	<u>66</u>	<u>903</u>

### Company

	Computers, fixtures & fittings £000	Total £000
<b>Cost</b>		
At 1 May 2004 and 30 April 2005	<u>23</u>	<u>23</u>
<b>Depreciation</b>		
At 1 May 2004	12	12
Charge for the year	<u>6</u>	<u>6</u>
At 30 April 2005	<u>18</u>	<u>18</u>
<b>Net book value</b>		
At 30 April 2005	<u>5</u>	<u>5</u>
At 30 April 2004	<u>11</u>	<u>11</u>

The net book value of tangible fixed assets for the Group includes an amount of £206,837 (2004: £51,013) in respect of assets held under finance leases and hire purchase contracts. The related depreciation charge on these assets for the year was £39,979 (2004: £6,377).



## 10. Fixed asset investments

### Company

#### Investment in subsidiary companies

	£000
<b>Cost</b>	
At 1 May 2004	15,231
Additions	2,386
	<hr/>
At 30 April 2005	17,617
	<hr/>
<b>Provision for impairment</b>	
At 1 May 2004	44
Provision in the year	1,000
	<hr/>
At 30 April 2005	1,044
	<hr/>
<b>Net book value</b>	
At 30 April 2005	16,573
	<hr/> <hr/>
At 30 April 2004	15,187
	<hr/> <hr/>

Additions in the year include an amount of £276,000 in respect of the purchase of Vema N.V. shares.

The provision for impairment 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:

Name	Activity	Country of incorporation	Description of shares held
Newmark Technology Limited <sup>(1)</sup>	Trading	England & Wales	Ordinary
NSP Europe 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> (98% owned)	Property	The Netherlands	Ordinary
Newmark Technology S.A.	Holding	Belgium	Ordinary
Safetell International Limited	Holding	England & Wales	Ordinary and Redeemable Preference
Safetell Limited <sup>(2)</sup>	Trading	England & Wales	Ordinary
Safetell Security Screens Limited <sup>(2)</sup>	Trading	England & Wales	Ordinary
Newmark Technology Inc.	Dormant	USA	Ordinary
Vema U.K. Limited <sup>(4)</sup>	Finance	England & Wales	Ordinary
Concept Hardware & Security Solutions Limited <sup>(5)</sup>	Trading	England & Wales	Ordinary
Grosvenor Technology Limited	Trading	England & Wales	Ordinary
Newmark Group Limited	Holding	England & Wales	Ordinary
De Facto 992 Limited	Dormant	England & Wales	Ordinary

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

- (1) Owned by Grosvenor Technology Limited
- (2) Owned by Safetell International Limited
- (3) Owned by Vema B.V.
- (4) Owned by Vema N.V.
- (5) Owned by NSP Europe Limited

NSP Europe Limited has been sold since the year end.

## 11. Stocks

	2005 Group £000	2004 Group £000	2005 Company £000	2004 Company £000
Raw materials	1,284	617	–	–
Work in progress	150	88	–	–
Finished goods	230	188	–	–
	<u>1,664</u>	<u>893</u>	<u>–</u>	<u>–</u>

## 12. Debtors

	2005 Group £000	2004 Group £000	2005 Company £000	2004 Company £000
Amounts falling due within one year				
Trade debtors	2,543	1,640	–	–
Amounts owed by subsidiary undertakings	–	–	–	61
Other debtors	43	108	24	–
Deferred tax asset (note 15)	70	–	–	–
Prepayments and accrued income	312	226	7	5
	<u>2,968</u>	<u>1,974</u>	<u>31</u>	<u>66</u>
Debtors: amounts falling due after more than one year	<u>–</u>	<u>–</u>	<u>625</u>	<u>1,242</u>
Debtors: total	<u>2,968</u>	<u>1,974</u>	<u>656</u>	<u>1,308</u>

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

	2005 Group £000	2004 Group £000	2005 Company £000	2004 Company £000
Bank loans and overdrafts (note 14)	41	61	13	–
Trade creditors	1,285	715	–	–
Amounts due to group companies	–	–	9,791	9,388
Corporation tax	826	397	–	–
Other taxation and social security	491	429	53	41
Obligations under finance leases and hire purchase contracts	72	–	–	–
Other creditors	2,172	534	1,886	307
Accruals and deferred income	1,580	775	193	11
	<u>6,467</u>	<u>2,911</u>	<u>11,936</u>	<u>9,747</u>

Other creditors within the Group includes an amount of £132,767 (2004: £63,108) in respect of a discount company which was secured on trade debtors of subsidiary companies.

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

	2005 Group £000	2004 Group £000	2005 Company £000	2004 Company £000
Loan notes and bank loans	1,475	1,504	1,275	1,125
Corporation tax	750	1,260	–	–
Obligations under finance leases and hire purchase contracts	107	–	–	–
Other creditors	3,156	2,977	3,156	2,977
	<u>5,488</u>	<u>5,741</u>	<u>4,431</u>	<u>4,102</u>

Other creditors are the fair value of the contingent consideration payable in cash related to the acquisition of Grosvenor Technology Limited, which is taken to be the estimated amount of cash value discounted to its present value. Payment by way of loan notes is due after the agreement of the accounts for the four years ended 31 October 2006 with cash payment at the holders discretion but at earliest one year later.

Group	2005	2005	2004	2004
	Unsecured £000	Secured £000	Unsecured £000	Secured £000
Loans are repayable as follows:				
<b>In one year or less</b>				
Bank loans <sup>(a)</sup>	—	11	—	11
Bank overdrafts	30	—	20	—
Finance leases and hire purchase contracts	—	72	—	—
Bank loan <sup>(b)</sup>	—	—	—	30
Bank loan <sup>(c)</sup>	—	—	—	—
<b>Total within one year</b>	<b>30</b>	<b>83</b>	<b>20</b>	<b>41</b>
<b>In more than one year but not more than two years</b>				
Bank loans <sup>(a)</sup>	—	9	—	9
Finance leases and hire purchase contracts	—	72	—	—
Bank loan <sup>(b)</sup>	—	—	—	16
Bank loan <sup>(c)</sup>	—	—	—	—
Loan notes <sup>(d)</sup>	—	1,275	—	—
	—	1,356	—	25
<b>In more than two year but not more than five years</b>				
Bank loans <sup>(a)</sup>	—	28	—	28
Finance leases and hire purchase contracts	—	35	—	—
Bank loan <sup>(b)</sup>	—	—	—	48
Bank loan <sup>(c)</sup>	—	—	—	—
Loan notes <sup>(d)</sup>	—	—	—	1,125
	—	63	—	1,201
<b>In more than five years</b>				
Bank loans <sup>(a)</sup>	—	163	—	174
Bank loan <sup>(b)</sup>	—	—	—	104
	—	163	—	278
<b>Total after more than one year</b>	<b>—</b>	<b>1,582</b>	<b>—</b>	<b>1,504</b>

(a) The bank loan is repayable in quarterly instalments over 22 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 N.V.

(b) The bank loan was repayable in quarterly instalments over 13 years and is secured on the freehold property of Newmark Onroerend Goed B.V. Interest was charged at 7.05 per cent per annum.

(c) The bank loan was repayable in quarterly instalments over 2 years and interest was charged at 4.6 per cent per annum.

(d) The loan notes bear interest at a rate of 6 per cent per annum payable quarterly in arrears and are repayable three years after the date of the instrument constituting the loan notes with an option for early repayment. As part of the fundraising, the Company issued warrants to the loan note holders to subscribe for ordinary shares of 1p each in the Company at any time between 24 July 2003 and 24 July 2008 at a price of 1p per ordinary share. The loan notes are secured by a fixed and floating charge on the assets of the UK subsidiary companies, and are repayable on 24 July 2006.

## 15. Provisions for liabilities and charges

Group	Rental provision £000	Deferred taxation £000	Other £000	Total £000
At 1 May 2004	136	–	65	201
Released in year	(16)	–	–	(16)
At 30 April 2005	<u>120</u>	<u>–</u>	<u>65</u>	<u>185</u>

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

Assuming future profits are taxable at a rate of 30 per cent., the Group has available tax losses for offset against future taxable profits, part of which are considered capable of being offset in the foreseeable future, giving rise to a deferred tax asset. In accordance with Financial Reporting Standard 19 "Deferred taxation", this asset (as shown in note 12) has been provided to the extent that trade losses will be recoverable against future profits in the foreseeable future and is included within current assets.

Other provisions relate predominantly to maintenance costs arising in respect of safety regulatory requirements, and are expected to reverse within one to two years of the balance sheet date.

## 16. Share capital

	2005	2004
Authorised:		
1,015,164,192 (2004: 1,015,164,192) Ordinary shares of 1p each	<u>£10,151,642</u>	<u>£10,151,642</u>
Allotted, called up and fully paid:		
361,755,016 (2004: 213,083,766) Ordinary shares of 1p each	<u>£3,617,550</u>	<u>£2,130,838</u>

During the year, the following shares were issued;

	Number of shares	Share capital £	Share premium £	Total value £
Shares in issue at 1 May 2004	213,083,766	2,130,838		
Share issues to finance acquisition of CMP 1.25p per share	<u>136,000,000</u>	<u>1,360,000</u>	<u>340,000</u>	<u>1,700,000</u>
Share issues to buy Vema NV shares				
@ 1.53p per share	187,500	1,875	994	2,869
@ 1.4p per share	165,000	1,650	660	2,310
@ 2.2p per share	<u>12,318,750</u>	<u>123,187</u>	<u>147,825</u>	<u>271,012</u>
	<u>12,671,250</u>	<u>126,712</u>	<u>149,479</u>	<u>276,191</u>
Total share issues	<u>148,671,250</u>	<u>1,486,712</u>	<u>489,479</u>	<u>1,976,191</u>
Shares in issue at 30 April 2005	<u>361,755,016</u>	<u>3,617,550</u>		

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

Date of grant	Subscription price payable	2005		2004	
		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	<u>125,000</u>	<u>6,075,000</u>	<u>125,000</u>	<u>6,075,000</u>
Total		<u>528,000</u>	<u>6,478,000</u>	<u>528,000</u>	<u>6,478,000</u>

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

## 17. Share premium and reserves

<b>Group</b>	<b>Share premium account £000</b>	<b>Merger reserve £000</b>	<b>Profit and loss account £000</b>
Accumulated reserves at 1 May 2004	–	801	(1,506)
Retained loss for the year	–	–	(67)
Premium on share issues	490	–	–
Expenses of share issues	(58)	–	–
Exchange differences on foreign currency investments	–	–	(20)
Accumulated reserves at 30 April 2005	<u>432</u>	<u>801</u>	<u>(1,593)</u>

The cumulative amount of goodwill eliminated against reserves is £4,079,000 (2004: £4,079,000). This goodwill will be charged in the profit and loss account on any eventual disposal of the businesses to which it related.

<b>Company</b>	<b>Share premium account £000</b>	<b>Merger reserve £000</b>	<b>Profit and loss account £000</b>
Accumulated reserves at 1 May 2004	–	801	(171)
Premium on share issues	490	–	–
Expenses of share issues	(58)	–	–
Retained loss for the year	–	–	(2,612)
Accumulated reserves at 30 April 2005	<u>432</u>	<u>801</u>	<u>(2,783)</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 £2,612,000 (2004: loss £785,000).

## 18. Minority interests

	<b>2005 £000</b>	<b>2004 £000</b>
At 1 May 2004	300	347
Minority interest purchased back in year	(237)	(17)
Share of profits/(loss) in year	–	27
Exchange differences	–	(57)
At 30 April 2005	<u>63</u>	<u>300</u>

## 19. Reconciliation of operating profit/(loss) to net cash inflow from operating activities

	<b>2005 £000</b>	<b>2004 £000</b>
Operating profit/(loss)	414	(523)
Depreciation and amortisation of goodwill	629	559
(Increase)/decrease in stocks	(441)	69
(Increase) in debtors	(583)	–
Increase in creditors and provisions	767	147
Net cash inflow from operating activities	<u>786</u>	<u>252</u>

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

	2005 £000	2004 £000
Increase in cash	473	745
Increase in debt in the year from cash flows	(120)	(924)
Increase in liquid resources	1,200	—
Increase/(decrease) in net funds/(debt) resulting from cash flows	1,553	(179)
Cash and debt disposed of on sale of Drion	—	51
Exchange adjustments	—	19
Movement in net funds/(debt)	1,553	(109)
Net (debt)/funds at start of year	(43)	66
Net funds/(debt) at end of year	1,510	(43)

Cash in hand at 30 April 2005 includes £1,200,000 held as security for the deferred consideration payable in respect of Custom Micro Products Limited, and is therefore not available on demand (2004: £Nil).

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

	April 2004 £000	Cash flow £000	April 2005 £000
Cash at bank and in hand	1,522	483	2,005
Overdrafts	(20)	(10)	(30)
	1,502	473	1,975
Debt due after one year	(1,504)	29	(1,475)
Debt due within one year	(41)	30	(11)
Finance leases	—	(179)	(179)
	(1,545)	(120)	(1,665)
Liquid resources	—	1,200	1,200
Net (debt)/funds	(43)	1,553	1,510

## 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 financial 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, bank borrowings and loan notes. 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, 98 per cent (2004: 100 per cent) of the Group's borrowings were at fixed rates with Nil per cent 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.

At the year end, 10 per cent (2004: 18 per cent) of the Group's borrowings were due to mature in more than five years.

*Foreign currency risk*

The sales of the UK companies are predominantly priced and invoiced in sterling.

*Interest rate risk of financial assets and financial liabilities*

The interest rate profile of the Group's financial assets at 30 April 2005 was:

	Total £000	Floating rate financial assets £000	Fixed rate financial assets £000	Financial assets on which no interest is received £000
Currency				
Sterling	3,205	3,205	—	—

The interest rate profile of the Group's financial assets at 30 April 2004 was:

	Total £000	Floating rate financial assets £000	Fixed rate financial assets £000	Financial assets on which no interest is received £000
Currency				
Sterling	1,522	1,522	—	—

The interest rate profile of the Group's financial liabilities at 30 April 2005 was:

	Total £000	Floating rate financial liabilities £000	Fixed rate financial liabilities £000	Financial liabilities on which no interest has been paid £000
Currency				
Sterling	1,484	30	1,454	—
Euros	211	—	211	—
	1,695	30	1,665	—

The interest rate profile of the Group's financial liabilities at 30 April 2004 was:

	Total £000	Floating rate financial liabilities £000	Fixed rate financial liabilities £000	Financial liabilities on which no interest has been paid £000
Currency				
Sterling	1,145	20	1,125	—
Euros	420	—	420	—
	1,565	20	1,545	—

	Fixed rate financial liabilities		Fixed rate financial liabilities	
	Weighted average interest rate 2005 %	Weighted average period for which rate is fixed 2005 Years	Weighted average interest rate 2004 %	Weighted average period for which rate is fixed 2004 Years
Currency				
Sterling	6.0	1.5	6.0	2.7
Euros	6.1	22.0	6.6	18.3
Total	6.0	4.0	6.2	6.6

### 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 2005, these exposures were as follows:

Functional currency of Group operation	Net foreign currency monetary assets/(liabilities) in £000		
	Euros	US dollars	Total
Sterling	(126)	168	42
Total	(126)	168	42

As at 30 April 2004:

Sterling	(171)	(25)	(196)
Total	(171)	(25)	(196)

### Maturity of financial liabilities

The maturity profile of the Group's financial liabilities was as follows:

	2005 £000	2004 £000
In one year or less or on demand	113	61
In more than one year but not more than two years	1,356	25
In more than two years but not more than five years	63	1,201
In more than five years	163	278
	<u>1,695</u>	<u>1,565</u>

### Borrowing facilities

The Group has no undrawn committed borrowing facilities. *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:

	Book values 2005 £000	Fair values 2005 £000	Book values 2004 £000	Fair values 2004 £000
Short-term financial liabilities and current portion of long-term liabilities	113	110	61	60
Long term borrowings	<u>1,582</u>	<u>1,142</u>	<u>1,504</u>	<u>1,324</u>

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. Acquisitions

The assets and liabilities of CMP which have been accounted for under acquisition accounting rules were as follows:

	Book value £000	Revaluation to Fair Value £000	Fair Value £000
<b>Fixed assets:</b>			
Tangible	190	(61)	129
<b>Current assets:</b>			
Stock	408	(78)	330
Trade debtors	322	–	322
Other debtors	51	–	51
	<u>781</u>	<u>(78)</u>	<u>703</u>
Cash at bank	563	–	563
Total assets	<u>1,534</u>	<u>(139)</u>	<u>1,395</u>
<b>Creditors:</b>			
Trade creditors	(190)	–	(190)
Other creditors	(189)	(23)	(212)
Current taxation	(147)	–	(147)
Total liabilities	<u>(526)</u>	<u>(23)</u>	<u>(549)</u>
Net assets	1,008	(162)	846
Purchased goodwill	1,700	162	1,862
Total purchase consideration	<u>2,708</u>	<u>–</u>	<u>2,708</u>
<b>Comprises:</b>			
Cash consideration	800	–	800
Deferred cash consideration	1,925	–	1,925
Costs	118	–	118
Interest discount adjustment	(135)	–	(135)
	<u>2,708</u>	<u>–</u>	<u>2,708</u>

Goodwill in the year also includes £42,000 on the purchase of Vema NV shares.

The trading results of CMP for the two months of that company's statutory accounts for the twelve months to 30 April 2005, that were earned in the period prior to acquisition and therefore not included in the Group results, were as follows:

	£000
Turnover	435
Loss before taxation	(78)
Taxation	24
Loss after taxation	(54)

The profit after tax of CMP for the previous fifteen months' statutory accounts was £454,580.

## 24. Other financial commitments

At 30 April 2005, the Company had annual commitments under non-cancellable operating leases as follows:

	2005 £000	2004 £000
<b>Plant and equipment</b>		
in one year or less	41	7
in more than one year but not more than two years	9	25
in more than two years but not more than five years	—	68
in more than five years	—	—
	<u>          </u>	<u>          </u>
<b>Property leases</b>		
in one year or less	35	—
in more than one year but not more than two years	24	20
in more than two years but not more than five years	45	—
in more than five years	144	144
	<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 £15,000 from the Company during the year (2004: £11,250) in respect of Mr. Reid.
- (b) M Dwek is a director of the Company and owns 51 per cent of the share capital of Arbury Inc., which received consultancy fees from the Company of £198,433 (2004: £198,433) in the year.

## 26. Post balance sheet events

On 29 July 2005, the investment in NSP Europe Limited has been sold to CS (London) Limited for a nominal consideration, and the business of Concept Hardware and Security Solutions Limited has been terminated. The loss on disposal of NSP Europe Limited will be reflected in the financial statements of the Group for the year ended 30 April 2006. NSP Europe had net assets at the date of disposal of approximately £0.2 million.

## NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that an Annual General Meeting of Newmark Security PLC will be held at 57 Grosvenor Street, London W1K 3JA on 12 October 2005 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 2005.
2. To re-appoint Alexander Stuart Reid 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.

### SPECIAL BUSINESS

4. 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 £1,205,850; 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.
5. 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;
  - (b) the allotment otherwise than pursuant to sub-paragraph (a) above of equity securities up to an aggregate nominal amount of £723,510,

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

14 September 2005  
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 12 October 2005 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 2006. 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.

#### Pre-existing section 89 authority

The Directors are authorised pursuant to an authority passed on 24 July 2003 to allot up to 75,000,000 shares on a non pre-emptive basis on the exercise of warrants granted on that date pursuant to a loan note agreement.

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## Proxy for Annual General Meeting

I/We the undersigned, being (a) Member(s) of the Company, HEREBY APPOINT the Chairman of the Meeting or .....

(Note 1) as my/our Proxy to vote for me/us and on my/our behalf at the Annual General Meeting of the Company to be held at 57 Grosvenor Street, London W1K 3JA on 12 October 2005 at 12.00 noon and at any adjournment thereof.

(Note 2)	For	Against
<b>ORDINARY RESOLUTIONS</b>		
1. To receive and adopt the financial statements and reports of the Directors and auditors for the financial period ended 30 April 2005.		
2. To re-appoint A Reid as a director of the Company.		
3. To re-appoint BDO Stoy Hayward LLP as the auditors of the Company and authorise the Directors to fix their remuneration.		
4. To approve the granting of authority pursuant to Section 80 of the Companies Act 1985 to allot relevant securities.		
<b>SPECIAL RESOLUTIONS</b>		
5. To approve the granting of authority under Section 95 of the Companies Act 1985 to allot equity securities on a non pre-emptive basis.		

Dated this .....day of.....2005

Signature(s) .....

Full name(s) in which shares are registered.....

.....

PLEASE USE BLOCK LETTERS

Notes:

1. If any other proxy is desired strike out "the Chairman of the Meeting or" and insert the name or names preferred. Any alterations to this form must be initialled. A proxy need not be a member of the Company.
2. Please indicate with an "X" in the relevant box marked "For" or "Against" how you wish the proxy to vote on the resolutions. When no "X" is inserted the proxy will at his or her discretion vote as he or she thinks fit or abstain from voting.
3. The instrument appointing a proxy shall be in writing under the hand of the appointor or his attorney duly authorised in writing or, if the appointor is a corporation, either under the common seal or under the hand of an officer or attorney so authorised.
4. In the case of joint holders of a share the vote of the first-named holder on the Register of Members (whether voting in person or by proxy) will be accepted to the exclusion of the votes of the other joint holders in respect of the joint holding.
5. This form of proxy and the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power or authority, should be returned so as to reach the Company Registrar, Capita Registrars, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU not less than 48 hours before the time appointed for holding the meeting or adjourned meeting at which the person named in the instrument proposes to vote and, in default, the instrument of proxy shall not be treated as valid.
6. Completion and return of this form of proxy will not preclude members from attending and voting in person at the meeting should they subsequently decide to do so. Pursuant to regulation 41 of The Uncertificated Securities Regulations 2001, members will be entitled to attend and vote at the meeting if they are registered on the Company's register of members 48 hours before the time appointed for the meeting or any adjournment thereof.
7. The summaries of the resolutions are for guidance only. You are advised to read the accompanying circular and notice of meeting carefully.





