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integrated security solutions

newmark security PLC

Annual Report

For the year ended 30 April 2003

INDEX

DIRECTORS, SECRETARY AND ADVISERS

Company number;	3339998
Registered Office:	Suite 3 23 Bruton Street London W1J 6QF
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:	Travers Smith Braithwaite 10 Snow Hill London EC1A 2AL
Auditors:	BDO Stoy Hayward 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

CHAIRMAN'S STATEMENT

Overview

During the year we completed the acquisition of Grosvenor Technology that was detailed in last year's annual report, and progressed with the buy back of the minority interest in Vema N.V.

The Grosvenor acquisition is in line with the Board's strategy of creating an integrated high value security solutions group in both mechanical and electronic products.

Grosvenor is an established access control and security management systems company with a strong experienced management team. It sells a sophisticated range of proprietary products through a network of dealers and installers who supply a predominantly blue chip customer base.

Grosvenor has a high research and development team which is responsive to market demands and has a proven track record of product innovation and introduction. It also has a technical support team. The businesses of Grosvenor and Newmark Technology have been amalgamated and run by Grosvenor's management, creating economies of scale and reducing the combined total overhead.

Financial Results

The operating loss for the year for continuing operations before exceptional items and goodwill amortisation was £1,034,000 (2002 – £550,000), £624,000 of this loss was incurred by Drion Security where failure to obtain a major export order referred to before led to substantial losses and since the year end this company has been disposed of. Losses were also incurred, as expected, at Newmark Security Products which recorded a loss of £365,000, whilst the business was moving from a start up position as it incurred expenditure in building up the business.

Safetell and Grosvenor both contributed profits although in the latter case only from its acquisition in September 2002.

There are a number of exceptional items in the year relating to the under-provision of costs for the disposal of the Vema business and the closure of our operation at Redhill and the closure of our sales and marketing operation in the USA.

Turnover for the year for continuing operations was £6.6 million (2002: £6.5 million). The reasons for the more significant factors affecting the results of the divisions are set out below.

Electronic Division

With the acquisition of Grosvenor Technology now complete, that company has taken control of the Electronic Division. Since its acquisition in September 2002, Grosvenor has evaluated the entire product portfolio and the individual company structures within the Division, both UK and US based.

Rationalisation has been the result which has included the closure of the previous Newmark Technology head-office in Redhill, the assembly plant at Rainton Bridge and the US operations. The Omni, Midi CE and TransAsset have been pulled from production and reduced to being sold for spares and supporting existing sites only.

Since September 2002 the rationalisation has made cost savings in excess of £500,000 per annum and Newmark Technology is now cash positive.

The core products for the Electronic Division are:

- JANUS Access Control – Grosvenor Technology
- C-Cure Access Control – Newmark Technology
- ParSec Asset Management and Personnel Tracking – Newmark Technology

JANUS and ParSec are 'own-brand' systems and developed 'in-house' directly under the control of Grosvenor. C-Cure is a very well respected product and is properly supported via Tyco and Sensormatic so we now have a very stable and easily manageable product portfolio.

Of the two in-house products, ParSec has previously suffered from not having a software management package. The product has always been sold as component parts to be controlled and managed by other company's software which has never been forthcoming. JANUS is constantly being developed to remain at the forefront of technology and continues to be a leader in its class. The latest release includes a complete integration with ParSec which will benefit both products.

With the new control and management functionality afforded by JANUS, it is the company's intention to re-launch the ParSec range. Although not redesigned in itself, it has been completely re-structured with a newly designed reader PCB and firmware, offering additional functionality. It also boasts new, stylish, and more modern labelling and brand new literature including manuals and datasheets.

With this news there has been positive and renewed interest from Tyco in the UK and Honeywell/Ademco in the US, both of which are keen to revisit a revitalised product complete with the JANUS software integration. Grosvenor will also include the complete integration of ParSec with Siteguard, the Tyco access control product developed specifically by Grosvenor for Tyco in the UK. This will also further enhance the ongoing relationship between the two companies.

Grosvenor and Newmark Technology have made substantial investments in time and money during the year on new office systems and infrastructure that will consolidate the rationalisation and bring about further efficiencies and tangible benefits to our customers. With the introduction of Exchequer Enterprise, sales order processing, purchase order processing, stock control with integrated accounting and connectivity functionality with the internet, the company has been able to introduce its first eCommerce web site specifically timed for the re-launch of the ParSec product range.

The new web site www.par-sec.biz is a fully integrated eCommerce site where customers with a Newmark trading account can log on and:

- Browse the ParSec catalogue
- View and download technical information and specifications
- View our stock/inventory status in real-time
- Create, print, save and email their own quotations
- Convert quotations into purchase orders
- Print, save and email purchase order acknowledgements
- Check the status of purchase orders with real-time tracking and POD from our couriers
- Save transactions for future reference

Many other features will be added over time.

It is our intention to offer this method of trading to all of our account customers across the entire product range. It will produce even more efficiencies within the company whilst at the same time provide immediate attention and information to our customers 24/365.

The evaluation and subsequent realignment and re-branding of the ParSec product has been the reason to close the office in USA. With so few sales into the US it was not economical to keep a physical presence. The eCommerce site is now our shop window on the world and has meant that we can still trade with the US in 'real-time'. An added bonus is that eCommerce is fast becoming the preferred method of business to business trading in the US so we are ahead of the game as well.

The advent of our more efficient systems and immediate accessibility of our staff to the customers has rebuilt our reputation as a credible added-value re-seller providing first class product training, technical support and product knowledge for the C-Cure range. It is our intention to recover the lost ground as we are now set on a solid footing for the future to build upon and expand the Electronic Division with the people, the systems, and the products all in place, ready for a new era of positive and purposeful trading.

Asset Protection Division

Drion Security

Turnover in the home market was on course in the banking sector but did not meet our expectations of a major breakthrough in the commercial sector.

The shortfall against budget was mainly due to the lack of export contracts in particular the cancellation of the tender for the Algerian national bank. Despite many assurances that the placing of that order was imminent, it has recently been announced that the entire project has been postponed for an indefinite period. This affected our performance further as CNEP (the Algerian national bank) had demanded a lot of co-operation with the company especially in the second part of the year and we had incurred costs in preparing the tender.

Margins were also affected as the company was moving out of the non core activities it had been engaged with over the last two years and a demand from one of Drion's main customers to provide services as general contractor as part of the security service and products.

Safetell

The first part of Safetell's financial year continued the healthy trading situation in the early months of 2002. From September onwards there was a further marked improvement in both traditional and new business resulting in full year sales being 23% better than the previous year. The volume of work improved operating efficiencies and gross margins so that operating profit rose by 50% compared to last year.

The Eclipse rising screen programmes were maintained with long-term customers in retail finance and petrol retailing. A number of police authorities and local governments are re-entering the market for rising screens as the best defence against violence in the front office/reception areas.

The newer screen products of InterScreen, CounterShield, Eye2Eye and MaxiView are all becoming established in their respective niche markets with a number of multiple site and/or repeat orders. The imminent application of the Disability Discrimination Act in October 2004 is obliging public bodies to make adjustments to their service areas which is increasing the available market for these products. The sales force has been expanded by 50% to take advantage of these opportunities.

The demand for RollerCash and BiDi Safe cash handling equipment is very dependent on the roll-out programmes of established customers. New customers are being introduced to the product and new applications are being implemented, although this is a long term process. The Post Office contract has been extended to July 2004 and volumes are expected to rise in line with its suburban network reorganisation.

The service and maintenance business increases *pro rata* to the installed base of primary equipments. Other service related work for third party suppliers is also being secured to improve operational efficiency of the service technicians.

The early months of the current year are trading ahead of plan but the customer/product mix remains predominantly reliant on historical situations. The intended expansion of new products to new customers is still proving to be slow and difficult.

Secure Locking Division

As reported last year Newmark Security Products (NSP) has been building up the infrastructure of the company for anticipated growth in sales. The company has moved from the Group's former head office to its own premises at Milton Keynes where we have been establishing our sales and support team. Turnover in the year increased substantially from £100,000 to nearly £350,000 but this was insufficient to meet the higher level of overheads. A further substantial increase in turnover is anticipated in the current year.

NSP is now one of the most complete and comprehensive electronic locking suppliers in the UK with an extensive range of products, from Strikes to Video Entry Systems, from Access Control to Cabinet Locks.

The NSP name and brand are being recognised by a wider audience. Having recently developed and launched our own XK range of electric strikes which is proving very successful in the UK, we have now started to launch our full portfolio including the XK range and this has been met with enthusiasm which is now being translated into orders.

NSP has also recently been assessed and accredited with ISO 9001, which with our full and extensive product range, dedicated team of professionals and an eye for the future will continue to increase market share and keep NSP amongst the leaders in its field.

Balance Sheet and Cash Flow

The balance sheet shows significant variations from last year in many areas due to the acquisition of Grosvenor Technology. In particular, there is the increase in intangible assets due to the goodwill arising on the acquisition. We have assumed that there would be the full deferred consideration of £3.5 million based on the projected level of profits arising over the next few years, and this is included within creditors due after more than one year after discounting for the net present value in accordance with Financial Reporting Standards. The unwinding of the discount factor is required to be charged to the profit and loss account as notional interest. For the year under review this amounted to £106,000. The acquisition of the Vema shares by share exchange has caused the increase in share capital, creation of merger reserve and reduction of minority interest.

The cash flow in the year reflects the initial cash consideration paid for Grosvenor together with associated costs. However, the cash flow also reflects the payment in the year of the last element of the deferred consideration for an acquisition made in previous years, plus the payments of the costs associated with the sale of the Vema business at the end of the previous year.

Board

Sassie Rajwan left the Group in August this year after over six years as Chief Executive of the Group, and I would like to take this opportunity to thank him on your behalf for all his efforts. He has left to pursue other business interests, and we have subsequently reached agreement for the sale of Drion Security to him. We wish him every success for the future.

Post Balance Sheet Events

Since the year end the Group has agreed terms for the issue of secured loan notes to raise up to £1.5 million. The Loan Note Holders have committed to subscribe in cash for £1 million, and on agreement between the parties, the Loan Note Holders can subscribe in cash for up to a further £0.5 million of Loan Notes. The Loan Notes bear interest at a rate of 6% 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.

With the losses incurred by the company for the last two years and the loss of the prospect for the Algerian export markets, we decided to sell Drion Security to our former Chief Executive who left the Group in August to pursue other business interests. This has necessitated the write off of the unamortised goodwill capitalized on the original acquisition of the company.

Employees

The Board wishes to thank all employees for their efforts during the year. In particular we send our best wishes for the future to the employees of Drion, and to welcome the employees of Grosvenor to the Group.

The Future

With the closure of our operations at Redhill and Rainton Bridge last autumn, we had looked forward to the rest of the year under review with some confidence. The turnover and profit performance of Drion in the year was therefore very disappointing. Both Grosvenor and Safetell have for the current year to date performed ahead of plan and in the case of Grosvenor there are some very interesting potential orders in sight. Overall I look forward to reporting an improved result for the first six months, after excluding the financial effects of Drion. The outlook for the full year at the current time is positive.

M DWEK
Chairman

REPORT OF THE DIRECTORS

The Directors submit their annual report and audited financial statements of the Group for the year ended 30 April 2003.

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 loss on ordinary activities after exceptional items and goodwill amortisation and before interest, tax and minority interest in the year was £2,725,000 (2002: profit £2,315,000).

The operating loss for the year before exceptional items and goodwill amortisation for continuing operations was £1,034,000 (2002: £550,000). Turnover for the year was £8.4 million (2002: £6.5 million for continuing operations). 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.

Change of name

The name of the Company was changed from Newmark Technology Group PLC to Newmark Security PLC during the year.

Share Capital

By a special resolution passed at last year's annual general meeting:

(i) each of the unissued ordinary shares of 5p each in the capital of the Company were sub-divided into five ordinary shares of 1p each; and

(ii) each of the issued ordinary shares of 5p each in the capital of the Company were sub-divided and converted into one ordinary share of 1p each and one deferred share of 4p each.

During the year, the Company issued 90,314,814 ordinary shares of 1p each to acquire 60,209,877 Global Depository Receipts of Vema N.V.

Acquisitions and disposals

During the year the company acquired 100 per cent of the share capital of Grosvenor Technology Limited for an initial consideration of £3,287,000. A further maximum deferred consideration of £3.5million may be payable when the accounts for the 48 month period ended 31 October 2006 have been agreed. If the average annual profit before tax is less than or equal to £450,000, the deferred consideration will be nil. If the average profits before tax is greater than £450,000, the deferred consideration will be the average annual profit before tax less £450,000 multiplied by seven subject to a maximum deferred consideration of £3.5million.

The company also made an offer to the Global Depository Receipts ("GDR") holders of Vema N.V. for the 49 per cent of the issued share capital of that company not already owned by Newmark. The offer represented 1.5 Newmark shares for each GDR. As at 30 April 2003, acceptances had been received for GDR's so that the Group owned 92 per cent of Vema N.V. at 30 April 2003.

Since the year end, the Group has sold its investment in Drion Security for a maximum deferred consideration of €500,000 subject to the level of profits achieved in the future. The deferred consideration will be payable in three annual instalments commencing in 2006.

Directors

The Directors who served during the year were as follows:

M Dwek
S Rajwan
B Beecraft
M Rapoport
A Reid

S Rajwan resigned as a director on 27 August 2003.

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

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

Directors' interests

The beneficial and other interests of the Directors in the shares of the Company as at 30 April 2002 (or the date of their appointment to the Board, if later) and 30 April 2003 were as follows:

	Percentage holding at 30 April 2003	30 April 2003	30 April 2002 (or date of appointment if later)
M Dwek[(a)]	7.8%	16,575,000	15,075,000
M Rapoport	5.0%	10,555,000	1,605,000
A Reid[(b)]	15.5%	32,858,238	25,208,238

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

(b) These shares are in part held in the name of R.K. Harrison & Co. Limited, a company the issued equity share capital of which is, at the date of this report, owned as to 70.7 per cent by A Reid of which 64.5 per cent is a beneficial holding and 6.2 per cent is a non beneficial holding, and the R.K. Harrison Retirement Benefit Scheme in which A Reid has a beneficial interest.

There were no changes in these holdings to the date of this document. Since the year end the Group has agreed terms for the issue of secured loan notes to raise up to £1.5 million. The Loan Note Holders have committed to subscribe in cash for £1 million, and on agreement between the parties, the Loan Note Holders can subscribe in cash for up to a further £0.5 million of Loan Notes. 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. Since the year end parties related to M Dwek and A Reid have subscribed for £360,000 and £90,000 of loan stock respectively.

The interests of Directors (and related parties) in Share Option Schemes operated by the Company at 30 April 2002 and 2003 were as follows:

	Number of Ordinary Shares under the Approved Scheme 30 April 2003	Number of Ordinary Shares under the Unapproved Scheme 30 April 2003	Number of Ordinary Shares under the Approved Scheme 30 April 2002	Number of Ordinary Shares under the Unapproved Scheme 30 April 2002
M Dwek	–	5,000,000	–	–
S Rajwan	420,000	3,180,000	420,000	1,680,000
B Beecraft	500,000	1,000,000	375,000	375,000

The Directors had no other interests in the shares or share options of the Company or its subsidiaries. S. Rajwan has left the Company since the year end, and hence his options have lapsed.

Research and development

The Group is committed to on-going research and development. The strategy is based upon market demand to meet identified security needs in conjunction with a commercial assessment of the short to medium term profitability of each project. The amount of the costs incurred in the year are shown in note 3(b) to the accounts.

Substantial shareholdings

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

	Percentage of class	Number of shares
Credit Suisse First Boston Nominees	3.8%	8,100,000
M V. Beheer BV	6.4%	13,447,725
HSBC Global Custody Nominee (UK) Limited	3.2%	6,666,666
Pershing Keen Nominees Limited	3.1%	6,565,000
PH Nominees Limited	4.5%	9,437,000

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 continually review and improve its environmental performance and, in doing so, seeks the input of architects, engineers and other professional advisers.

Payment of suppliers

The Group requires its operational management to settle terms of payment with suppliers when agreeing the terms of the transaction to ensure that suppliers are aware of these terms and to abide by them. Trade creditors at the year end were 58 days (2002: 79 days) of average supplies for the period.

Corporate governance

The Company has complied throughout the year with the provisions set out in Section 1 of the Principles of Good Governance and Code of Best Practice ("the Combined Code") which embraces the work of the Cadbury, Greenbury and Hempel Committees, in so far as this is practical and appropriate for a small public limited company. This statement indicates several ways in which the Company does not comply with the Combined Code.

At 30 April 2003, the Board comprised an Executive Chairman, two Executive Directors 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. There was a clear division of responsibilities between the Chairman and Chief Executive during the year. The Chairman takes responsibility for the conduct of the Group and overall strategy. The Chief Executive has left the Group since the year end.

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

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

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

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

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

The Directors acknowledge their responsibility for the Group's systems of internal financial control which are designed to provide reasonable assurance that the assets of the Group are safeguarded and that transactions are properly authorised and recorded.

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 12 and 13.

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

Directors' responsibilities

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

- select suitable accounting policies and apply them consistently;
- 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 for the re-appointment of BDO Stoy Hayward, Chartered Accountants, as auditors of the Company is to be proposed at the Annual General Meeting.

By order of the Board

B BEECRAFT
Secretary

31 October 2003

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 2003 comprised only the two existing Non-Executive Directors, Michel Rapoport and Alexander Reid.

Michel Rapoport was previously President and Chief Executive Officer of Mosler Inc., a manufacturer and integrator of security systems for banking, industrial and commercial organisations. Prior to that he was Vice President of Pitney Bowes International and Chairman of Pitney Bowes France. He is Chairman of Chloralp S.A., a chloralkali manufacturer in Grenoble, France, and President of La Roche Industries Inc., an ammonia distributor based in Atlanta, U.S.A.

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

Remuneration policy

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

Service and consultancy agreements

The Company entered into a Consultancy Agreement with Arbury Inc., on 1 September 1997 for the services provided to the Company by Mr Dwek. The Agreement may be terminated by either party subject to 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.

On 4 April 2001, Arbury Inc. entered into a consultancy agreement with Vema N.V. (a subsidiary company) pursuant to which Mr Dwek acts as Chairman of that Company. This agreement was terminated during the year.

On 30 April 1997, the Company entered into a Service Agreement with Mr Rajwan which has been terminated since the year end.

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.

On 4 April 2001 R.K. Harrison & Company Limited entered into a consultancy agreement with Vema N.V. pursuant to which Mr Reid acts as Finance Director of Vema N.V.. This agreement was terminated during the year.

Directors' emoluments

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

	Consultancy/ management agreement	Termination payments	Salary	Benefits in kind	Fees	Total	Pension contri– butions
	£000	£000	£000	£000	£000	£000	
Executive Directors							
M Dwek[(a)]	212	62	–	–	–	274	–
S Rajwan[(b)]	–	–	140	21	–	161	13
B Beecraft	–	–	89	6	–	95	–
Non-Executive Directors							
A Reid[(c)]	8	16	–	–	7	31	–
M Rapoport	–	–	–	–	7	7	–
	220	78	229	27	14	568	13
2002	174	–	179	24	224	601	11

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

(a) The Company paid a consultancy fee of £179,821 (2002: £121,000) to Arbury Inc., a company 51 per cent owned by M Dwek which covers salary, pension and car benefits. A consultancy fee of £31,895 (2002: £52,903) was paid to Arbury Inc., by Vema NV for services as Chairman of that company. In addition, Vema paid a fee to Arbury Inc., of £61,904 for the termination of his consultancy contract with that company.

(b) The salary of S Rajwan includes a special fee of £40,000 for working in Belgium at Drion. The pension contributions in respect of S Rajwan were for a money purchase pension scheme.

(c) Directors' fees in respect of A Reid of £7,500 (2002: £7,500) were paid by the Company to R. K. Harrison & Co. Limited. Vema NV paid fees to R. K. Harrison & Co. Limited of £8,045 (2002: £14,135) for services as director of that company. In addition, Vema paid a fee to R. K. Harrison & Co. Limited, of £16,193 for the termination of his management contract with that company

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 2003 on pages 15 to 35 which have been prepared under the accounting policies set out on pages 19 and 20.

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 statement 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 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 2003, and of the loss of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

BDO Stoy Hayward
Chartered Accountants
Registered Auditors

31 October 2003

London

CONSOLIDATED PROFIT AND LOSS ACCOUNT
For the year ended 30 April 2003

	Notes	2003 Before goodwill and exceptional items £000	2003 Goodwill and exceptional items £000	2003 Total £000	2002 Total £000
Turnover	2				
Continuing operations		6,622	–	6,622	6,479
Acquisitions		1,748	–	1,748	–
Discontinued operations		23	–	23	5,548
		8,393	–	8,393	12,027
Cost of sales		(5,720)	–	(5,720)	(7,785)
Gross profit		2,673	–	2,673	4,242
Administrative expenses pre amortisation of goodwill and exceptional items		(3,932)	–	(3,932)	(5,194)
Reorganisation and restructuring costs	3(c)	–	–	–	(391)
Amortisation of goodwill		–	(1,093)	(1,093)	(128)
Administrative expenses – total		(3,932)	(1,093)	(5,025)	(5,713)
Other operating income	3(d)	–	–	–	597
Operating (loss)/profit	3				
Continuing operations		(1,146)	(1,093)	(2,239)	(1,431)
Acquisitions		112	–	112	–
Discontinued operations		(225)	–	(225)	557
		(1,259)	(1,093)	(2,352)	(874)
Profit on part disposal of investment in subsidiary company	3(e)	–	–	–	182
(Loss)/profit on closure/disposal of business and net trading assets	3(f)	–	(373)	(373)	3,007
(Loss)/profit on ordinary activities before interest		(1,259)	(1,466)	(2,725)	2,315
Interest receivable		67	–	67	–
Interest – discount charge on deferred consideration	4	(106)	–	(106)	–
Interest payable	4	(34)	–	(34)	(55)
(Loss)/profit on ordinary activities before taxation		(1,332)	(1,466)	(2,798)	2,260
Tax on (loss)/profit on ordinary activities	6	–	–	–	(1,517)
(Loss)/profit on ordinary activities after taxation		(1,332)	(1,466)	(2,798)	743
Minority interest	18	78	–	78	(1,702)
Loss for the financial year		(1,254)	(1,466)	(2,720)	(959)
Dividends		–	–	–	–
Amount withdrawn from reserves	17	(1,254)	(1,466)	(2,720)	(959)
				pence	pence
Loss per share	7				
– basic and diluted				(1.6p)	(0.8p)
– before exceptional items and goodwill amortisation				(0.8p)	(0.5p)

BALANCE SHEETS
As at 30 April 2003

	Notes	Group 2003 £000	Group 2002 £000	Company 2003 £000	Company 2002 £000
Fixed assets					
Intangible assets	8	5,585	2,014	–	–
Tangible assets	9	1,844	1,344	19	–
Investments	10	–	–	15,214	7,218
		7,429	3,358	15,233	7,218
Current assets					
Stocks	11	1,239	773	–	–
Debtors: amounts falling due within one year	12	2,389	1,994	71	2,601
Debtors: amounts falling due after more than one year	12	–	–	751	–
Cash at bank and in hand		806	6,409	–	–
		4,434	9,176	822	2,601
Creditors: amounts falling due within one year	13	(4,706)	(5,022)	(9,728)	(2,662)
Net current (liabilities)/assets		(272)	4,154	(8,906)	(61)
Total assets less current liabilities		7,157	7,512	6,327	7,157
Creditors: amounts falling due after more than one year	14	(3,263)	(525)	(2,798)	–
Provisions for liabilities and charges	15	(217)	(453)	–	–
		3,677	6,534	3,529	7,157
Capital and reserves					
Called up share capital	16	6,963	6,060	6,963	6,060
Share premium	17	5,151	5,194	5,151	5,194
Merger reserve	17	801	–	801	–
Profit and loss reserve	17	(9,585)	(6,750)	(9,386)	(4,097)
Equity shareholders' funds		3,330	4,504	3,529	7,157
Minority interests	18	347	2,030	–	–
		3,677	6,534	3,529	7,157

The financial statements were approved by the Board of Directors on 31 October 2003 and were signed on its behalf by:

M DWEK
Chairman

B BEECRAFT
Finance Director

CONSOLIDATED CASH FLOW STATEMENT
For the year ended 30 April 2003

	Notes	2003 £000	2002 £000
Net cash outflow from operating activities	19	(3,172)	(458)
Returns on investments and servicing of finance			
Interest received		67	–
Interest paid		(34)	(55)
Net cash inflow/(outflow) from returns on investments and servicing of finance		33	(55)
Taxation		–	(145)
Capital expenditure and financial investment			
Purchase of tangible fixed assets		(349)	(200)
Receipts from sale of tangible fixed assets		31	–
Net cash outflow from capital expenditure and financial investment		(318)	(200)
Acquisitions			
Purchase of subsidiary undertakings		(3,870)	–
Net cash acquired on purchase of subsidiary undertakings		1,104	–
Net cash outflow from acquisitions		(2,766)	–
Disposals			
Proceeds on sale of subsidiary undertaking, and business and trading assets		–	5,525
Net overdraft disposed of with business		–	61
Net cash inflow from disposals		–	5,586
Net cash (outflow)/inflow before financing		(6,223)	4,728
Financing			
Proceeds from flotation of Vema	3(e)	–	2,880
Costs related to flotation of subsidiary		–	(705)
New finance loans		58	–
Repayment of loans		(151)	(1,029)
		(93)	1,146
Expenses paid in connection with share issues		(43)	–
Net cash inflow from financing		(136)	1,146
(Decrease)/increase in cash	21	(6,359)	5,874

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
For the year ended 30 April 2003

	2003 £000	2002 £000
Loss for the financial year	(2,720)	(959)
Exchange difference on translation of net assets and results of subsidiary undertakings	(115)	(66)
Total recognised gains and losses relating to the year	(2,835)	(1,025)

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS
For the year ended 30 April 2003

GROUP

	2003 £000	2002 £000
Loss for the financial year	(2,720)	(959)
New share capital subscribed (net of issue costs)	1,661	–
Goodwill on disposal of business and trading assets	–	3,460
Exchange difference on translation of net assets and results of subsidiary undertakings	(115)	(66)
Net (reduction)/increase to shareholders' funds	(1,174)	2,435
Opening shareholders' funds	4,504	2,069
Closing shareholders' funds	3,330	4,504

COMPANY

	2003 £000	2002 £000
Loss for the financial year	(5,289)	(1,360)
New share capital subscribed (net of issue costs)	1,661	–
Reduction to shareholders' funds	(3,628)	(1,360)
Opening shareholders' funds	7,157	8,517
Closing shareholders' funds	3,529	7,157

Notes to the financial statements
For the year ended 30 April 2003

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 incurred a loss for the year ended 30 April 2003 of £2,798,000, and had net current liabilities of £272,000 and net assets of £3,677,000 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;

(b) trading and cash flow forecasts and

(c) the issue of secured loan notes after the year end, referred to more fully in note 26 below.

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 costs of acquisition and the fair value of the net tangible assets acquired.

In accordance with Financial Reporting Standard 10 ("FRS 10"), goodwill arising on the acquisition of subsidiaries is capitalised as an intangible asset and amortised over its useful economic life. 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.

Impairment of fixed assets and goodwill

The need for any fixed asset impairment right down is assessed by comparing the carrying value of the asset against the higher of realisable value and value in use.

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.

Intellectual property rights and development costs

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

Tangible fixed assets

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

Freehold land	Nil
Freehold buildings	5% per annum
Plant and machinery	20% per annum
Fixtures and fittings	10% per annum

Motor vehicles	25% per annum
Computer equipment	25% per annum

Leased assets and obligations

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

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

Fixed asset investments

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

Stock and work in progress

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

Deferred taxation

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.

The Company also made contributions in respect of S. Rajwan. Other employees of the Group contribute to state schemes. Contributions are charged to the profit and loss account when paid.

2. Analysis by geographical area

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

Turnover	**2003 By origin £000**	**2002 By origin £000**	**2003 By destination £000**	**2002 By destination £000**
UK	7,059	4,918	6,912	4,518
Europe	1,334	7,109	1,344	7,270
Rest of the World	–	–	137	239
Total	8,393	12,027	8,393	12,027

2. Analysis by geographical area (continued)

(Loss)/profit before tax

	2003 Before goodwill and exceptional items £000	2003 Goodwill and exceptional items £000	2003 Total £000	2002 Total £000
UK	(495)	(355)	(850)	(786)
Europe	(766)	(1,072)	(1,838)	3,408
Rest of the World	(71)	(39)	(110)	(362)
	(1,332)	(1,466)	(2,798)	2,260

Net Assets

	2003 Net assets £000	2002 Net assets £000
UK	2,306	550
Europe	2,141	6,708
Rest of the World	(770)	(724)
	3,677	6,534

3. Operating loss

(a) Continuing and discontinued operations

	2003 Continuing operations £000	2003 Acquisitions £000	2003 Discontinued operations £000	2003 Total £000	2002 Continuing operations £000	2002 Discontinued operations £000	2002 Total £000
Sales	6,622	1,748	23	8,393	6,457	5,570	12,027
Cost of sales	(4,581)	(1,139)	–	(5,720)	(4,565)	(3,220)	(7,785)
Gross profit	2,041	609	23	2,673	1,892	2,350	4,242
Administrative expenses pre-amortisation of goodwill and exceptional items	(3,187)	(497)	(248)	(3,932)	(3,039)	(2,155)	(5,194)
Reorganisation and restructuring costs	–	–	–	–	(391)	–	(391)
Amortisation of goodwill	(287)	–	–	(287)	(128)	–	(128)
Impairment of goodwill	(806)	–	–	(806)	–	–	–
Administrative expenses in total	(4,280)	(497)	(248)	(5,025)	(3,558)	(2,155)	(5,713)
Other operating income	–	–	–	–	597	–	597
Operating (loss)/profit	(2,239)	112	(225)	(2,352)	(1,069)	195	(874)

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

Group	2003 £000	2002 £000
Depreciation of tangible fixed assets	219	241
Amortisation of goodwill	287	128
Impairment of goodwill	806	–
Research and development	166	70
Auditors' remuneration:		
Parent company auditors		
Audit fees	32	35
Non audit fees	8	2
Other auditors		
Audit fees	6	67
Non audit services	4	9
Operating lease rentals:		
Property	152	141
Motor vehicles and computer equipment	92	173

(c) Reorganisation and restructuring costs comprised:

	2003 £000	2002 £000
Accrual for staff termination costs	–	105
Provision for unexpired portion of property and other operating leases related to Newmark Technology Limited	–	220
Exceptional depreciation of fixed assets owned by Newmark Technology Limited	–	21
Termination costs for restructuring in another subsidiary company	–	45
	–	391

(d) Other operating income

Other operating income in 2002 represented monies received from Lik On Security Limited in settlement of their purchasing commitment.

(e) Profit on part disposal of investment in subsidiary

	2003 £000	2002 £000
Proceeds from partial disposal of investment in subsidiary	–	2,880
Goodwill on partial disposal of investment	–	(1,695)
Costs of flotation and share issue	–	(705)
Share of net assets relating to minority interests at date of flotation	–	(298)
	–	182

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

(f) (Loss)/profit on closure/disposal of business and trading assets

	2003 £000	2002 £000
Proceeds of sale received	–	5,525
Retention receivable	–	532
Net assets disposed of	–	(1,047)
Goodwill on disposal of investment in subsidiary	–	(1,760)
Cost of disposal	–	(243)
Net profit on disposal	–	3,007
Under provision for costs of closure/disposal in prior years	(228)	–
Costs of closure of operation in year	(145)	–
(Loss)/profit on closure/disposal of business and net trading assets	(373)	3,007

4. Interest payable and similar charges

	2003 £000	2002 £000
Discount charge on deferred consideration	106	–
Bank loans, overdrafts and other short term finance	34	55
	140	55

5. Employees and directors

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

	Number	Number
Management, sales and administration	73	72
Production	60	66
	133	138

The costs incurred in respect of these employees were:

	£000	£000
Wages and salaries	3,238	3,322
Social security costs	537	520
Other pension costs	138	134
	3,913	3,976

Directors emoluments

	2003 £000	2002 £000
Aggregate emoluments	490	601
Aggregate contributions under money purchase scheme	13	11
Aggregate payments for compensation for loss of office	78	–
Emoluments of highest paid director	274	319
Aggregate contributions under money purchase scheme for highest paid director	–	–
	Number	**Number**
Number of directors receiving benefit under money purchase scheme	1	1

6. Taxation

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

	2003 £000	2002 £000
UK Corporation taxation	–	–
Overseas taxation	–	122
Deferred taxation	–	–
Taxation charge on loss for the year before exceptional items	–	122
Taxation on gain on disposal of business and trading assets	–	1,395
	–	1,517

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

The differences are explained below:

	2003 £000	2002 £000
(Loss)/profit on ordinary activities before taxation	(2,798)	2,260
(Loss)/profit on ordinary activities at the standard rate of UK corporation tax of 30% (2002: 30%)	(839)	678
Effects on profits of items not deductible for the tax purposes	12	267
Tax losses carried forward	541	338
Timing differences including capital allowances in excess of depreciation dealt with under deferred tax	47	(3)
Impairment goodwill amortisation	242	–
Interest discount charge on deferred consideration	32	–
Grossing up of foreign income	2	2
Double tax relief	(6)	(6)
Adjustment to tax charge in respect of previous periods	–	2
Higher tax rates on overseas earnings	(31)	239
Current tax charge for year	–	1,517

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:

	2003 £000	2002 £000
Management expenses	140	83
Non-trading deficit	4	4
Trading losses	3,532	2,905
Capital losses	792	792

7. Loss per share

The calculation of the basic loss per ordinary share is based on a loss of £2,720,000 (2002: loss £959,000) and the weighted average number of shares in issue during the year of 174,364,102 (2002: 121,208,952). The options in issue have no dilutive effect.

The basic loss per share before goodwill amortisation and exceptional items has also been presented since, in the opinion of the directors, this provides shareholders with a more appropriate measure of earnings derived from the Group's businesses. It can be reconciled to basic loss per share as follows:

	2003	2002
Basic loss per share (pence)	(1.6)	(0.8)
Goodwill amortisation and exceptional items per share	0.8	0.3
Loss per share before goodwill amortisation and exceptional items	(0.8)	(0.5)

8. Intangible fixed assets

Group	Goodwill £000
Cost	
At 1 May 2002	2,328
Acquisitions in the year	4,664
At 30 April 2003	6,992
Amortisation	
At 1 May 2002	(314)
Charge for the year	(287)
Impairment	(806)
At 30 April 2003	(1,407)
Net book value	
At 30 April 2003	5,585
At 30 April 2002	2,014

9. Tangible fixed assets

Group

	Freehold land and buildings £000	Plant, machinery & motor vehicles £000	Computers, fixtures & fittings £000	Total £000
Cost				
At 1 May 2002	1,331	1,060	427	2,818
Additions	59	213	77	349
Disposals	(3)	(209)	(128)	(340)
Acquisition of subsidiary	28	501	32	561
Exchange adjustment	160	101	13	274
At 30 April 2003	1,575	1,666	421	3,662
Depreciation				
At 1 May 2002	188	918	368	1,474
Charge for the year	26	143	50	219
Disposals	–	(182)	(127)	(309)
Acquisition of subsidiary	20	262	24	306
Exchange adjustment	13	108	7	128
At 30 April 2003	247	1,249	322	1,818
Net book value				
At 30 April 2003	1,328	417	99	1,844
At 30 April 2002	1,143	142	59	1,344

Company

	Computers, fixtures & fittings £000	Total £000
Cost		
Additions	23	23
At 30 April 2003	23	23
Depreciation		
Charge for the year	4	4
At 30 April 2003	4	4
Net book value		
At 30 April 2003	19	19

10. Fixed asset investments

Company

Investment in subsidiary companies

Cost	£000
At 1 May 2002	9,347
Additions	9,246
Disposals	(3,379)
At 30 April 2003	15,214
Provision for impairment	
At 1 May 2002	2,129
Disposals	(2,129)
At 30 April 2003	–
Net book value	
At 30 April 2003	15,214
At 30 April 2002	7,218

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	Trading	England & Wales	Ordinary
Newmark Security Products Limited	Trading	England & Wales	Ordinary
Newmark Technology (C-Cure Division) Limited	Dormant	England & Wales	Ordinary
Vema B.V.	Holding	The Netherlands	Ordinary
Vema N.V.(3) (92% owned)	Property	The Netherlands	Ordinary
Newmark Technology S.A.	Holding	Belgium	Ordinary
Drion Security S.A.(2)	Trading	Belgium	Ordinary
Safetell International Limited	Holding	England & Wales	Ordinary and Redeemable Preference
Safetell Limited(1)	Trading	England & Wales	Ordinary
Safetell Security Screens Limited(1)	Trading	England & Wales	Ordinary
Newmark Onroerend Goed B.V.(2)	Property	Belgium	Ordinary
Newmark Technology Inc.	Dormant	USA	Ordinary
Vema U.K. Limited(4)	Finance	England & Wales	Ordinary
Concept Hardware & Security Solutions Limited(5)	Trading	England & Wales	Ordinary
Grosvenor Technology Limited	Trading	England & Wales	Ordinary
Newmark Group Limited	Dormant	England & Wales	Ordinary
Newmark Security Limited	Dormant	England & Wales	Ordinary

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

(1) Owned by Safetell International Limited

(2) Owned by Newmark Technology S.A.

(3) Owned by Vema B.V.

(4) Owned by Vema N.V.

(5) Owned by Newmark Security Products Limited

11. Stocks

	2003 Group £000	2002 Group £000	2003 Company £000	2002 Company £000
Raw materials	472	470	–	–
Work in progress	236	139	–	–
Finished goods	531	164	–	–
	1,239	773	–	–

12. Debtors

Amounts falling due within one year	2003 Group £000	2002 Group £000	2003 Company £000	2002 Company £000
Trade debtors	1,818	1,005	–	–
Amounts owed by subsidiary undertakings	–	–	61	2,577
Other debtors	312	793	–	–
Deferred tax asset (Note 15)	46	46	–	–
Prepayments and accrued income	213	150	10	24
	2,389	1,994	71	2,601
Debtors: amounts falling due after more than one year	–	–	751	–

13. Creditors: amounts falling due within one year

	2003 Group £000	2002 Group £000	2003 Company £000	2002 Company £000
Bank loans and overdrafts (note 14)	261	152	28	–
Trade creditors	881	995	–	–
Amounts due to group companies	–	–	9,534	2,619
Corporation tax	1,709	1,475	–	–
Other taxation and social security	499	104	–	–
Obligations under finance leases and hire purchase contracts	14	–	–	
Other creditors	494	1,763	–	20
Accruals and deferred income	848	533	166	23
	4,706	5,022	9,728	2,662

Other creditors within the Group includes an amount of £Nil (2002: £29,775) in respect of a factoring company which was secured on trade debtors of a subsidiary company.

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

	Group 2003 £000	Group 2002 £000	Company 2003 £000	Company 2002 £000
Bank loans and overdrafts	421	525	–	–
Obligations under finance leases and hire purchase contracts	44	–	–	
Other creditors	2,798	–	2,798	–
	3,263	525	2,798	–

Group	2003 Unsecured £000	2003 Secured £000	2002 Unsecured £000	2002 Secured £000
Loans are repayable as follows:				
In one year or less				
Bank loans[a]	–	20	–	9
Bank overdrafts	40	–	–	–
Finance leases	–	14	–	–
Shareholders loan[b]	25	–	–	–
Bank loan[c]	137	–	121	–
Bank loan[d]	–	22	–	15
Bank loan[e]	17	–	7	–
Total within one year	219	56	128	24
In more than one year but not more than two years				
Bank loans[a]	–	10	–	9
Finance leases	–	14	–	–
Bank loan[c]	–	–	121	–
Bank loan[d]	–	18	–	15
Bank loan[e]	11	–	8	–
	11	42	129	24
In more than two year but not more than five years				
Bank loans[a]	–	30	–	26
Finance leases	–	30	–	–
Bank loan[d]	–	54	–	46
Bank loan[e]	–	–	9	–
	–	114	9	72
In more than five years				
Bank loans[a]	–	179	–	168
Bank loan[d]	–	119	–	123
	–	298	–	291
Total after more than one year	11	454	138	387

(a) The bank loan is repayable in quarterly instalments over 24 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 shareholders loan will be set off against the loan notes issued after the year end.

(c) The bank loan is repayable in quarterly instalments over 1 year. Interest is charged at 5.25 per cent per annum.

(d) The bank loan is repayable in quarterly instalments over 14 years and is secured on the freehold property of Newmark Onroerend Goed B.V. Interest is charged at 7.05 per cent per annum.

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

15. Provisions for liabilities and charges

Group	Reorganisation and restructuring provision £000	Rental provision £000	Deferred taxation £000	Other £000	Total £000
At 1 May 2002	220	168	–	65	453
Provided in the year	15				15
Paid in year	(235)	–	–	–	(235)
Released in year	–	(16)	–	–	(16)
At 30 April 2003	–	152	–	65	217

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

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

There is no provision in respect of deferred tax at 30 April 2003 (2002: £Nil). A deferred tax asset of £46,000 (2002: £46,000) is recorded within debtors in respect of timing differences on capital allowances.

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

	2003 £	2002 £
Authorised:		
1,015,164,192 (2002: Nil) Ordinary shares of 1p each	10,151,642	–
121,208,952 (2002: Nil) Deferred shares of 4p each	4,848,358	–
Nil (2002: 300,000,000) Ordinary shares of 5p each	–	15,000,000
	£15,000,000	£15,000,000
Allotted, called up and fully paid:		
211,523,766 (2002: Nil) Ordinary shares of 1p each	2,115,238	–
121,208,952 (2002: Nil) Deferred shares of 4p each	4,848,358	–
Nil (2002: 121,208,952) Ordinary shares of 5p each	–	6,060,450
	£6,963,596	£6,060,450

By a special resolution passed at last year's annual general meeting:

(i) each of the unissued ordinary shares of 5p each in the capital of the Company were sub-divided into five ordinary shares of 1p each; and

(ii) each of the issued ordinary shares of 5p each in the capital of the Company were sub-divided and converted into one ordinary share of 1p each and one deferred share of 4p each.

During the year, the Company issued 90,314,814 ordinary shares of 1p each to acquire 60,209,877 Global Depositary Receipts of Vema N.V.

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

Date of grant	Subscription price payable	2003 Approved	2003 Unapproved	2002 Approved	2002 Unapproved
October 1997	14.5p	448,000	1,708,000	504,000	1,764,000
January 1999	8.25p	250,000	250,000	278,000	278,000
December 2001	5p	125,000	125,000	146,000	546,000
September 2002	2p	125,000	7,575,000	–	–
Total		948,000	9,658,000	928,000	2,588,000

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 2002	5,194	–	(6,750)
Retained loss for the year	–	–	(2,720)
Excess of market value over nominal value of shares issued	–	801	–
Expenses of share issue	(43)	–	–
Exchange differences on foreign currency investments	–	–	(115)
Accumulated reserves at 30 April 2003	5,151	801	(9,585)

The cumulative amount of goodwill eliminated against reserves is £4,079,000 (2002: £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 2002	5,194	–	(4,097)
Excess of market value over nominal value of shares issued	–	801	–
Expenses of share issue	(43)	–	–
Retained loss for the year	–	–	(5,289)
Accumulated reserves at 30 April 2003	5,151	801	(9,386)

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 £5,289,000 (2002: loss £1,360,000).

18. Minority interests

	2003 £000	**2002 £000**
At 1 May	2,030	–
Share of net assets relating to minority interest at date of flotation of Vema	–	312
Minority interest purchased back in year	(1,710)	–
Share of (loss)/profits in year	(78)	1,702
Exchange differences	105	16
At 30 April	347	2,030

19. Reconciliation of operating loss to net cash outflow from operating activities

	2003 £000	**2002 £000**
Operating loss	(2,352)	(874)
Depreciation, amortisation and impairment of goodwill	1,312	369
(Increase) in stocks	(194)	(57)
Decrease in debtors	537	59
(Decrease)/increase in creditors and provisions	(2,475)	(45)
Net cash outflow from operating activities	(3,172)	(458)

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

	2003 £000	**2002 £000**
(Decrease)/increase in cash	(6,359)	5,874
Decrease in debt in the year from cash flows	93	1,029
(Decrease)/increase in net (debt)/funds resulting from cash flows	(6,266)	6,903
Debt disposed of on sale of Vema business and trading assets	–	502
Movement in net (debt)/funds	(6,266)	7,405

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

	April 2002 £000	Cash flow £000	Exchange adjustments £000	April 2003 £000
Cash at bank and in hand	6,409	(6,288)	685	806
Overdrafts	–	(71)	–	(71)
	6,409	(6,359)	685	735
Debt due after one year	(525)	126	(66)	(465)
Debt due within one year	(152)	(33)	(19)	(204)
	(677)	93	(85)	(669)
Net funds	5,732	(6,266)	600	66

22. Financial instruments

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

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

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

Interest rate risk

The Group finances its operations through a mixture of retained profits and bank borrowings. The Group borrows at fixed rates of interest on long term loans to secure the Group's exposure to interest rate fluctuations. At the year end, 100 per cent (2002: 100 per cent) of the Group's borrowings were at fixed rates with Nil per cent (2002: 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. An unsecured loan of Euros 867,000 partly financed the acquisition of Drion in Belgium.

At the year end, 40 per cent (2002: 39 per cent) of the Group's borrowings were due to mature in more than five years.

Foreign currency risk

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

Interest rate risk of financial assets and financial liabilities

The interest rate profile of the Group's financial assets at 30 April 2003 was:

Currency	Total £000	Floating rate financial assets £000	Fixed rate financial assets £000	Financial assets on which no interest is received £000
Sterling	705	705	–	–
Euros	98	98	–	–
Dollars	3	3	–	–
	806	806	–	–

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

Currency	Total £000	Floating rate financial assets £000	Fixed rate financial assets £000	Financial assets on which no interest is received £000
Sterling	954	954	–	–
Euros	5,430	5,430	–	–
Dollars	25	25	–	–
	6,409	6,409	–	–

The interest rate profile of the Group's financial liabilities at 30 April 2003 was:

Currency	Total £000	Floating rate financial liabilities £000	Fixed rate financial liabilities £000	Financial liabilities on which no interest has been paid £000
Euros	682	–	682	–
	682	–	682	–

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

Currency	Total £000	Floating rate financial liabilities £000	Fixed rate financial liabilities £000	Financial liabilities on which no interest has been paid £000
Euros	677	–	677	–
	677	–	677	–

	Fixed rate financial liabilities		Fixed rate financial liabilities	
Currency	Weighted average interest rate 2003 %	Weighted average period for which rate is fixed 2003 Years	Weighted average interest rate 2002 %	Weighted average period for which rate is fixed 2002 Years
Euros	6.1	12.9	6.03	12.44
Total	6.1	12.9	6.03	12.44

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 2003, these exposures were as follows:

	Net foreign currency monetary assets/ (liabilities) in £000		
Functional currency of Group operation	**Euros**	**US dollars**	**Total**
Sterling	(32)	(34)	(66)
Total	(32)	(34)	(66)
As at 30 April 2002:			
Sterling	–	(113)	(113)
Total	–	(113)	(113)

Maturity of financial liabilities

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

	2003 £000	2002 £000
In one year or less or on demand	275	152
In more than one year but not more than two years	53	153
In more than one year but not more than five years	114	81
In more than five years	298	291
	740	677

Borrowing facilities

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

	2003 £000	2002 £000
Expiring in one year or less	Nil	Nil

Fair values of financial liabilities

Set out below is a comparison by category of book values and fair values of the Group's financial liabilities:

	Book values 2003 £000	Fair values 2003 £000	Book values 2002 £000	Fair values 2002 £000
Short-term financial liabilities and current portion of long-term liabilities	275	270	152	150
Long term borrowings	465	404	525	347

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

23. Acquisitions

On 18 September 2002, the Company acquired the entire share capital of Grosvenor Technology Limited ("Grosvenor") for a consideration of:

(i) initial consideration of £2.5 million cash paid on completion and a further £787,000 paid on confirmation that the net asset value and cash of Grosvenor exceeded certain parameters, and

(ii) deferred consideration of up to £3.5 million payable dependent on the average profit before taxation of Grosvenor and Newmark Technology for the four years ending 31 October 2006. On the basis of current projections, this deferred consideration will be payable in full and has been accrued (discounted) in the financial statements.

The assets and liabilities of Grosvenor at the date of acquisition which have been accounted for under acquisition accounting rules were as follows:

	Book value £000
Fixed assets	
Tangible	255
Current assets	
Stocks	237
Debtors	797
Bank and cash	1,104
Total assets	2,393
Creditors	495
Total liabilities	495
Net assets	1,898
Purchased goodwill	4,664
Total purchase consideration	6,562
Comprises:	
Cash	3,287
Discounted deferred consideration	2,692
Costs	583
	6,562

No fair value adjustments were required to the assets and liabilities of Grosvenor at the date of acquisition.

The trading results of Grosvenor for the ten and a half months of that company's statutory accounts for the eighteen months to 30 April 2003 that were earned in the period prior to acquisition and therefore not included in the Group's results, were as follows:

	£000
Turnover	2,691
Operating profit	340
Interest	26
Profit before tax	366
Taxation	(28)
Profit after tax	338

The statement of total recognised gross and losses for the ten and a half months of that company's statutory accounts for the eighteen months to 30 April 2003 was as follows:

	£000
Profit for the financial period	338
Total recognised gains and loss relating to the period	338

The profit after tax of Grosvenor for the previous twelve months' statutory accounts was £548,000.

24. Other financial commitments

At 30 April 2003, the Company had annual commitments under non-cancellable operating leases as follows:

	2003 £000	2002 £000
Plant and equipment		
in one year or less	4	128
in more then one year but not more than two years	20	13
in more than two year but not more than five years	21	17
in more than five years	–	–
Property leases		
in one year or less	40	–
in more than one year but not more than two years	32	67
in more than two years but not more than three years	20	–
in more than five years	79	78

25. Related party transactions

(a) A Reid is a director of the Company and has a controlling interest in R.K. Harrison & Co. Limited. R.K. Harrison & Co. Limited received director's fees of £7,500 from the Company during the year (2002: £7,500) in respect of Mr. Reid. Vema NV paid fees of £8,045 (2002: £14,135) to R. K. Harrison & Co. Limited for services as director of that company. In addition Vema paid a fee to R. K. Harrison & Co. Limited of £16,193 for the termination of his management contract with that company.

(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 £179,821 (2002: £121,000) in the year. A consultancy fee of £31,985 (2002: £52,903) was paid to Arbury Inc. by Vema NV for services as Chairman of that Company. In addition Vema paid a fee to Arbury Inc., of £61,904 for the termination of his consultancy contract with that company.

(c) Amounts totalling £2,700 (2002: £4,521) were paid on an arm's length basis during the year to a company of which B Beecraft is a director, in respect of consultancy and other accountancy services. The amounts outstanding at 30 April 2003 was £Nil (2002: £Nil).

These amounts are included in directors emoluments.

26. Post balance sheet events

(a) Since the year end the Group has agreed terms for the issue of secured loan notes to raise up to £1.5 million. The Loan Note Holders have committed to subscribe in cash for £1 million and, on agreement between the parties, the Loan Note Holders can subscribe in cash for up to a further £0.5 million of Loan Notes. The Loan Notes bear interest at a rate of 6% 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.

(b) Agreement has been reached to sell Drion Security S.A. to the former Chief Executive of the Group for a deferred consideration of up to Euro 0.5 million payable over 5 years subject to certain levels of profit being achieved.

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Annual General Meeting of the members of Newmark Security PLC will be held at the offices of Newmark Security PLC, Suite 3, 23 Bruton Street, London W1J 6QF on 1 December 2003 at 2.30 p.m. for the purpose of considering and, if thought fit, passing the following resolutions of which numbers 1 to 4 will be proposed as Ordinary Resolutions and number 5 as a Special Resolution:

ORDINARY BUSINESS

1. To receive, consider and adopt the report of the Directors, and the annual accounts for the period ended 30 April 2003 and the auditors' report thereon.

2. To re-appoint M Dwek as a director of the Company.

3. To re-appoint BDO Stoy Hayward as auditors and to authorise the directors to determine their remuneration.

4. Directors' authority to allot shares

That the Directors be, and they are hereby, generally and unconditionally authorised pursuant to section 80 of the Companies Act 1985 (the "Act"), in substitution for any existing authorities conferred upon the Directors pursuant to that section, to exercise all the powers of the Company to allot relevant securities of the Company (as defined in that section) to such persons at such times and on such terms as they think proper up to an aggregate nominal amount equal to £2,580,000, such authority to expire upon the earlier of the conclusion of the next Annual General Meeting of the Company or the date (if any) on which the said authority is revoked, varied or renewed, save that the Company may, prior to the expiry of such period, make any offer or agreement which would or might require relevant securities to be allotted after the expiry of such period and the Directors may allot relevant securities in pursuance of such offer or agreement notwithstanding such expiry.

5. Partial exclusion of pre-emption rights

That, subject to the passing of resolution 4 above, the Directors be and they are hereby empowered pursuant to section 95(1) of the Act to allot equity securities (as defined in Section 94(2) of the Act) of the Company for cash pursuant to the general authority of the Directors under section 80 of the Act conferred by resolution 4 above as if the provisions of section 89(1) of the Act did not apply to such allotment provided that the power conferred by this Resolution shall be limited to the allotment:

(a) of equity securities in connection with an offer of such securities by way of rights to holders of ordinary shares in proportion (as nearly as may be practical) to their respective holdings of such shares but subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements or any legal or practical problems under the laws of any territory or the requirements of any regulatory body or stock exchange; and

(b) otherwise than pursuant to paragraph (a) above, of equity securities (to the extent that they are relevant shares within the meaning of Section 94 of the Act or to the extent that they are other equity securities giving the right to subscribe for or convert into relevant shares) up to an aggregate nominal amount not exceeding £1,880,000, such power to expire at the earlier of the conclusion of the next Annual General Meeting of the Company or 15 months from the date of this resolution whichever is the earlier, save that the Company may, prior to the expiry of such period, make any offer or agreement which would or might require equity securities to be allotted after the expiry of such period and the Directors may allot equity securities in pursuance of such offer or agreement notwithstanding such expiry.

By order of the Board
B G Beecraft

31 October 2003
Registered Office
Suite 3
23 Bruton Street
London W1J 6QF

Notes:

1. A member entitled to attend and vote at the meeting may appoint one or more proxies to attend and, on a poll, to vote instead of him. A proxy need not be a member of the company.
2. In relation to uncertificated shares, only those persons who are registered on the relevant register 48 hours before the time of the meeting shall be entitled to attend and vote at the 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 30 November 2003 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;
   (b) a copy of every service contract between the company and any Director of the company.
4. Valid forms of proxy, duly signed, together with the Power of Attorney or authority (if any) under which they are signed (or a certified copy of such power or authority) must be lodged with the Company Secretary at the Registered Office by no later than 2.30 p.m. on 29 November 2003. Completion of a form of proxy will not affect the right of a member to attend and vote at the meeting.
5. Pursuant to Regulation 41 of the Uncertificated Securities Regulation 2001, the time by which a person must be entered on the register of members in order to have the right to attend and vote at the Extraordinary General Meeting is 2.30 p.m. on 29 November 2003 (being not more than 48 hours prior to the time fixed for the meeting) or, if the Meeting is adjourned, such time being not more than 48 hours prior to the time fixed for the adjourned meeting. Changes to entries on the register of members after that time will be disregarded in determining the right of any person to attend or vote at the 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 existing warrants and options granted by the Company and 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 2004 or until such time as the authority is revoked, varied or renewed whichever is earlier. It replaces all previous authorities and is in line with the institutional guidelines followed by other publicly listed companies.
8. 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 sufficient shares to cover the existing warrants and options of the Company and to allot shares up to an aggregate nominal amount of five 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 or 15 months from the date of the passing of this resolution whichever is earlier.

NEWMARK SECURITY PLC

Form of Proxy

Annual General Meeting

I/We (name(s) in full)..

of ....

....

....

being (a) holder/holders of Ordinary Shares of the above-named Company and entitled to vote at general meetings thereof hereby appoint the Chairman of the meeting or

....

as my/our proxy to vote for me/us on my/our behalf at the Annual General Meeting of the holders of Ordinary Shares of the Company to be held at 2.30 p.m. on 1 December 2003, and at any adjournments thereof, and direct the proxy to vote for/against the resolutions to be proposed thereat as detailed below.

Note:
If it is desired to appoint any other person, please insert his/her name and address above and delete the words "the Chairman of the meeting or".

Signed..

Date...

Please indicate with an "X" in the appropriate box below how you wish your vote to be cast. If the form is returned without any indication as to how the proxy shall vote on any particular matter, the proxy will vote or may abstain as he/she thinks fit.

		For	Against
1.	To receive the report of the Directors and the annual accounts for the period ended 30 April 2003 and the auditors report thereon		
2.	To re-appoint M Dwek as a director of the Company		
3.	To re-appoint BDO Stoy Hayward as auditors and to authorise the directors to determine their remuneration		
4.	To generally and unconditionally authorise the Directors to allot securities pursuant to section 80 of the Companies Act 1985		
5.	To partially disapply the statutory pre-emption rights pursuant to section 95(1) of the Companies Act 1985		

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