



Annual Report
For the year ended 30 April 2006

INDEX

	Page
DIRECTORS, SECRETARY AND ADVISERS	2
CHAIRMAN'S STATEMENT	3
REPORT OF THE DIRECTORS	7
REPORT OF THE REMUNERATION COMMITTEE	11
REPORT OF THE INDEPENDENT AUDITORS	13
FINANCIAL STATEMENTS	14
ACCOUNTING POLICIES	18
NOTES TO THE FINANCIAL STATEMENTS	18
NOTICE OF ANNUAL GENERAL MEETING	34

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: HSBC PLC
Corporate Banking Centre
59 Old Christchurch Road,
Bournemouth
Dorset BH1 1EH

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 has been a period of restructuring and consolidation. We sold NSP Europe Limited and closed down Concept Hardware & Security Solutions Limited, our two loss making businesses. The remaining businesses have all continued to be profitable. Results were lower than anticipated at the beginning of the year due to three major factors:

- (i) the delay by the customer of one major contract for Grosvenor Technology Limited. However the business has not been lost and indeed is expected to start within the next few months. Provided that it occurs this will generate a substantial increase in sales and profits in the current financial year,
- (ii) the cancellation by the Post Office of the Horizon project within Safetell Limited to install RollerCash machines and Flip Top Tills, and
- (iii) the fall in sales to our US distributor by Custom Micro Products Limited during the first six months of the year following the high level of turnover in the last few months of the preceding year. Sales in the second half of the year returned to historical levels and this has been maintained in the current year.

As a consequence of the above, turnover for the year from continuing businesses was £11,839k compared to £12,348k, a fall of 4.1 per cent. Gross margin for the year from continuing operations was £4,764k (40.2 per cent of sales) compared to £5,281k (42.8 per cent). Within the Electronic sector, the costs of the development and support teams are included within cost of sales. This represents a fixed cost to those companies and therefore their margins vary with the level of sales. This has had an impact in the year in CMP for the reason explained above. Gross margin within Safetell was also lower in the year for the reasons set out in the asset protection division review below.

Administrative expenses were tightly controlled in the year increasing slightly from £3,762k to £3,799k for continuing businesses before amortisation of goodwill. After a small increase in the amortisation of goodwill, operating profits from continuing operations fell from £1,148k to £572k.

Loss per share is shown in the profit and loss account as 0.11p (2005: Nil). However, the earnings per share before goodwill amortisation, interest discount adjustment, losses of discontinued operations and exceptional items are 0.22p (2005: 0.3p) as calculated in note 7 to the accounts.

As a consequence of the fall in turnover, turnover per employee fell slightly from £100,390 to £99,487.

Both CMP and Safetell are the leaders in their particular markets whilst Grosvenor is a major force at the upper price end of the access control market. There were no environmental issues having a major impact on the Group in the year, although the directives on the use of leaded components did create some additional work within CMP.

The Group continues to invest in research and development which will benefit the results in the medium to long term. Costs relating to research and development are expensed as incurred.

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

The Group net assets have reduced in the year from £3.3 million to £3.0 million but will be strengthened in the current year with the expiry of the loan notes which will result in 50 per cent of the loan notes being converted into shares. All the loan notes are currently shown in creditors: amounts falling due within one year.

Working capital does vary month by month due to the timing and amounts of some of the types of contracts that we are involved in, particularly within Safetell.

During the year the deferred element of the purchase consideration for the acquisition of CMP was paid.

In the current financial year, the earn out period related to the deferred consideration for Grosvenor Technology expires and the vendors of the business receive loan notes as explained in note 14 to the accounts. We believe that the maximum amount under the earnout will be payable. As a consequence of this the discount charge on deferred consideration will reduce substantially in the current year.

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

Share issues

Shares were issued to Arbury Inc., in the year as compensation for the change of Mr M Dwek from executive to non-executive chairman at a significantly lower cost to the company from 1 November 2005, (as detailed in note 24 to the accounts), and for the management fee in respect of his services for September and October 2005.

Financial results

The operating profit for the year was £362,000 (2005: £414,000).

The operating profit for the year for continuing operations before goodwill amortisation was £965,000 (2005: £1,519,000), both figures exclude the operating losses of £210,000 and £734,000 from the discontinued businesses.

Turnover for the year for continuing operations was £11.8 million (2005: £12.3 million). The main commercial factors affecting the results of the divisions are set out below.

Electronic Division

Turnover £6,407,000 (2005: £6,682,000)

Operating profit £988,000 (2005: £1,350,000)

Turnover in Grosvenor for the year was similar to last year. We had anticipated a substantial increase in the year but one major contract was delayed by the customer and should now fall into the current financial year.

We also anticipate other major contracts for both existing and new customers for shipment some time in 2007. Our products have been approved by the customer but in view of the complexity and size of the contracts, the timing is difficult to predict.

JANUS and Siteguard versions 4.0 have been released and offer greater compatibility with third party systems such as Simplex, MX, American Dynamics and Bosch. This version also includes additional features related to the Disability Discrimination Act.

The Siteguard product, which is developed exclusively for Tyco, is now able to integrate directly with the Tyco Intellex CCTV product as well as the Tyco MX Fire Panel system and this should increase sales to the ADT branch network and open new possibilities for Siteguard where existing Intellex or MX systems require a new access control system.

Newmark Technology Limited sales fell in the year with a decrease in the sales of the third party access control system C-Cure due to increased competition from other distributors of the product.

However the N-TEC access control system, for which Newmark has an exclusive agreement with Simplex Fire, is starting to take off in the Middle East. Some sizable contracts are being gained and the first major sale was invoiced in April 2006. Sales are set to grow as this is the only access control product that Simplex is distributing in the Middle East, Africa and Russia.

A software interface between N-TEC and the Simplex 4100U fire panel was launched at the Intersec Security Exhibition in Dubai in February 2006 and the Simplex conference in Cairo in May 2006.

United States UL approvals are being sought for N-TEC and phase 1 should be completed by the first quarter 2007. This will allow the system to be sold into those Middle East countries that require UL and eventually directly into the United States.

Newmark has recently announced that it has formed an agreement with HID Global where, from 1 July 2006, the company has become a distributor and technical resource for their Indala brand in the UK. Indala was the first company to attain commercial success applying RFID technology to access control systems and are employed in a myriad of private and public sector organizations in corporate, education, healthcare and government. The current Indala annual turnover in the UK is approaching £1 million. Newmark has acted as sub-agent for the product for many years and consequently already has a detailed knowledge of the company and its products. Newmark will be one of seven distributors.

The Par-Sec RFID asset protection system is being re-developed to accommodate European frequency regulations. A new reader will be available by early 2007 and will connect to a suitable system such as JANUS, Siteguard or N-TEC via Ethernet. The new reader will not require an access control unit to interface as it will communicate directly with the main system via a TCP/IP network thus saving money for the customer and making it easier to install.

As stated above, the sales of CMP were lower in the year due to an exceptionally high volume of sales to our US distributor towards the end of the previous financial year. The uplift in orders from that source in the second half of the year under review has been maintained in the current year to date.

The increased presence of products from the Far East has also created pressure on margins. The Waste Electrical and Electronic Equipment Directive has placed restraints on the use of leaded components which has made some components obsolete and caused the need for redesign work on existing products.

Existing products have been re-evaluated and are being re-developed to minimize manual assembly and reduce costs wherever possible. The RS range (Revised Series) will be launched at the end of this year and offer manufacture cost savings of 20/25 per cent on some products. We will also build into the redesign as standard, where possible, the ability to connect via Ethernet thus improving the product whilst at the same time reducing costs.

Asset Protection Division

Turnover £5,432,000 (2005: £5,666,000)

Operating profit £490,000 (2005: £787,000)

Safetell's financial year was characterised by a large number of smaller projects with no single, major programme of work. Although total sales were £234k lower than the previous year, compound sales growth has been 8 per cent per annum since April 2003.

Various Eclipse rising screen programmes were maintained with long-term customers in retail finance, petrol retailing and some police forces. The value of reconfiguration/refurbishment works for Eclipse again exceeded the value of new installations with some significant work to provide new counters to Abbey in line with the re-branding by Santander.

The number of CounterShield installations increased by 17 per cent to 48 in the year but average values decreased so that revenues increased by only 7 per cent compared to last year. Eye2Eye sales were disappointing in both numbers and values but each installation was for a new customer with all having the potential for significant repeat business in 2006-07. Police Authorities, Local Authorities and Rail Operating Companies remain the market focus for these products.

Sales to Post Office of RollerCash and BiDi Safe were much lower than planned due to the cancellation of the Horizon project and, towards the end of the year, by restrictions on Government funding for Post Office restructuring. Nevertheless, sales of cash handling equipment increased by 48 per cent compared to the previous year. The Post Office rural network is due to receive substantial funding in 2006-07 so that sales volumes are expected to remain reasonably constant. Other retail finance customers are now carrying out trials of open plan branches with cashier till positions incorporating Safetell equipment. If these trials are successful, there could be significant growth in the next 2-3 years.

Service and maintenance revenue increased by 11 per cent with more contract work being secured from existing customers. This part of the business is set to grow further and acts as a catalyst for new product development to meet client requirements.

Various factors, including adverse product mix, new clients, a few high cost contracts, investment in training and resources to meet the future demands of the business as well as continual competitive pressures, depressed margins from their previous high level. Action was taken in late 2005 to redress the imbalance and the effects should be seen in the current financial year.

Order intake in the early part of 2006 was slow and will result in sales for the first months of the current year being below the long-term average with no revenue and profit growth in the first half year.

The prospects for the second half are more difficult to predict but the level of customer enquiries with plans for major roll-out programmes offer good grounds for growth.

Balance sheet and cash flow

The balance sheet reflects the disposal and closure of businesses in the year, but the components of working capital, and hence the operating cash flow, are affected by the timing of both the project work that is undertaken by Safetell, and one off major contracts of both Grosvenor and Safetell.

The cash flow in the year includes the payment of the deferred consideration for the acquisition of Custom Micro Products Limited, which also impacted on the comparison of creditors in the balance sheet.

Employees

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

Summary

We would anticipate that the roll forward of the major contract within Grosvenor should have a significant impact upon the results of the Group in the current year, whilst we would expect an upturn in the performance of CMP after a disappointing year and this is supported by initial results and orders.

The £1.5 million loan notes expire in July and one half of the total will be repaid using agreed banking facilities, and the other 50 per cent converted into ordinary shares in accordance with the option in the loan note agreement.

M DWEK
Chairman

24 July 2006

REPORT OF THE DIRECTORS

The Directors submit their annual report and audited financial statements of the Group for the year ended 30 April 2006.

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 £170,000 (2005: £401,000). Exceptional items were £192,000 and related to the loss on disposal of NSP Europe Limited and the closure of Concept Hardware & Security Solutions Limited. Amortisation of goodwill was £393,000 (2005: £371,000).

The operating profit for the year was £362,000 (2005: £414,000).

The operating profit for the year before exceptional items and goodwill amortisation for continuing operations was £965,000 (2005: £1,519,000). Turnover for the year for continuing operations was £11.8 million (2005: £12.3 million). The directors do not recommend the payment of a dividend. A review of the business and future prospects is given in the Chairman's Statement on pages 3 to 6.

Directors

The Directors who served during the year were as follows:

M Dwek
B Beecraft
M Rapoport
A Reid

Details of the Directors' service contracts are shown in the Remuneration Committee Report on pages 11 and 12.

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

Share capital

Full details of changes to the share capital in the year, please refer to note 16 to the financial statements on page 28.

Financial instruments

For full details of changes to the Group's management of its financial instruments, please refer to note 22 to the financial statements on page 30.

Valuation of land

In the opinion of the directors there is no material difference between the market value of the company's interest in land and the amount at which it is shown in the financial statements.

Directors

Directors' interests

The beneficial and other interests of the Directors in the shares of the Company as at 1 May 2005 (or the date of their appointment to the Board, if later) and 30 April 2006 were as follows:

	Percentage holding at 30 April 2006	30 April 2006	1 May 2005 (or date of appointment if later)
M Dwek ^(a)	10.2%	38,069,467	23,366,667
M Rapoport	2.8%	10,555,000	10,555,000
A Reid ^(b)	15.7%	58,833,237	55,335,237

- (a) These shares are held in the name of Arbury Inc., 51 per cent of the equity share capital of which is, at the date of this report, beneficially owned by M Dwek.
- (b) These shares are in part held in the name of R.K. Harrison & Co. Limited, a company the issued equity share capital of which is, at the date of this report, owned as to 80.3 per cent by A Reid of which 74.8 per cent is a beneficial holding and 5.5 per cent is a non beneficial holding, and the R.K. Harrison Retirement Benefit Scheme in which A Reid has a beneficial interest.

The interests of Directors in Share Option Schemes operated by the Company at 30 April 2005 and 2006 were as follows:

	Number of Ordinary Shares under the Approved Scheme 30 April 2006	Number of Ordinary Shares under the Unapproved Scheme 30 April 2006	Number of Ordinary Shares under the Approved Scheme 1 May 2005	Number of Ordinary Shares under the Unapproved Scheme 1 May 2005
M Dwek	—	5,000,000	—	5,000,000
B Beecraft	500,000	4,000,000	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 on page 21.

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	4.2%	15,750,000
L R Nominees Limited	5.5%	20,594,300
M V. Beheer BV	3.6%	13,447,725
Mr and Mrs S Lothian	3.5%	13,000,000
T D Waterhouse Nominees (Europe) Limited SMKT Nominees Account	3.0%	11,399,161

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 set out in note 16 to the accounts on page 28.

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 41 days (2005: 24 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 2006, the Board comprised a Chairman, one Executive Director and two Non-Executive Directors.

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

Under the Company's Articles of Association, the appointment of all directors must be approved by the shareholders in General Meeting, and additionally one-third of the directors are required to submit themselves for re-election at each Annual General Meeting. Additionally, each director has undertaken to submit themselves for re-election at least every three years. The Board has considered the recommendation to introduce a Nominations Committee. However, it was decided, given the small size of the Board, that nominations are to remain a matter reserved for the Board.

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

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

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

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

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

During the year, key controls were:

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

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

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

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

The Remuneration Committee, comprising M Rapoport and A Reid meets at least once a year to review the terms and conditions of employment of Executive Directors including the provision of incentives and performance related benefits. The report of the Remuneration Committee is set out on pages 11 and 12.

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

The Directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice.

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.

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

Auditors

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

By order of the Board

B BEECRAFT
Company Secretary

24 July 2006

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 2006 comprised two existing Non-Executive Directors, Alexander Reid and Michel Rapoport.

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

As at 31 October 2005, Mr Dwek changed from being executive to non-executive Chairman, and 10 million shares in the Company were issued at 1.5p as compensation for the change in the Consultancy Agreement (representing the differential in fee payable for the one year notice period).

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	Compensation for change of terms £000	Salary £000	Benefits in kind £000	Fees £000	Total £000	Pension contri- butions £000
Executive Directors							
B Beecraft	—	—	99	—	—	99	—
Non-Executive Directors							
M Dwek ^(a)	124	150	—	—	—	274	—
A Reid ^(b)	—	—	—	—	15	15	—
M Rapoport	—	—	—	—	15	15	—
	<u>124</u>	<u>150</u>	<u>99</u>	<u>—</u>	<u>30</u>	<u>403</u>	<u>—</u>
2005	<u>198</u>	<u>—</u>	<u>99</u>	<u>6</u>	<u>30</u>	<u>333</u>	<u>8</u>

The directors' share interests are detailed in the Report of the Directors on page 7.

- (a) The Company paid a consultancy fee of £124,127 (2005 £198,433) to Arbury Inc., a company 51 per cent owned by M Dwek which covers salary, pension and car benefits. In addition the Company issued 10 million shares in the year as compensation for the change of terms from executive to non-executive chairman.
- (b) Directors' fees in respect of A Reid of £15,000 (2005: £15,000) were paid by the Company to R. K. Harrison & Co. Limited.

REPORT OF THE INDEPENDENT AUDITORS
Independent Auditor's Report to the Shareholders of Newmark Security PLC

We have audited the group and parent company financial statements (the "financial statements") of Newmark Security PLC for the year ended 30 April 2006 which comprise the group profit and loss account, the group and company balance sheets, the group cash flow statement, the statement of total recognised gains and losses and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

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

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

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

Basis of audit opinion

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

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

Opinion

In our opinion:

- the group financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the group's affairs as at 30 April 2006 and of its loss for the year then ended;
- the parent company financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the parent company's affairs as at 30 April 2006;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the directors' report is consistent with the financial statements.

BDO STOY HAYWARD LLP
Chartered Accountants and Registered Auditors
London
24 July 2006

CONSOLIDATED PROFIT AND LOSS ACCOUNT
For the year ended 30 April 2006

	Notes	2006 Before goodwill and exceptional items £000	2006 Goodwill and exceptional items £000	2006 Total £000	2005 Total £000
Turnover	2				
Continuing operations		11,839	–	11,839	12,348
Discontinued operations		320	–	320	1,286
		12,159	–	12,159	13,634
Cost of sales		(7,317)	–	(7,317)	(8,150)
Gross profit		<u>4,842</u>	<u>–</u>	<u>4,842</u>	<u>5,484</u>
Administrative expenses pre amortisation of goodwill and exceptional items		(4,087)	–	(4,087)	(4,699)
Amortisation of goodwill		–	(393)	(393)	(371)
Administrative expenses – total		<u>(4,087)</u>	<u>(393)</u>	<u>(4,480)</u>	<u>(5,070)</u>
Operating profit/(loss)	3				
Continuing operations		965	(393)	572	1,148
Discontinued operations		(210)	–	(210)	(734)
		755	(393)	362	414
Loss on disposal/closure of subsidiary/business	3(c)	–	(192)	(192)	(13)
Profit/(loss) on ordinary activities before interest		755	(585)	170	401
Interest receivable		20	–	20	52
Interest – discount charge on deferred consideration	4	(251)	–	(251)	(275)
Interest payable	4	(101)	(199)	(300)	(139)
Profit/(loss) on ordinary activities before taxation		423	(784)	(361)	39
Tax on profit/(loss) on ordinary activities	6	(58)	–	(58)	(106)
Profit/(loss) on ordinary activities after taxation		365	(784)	(419)	(67)
Minority interest	18	–	–	–	–
Profit/(loss) for the financial year	17	<u>365</u>	<u>(784)</u>	<u>(419)</u>	<u>(67)</u>
				pence	pence
Loss per share	7				
– basic and diluted				(0.11)p	–p

BALANCE SHEETS
As at 30 April 2006

	Notes	Group 2006 £000	Group 2005 (Restated) £000	Company 2006 £000	Company 2005 (Restated) £000
Fixed assets					
Intangible assets	8	6,439	6,820	–	–
Tangible assets	9	941	803	–	5
Investments	10	–	–	16,587	16,573
		<u>7,380</u>	<u>7,623</u>	<u>16,587</u>	<u>16,578</u>
Current assets					
Stocks	11	1,256	1,664	–	–
Debtors: amounts falling due within one year	12	2,471	2,968	717	31
Debtors: amounts falling due after more than one year	12	–	–	–	625
		2,471	2,968	717	656
Cash at bank and in hand		1,373	3,205	74	1,200
		<u>5,100</u>	<u>7,837</u>	<u>791</u>	<u>1,856</u>
Creditors: amounts falling due within one year	13	<u>(4,664)</u>	<u>(4,887)</u>	<u>(11,598)</u>	<u>(11,743)</u>
Net current asset/(liabilities)		<u>436</u>	<u>2,950</u>	<u>(10,807)</u>	<u>(9,887)</u>
Total assets less current liabilities		7,816	10,573	5,780	6,691
Creditors: amounts falling due after more than one year	14	(3,670)	(5,488)	(3,369)	(4,431)
Provisions	15	(208)	(185)	–	–
Accruals and deferred income		(891)	(1,580)	(201)	(193)
		<u>3,047</u>	<u>3,320</u>	<u>2,210</u>	<u>2,067</u>
Capital and reserves					
Called up share capital	16	3,740	3,617	3,740	3,617
Share premium	17	493	432	493	432
Merger reserve	17	801	801	801	801
Profit and loss reserve	17	(2,051)	(1,593)	(2,824)	(2,783)
Shareholders' funds		2,983	3,257	2,210	2,067
Minority interests	18	64	63	–	–
		<u>3,047</u>	<u>3,320</u>	<u>2,210</u>	<u>2,067</u>

The financial statements were approved by the Board of Directors and authorised for issue on 24 July 2006 and were signed on its behalf by:

M DWEK
Chairman

B BEECRAFT
Finance Director

CONSOLIDATED CASH FLOW STATEMENT
For the year ended 30 April 2006

	Notes	2006 £000	2005 £000
Net cash inflow from operating activities	19	<u>850</u>	<u>786</u>
Returns on investments and servicing of finance			
Interest received		20	52
Interest paid		<u>(101)</u>	<u>(139)</u>
Net cash outflow from returns on investments and servicing of finance		<u>(81)</u>	<u>(87)</u>
Taxation		<u>(423)</u>	<u>(404)</u>
Capital expenditure and financial investment			
Purchase of tangible fixed assets		(469)	(277)
Receipts from sale of tangible fixed assets		<u>24</u>	<u>247</u>
Net cash outflow from capital expenditure and financial investment		<u>(445)</u>	<u>(30)</u>
Acquisitions			
Purchase of subsidiary undertakings		(1,925)	(918)
Costs relating to acquisition made in previous year		(12)	–
Net cash acquired on purchase of subsidiary undertakings		<u>–</u>	<u>563</u>
Net cash outflow from acquisitions		<u>(1,937)</u>	<u>(355)</u>
Disposals			
Costs related to sale of subsidiary undertaking, and business and trading assets		(11)	–
Cash disposed of with business		<u>(14)</u>	<u>–</u>
Net cash outflow from disposals		<u>(25)</u>	<u>–</u>
Net cash outflow before use of liquid resources and financing		<u>(2,061)</u>	<u>(90)</u>
Financing			
New finance loans		365	329
Repayment of loans		<u>(106)</u>	<u>(209)</u>
		259	120
Share issues less expenses paid		<u>–</u>	<u>1,643</u>
Net cash inflow from financing		<u>259</u>	<u>1,763</u>
(Decrease)/increase in cash	21	<u><u>(1,802)</u></u>	<u><u>1,673</u></u>

CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
For the year ended 30 April 2006

	2006	2005
	£000	£000
Loss for the financial year	(419)	(67)
Exchange difference on translation of net assets and results of subsidiary undertakings	(39)	(20)
Total recognised gains and losses relating to the year	<u>(458)</u>	<u>(87)</u>

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS
For the year ended 30 April 2006

	2006	2005
	£000	£000
GROUP		
Loss for the financial year	(419)	(67)
New share capital subscribed (net of issue costs)	184	1,918
Exchange difference on translation of net assets and results of subsidiary undertakings	(39)	(20)
Net (reduction to)/increase in shareholders' funds	(274)	1,831
Opening shareholders' funds	<u>3,257</u>	<u>1,426</u>
Closing shareholders' funds	<u>2,983</u>	<u>3,257</u>
COMPANY		
Loss for the financial year	(41)	(2,612)
New share capital subscribed (net of issue costs)	184	1,918
Increase in/(reduction to) shareholders' funds	143	(694)
Opening shareholders' funds	<u>2,067</u>	<u>2,761</u>
Closing shareholders' funds	<u>2,210</u>	<u>2,067</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 April 2006

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 loss for the year ended 30 April 2006 of £419,000, and had net current assets of £436,000 and net assets of £3,047,000 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.

During the year the Group adopted Financial Reporting Standard 21 Events after the Balance Sheet Date, Financial Reporting Standard 22 Earnings per share, Financial Reporting Standard 28 Corresponding Amounts and the presentational requirements of Financial Reporting Standard 25 Financial Instruments: Disclosure and Presentation "FRS 25". None of these standards had any impact on the net assets of the Group or the Company, nor on the loss of the Group. The presentation requirements of FRS 25 did not have any effect as the equity component of the convertible loans are not material.

Accruals and deferred income have been reclassified in the year from current liabilities to a separate heading on the balance sheet, and the comparatives have been restated accordingly.

In accordance with FRS 25, the 1,500,000 6 per cent redeemable loan notes of £1 each are presented as a current liability in the 2006 balance sheet. Each loan note grants the holders 50 1p warrants for ordinary shares. At the balance sheet date the share price was below the exercise price of the warrants.

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.

Impairment tests on the carrying value of goodwill are undertaken;

- at the end of the first full financial year following acquisition,
- in other periods if events or changes in circumstances indicate that the carrying value may not be recoverable.

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 Financial Reporting Standard 7 Fair Values in Acquisition Accounting. 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.

Financial instruments

Financial instruments are measured initially and subsequently at cost. Short term debtors and creditors are not treated as Financial Instruments for disclosure purposes.

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.

Provisions

Provisions are recognised for liabilities of uncertain timing or amount that have arisen as a result of past transactions.

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.

Share based payments

Where share options are awarded to employees, the intrinsic value of the options at the date of grant is charged to the profit and loss account over the performance period.

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	2006	2005	2006	2005
	By origin	By origin	By destination	By destination
	£000	£000	£000	£000
UK	12,159	13,634	10,663	11,952
Europe	—	—	943	767
USA	—	—	431	703
Rest of the World	—	—	122	212
Total	<u>12,159</u>	<u>13,634</u>	<u>12,159</u>	<u>13,634</u>
Profit/(loss) before tax	2006	2006	2006	2005
	Before goodwill	Goodwill	Total	Total
	and exceptional	and exceptional	Total	Total
	items	items	£000	£000
	£000	£000	£000	£000
UK	464	(583)	(119)	138
Europe	(41)	(201)	(242)	(99)
	<u>423</u>	<u>(784)</u>	<u>(361)</u>	<u>39</u>
Net assets			2006	2005
			Net assets	Net assets
			£000	£000
UK			4,392	4,477
Europe			(1,345)	(1,157)
			<u>3,047</u>	<u>3,320</u>

Exceptional items include the loss on disposal or closure of a subsidiary of £192,000 (2005: £13,000) and exceptional interest payable of £199,000 (2005: £Nil).

3. Operating profit/(loss)

(a) Continuing and discontinued operations

	2006 Continuing operations £000	2006 Discontinued operations £000	2006 Total £000	2005 Continuing operations £000	2005 Discontinued operations £000	2005 Total £000
Sales	11,839	320	12,159	12,348	1,286	13,634
Cost of sales	(7,075)	(242)	(7,317)	(7,067)	(1,083)	(8,150)
Gross profit	4,764	78	4,842	5,281	203	5,484
Administrative expenses						
pre-amortisation of goodwill	(3,799)	(288)	(4,087)	(3,762)	(937)	(4,699)
Amortisation of goodwill	(393)	–	(393)	(371)	–	(371)
Administrative expenses in total	(4,192)	(288)	(4,480)	(4,133)	(937)	(5,070)
Operating profit/(loss)	572	(210)	362	1,148	(734)	414

Discontinued operations include NSP Europe Limited, which was sold in the year, and Concept Hardware & Security Solutions Limited, which was closed down during the year.

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

Group	2006 £000	2005 £000
Depreciation of tangible fixed assets	302	258
Amortisation of goodwill	393	371
Consultancy fee costs financed by share issues	109	–
Research and development	459	406
Auditors' remuneration:		
Parent company auditors		
Audit fees (Group)	51	54
Audit fees (parent company)	14	13
Non audit fees (Group)	10	11
Non audit fees (parent company)	3	3
Operating lease rentals:		
Property	242	247
Motor vehicles and computer equipment	68	82

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

	2006 £000	2005 £000
Net assets of subsidiary disposed of	(150)	–
Cost of disposal	(42)	–
Net loss on disposal	(192)	–
Costs of closure of operation in year	–	(13)
Loss on disposal/closure of subsidiary/business	(192)	(13)

4. Interest payable and similar charges

	2006 £000	2005 £000
Discount charge on deferred consideration	251	275
Loan notes, bank loans, overdrafts and other short term finance	101	139
Interest on late payment of tax	199	–
	551	414

Interest payable includes £209k related to discontinued operations (2005: £40k).

5. Employees and directors

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

Group	2006 Number	2005 Number
Management, sales and administration	75	56
Production	44	67
	<u>119</u>	<u>123</u>
Company		
Management	<u>2</u>	<u>2</u>

The costs incurred in respect of these employees were:

Group	£000	£000
Wages and salaries	4,067	4,151
Social security costs	452	451
Other pension costs	148	126
	<u>4,667</u>	<u>4,728</u>
Company		
Wages and salaries	117	114
Social security costs	13	13
	<u>130</u>	<u>127</u>

Directors emoluments	2006 £000	2005 £000
Aggregate emoluments	327	327
Emoluments of highest paid director	198	198

6. Taxation

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

	2006 £000	2005 £000
UK Corporation taxation	152	147
Overseas taxation	(25)	28
Deferred taxation (note 15)	–	(70)
Taxation charge on loss for the year	127	105
(Over)/underprovision for tax in prior years	(69)	1
	<u>58</u>	<u>106</u>

The tax charged for the year is greater than (2005: greater than) the standard rate of corporation tax in the UK (30 per cent).

The differences are explained below:

	2006	2005
	£000	£000
(Loss)/profit on ordinary activities before taxation	(361)	39
(Loss)/profit on ordinary activities at the standard rate of UK corporation tax of 30% (2005: 30%)	(108)	12
Timing differences including capital allowances in excess of depreciation dealt with under deferred tax	5	2
Goodwill amortisation	118	111
Interest discount charge on deferred consideration	78	82
Effects on profits/(losses) of other items not deductible for tax purposes	47	10
Grossing up of foreign income	2	2
Double tax relief	(8)	(7)
Adjustment to tax charge in respect of previous periods	(69)	1
Relief for losses brought forward	(39)	(55)
Losses not utilised	32	14
Other timing differences	–	4
Current tax charge for year	58	176

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:

	2006	2005
	£000	£000
Management expenses	523	147
Trading losses	2,323	2,569
Capital losses	792	792

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

	2006	2005
	£000	£000
Management expenses	157	44
Trading losses	697	771
Capital losses	238	238

7. (Loss)/earnings per share

The calculation of the basic (loss)/earnings per ordinary share is based on a loss of £419,000 (2005: loss £67,000) and the weighted average number of shares in issue during the year of 367,856,416 (2005: 329,241,000). 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 (loss)/earnings 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 (loss)/earnings per share as follows:

	2006	2005
	pence	pence
Basic loss per share (pence)	(0.11)	–
Goodwill amortisation	0.11	0.1
Discount charge on deferred consideration	0.07	0.1
Losses of discontinued operations (after tax)	0.05	0.1
Exceptional items	0.10	–
Earnings per share before goodwill amortisation, interest discount, losses of discontinued operations and exceptional items	0.22	0.3

	£000	£000
Reconciliation of earnings		
Loss used for calculation of basic loss per share	(419)	(67)
Goodwill amortisation	393	371
Discount charge on deferred consideration	251	275
Losses of discontinued operations (after tax)	179	548
Exceptional items	391	13
	<u>795</u>	<u>1,140</u>
Earnings before goodwill amortisation, interest discount, losses of discontinued operations and exceptional items	<u>795</u>	<u>1,140</u>

Exceptional items include the loss on disposal or closure of a subsidiary of £192,000 (2005: £13,000) and exceptional interest payable of £199,000 (2005: £Nil). There are no potentially dilutive shares in issue.

8. Intangible fixed assets

Group	Goodwill £000
Cost	
At 1 May 2005	7,864
Costs and adjustments to consideration	12
	<u>7,876</u>
At 30 April 2006	<u>7,876</u>
Amortisation	
At 1 May 2005	1,044
Charge for the year	393
	<u>1,437</u>
At 30 April 2006	<u>1,437</u>
Net book value	
At 30 April 2006	<u>6,439</u>
At 30 April 2005	<u>6,820</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
Cost					
At 1 May 2005	316	157	1,125	296	1,894
Additions	—	103	321	45	469
Disposals	—	—	(182)	(15)	(197)
Reclassifications	—	—	(37)	37	—
Disposal of subsidiary	—	—	—	(27)	(27)
Exchange adjustment	6	—	—	—	6
	<u>322</u>	<u>260</u>	<u>1,227</u>	<u>336</u>	<u>2,145</u>
At 30 April 2006	<u>322</u>	<u>260</u>	<u>1,227</u>	<u>336</u>	<u>2,145</u>
Depreciation					
At 1 May 2005	96	119	663	213	1,091
Charge for the year	15	22	215	50	302
Disposals	—	—	(160)	(12)	(172)
Reclassifications	—	—	(6)	6	—
Disposal of subsidiary	—	—	—	(19)	(19)
Exchange adjustment	2	—	—	—	2
	<u>113</u>	<u>141</u>	<u>712</u>	<u>238</u>	<u>1,204</u>
At 30 April 2006	<u>113</u>	<u>141</u>	<u>712</u>	<u>238</u>	<u>1,204</u>
Net book value					
At 30 April 2006	<u>209</u>	<u>119</u>	<u>515</u>	<u>98</u>	<u>941</u>
At 30 April 2005	<u>220</u>	<u>38</u>	<u>462</u>	<u>83</u>	<u>803</u>

Company

	Computers, fixtures & fittings £000	Total £000
Cost		
At 1 May 2005 and 30 April 2006	23	23
Depreciation		
At 1 May 2005	18	18
Charge for the year	5	5
At 30 April 2006	23	23
Net book value		
At 30 April 2006	—	—
At 30 April 2005	5	5

The net book value of tangible fixed assets for the Group includes an amount of £249,901 (2005: £206,837) in respect of assets held under finance leases and hire purchase contracts. The related depreciation charge on these assets for the year was £107,204 (2005: £39,979).

10. Fixed asset investments**Company****Investment in subsidiary companies**

	£000
Cost	
At 1 May 2005	17,617
Costs relating to acquisition made in previous year	14
Disposal of subsidiary company in year	(1,000)
At 30 April 2006	16,631
Provision for impairment	
At 1 May 2005	1,044
Provision in the year	—
Disposal of subsidiary company in year	(1,000)
At 30 April 2006	44
Net book value	
At 30 April 2006	16,587
At 30 April 2005	16,573

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 ⁽¹⁾	Trading	England & Wales	Ordinary
Newmark Technology (C-Cure Division) Limited	Dormant	England & Wales	Ordinary
Vema B.V.	Holding	The Netherlands	Ordinary
Vema N.V. ⁽³⁾ (98% owned)	Property	The Netherlands	Ordinary
Newmark Technology S.A.	Dormant	Belgium	Ordinary
Safetell International Limited	Holding	England & Wales	Ordinary and Redeemable Preference
Safetell Limited ⁽²⁾	Trading	England & Wales	Ordinary
Safetell Security Screens Limited ⁽²⁾	Trading	England & Wales	Ordinary

Name	Activity	Country of incorporation	Description of shares held
Newmark Technology Inc.	Dormant	USA	Ordinary
Vema U.K. Limited ⁽⁴⁾	Finance	England & Wales	Ordinary
Concept Hardware & Security Solutions Limited	Trading	England & Wales	Ordinary
Grosvenor Technology Limited	Trading	England & Wales	Ordinary
Newmark Group Limited	Dormant	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. 51 per cent, Newmark Security PLC 47 per cent
- (4) Owned by Vema N.V.

11. Stocks

	2006 Group £000	2005 Group £000	2006 Company £000	2005 Company £000
Raw materials	728	1,284	–	–
Work in progress	154	150	–	–
Finished goods	374	230	–	–
	<u>1,256</u>	<u>1,664</u>	<u>–</u>	<u>–</u>

12. Debtors

	2006 Group £000	2005 Group £000	2006 Company £000	2005 Company £000
Amounts falling due within one year				
Trade debtors	2,009	2,543	–	–
Amounts owed by subsidiary undertakings	–	–	625	–
Other debtors	74	43	14	24
Deferred tax asset (note 15)	70	70	–	–
Prepayments and accrued income	318	312	78	7
	<u>2,471</u>	<u>2,968</u>	<u>717</u>	<u>31</u>
Debtors: amounts falling due after more than one year				
Amounts owed by subsidiary company	–	–	–	625
Debtors: total	<u>2,471</u>	<u>2,968</u>	<u>717</u>	<u>656</u>

13. Creditors: amounts falling due within one year

	2006 Group £000	2005 Group (Restated) £000	2006 Company £000	2005 Company (Restated) £000
Bank loans, loan notes and overdrafts (note 14)	1,510	41	1,500	13
Trade creditors	949	1,285	–	–
Amounts due to group companies	–	–	10,090	9,791
Corporation tax	1,324	826	–	–
Other taxation and social security	340	491	6	53
Obligations under finance leases and hire purchase contracts	113	72	–	–
Other creditors	428	2,172	2	1,886
	<u>4,664</u>	<u>4,887</u>	<u>11,598</u>	<u>11,743</u>

Other creditors within the Group includes an amount of £Nil (2005: £132,767) 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

	2006 Group £000	2005 Group £000	2006 Company £000	2005 Company £000
Loan notes and bank loans	187	1,475	–	1,275
Corporation tax	–	750	–	–
Obligations under finance leases and hire purchase contracts	114	107	–	–
Other creditors	3,369	3,156	3,369	3,156
	<u>3,670</u>	<u>5,488</u>	<u>3,369</u>	<u>4,431</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 in accordance with the earn out agreement with cash payment at the holders discretion but at earliest one year later.

Group	2006 Unsecured £000	2006 Secured £000	2005 Unsecured £000	2005 Secured £000
Loans are repayable as follows:				
In one year or less				
Bank loans ^(a)	–	10	–	11
Loan notes ^(b)	–	1,500	–	–
Bank overdrafts	–	–	30	–
Finance leases and hire purchase contracts	–	113	–	72
Total within one year	<u>–</u>	<u>1,623</u>	<u>30</u>	<u>83</u>
In more than one year but not more than two years				
Bank loans ^(a)	–	10	–	9
Finance leases and hire purchase contracts	–	89	–	72
Loan notes ^(b)	–	–	–	1,275
	<u>–</u>	<u>99</u>	<u>–</u>	<u>1,356</u>
In more than two year but not more than five years				
Bank loans ^(a)	–	29	–	28
Finance leases and hire purchase contracts	–	25	–	35
	<u>–</u>	<u>54</u>	<u>–</u>	<u>63</u>
In more than five years				
Bank loans ^(a)	–	148	–	163
	<u>–</u>	<u>148</u>	<u>–</u>	<u>163</u>
Total after more than one year	<u>–</u>	<u>301</u>	<u>–</u>	<u>1,582</u>

(a) The bank loan is repayable in quarterly instalments over 21 years. Interest is charged at 6.4 per cent until 20 November 2010 and the loan is secured on the freehold property of Vema N.V.

(b) 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

Group	Rental provision £000	Deferred taxation £000	Dilapidation provision £000	Other £000	Total £000
At 1 May 2005	120	—	—	65	185
Released in year	(16)	—	—	(45)	(61)
Created in year	—	—	84	—	84
At 30 April 2006	<u>104</u>	<u>—</u>	<u>84</u>	<u>20</u>	<u>208</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.

The dilapidation provision relates to the estimated cost of returning a leasehold property to its original state at the end of the lease in accordance with the lease terms. The cost is recognised as depreciation of leasehold improvements over the remaining term of the lease.

Other provisions relate to a warranty provision.

16. Share capital

	2006	2005
Authorised:		
1,015,164,192 (2005: 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:		
373,957,816 (2005: 361,755,016) Ordinary shares of 1p each	<u>£3,739,578</u>	<u>£3,617,550</u>

During the year, the following shares were issued;

	Number of shares	Share capital £
Shares in issue at 1 May 2005	361,755,016	3,617,550
Share issues 1.5p per share	12,202,800	122,028
Shares in issue at 30 April 2006	<u>373,957,816</u>	<u>3,739,578</u>

The share issues in the year included 10 million to Arbury Inc., as compensation for the alteration in the Consultancy Agreement whereby M Dwek changed from being executive to non-executive chairman.

The balance of the share issues were in settlement of the management fee payable to Arbury Inc., for September and October 2005.

In accordance with FRS 25, the 1,500,000 6 per cent redeemable loan notes of £1 each are presented as a current liability in the balance sheet. Each loan note grants the holder 50 1p warrants for ordinary shares. At the balance sheet date the share price was below the exercise price of the warrants.

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

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

Group	Share premium account £000	Merger reserve £000	Profit and loss account £000
Accumulated reserves at 1 May 2005	432	801	(1,593)
Retained loss for the year	–	–	(419)
Premium on share issues	61	–	–
Exchange differences on foreign currency investments	–	–	(39)
Accumulated reserves at 30 April 2006	<u>493</u>	<u>801</u>	<u>(2,051)</u>

The cumulative amount of goodwill eliminated against reserves is £4,079,000 (2005: £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.

Company	Share premium account £000	Merger reserve £000	Profit and loss account £000
Accumulated reserves at 1 May 2005	432	801	(2,783)
Premium on share issues	61	–	–
Retained loss for the year	–	–	(41)
Accumulated reserves at 30 April 2006	<u>493</u>	<u>801</u>	<u>(2,824)</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 £41,000 (2005: loss £2,612,000).

18. Minority interests

	2006 £000	2005 £000
At 1 May 2005	63	300
Minority interest purchased back in year	–	(237)
Exchange differences	1	–
At 30 April 2006	<u>64</u>	<u>63</u>

19. Reconciliation of operating profit to net cash inflow from operating activities

	2006 £000	2005 £000
Operating profit	362	414
Costs financed by share issues	109	–
Depreciation and amortisation of goodwill	695	629
Decrease/(increase) in stocks	316	(441)
Decrease/(increase) in debtors	385	(583)
(Decrease)/increase in creditors and provisions	(1,017)	767
Net cash inflow from operating activities	<u>850</u>	<u>786</u>

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

	2006 £000	2005 £000
(Decrease)/increase in cash	(602)	473
Increase in debt in the year from cash flows	(253)	(120)
(Decrease)/increase in liquid resources	(1,200)	1,200
(Decrease)/increase in net funds/(debt) resulting from cash flows	(2,055)	1,553
Exchange adjustments	(6)	–
Movement in net funds/(debt)	(2,061)	1,553
Net funds/(debt) at start of year	1,510	(43)
Net (debt)/funds at end of year	(551)	1,510

Cash in hand at 30 April 2005 included £1,200,000 held as security for the deferred consideration payable in respect of Custom Micro Products Limited, and was therefore not available on demand.

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

	April 2005 £000	Cash flow £000	Exchange adjustments £000	April 2006 £000
Cash at bank and in hand	2,005	(632)	–	1,373
Overdrafts	(30)	30	–	–
	1,975	(602)	–	1,373
Debt due after one year	(1,475)	1,288	–	(187)
Debt due within one year	(11)	(1,493)	(6)	(1,510)
Finance leases	(179)	(48)	–	(227)
	(1,665)	(253)	(6)	(1,924)
Liquid resources	1,200	(1,200)	–	–
Net (debt)/funds	1,510	(2,055)	(6)	(551)

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, 100 per cent (2005: 98 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, 8 per cent (2005: 10 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 2006 was:

	Total £000	Floating rate financial assets £000	Fixed rate financial assets £000	Financial assets on which no interest is received £000
Currency				
Sterling	1,373	1,373	–	–

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 liabilities at 30 April 2006 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	1,727	–	1,727	–
Euros	197	–	197	–
	1,924	–	1,924	–

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	–

	Weighted average interest rate 2006 %	Weighted average period for which rate is fixed 2006 Years	Weighted average interest rate 2005 %	Weighted average period for which rate is fixed 2005 Years
Currency				
Sterling	6.1	0.4	6.0	1.5
Euros	6.1	21.0	6.1	22.0
Total	6.1	1.6	6.0	4.0

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 2006, these exposures were as follows:

Functional currency of Group operation	Net foreign currency monetary assets/(liabilities) in £000		
	Euros	US dollars	Total
Sterling	7	103	110
Total	7	103	110

As at 30 April 2005:

Sterling	(126)	168	42
Total	(126)	168	42

Maturity of financial liabilities

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

	2006 £000	2005 £000
In one year or less or on demand	1,623	113
In more than one year but not more than two years	99	1,356
In more than two years but not more than five years	54	63
In more than five years	148	163
	1,924	1,695

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 2006 £000	Fair values 2006 £000	Book values 2005 £000	Fair values 2005 £000
Short-term financial liabilities and current portion of long-term liabilities	1,623	1,596	113	61
Long term borrowings	301	201	1,582	1,504

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. Other financial commitments

At 30 April 2006, the annual commitments under non-cancellable operating leases were as follows:

Group	2006	2005
	£000	£000
Plant and equipment		
in one year or less	—	41
in more than one year but not more than two years	5	9
in more than two years but not more than five years	6	—
in more than five years	—	—
	<u> </u>	<u> </u>
Property leases		
in one year or less	34	35
in more than one year but not more than two years	—	24
in more than two years but not more than five years	45	45
in more than five years	150	144
	<u> </u>	<u> </u>
Company		
Property leases in one year or less	27	27
	<u> </u>	<u> </u>

24. 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 (2005: £15,000) 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 £124,127 (2005: £198,433) in the year. In addition the Company issued 10 million shares in the year as compensation for the change of terms from executive to non-executive chairman. One half of the value of the shares issued has been charged to the profit and loss account for the year ended 30 April 2006, the other half will be charged in the accounts for the year ended 30 April 2007.

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 7 September 2006 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 2006.
2. To re-appoint Brian Beecraft 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 £1,246,519; 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; and
 - (b) the allotment otherwise than pursuant to sub-paragraph (a) above of equity securities up to an aggregate nominal amount of £747,912,

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

24 July 2006
Registered Office
57 Grosvenor Street
London W1K 3JA

Notes:

1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and, on a poll, vote instead of him. A proxy need not be a member of the Company.
2. To be effective, completed forms of proxy and the power of attorney or other authority (if any) under which they are signed or a copy of that power or authority certified notarially or in accordance with the Powers of Attorney Act 1971 must be lodged in accordance with the instructions printed thereon, not later than 48 hours before the time appointed for the meeting or any adjourned meeting.
3. The following documents are available for inspection at the Company's registered office during normal business hours on any weekday (excluding Saturdays, Sundays and public holidays) until 7 September 2006 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.

THIS PAGE INTENTIONALLY BLANK

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 7 September 2006 at 12.00 noon and at any adjournment thereof.

(Note 2)	For	Against
ORDINARY RESOLUTIONS		
1. To receive and adopt the financial statements and reports of the Directors and auditors for the financial period ended 30 April 2006.		
2. To re-appoint B Beecraft 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.		
SPECIAL RESOLUTION		
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 2006

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.



