Report and Financial Statements

Year ended 30 April 2008

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DIRECTORS, SECRETARY AND ADVISERS

Country of incorporation of parent company:	Great Britain
Legal form:	Public Limited Company
Directors:	M. Dwek B. Beecraft A. Reid M. Rapoport
Secretary and registered office:	B. Beecraft, 57 Grosvenor Street, London W1K 3JA
Company number:	3339998
Auditors:	BDO Stoy Hayward LLP, 55 Baker Street, London W1U 7EU
Nominated Adviser:	Seymour Pierce Limited, 20 Old Bailey, London EC4M 7EN
Brokers:	Dowgate Capital PLC, Talisman House, Jubilee Walk, Three Bridges, Crawley, West Sussex RH10 1LQ
Registrars:	Capita Registrars, Northern House, Woodsome Park, Feney Bridge, Huddersfield, West Yorkshire HD8 0LA
Solicitors:	Field Fisher Waterhouse, 35 Vine Street, London EC3N 2AA

CHAIRMAN'S STATEMENT

Overview

The year has been a period of further growth across all divisions. The merger of Grosvenor Technology Limited ("GT") and Custom Micro Products Limited ("CMP") was completed on 31 January 2008 with the transfer of the business, assets and liabilities from CMP to GT. Unfortunately this resulted in a number of redundancies including staff who had been with the Group for a number of years. The cost of the restructuring of £159,000 has been charged to the income statement in the year. Due to the timing of the completion of the merger the cost savings in the current year were not significant but are expected to result in annualised savings of £350,000 in the future.

In addition, the euro denominated loan notes issued by way of deferred consideration for the acquisition of Grosvenor Technology in 2002 were repaid in the year from the Group's own cash resources and new banking facilities including £1.2 million by way of loan repayable over 3 years, and invoice discounting. An exchange loss of £59,000 relating to these loan notes was charged in the accounts.

A favourable settlement was reached with regard to an overseas corporation tax liability which resulted in a substantial credit in the results of discontinued operations in the year. The overseas subsidiary also sold its remaining property and the resulting gain on disposal is also included in discontinued operations.

Turnover for the year from continuing businesses was £14.9 million compared to £13.4 million in the previous year, an increase of 11 per cent. Gross margin for the year from continuing operations was £6.6 million (44.4 per cent. of sales) compared to £5.8 million (43.3 per cent.) for the previous year.

Turnover in the electronic division increased only slightly in the year but the previous year's figures included an exceptional order from BAe for £0.5 million turnover which was highlighted in last year's accounts. Turnover in the asset protection division increased by 25 per cent. in the year.

Earnings per share are shown in the income statement as 0.55p (2007: 0.25p). However, the earnings per share before interest discount adjustments, results of discontinued operations, provision for exchange loss and warrant revaluation are 0.33p (2007: 0.30p) as calculated in note 9 to the accounts.

As a consequence of the increase in turnover, turnover per employee rose to £120,870 from £117,737 in 2007.

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.

The Group continues to invest in research and development which will benefit the results in the future.

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

The Group's net assets have increased in the year from £5.2 million to £7.6 million.

Key performance indicators

The directors consider the key performance indicators of the Group to be turnover, operating profit and cash flow.

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

Financial results

The profit from operations for the year was £1,917,000 (2007: £1,632,000).

Turnover for the year was £14.9 million (2007: £13.4 million). The main commercial factors affecting the results of the divisions are set out below.

Electronic Division

Turnover £7,494,000 (2007: £7,441,000)
Operating profit £1,644,000 (2007: £1,685,000)

Profit before tax £1,648,000 (2007: £1,706,000)

The electronic division comprises Grosvenor Technology and its wholly owned subsidiary Newmark Technology Limited. Between the two companies we specialise in access control, time & attendance and asset monitoring with varying routes to market.

Newmark Technology is a re-seller of third party security systems and we particularly focus on N-TEC and C.Cure access control systems. Newmark also designs and manufactures Par-Sec long-range RFID asset monitoring tags and readers. Sales of N-TEC access control are made to Tyco Fire and Integrated Solutions who export the product to their operation in the UAE for distribution through Middle East, Europe, Africa and Russia ("MEAR"). Sales of N-Tec and C.Cure are primarily project led, and there were two significant projects in Moscow in the year. Interest in N-TEC remains strong in MEAR and we are promoting further growth in the region by supporting distributors at

local trade shows, seminars and targeted training sessions, Par-Sec is a niche product for protecting art galleries, museums and high value artifacts in public locations.

Grosvenor Technology is a technology house where we design and distribute electronic security systems and time and attendance terminals via VAR's and OEM's. JANUS access control is the flagship product and consists of software and hardware and is sold as an all encompassing medium to high-end system.

Interest in 'Enterprise wide' access control systems continues to grow for which we are about to release a new version of the JANUS Enterprise solution. This latest version will incorporate the web browser Admin Manager allowing 'virtual access systems' controllable by log-on, which can regulate a single system or an array of separate JANUS systems across a corporate-wide environment. The product is unique in the world and beta installations have shown it to be extremely secure and resilient with many distinctive features such as virtual access systems within a corporate environment, highly secure web access, and control and management of many thousands of staff via a single web browser interface. The systems internal and internet security have been developed with input from some of our most demanding and exacting end-user clients and will be second to none in this arena. As always, the new product will be translated into the Tyco/ADT licensed version of Siteguard and the N-TEC access product for Tyco Fire and Integrated Systems.

The merger of CMP and GT is now complete and the combined companies are trading as Grosvenor Technology with offices in Bishop's Stortford, Hertfordshire and Poole in Dorset. Rationalisation has meant the warehouse and accounting functions in Bishop's Stortford have closed down and have been re-located to Poole necessitating some redundancies. This and other changes made in the company's organisation will produce an annual cost saving of £350,000.

Time & Attendance hardware (clocks and terminals) as previously developed by CMP are now developed by GT and are distributed via OEM software developers who integrate the terminals into their own T&A systems for re-sale into distribution and end-user markets. The recently launched CUSTOM RS21 modular terminal is now the mainstream product and has replaced the outgoing 2100 clock in the UK and mainland Europe. The American market has been slower to migrate and is still using the older 2100 but we expect the USA to move from the 2100 product to the even newer Linux brand SATEON IT3100 clock during 2008.

Asset Protection Division

Turnover £7,373,000 (2007: £5,981,000)
Operating profit £849,000 (2007: £520,000)
Profit before tax £843,000 (2007: £512,000)

Safetell's financial year was characterised by a 24 per cent. increase in traditional Eclipse work, a doubling of Eye2Eye work and a 42 per cent. increase in service work. Total sales increased by 23.5 per cent. with compound sales growth of 12.0 per cent. per annum over the last 5 years.

Last year's trend of long-term customers in retail finance and petrol retailing requiring Eclipse rising screen programmes accelerated, and customers who had completed their branch programmes some years ago renewed purchases for a fresh round of branch refurbishments. Upgrades, refurbishments and reconfigurations of previous installations accounted for 40 per cent. of Eclipse revenue.

The number of CounterShield installations and values were broadly similar to last year. The market for this product is very diverse and there are few opportunities for repeat order programmes for any one client, except for the police forces. A major opportunity with the Metropolitan Police is scheduled for the current year.

Eye2Eye sales were very encouraging at twice the previous year's figure, although less than plan. Six of the 23 train operating companies are now committed customers for the product, and the product is specified in the design manual used by Network Rail. The consultants for the London Olympics 2012 infrastructure are aware of the product and are considering its application for customer information booths and transport links. To meet customer requirements during the year, the product range has been extended with options for protection, height, width, infill panels and staff/public facilities all of which increase its suitability for a wider market.

The Post Office/W H Smith trial last year was followed this year as expected with the full installation programme worth £753,000. Other sales to Post Office of RollerCash and BiDi Safe were less than last year as a result of the political turmoil surrounding the closure of rural post offices. A new application of RollerCash as a "Day Safe" was trialled successfully by a building society customer and an order for 20 units was received in April.

The petrol retailers remain the predominant market sector for fixed glass security screens and the company's various FlexiGlaze products are the preferred solution for Shell, BP and Sainsburys but only where the site risk assessment warrants a screen.

The first Eclipse and RollerCash installations in South Africa were a success. Customer interest is still strong and has been broadened to all the retail finance providers.

In Australia, the licensee for CounterShield has installed 6 units for Caltex with a further 4 shipped in May 2008. The units are shipped in kit form with the screen material produced locally for final assembly.

Service and maintenance revenue benefited from a one-off contract valued at £481,000 to install a special interlock mechanism to allow cash-in-transit personnel to access the back office area. New CCTV installation and maintenance work added £75,000 of revenue. Regular contract work increased by 18 per cent. mainly due to additional work on locks, cashier equipment and cameras for long-standing Eclipse customers. This work is added at marginal cost, without travel overheads, because the work is rarely urgent and can be added when technicians visit branches for the regular maintenance work.

The current year started with a healthy backlog of orders and is planned to increase sales by 8 per cent. with major increases in Eye2Eye for the railways and RollerCash TRIO for the Post Office Crown office programme that has been announced but is not due to start until September 2008. Service revenue growth should replace last year's one-off contract.

Balance sheet and cash flow

The deferred consideration for Grosvenor Technology was paid in cash in the year as outlined above, and this is the reason for the reduction in cash balances, the new bank loan and the inclusion of invoice discounting balances within creditors.

Despite the increase in turnover in the year, we have been able to keep debtors at the same level as last year through our credit control procedures. However, stock has increased significantly across the Group for a variety of reasons. Within the asset protection division, the holding of finished goods which had been imported for shipment in the following months was approximately £100,000 higher than the previous year due to the timing of customer orders. The service and maintenance division has also been expanding it's range of security products covered and this has necessitated an increased stock holding of spares at our Dartford warehouse, and in the service vans used by our technicians.

Stocks have also increased in the electronic division with the cessation of our in-house manufacturing of the time and attendance terminals. This has been replaced by manufacturing by a sub-contractor in Hungary which means that we hold more stock for future consumption but there are significant manufacturing cost savings which benefit operating profit. The holding of finished goods obviously has a higher value than the previous holding of components and sub-assemblies.

Margins on access control products have also benefited from reduced manufacturing costs arising from increases in batch sizes. For both Access Control and Time and Attendance products, the improved availability of finished goods for customers has strengthened our market position with the ability to satisfy customer orders more quickly.

Employees

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

Summary

The Board is delighted by the continued improvement in the trading performance of the Group. The economic position in the UK is clearly a concern with the possibility of a recession or at best only limited growth for the year. This will inevitably lead to some projects being deferred. However, initiatives already taken relating to new products and trial programmes together with the probability of two potentially significant commercial agreements lead me to believe that there should be further growth this year. Should this occur, I believe that it should be possible to eliminate the remaining deficit on parent company reserves and commence a progressive dividend policy.

M DWEK
Chairman

16 July 2008

REPORT OF THE DIRECTORS

The Directors submit their annual report and audited financial statements of the Group for the year ended 30 April 2008.

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 from operations on ordinary activities before interest, tax and minority interest in the year was £1,917,000 (2007: £1,632,000).

The profit for the year was £2,483,000 (2007: £1,089,000).

Turnover for the year for continuing operations was £14.9 million (2007: £13.4 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 5.

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 page 11.

M Rapoport retires in accordance with the articles of association. M. Rapoport, 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 are given in note 23 to the financial statements on page 40.

Financial instruments

For full details of changes to the Group's management of its financial instruments, please refer to note 19 to the financial statements on page 32.

Directors

Directors' interests

The beneficial and other interests of the Directors in the shares of the Company as at 1 May 2007 (or the date of their appointment to the Board, if later) and 30 April 2008 were as follows:

	Percentage holding at 30 April 2008	30 April 2008	1 May 2007 (or date of appointment if later)
M Dwek[(a)]	11.2%	50,319,467	42,819,467
M Rapoport	2.3%	10,555,000	10,555,000
A Reid[(b)]	17.0%	76,633,237	73,833,237

(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 2007 and 2008 were as follows:

	Number of Ordinary Shares under the EMI Scheme 30 April 2008	Number of Ordinary Shares under the Approved Scheme 30 April 2008	Number of Ordinary Shares under the Unapproved Scheme 30 April 2008	Number of Ordinary Shares under the Approved Scheme 1 May 2007	Number of Ordinary Shares under the Unapproved Scheme 1 May 2007
M Dwek	–	–	5,000,000	–	5,000,000
B Beecraft	1,000,000	500,000	4,000,000	500,000	4,000,000

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 to the financial statements.

Employee involvement

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

Share option schemes

The Company had 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 has administered and operated each Scheme. Further details of the share option schemes are set out in note 27 to the financial statements on page 43.

Both schemes expired in April 2007 on the tenth anniversary of the formation of these schemes. However the options granted under these schemes will only lapse ten years after the date the options were granted.

The Board has now adopted the Newmark Security PLC EMI Share Option Plan ("the scheme") which will enable the Board to grant qualifying share options under the HM Revenue and Custom's Enterprise Management Incentive ("EMI") tax code and also unapproved share options to employees and directors.

The structure of the Scheme was designed with the key aim of retaining employees and ensuring that their interests are fully aligned with those of shareholders – in particular to drive further the increase in the Company's share price. It has been designed to adhere to the basic principles first agreed in the design of the original schemes although allowing flexibility for change taking into account market trends as they pertain at the current time and into the future.

The Scheme will grant tax efficient EMI share options where the qualifying criteria are met and unapproved share options where those criteria are not met.

The EMI share options vest and become exercisable 3 years from the date of grant (subject to leaver and takeover provisions), or such other period of time specified by the Remuneration Committee. Performance conditions to be set by the Remuneration Committee apply to these EMI options. EMI options have an exercise price equal to the higher of the market value and the nominal value of a share in the Company at the date of grant – and therefore gains made by the participants will only arise to the extent that the Company's share price increases above the price when the options are granted.

There is a strict legislative limit imposed on the quantum of EMI options that may be granted and held by one individual (very broadly, not more than £100,000 worth of options per person calculated by reference to the share price at the date of grant of such options). It is considered that an effective incentive outside this limit should be possible, and so it is proposed that additional unapproved options may also be granted.

The unapproved share options are subject to the same set of rules as apply to EMI options, including the imposition of performance conditions.

The Scheme contains a limit on dilution such that options may not be granted if the level of dilution of the current issued share capital by options (across all share option plans) granted over the previous 10 years exceeds 10 per cent. The Board have considered best practice and guidelines on dilution and consider that 10 per cent. is an appropriate level for an AIM listed plc of the size of the Company.

It should be noted that options under the Scheme will only be granted to those key employees best placed to increase the performance of the business.

Options will lapse in full if the participant leaves the company other than for a defined Good Leaver provision or death. Where cessation of employment is occasioned through death or a Good Leaver provision then the Options (both EMI and unapproved) will vest and become exercisable in full, irrespective of a performance condition. In like fashion, the performance conditions will also fall away should the options vest and become exercisable in the event of a takeover of the Company or similar corporate event.

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. Group trade creditors at the year end were 26 days (2007: 27 days) of average supplies for the period, the parent company does not trade and therefore there is no corresponding figure.

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 2008, 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 page 11.

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

Directors' responsibilities

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company, for safeguarding the assets of the company, for taking reasonable steps for the prevention and detection of fraud and other irregularities and for the preparation of a Directors' Report which complies with the requirements of the Companies Act 1985.

The directors are responsible for preparing the annual report and the financial statements in accordance with the Companies Act 1985. The directors are also required to prepare financial statements for the Group in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs) and have chosen to prepare the parent company accounts in accordance with UK Generally Accepted Accounting Practice.

Group financial statements

International Accounting Standard 1 requires that financial statements present fairly for each financial year the Group's financial position, financial performance and cash flows. This requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standards Board's 'Framework for the preparation and presentation of financial statements'. In virtually all circumstances, a fair presentation will be achieved by compliance with all applicable IFRSs. A fair presentation also requires the Directors to:

- consistently select and apply appropriate accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information; and
- provide additional disclosures when compliance with the specific requirements in IFRS is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance.

Parent company financial statements

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 of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

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

Financial statements are published on the Group's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Group's website is the responsibility of the directors. The directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

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

16 July 2008

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 2008 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.

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.

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. This notice period was extended in October 2007 to a period of 12 months.

Director's emoluments

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

	Consultancy/ management agreement £'000	Salary £'000	Fees £'000	Total £'000	Pension contributions £'000
Executive Directors					
B Beecraft	–	108	–	108	–
Non-Executive Directors					
M Dwek[(a)]	50	–	–	50	–
A Reid[(b)]	–	–	15	15	–
M Rapoport	–	–	15	15	–
	50	108	30	188	–
2007	50	104	30	184	–

The directors' share interests are detailed in the Report of the Directors on pages 6 and 7.

(a) The Company paid a consultancy fee of £50,000 (2007: £50,000) 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 previous 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 (2007: £15,000) were paid by the Company to R. K. Harrison & Co. Limited.

REPORT OF THE INDEPENDENT AUDITORS

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 2008 which comprise the consolidated income statement, the consolidated and parent company balance sheets, the group cash flow statement, the group statement of recognised income and expense 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 annual report and the group financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and for preparing the parent company 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 these financial statements. We also report to you 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 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 directors' report, chairman's statement and 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 IFRSs as adopted by the European Union, of the state of the group's affairs as at 30 April 2008 and of its profit 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 2008;
- 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

Date 16 July 2008

CONSOLIDATED INCOME STATEMENT
for the year ended 30 April 2008

	Note	2008 £'000	2007 £'000
Revenue	2	14,867	13,422
Cost of sales		(8,263)	(7,605)
Gross profit		6,604	5,817
Administrative expenses pre provision for exchange loss and redundancy and restructuring costs		(4,469)	(4,074)
Redundancy and restructuring costs		(159)	–
Provision for exchange loss		(59)	(111)
Administrative expenses – total		(4,687)	(4,185)
Profit from operations	3	1,917	1,632
Finance income	6	36	144
Finance costs	6	(212)	(271)
Profit before tax		1,741	1,505
Tax expense	7	(407)	(368)
Profit for the year from continuing operations		1,334	1,137
Post-tax profit/(loss) related to discontinued operations	8	1,149	(48)
Profit for the year	24	2,483	1,089
Attributable to:			
– Equity holders of the parent		2,483	1,089
Earnings per share			
– Basic and diluted (pence)	9	0.55p	0.25p
Continuing operations			
– Basic and diluted (pence)	9	0.30p	0.25p

The notes on pages 18 to 44 form part of these financial statements.

CONSOLIDATED STATEMENT OF RECOGNISED INCOME AND EXPENSE
for the year ended 30 April 2008

	2008 £'000	2007 £'000
Profit for the year	2,483	1,089
Foreign exchange (losses)/gains on retranslation of overseas operations	(109)	1
Total recognised income and expense for the year	2,374	1,090
Attributable to:		
– Equity holders of the parent	2,374	1,090

CONSOLIDATED BALANCE SHEET
at 30 April 2008

	Note	2008 £'000	2008 £'000	2007 £'000	2007 £'000
ASSETS					
Non-current assets					
Property, plant and equipment	10	779		880	
Intangible assets	11	7,528		7,136	
Deferred tax assets	22	–		37	
Total non-current assets		8,307		8,053	
Current assets					
Inventories	14	1,902		1,381	
Trade and other receivables	15	3,191		3,196	
Cash and cash equivalents		87		1,948	
Total current assets		5,180		6,525	
Total assets			13,487		14,578
LIABILITIES					
Current liabilities					
Trade and other payables	16	3,454		3,173	
Other short term borrowings	17	809		3,930	
Corporation tax liability		579		1,443	
Provisions	21	123		113	
Total current liabilities		4,965		8,659	
Non-current liabilities					
Long term borrowings	18	710		553	
Provisions	21	140		156	
Deferred tax	22	48		–	
Total non-current liabilities		898		709	
Total liabilities			5,863		9,368
TOTAL NET ASSETS			7,624		5,210
Capital and reserves attributable to equity holders of the company					
Share capital	23	4,504		4,490	
Share premium reserve	24	502		493	
Merger reserve	24	801		801	
Foreign exchange difference reserve	24	(147)		(38)	
Retained earnings	24	1,924		(600)	
			7,584		5,146
Minority interest	25		40		64
TOTAL EQUITY			7,624		5,210

The financial statements were approved by the Board of Directors and authorised for issue on 16 July 2008.

M Dwek
Director

The notes on pages 18 to 44 form part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT
for the year ended 30 April 2008

	Note	2008 £'000	2008 £'000	2007 £'000	2007 £'000
Cash flow from operating activities					
Net profit after tax		2,483		1,089	
Adjustments for:					
Depreciation		345		348	
Investment income		(36)		(30)	
Interest expense		115		113	
Other finance losses		97		158	
Income tax expense		407		347	
Share option charge		41		38	
Warrant revaluation		–		(114)	
Discontinued operations		(757)		–	
Operating cash flows before changes in working capital		2,695		1,949	
Decrease/(increase) in trade and other receivables		18		(798)	
(Increase) in inventories		(521)		(125)	
Increase in trade and other payables		114		654	
Cash generated from operations			2,306		1,680
Income taxes paid			(491)		(210)
Cash flows from operating activities			1,815		1,470
Cash flow from investing activities					
Payments for property, plant & equipment		(270)		(242)	
Sale of property, plant & equipment		235		47	
Research & development expenditure		(368)		(269)	
Intangible asset expenditure		(24)		–	
Interest received		36		30	
			(391)		(434)
Cash flow from financing activities					
Proceeds from loan		1,200		750	
Repayment loan notes		–		(750)	
Repayment of bank loans		(438)		(194)	
Repayment of finance lease creditors		(150)		(154)	
Repayment loan notes for Grosvenor deferred consideration		(3,561)		–	
Repayment mortgage loan		(221)		–	
Interest paid		(115)		(113)	
			(3,285)		(461)
(Decrease)/increase in cash and cash equivalents	29		(1,861)		575

The notes on pages 18 to 44 form part of these financial statements.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 April 2008

1. Accounting policies

Newmark Security PLC (the "Company") is a company domiciled in England. The consolidated financial statements of the Company for the year ended 30 April 2008 comprise the Company and its subsidiaries (together referred to as the "Group")

Basis of preparation

The principal accounting policies adopted in the preparation of the financial statements are set out below. The policies have been consistently applied to all the years presented, unless otherwise stated.

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) and its interpretations (IFRICs) issued by the International Accounting Standards Board (IASB) and with those parts of the Companies Act 1985 applicable to companies preparing their accounts under IFRS.

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of income and expenses, and assets and liabilities. These judgements and assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the result of which form the basis of making the judgements about carrying values of assets and liabilities. Actual results may differ from these estimates.

These estimates and underlying assumptions are reviewed on an ongoing basis. Any revisions to the accounting estimates are recognised in the period on which the revision is made.

The Company has elected to prepare its parent company financial statements in accordance with UK GAAP. These are presented on pages 45 to 49.

The following principal accounting policies have been applied consistently in the preparation of these financial statements:

Standards, Amendments and Interpretations Effective But Not Relevant

The following standards, amendments and interpretations to the published standards are mandatory for accounting periods beginning on or after 1 May 2007 but they are not relevant to the Group for the year ended 30 April 2008.

- IFRIC 7 – Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies.

Standards and Interpretations to Existing Standards that are not yet effective and have not been adopted early by the Group

The following standards and interpretations to published standards have been published that are mandatory for the Group's' accounting periods beginning on or after 1 May 2008 or later periods but which the Group has not adopted early.

- IFRS 8 – Operating Segments (effective for annual periods beginning on or after 1 January 2009). IFRS 8 requires revision to the identification of segments, the explanations of the basis on which the segment information is prepared, and provide reconciliations to the amounts recognised in the income statement and balance sheet. This is not expected to affect reported net assets or net profit.
- IFRIC 12 – Service Concession Arrangements (effective for annual periods beginning on or after 1 January 2008). IFRIC 12 clarifies how certain aspects of existing IASB literature are to be applied to service concession arrangements. IFRIC 12 is not relevant to the Group's operations. This standard is still to be endorsed by the EU.
- IAS 23 (revised) – Borrowing costs (effective for borrowing costs relating to qualifying assets for which the commencement date for capitalisation is on or after 1 January 2009). IAS 23 (revised) requires the capitalisation of interest on qualifying assets, while these qualifying assets include development intangibles, it is not anticipated that the standard will have a material impact on profit or net assets. This standard is still to be endorsed by the EU.
- Amendment to IFRS 2 – Share-based payments vesting conditions and cancellations (effective for accounting periods beginning on or after 1 January 2009). Management is currently assessing the impact of the Amendment on the accounts. This standard is still to be endorsed by the EU.

- Amendment to IAS 1 – Presentation of financial statements, a revised presentation (effective for accounting periods beginning on or after 1 January 2009). The revised IAS 1 introduces a single "statement of comprehensive income" incorporating both the profits and losses that have traditionally been reported in the income statement and other gains and losses that are currently reported in the Statement of Recognised Income and Expense or the Statement of Changes in Equity. Amendment to IAS 1 – Presentation of financial statements. Amendment to capital disclosures (effective for accounting periods beginning on or after 1 January 2009). Assuming it has been endorsed, the Group expects to apply these amendments in the accounting period beginning on 1 May 2009. As this is a disclosure standard it will not have any impact on the results or net assets of the Group. This standard is still to be endorsed by the EU.
- Revised IFRS 3 – Business Combinations and complementary Amendments to IAS 27. "Consolidated and separate financial statements (both effective for accounting periods beginning on or after 1 July 2009). This revised standard and amendments to IAS 27 are still to be endorsed by the EU. The revised IFRS 3 and amendments to IAS 27 arise from a joint project with the Financial Accounting Standards Board (FASB), the US standards setter, and result in IFRS being largely converged with the related, recently issued, US requirements. There are certain very significant changes to the requirements of IFRS, and options available, if accounting for business combinations. Management is currently assessing the impact of revised IFRS 3 and amendments to IAS 27 on the accounts. This standard is still to be endorsed by the EU.
- Amendments to IFRS 1 and IAS 27 – Cost of an Investment in a Subsidiary, Jointly-Controlled Entity or Associate (effective for accounting periods beginning on or after 1 January 2009). These amendments are still to be endorsed by the EU. The amendments permit the entity at its date of transition to IFRSs in its separate financial statements to use a deemed cost to account for its investment in subsidiary, jointly controlled entity or associate. The deemed cost of such investment could be either the fair value of the investment at the date of transition, which would be determined in accordance with IAS 39 Financial instruments: Recognition and Measurement or; the carrying amount of the investment under previous GAAP at the date of transition. Management is currently assessing the impact of the Amendment on the accounts.
- Improvements to IFRS (effective for accounting periods beginning on or after 1 July 2009). This improvements project is still to be endorsed by the EU. The amendments take various forms, including the clarification of the requirements of IFRS, the elimination of inconsistencies between Standards, and a restructuring of IFRS 1 First-time Adoption of IFRS. Management is currently assessing the impact of the Amendment on the accounts.

Revenue

Turnover is stated net of value added tax. Sales of equipment are recognised when the equipment is shipped to the customer or installed. Service and maintenance revenue is spread evenly over the term of the contract. Other sales are recognised on completion of work.

Basis of consolidation

Where the company has the power, either directly or indirectly, to govern the financial and operating policies of another entity or business so as to obtain benefits from its activities, it is classified as a subsidiary. The consolidated financial statements present the results of the Group as if it formed a single entity. Intercompany transactions and balances between group companies are therefore eliminated in full.

Business combinations

The consolidated financial statements incorporate the results of business combinations using the purchase method other than disclosed above. In the consolidated balance sheet, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal as appropriate.

Goodwill

Goodwill represents the excess of the cost of a business combination over the interest in the fair value of identifiable assets, liabilities and contingent liabilities acquired. Cost comprises the fair values of assets given, liabilities assumed and equity instruments issued, plus any direct costs of acquisition.

Goodwill is capitalised as an intangible asset with any impairment in carrying value being charged to the income statement.

Where the fair value of identifiable assets, liabilities and contingent liabilities exceed the fair value of consideration paid, the excess is credited in full to the income statement.

Discontinued operations

Discontinued operations relate to a reportable component of the Group which ceased to trade in a previous year.

Impairment of non-financial assets

Impairment tests on goodwill and other intangible assets with indefinite useful economic lives are undertaken annually on 30 April. Where the carrying value of an asset exceeds its recoverable amount (ie the higher of value in use and fair value less costs to sell), the asset is written down accordingly. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the current market assessment of the time value of money and risk specific to the asset.

Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is carried out on the asset's cash-generating unit (ie the lowest group of assets in which the asset belongs for which there are separately identifiable cash flows). Goodwill is allocated on initial recognition to each of the Group's cash-generating units that are expected to benefit from the synergies of the combination giving rise to the goodwill.

Impairment charges are included in the administrative expenses line item in the income statement. An impairment loss in respect of goodwill is not reversed. In respect of other assets, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment had been recognised.

In testing for impairment, management has to make judgements and estimates about future events which are uncertain. Adverse results compared to these judgements could alter the decision of whether an impairment is required.

Foreign currency

Items included in the financial statements of each of the Group entities are measured using the currency of the primary economic environment in which the entity operates (the"functional currency"). The consolidated financial statements are presented in sterling, which is the Company's functional and presentation currency.

Transactions entered into by Group entities in a currency other than the functional currency of the primary economic environment in which it operates are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the balance sheet date. Exchange differences arising on the retranslation of unsettled monetary assets and liabilities are similarly recognised immediately in the income statement, except for foreign currency borrowings qualifying as a hedge of a net investment in a foreign operation.

The results and financial position of all Group companies that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities are translated at the closing rate at the date of the balance sheet;

(ii) income and expenses are translated at average exchange rates; and

(iii) all resulting exchange differences are recognised as a separate component of equity.

On consolidation, the results of overseas operations are translated into sterling at rates approximating to those ruling when the transactions took place. All assets and liabilities of overseas operations, including goodwill arising on the acquisition of those operations, are translated at the rate ruling at the balance sheet date. Exchange differences arising on translating the opening net assets at opening rate and the results of overseas operations at average rate are recognised directly in equity (the "foreign exchange reserve").

At the date of the transition to IFRS the cumulative translation differences for foreign operations have been deemed to be zero.

On disposal of a foreign operation, the cumulative exchange differences recognised in the foreign exchange reserve relating to that operation up to the date of disposal are transferred to the income statement as part of the profit or loss on disposal.

Financial assets

Loans and receivables: These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (trade receivables), but also incorporate other types of contractual monetary asset. They are carried at amortised cost.

Invoice discounting arrangements are for cash flow purposes. Financial assets are not derecognised until the associated risks and rewards are transferred or extinguished.

Other financial liabilities: Other financial liabilities include the following items:

- Trade payables and other short-term monetary liabilities, which are recognised at amortised cost.
- Bank borrowings are initially recognised at fair value. Such interest bearing liabilities are subsequently measured at amortised cost using the effective interest rate method, which ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried in the balance sheet. "Interest expense" in this context includes initial transaction costs, as well as any interest or coupon payable while the liability is outstanding.

Share-based payments

Where share options are awarded to employees, the fair value of the options at the date of grant is charged to the income statement over the vesting period. Equity settled share options are recognised with a corresponding credit to equity.

Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each balance sheet date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Market vesting conditions are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether the market vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition.

Leased assets

Where substantially all of the risks and rewards incidental to ownership of a leased asset have been transferred to the Group (a "finance lease"), the asset is treated as if it had been purchased outright. The amount initially recognised as an asset is the fair value, or if lower, the present value of the minimum lease payments payable over the term of the lease. The corresponding lease commitment is shown as a liability. Lease payments are analysed between capital and interest. The interest element is charged to the income statement over the period of the lease and is calculated so that it represents a constant proportion of the lease liability. The capital element reduces the balance owed to the lessor.

Where substantially all of the risks and rewards incidental to ownership are retained by the lessor (an "operating lease"), the total rentals payable under the lease are charged to the income statement on a straight-line basis over the lease term.

The land and buildings elements of property leases are considered separately for the purposes of lease classification.

Internally generated intangible assets (research and development costs)

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

Expenditure on internally developed products is capitalised if it can be demonstrated that:

- it is technically feasible to develop the product for it to be sold;
- adequate resources are available to complete the development;
- there is an intention to complete and sell the product;
- the group is able to sell the product;
- sale of the product will generate future economic benefits; and
- expenditure on the project can be measured reliably.

Capitalised development costs are amortised over ten years being the period the Group expects to benefit from selling the products developed. The amortisation expense is included within the cost of sales line in the income statement.

Development expenditure not satisfying the above criteria and expenditure on the research phase of internal projects are recognised in the income statement as incurred.

Intangible assets

Costs associated with patents, trade marks, copyrights etc. are capitalised as incurred and are amortised over the expected life of the asset.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current Tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred taxation

Deferred tax assets and liabilities are recognised where the carrying amount of an asset or liability in the balance sheet differs to its tax base, except for differences arising on:

- the initial recognition of goodwill;
- goodwill for which amortisation is not tax deductible;
- the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting nor taxable profit; and
- investments in subsidiaries and jointly controlled entities where the group is able to control the timing of the reversal of the difference and it is probable that the difference will not reverse in the foreseeable future.

Recognition of deferred tax assets is restricted to those instances where it is probable that taxable profit will be available against which the difference can be utilised.

The amount of the asset or liability is determined using tax rates that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the deferred tax liabilities/(assets) are settled/(recovered). Deferred tax balances are not discounted.

Deferred tax assets and liabilities are offset when the group has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority on either:

- the same taxable group company; or
- different group entities which intend either to settle current tax assets and liabilities on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax assets or liabilities are expected to be settled or recovered.

Property, plant and equipment

Items of property, plant and equipment are recognised at cost. As well as the purchase price, cost includes directly attributable costs and the estimated present value of any future costs of dismantling and removing items. The corresponding liability is recognised within provisions.

Freehold land is not depreciated. Depreciation is provided on all other items of property, plant and equipment to write off the carrying value of items over their expected useful economic lives. It is applied at the following rates:

Freehold buildings	–	5 per cent. per annum straight line
Short leasehold improvements	–	evenly over the length of the lease
Plant and machinery	–	20 per cent. per annum straight line
Fixtures and fittings	–	10 per cent. per annum straight line
Computer equipment	–	25 per cent. per annum straight line
Motor vehicles	–	25 per cent. per annum reducing balance

Inventories

Inventories are initially recognised at cost, and subsequently at the lower of cost and net realisable value. Cost comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Weighted average cost is used to determine the cost of ordinarily interchangeable items.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs necessary to make the sale.

Provisions

Provisions are recognised for liabilities of uncertain timing or amount that have arisen as a result of past transactions, where it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation.

Where a provision is measured using the estimated cashflow required to settle the obligation then its carrying value is the present value of those cashflows.

Onerous contracts – Present obligations arising under onerous contacts are recognised and measured as a provision. An onerous contract is considered to exist where the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

Dilapidations – Dilapidation provisions are provided on leasehold properties where the terms of the lease require the Group to make good any changes made to the property during the period of the lease. Where a dilapidation provision is required the Group recognises an asset and provision equal to the discounted cost of restating the property to its original state. The asset is depreciated over the remaining term of the lease.

Warranty – Provisions for warranty costs are recognised at the date of sale of the relevant products at the directors' best estimate of the expenditure required to settle the Group's obligation.

Cash and cash equivalents

Cash and cash equivalents in the cash flow statement include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are included in borrowings in current liabilities in the balance sheet.

Borrowing costs

Borrowing costs are recognised as an expense in the period in which they are incurred.

Critical accounting estimates and judgements

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. These estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Estimated impairment of goodwill

    The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated above. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates.

(b) Development costs on internally developed products are capitalised if it can be demonstrated that the expenditure meets the criteria set out above. These judgements are made using the historical, commercial and technical experience of senior members of the management team.

2. Revenue

Revenue arises from:	2008 £'000	2007 £'000
Sale of goods	11,134	10,320
Provision of services	3,733	3,102
	14,867	13,422

3. Profit from operations

This has been arrived at after charging/(crediting):	2008 £'000	2007 £'000
Staff costs (note 4)	5,406	4,898
Depreciation of property, plant and equipment		
– owned assets	196	241
– leased assets	149	107
Foreign exchange differences	81	146
Research and development costs	526	618
Operating lease expense		
– Plant and machinery	19	18
– Property	229	196
Write-down of inventory to net realisable value	–	–
Audit fees	73	61
Fees paid to the Group's auditors for tax services provided to the company and UK subsidiaries	22	19
Other services	13	–
(Profit) on disposal of fixed assets	(18)	(6)

4. Staff costs

Staff costs (including the Executive Director) comprise:	2008 £'000	2007 £'000
Wages and salaries	4,544	4,142
Short-term non-monetary benefits	184	108
Defined contribution pension cost	142	153
Share-based payment expense	41	38
Employer's national insurance contributions and similar taxes	495	457
	5,406	4,898

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

	2008 No.	2007 No.
Management, sales and administration	80	73
Production	43	41
	123	114

Key management remuneration (comprising the Executive Director and Directors of subsidiary companies);

	2008 £'000	2007 £'000
Salaries	712	738
Short-term non-monetary benefits	24	23
Defined contribution pension costs	53	64
Share-based payment expenses	41	38
Employers national insurance contributions and similar taxes	78	82
	908	945

The emoluments of the Directors of the parent company are set out in the Report of the Remuneration Committee on page 11.

5. Segment information

The Group's primary reporting format for reporting segment information is business segments which reflect the management and reporting structure in the Group. Electronic division includes Grosvenor Technology, Newmark Technology and Custom Micro Products, whilst the asset protection division includes Safetell Limited and its affiliated companies.

	Business segments				
	Electronic division 2008 £'000	Asset protection division 2008 £'000	Discontinued businesses 2008 £'000	Head office 2008 £'000	Total 2008 £'000
Revenue					
External	7,494	7,373	–	–	14,867
Intercompany	–	–	–	–	–
Total	7,494	7,373	–	–	14,867
Profit before tax					
Continuing operations	1,648	843	–	(619)	1,872
Discontinued operations	–	–	218	–	218
Total	1,648	843	218	(619)	2,090
Balance sheet					
Assets	9,509	4,378	3	(403)	13,487
Liabilities	(1,962)	(2,231)	(233)	(1,437)	(5,863)
Net assets	7,547	2,147	(230)	(1,840)	7,624
Other					
Capital expenditure					
– property, plant and equipment	168	98	–	4	270
– intangible fixed assets	392	–	–	–	392
Depreciation, amortisation and other non-cash expenses	125	201	9	10	345
	2007 £'000	2007 £'000	2007 £'000	2007 £'000	2007 £'000
Revenue					
External	7,441	5,981	–	–	13,422
Intercompany	–	–	–	–	–
Total	7,441	5,981	–	–	13,422
Profit before tax					
Continuing operations	1,706	512	–	(713)	1,505
Discontinued operations	–	–	(69)	–	(69)
Total	1,706	512	(69)	(713)	1,436
Balance sheet					
Assets	10,181	4,040	284	73	14,578
Liabilities	(1,476)	(1,892)	(1,634)	(4,366)	(9,368)
Net assets	8,705	2,148	(1,350)	(4,293)	5,210
Other					
Capital expenditure					
– property, plant and equipment	181	54	–	7	242
– intangible	269	–	–	–	269
Depreciation, amortisation and other non-cash expenses	147	187	13	1	348

The Group's secondary reporting format for reporting segment information is geographic segments.

	External revenue by location of customers		Total assets by location of assets		Net tangible capital expenditure by location of assets	
	2008 £'000	2007 £'000	2008 £'000	2007 £'000	2008 £'000	2007 £'000
UK	12,896	11,546	13,484	14,294	250	195
Europe	1,104	925	3	284	(215)	–
USA	690	800	–	–	–	–
Other	177	151	–	–	–	–
	14,867	13,422	13,487	14,578	35	289

	Revenue		Segment assets		Capital expenditure	
	2008 £'000	2007 £'000	2008 £'000	2007 £'000	2008 £'000	2007 £'000
Continuing operation						
UK	12,896	11,546	13,484	14,294	250	195
Europe	1,104	925	–	–	–	–
USA	690	800	–	–	–	–
Other	177	151	–	–	–	–
	14,867	13,422	13,484	14,294	250	195
Discontinued operations						
UK	–	–	–	–	–	–
Europe	–	–	3	284	(215)	–
	–	–	3	284	(215)	–
	14,867	13,422	13,487	14,578	35	195

6. Finance income and costs

	2008 £'000	2008 £'000	2007 £'000	2007 £'000
Finance income				
Bank interest received		36		30
Gain on warrant valuation		–		114
		36		144
Finance costs				
Bank borrowings	(36)		(30)	
Company loan notes	–		(27)	
Interest on loan notes for deferred consideration	(41)		(38)	
Invoice discounting	(22)		–	
Finance leases	(16)		(18)	
Discount charge on deferred consideration	(47)		(131)	
Interest rate adjustment on deferred consideration	(50)		(27)	
		(212)		(271)
		(176)		(127)

7. Tax expense

	2008 £'000	2008 £'000	2007 £'000	2007 £'000
Current tax expense				
Continuing businesses				
UK corporation tax on profits for the year	324		329	
Adjustment for (over)/under provision in prior periods	(2)		(40)	
		322		289
Deferred tax expense				
Origination and reversal of temporary differences	85		79	
		85		79
		407		368
Discontinued businesses				
UK corporation tax and income tax of overseas operations on profits for the year	38		5	
Adjustment for over provision in prior periods	(838)		(26)	
		(800)		(21)
Total tax (credit)/charge		(393)		347

The reasons for the difference between the actual tax charge for the year and the standard rate of corporation tax in the UK applied to profits for the year are as follows:

	2008 £'000	2007 £'000
Profit before tax	2,090	1,436
Expected tax charge based on the standard rate of corporation tax in the UK of 30 per cent. (2007 – 30 per cent.)	627	431
Interest discount charge on deferred consideration	29	47
Effects on profits of other items not deductible for tax purposes	(80)	(48)
Double tax relief	(10)	–
Utilisation of previously unrecognised tax losses	(59)	(37)
Adjustment to tax charge in respect of previous periods	(840)	(66)
Reduction in future tax rate to 28%	(3)	–
Other	(57)	20
Total tax (credit)/charge	(393)	347

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:

	2008 £'000	2007 £'000
Management expenses	523	523
Trading losses	1,940	2,139
Capital losses	792	792

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

	2008 £'000	2007 £'000
Management expenses	146	157
Trading losses	543	642
Capital losses	222	238

8. Discontinued operations

	2008 £'000	2007 £'000
Turnover	–	–
Cost of sales	–	–
Gross profit	–	–
Administrative expenses/miscellaneous income	142	–
Earnings from operations	142	–
Finance income/(costs)	207	(69)
Profit/(loss) before tax	349	(69)
Tax	800	21
Post-tax profit/(loss) related to discontinued operations	1,149	(48)

The cash flow statement includes the following amounts relating to discontinued operations:

	2008 £'000	2007 £'000
Operating activities	56	–
Investing activities	215	–
Financing activities	(221)	(69)
	50	(69)

9. Earnings per share

	2008 £'000	2007 £'000
Numerator		
Earnings used in basic and diluted EPS	2,483	1,089
Earnings used in basic and diluted EPS – continuing operations	1,334	1,137
	No.	**No.**
Denominator		
Weighted average number of shares used in basic and diluted EPS – continuing and discontinued operations	449,089,691	429,437,268

Employee share options have been excluded from the calculation of diluted EPS as their exercise price is greater than the weighted average share price during the year (i.e. they are out-of-the-money) and therefore would not be advantageous for the holders to exercise those options. Further information concerning share options is set out in note 27.

The basic earnings per share before interest discount, results of discontinued operations, provision for exchange losses and warrant revaluation has also been presented since, in the opinion of the directors, this provides shareholders with a more appropriate measure of earnings derived from the Group's businesses. It can be reconciled to basic earnings per share as follows:

	2008 pence	2007 pence
Basic earnings per share (pence) – basic and diluted	0.55	0.25
Discount charge on deferred consideration	0.02	0.04
(Profits)/losses of discontinued operations	(0.25)	0.01
Provision for foreign exchange loss	0.01	0.03
Warrant revaluation	–	(0.03)
Earnings per share before interest discount, results of discontinued operations, provision for foreign exchange loss and warrant revaluation– basic and diluted	0.33	0.30

	2008 £'000	2007 £'000
Reconciliation of earnings		
Profit used for calculation of basic earnings per share	2,483	1,089
Discount charge on deferred consideration	97	158
(Profits)/losses of discontinued operations	(1,149)	48
Provision for foreign exchange loss	59	111
Warrant revaluation	–	(114)
Earnings before interest discount, results of discontinued operations, provision for foreign exchange loss and warrant revaluation	1,490	1,292

10. Property, plant and equipment

	Freehold land and buildings £'000	Short leasehold improvements £'000	Plant, machinery and motor vehicles £'000	Computers, fixtures and fittings £'000	Total £'000
At 30 April 2007					
Cost	320	260	1,332	364	2,276
Accumulated depreciation	(125)	(165)	(853)	(253)	(1,396)
Net book value	195	95	479	111	880
At 30 April 2008					
Cost	–	272	1,351	613	2,236
Accumulated depreciation	–	(188)	(821)	(448)	(1,457)
Net book value	–	84	530	165	779
Year ended 30 April 2007					
Opening net book value	209	119	515	98	941
Additions	–	–	274	58	332
Disposals	–	–	(43)	–	(43)
Depreciation	(12)	(24)	(267)	(45)	(348)
Exchange differences	(2)	–	–	–	(2)
Closing net book value	195	95	479	111	880
Year ended 30 April 2008					
Opening net book value	195	95	479	111	880
Additions	–	12	367	71	450
Disposals	(215)	–	(18)	(2)	(235)
Reclassifications	–	–	(36)	36	–
Depreciation	(9)	(23)	(262)	(51)	(345)
Exchange differences	29	–	–	–	29
Closing net book value	–	84	530	165	779

The net book value of property plant and equipment for the Group includes an amount of £207,835 (2007: £131,244) in respect of assets held under finance leases and hire purchase contracts. The related depreciation charge on these assets for the year was £149,353 (2007: £106,826).

11. Intangible assets

	Goodwill £'000	Development costs (internally generated) £'000	Licences, patents and copyrights £'000	Total £'000
At 30 April 2007				
Cost	6,755	381	–	7,136
Accumulated impairment losses	–	–	–	–
Net book value	6,755	381	–	7,136
At 30 April 2008				
Cost	6,755	749	24	7,528
Accumulated impairment losses	–	–	–	–
Net book value	6,755	749	24	7,528
Year ended 30 April 2007				
Opening net book value	6,832	112	–	6,944
Additions				
– Internally developed	–	269	–	269
Discount adjustment on contingent consideration	(77)	–	–	(77)
Closing net book value	6,755	381	–	7,136
Year ended 30 April 2008				
Opening net book value	6,755	381	–	7,136
Additions				
– Internally developed	–	368	–	368
– External	–	–	24	24
Closing net book value	6,755	749	24	7,528

The Group has no contractual commitments for development costs (2007 – £Nil).

All development costs have a finite useful economic life.

12. Goodwill and impairment

Details of goodwill allocated to Cash Generating Units ("CGUs")for which the amount of goodwill so allocated is significant in comparison to total goodwill is as follows:

	Goodwill carrying amount	
	2008 £'000	2007 £'000
Electronic division	5,794	5,794
Asset protection division	961	961
	6,755	6,755

The recoverable amounts of all the above CGUs have been determined from value in use calculations based on cash flow projections from formally approved budgets covering a five year period to 30 April 2013. The discount rate which was applied was 16.7 per cent., the estimated weighted average cost of capital.

The trading companies all operate in certain niche markets, each of which can be in part project driven. Therefore the budgets produced take known future projects into account, and allow for historic projects as well. Within the electronic division, market share is assumed to remain unchanged except for these known projects. In the asset protection division, there is a range of products and different assumptions have been made about possibilities of growth for each of these products. Operating margins have been based on historic figures for each product range and overheads, mainly salaries, are expected to increase in line with inflation, after adjustment for the restructuring in the electronic division in the year.

The reviews which are carried out at 30 April each year indicated that no impairment provision was necessary.

13. Subsidiaries

The principal subsidiaries of Newmark Security PLC, all of which have been included in these consolidated financial statements, are as follows:

Name	Country of incorporation	Proportion of ownership interest[1]	Activity
Newmark Technology Limited[2a]	Great Britain	100%	Trading
Newmark Technology (C-Cure Division) Limited	Great Britain	100%	Dormant
Newmark Technology S.A.	Belgium	100%	Dormant
Safetell International Limited	Great Britain	100%	Holding
Safetell Limited	Great Britain	100%	Trading
Safetell Security Screens Limited	Great Britain	100%	Trading
Newmark Technology Inc.	USA	100%	Dormant
Vema B.V.	The Netherlands	100%	Holding
Vema N.V.[2b]	The Netherlands	98%	Finance
Vema UK Limited[2c]	Great Britain	100%	Finance
Grosvenor Technology Limited	Great Britain	100%	Trading
Newmark Group Limited	Great Britain	100%	Dormant
Sateon Limited	Great Britain	100%	Dormant

(1) The shares held in all companies are ordinary shares

(2) The investments in subsidiary companies are held directly by the Company apart from the following:
- (a) Owned by Grosvenor Technology Limited
- (b) Owned by Vema BV 51 per cent., Newmark Security PLC 47 per cent.
- (c) Owned by Vema NV

14. Inventories

	2008 £'000	2007 £'000
Raw materials and consumables	1,014	740
Work-in-progress	107	178
Finished goods and goods for resale	781	463
	1,902	1,381

Finished goods include an amount of £Nil (2007: £Nil) carried at fair value less costs to sell. The value of stocks consumed in the year was £5,033,000 (2007: £4,835,000). The amount of stock write downs in the year was £Nil (2007: £19,000). There are no stocks recoverable after 12 months (2007: £Nil).

15. Trade and other receivables

	2008 £'000	2007 £'000
Trade receivables (net)	2,653	2,651
Other receivables	26	80
Accrued income	259	228
Prepayments	253	237
	3,191	3,196

16. Trade and other payables – current

	2008 £'000	2007 £'000
Trade payables	1,125	1,205
Other tax and social security taxes	476	294
Other payables	760	631
Deferred income	473	572
Accruals	620	471
	3,454	3,173

17. Other short term borrowings

	2008 £'000	2007 £'000
Bank loans		
– secured (i)	250	250
– secured (ii)	449	–
Mortgage loan-secured	–	10
Finance lease creditor (note 26)	110	109
Deferred consideration loan notes	–	3,561
	809	3,930

UK subsidiaries of the Group use the same principal banker. The Group has entered into a netting arrangement with the bank which enables group companies with bank accounts in surplus to be offset against overdrawn amounts of other group companies, with a Group overdraft facility.

Bank loan (i) is secured on the assets of the UK subsidiary companies and is repayable by equal monthly instalments until July 2009. Interest is payable at 2 per cent. above base rate.

Bank loan (ii) is secured on the assets of the UK subsidiary companies and is repayable by equal monthly instalments until November 2011. Interest is payable at 2 per cent. above base rate.

The mortgage loan was secured on a freehold property in Holland and was repaid in the year.

The deferred consideration loan notes were issued in Euros, were unsecured and were repaid in full in the year. Interest was payable at ¼ per cent. below base rate.

Information about fair values on the financial liabilities is given in note 20.

18. Long term borrowings

	2008 £'000	2007 £'000
Bank loans – secured (note 17)	626	313
Mortgage loan-secured (note 17)	–	182
Finance lease creditor (note 26)	84	58
	710	553

19. Financial instruments – Risk Management

The Group's overall risk management programme seeks to minimise potential adverse effects on the Group's financial performance.

The Group's financial instruments comprise cash, borrowings and liquid resources, and various items such as trade receivables and payables that arise directly from its operations. The Group is exposed through its operations to one or more of the following financial risks:

- Credit risk
- Liquidity risk
- Fair value or cash flow interest rate risk
- Foreign currency risk

The Board identifies and evaluates financial risks in conjunction with the Group's operating companies and the policy for managing these risks is set by the Board following recommendations from the Group Finance Director. Certain risks are managed centrally, while others are managed locally following guidelines communicated from the centre. The policy for each of the above risks is described in more detail below, with the accounting policies as set out in Note 1.

Financial Instruments

Categories of financial assets and financial liabilities are detailed below

	Loans and receivables	
	2008	2007
	£'000	£'000
Current financial assets		
Trade and other receivables	3,191	3,196
Cash and cash equivalents	87	1,948
Total current financial assets	**3,278**	**5,144**

	Financial liabilities measured at amortised cost	
	2008	2007
	£'000	£'000
Current financial liabilities		
Trade and other payables	3,454	3,173
Loans and borrowings	809	3,930
Total current financial liabilities	**4,263**	**7,103**
Non-current financial liabilities		
Loans and borrowings	710	553
Total non-current financial liabilities	**710**	**553**
Total financial liabilities	**4,973**	**7,656**

Financial instrument risk exposure management

The Group is exposed to risks that arise from its use of financial instruments. This note describes the Group's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements.

There have been no substantive changes in the Group's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous periods unless otherwise stated in this note.

Principal financial instruments

The principal financial instruments used by the Group, from which financial instrument risk arises are

- trade receivables
- cash at bank
- bank overdrafts
- term loans
- invoice discounting facilities
- trade and other payables

General objectives, policies and processes

The Board has overall responsibility for the determination of the Group's risk management objectives and policies. The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the Group's competitiveness and flexibility. Further details regarding these policies are set out below.

Credit risks

Credit risk arises principally from the Group's trade receivables and reflects the risk that the counter party fails to discharge its obligation in respect of the instrument.

It is Group policy to mitigate credit risk arising from the client base through the application of credit limits based on credit ratings issued by the main credit rating agencies, and from the knowledge of the trading history with that customer. For customers with no authorised credit limit, pro forma invoices will be issued requiring payment in full before despatch of goods or provision of services.

Where credit terms requested by the customer are outside the Group's standard terms of business then authorisation is sought from the Group Finance Director.

The end user of our products is often a blue chip customer but we normally invoice a contractor or installer employed by the end user. The Group subsidiary company is also often involved directly with the end user due to our knowledge of the product and its application. The subsidiary has also usually worked with many of these contractors and installers for a number of years. Within the asset protection division, there are also retentions outstanding in situations where our customer is a contractor.

Credit risk is influenced by factors specific to the individuals customers, however an element of the risk is influenced by the geographic locations in which they operate.

The credit quality of the financial assets are reviewed and assessed on an ongoing basis which enables timely judgements to be made on the position of each debt. This allows management to put in place action plans where necessary to ensure the recoverability of the debts and the minimisation of potential write offs.

The Group records impairment losses on its trade receivables separately from gross receivables and reports these net of provisions. The movements on this allowance account during the year are summarised below

	2008 £'000	2007 £'000
Opening balance	16	14
Increase in provisions	11	3
Receivable written off during the year	(4)	(1)
Closing balance	**23**	**16**

The movement on the provision for impaired receivables has been included in the administrative expense line in the income statement. The Group provides against specific debtors.

The following table illustrates the concentration of credit risk within the Group as at the balance sheet date

2008		Trade Receivables			
Geographical Area	**Turnover £'000**	**Total £'000**	**Current £'000**	**30 days past due £'000**	**60 days past due £'000**
UK	12,896	2,302	1,361	751	190
USA	690	213	54	121	38
Europe	1,104	143	42	(31)	132
Rest of the World	177	18	1	16	1
Total	**14,867**	**2,676**	**1,458**	**857**	**361**

2007		Trade Receivables			
Geographical Area	**Turnover £'000**	**Total £'000**	**Current £'000**	**30 days past due £'000**	**60 days past due £'000**
UK	11,546	2,397	1,347	779	271
USA	800	110	6	34	70
Europe	925	134	57	58	19
Rest of the World	151	26	7	19	–
Total	**13,422**	**2,667**	**1,417**	**890**	**360**

The Group's maximum exposure to credit risk is equal to the carrying value of trade receivables and cash and cash equivalents.

Management monitors the utilisation of the credit limits regularly and does not expect any material losses from non-performance by the counterparties.

Financial assets past due or impaired

The analysis of Group's provisions against trade receivables is shown in the table below:

Analysis of trade receivables impairments

	2008			2007		
	Gross Value £'000	**Provision £'000**	**Net Carrying Amount £'000**	**Gross Value £'000**	**Provision £'000**	**Net Carrying Amount £'000**
UK	2,302	(23)	2,279	2,397	(16)	2,381
USA	213	–	213	110	–	110
Europe	143	–	143	134	–	134
Rest of the World	18	–	18	26	–	26
Total	**2,676**	**(23)**	**2,653**	**2,667**	**(16)**	**2,651**

The main factor used in assessing any impairment of trade receivables is the age of the balance and the circumstances of the individual customer. The fair value of trade receivables that are past due or impaired is their carrying amount.

As at 30 April 2008 trade receivables of £702,000 (2007: £780,000) were past due but not considered to be impaired. They relate to the customers with no default history. The ageing analysis of these receivables is as follows

	2008 £'000	**2007 £'000**
Up to 3 months	651	739
3 to 6 months	51	41
	702	780

Liquidity risk

Liquidity risk arises from the Group's management of working capital together with the finance charges and principal payments on its debt instruments. It is the risk that the Group will encounter difficulty in meeting its financial obligations as they fall due. The Group's policy is to ensure that it has adequate financial resources to enable it to finance its day-to-day operations based on cash flow projections. The Group's working capital requirements are generally short term in nature and as such the Group utilises short-term invoice discounting facilities. Longer term financing is utilised for the purpose of acquiring subsidiary undertakings. Cash balances are reported weekly to the Board, and the Group Finance Director compares existing resources and available facilities with projected outgoings. Monthly cash flow statements are prepared and reviewed by management with variances against budget. Cash flow budgets are produced annually and reviewed by the Board of Directors.

The Group had floating rate invoice discounting facilities with a maximum aggregate facility limit at 30 April 2008 of £800,000 (2007: £Nil). These facilities are subject to 3 months' notice period. The Group also has term loans of £876,000 (2007: £563,000). The interest rate payable on the term loans is base rate plus 2%. The loans are repayable in monthly instalments.

The bank loans and overdrafts are secured by a debenture over the assets of the Group and the Company. The invoice discounting facility is secured over the book debts of the electronic division of the Group.

The maturity analysis of the undiscounted financial liabilities measured at amortised costs is as follows

	2007 £'000	**2006 £'000**
Up to 3 months	867	62
3 to 6 months	174	62
6 to 12 months	350	126
Later than 1 year and not later than 5 years	626	313
	2,017	563

Included with in 0 -3 months period is the amounts drawn down via the invoice discounting facility.

Market risks

Market risks arise from the Group's use of interest bearing financial instruments. It is the risk that the fair value or future cash flow of a financial instrument will fluctuate because of changes in interest rates or other market factors.

Interest rate risk

The Group finances its operations through a mixture of retained profits, bank loans and invoice discounting facilities, both bank loans and invoice discounting facilities being at floating rates.

Interest rate risk sensitivity of interest rate exposure

The following table demonstrates the effect of a 1% movement from a base rate plus 2% based on the term loan balances as at 30 April 2008 of £1,325,000.

Interest rate movement from base rate plus 2%	**–1%**	**+1%**
Interest (saving)/expenses (£000's)	(9)	9

Interest Risk Profile

The following table sets out the carrying amount of the Group's financial instruments that are exposed to interest rate risk as at 30 April 2008.

	2008		**2007**	
	Effective Interest Rate	**Carrying Amount £'000**	**Effective Interest Rate**	**Carrying Amount £'000**
Floating rate with maturity within one year				
Cash and cash equivalents	2.5%	87	2.75%	1,948
Advances drawn on invoice discounting	6.75%	(692)	–	–
Term loan	7.00%	(699)	7.25%	(250)
Mortgage loan	–	–	6.125%	(10)
Floating rate with maturity over one year				
Term loan	7.00%	(626)	7.25%	(313)
Deferred consideration loan notes	–	–	5%	(3,561)
Mortgage loan	–	–	6.125%	(182)
		(1,930)		(2,368)

Foreign currency risk

The Group's main foreign currency risk is the short-term risk associated with trade debtors denominated in US dollars and Euros relating to the UK operations whose functional currency is sterling. The risk arises on the difference between exchange rates at the time the invoice is raised to when the invoice is settled by the customer.

The Group is also exposed to currency risk on trade payables which are denominated in currencies other than sterling.

The carrying values of the Group's trade receivables and trade payables are denominated in the following currencies:

	Trade receivables		**Trade payables**	
	2008 £'000	**2007 £'000**	**2008 £'000**	**2007 £'000**
Pound sterling	2,297	2,407	1,018	1,026
US dollar	213	110	–	4
Euro	143	134	107	175
	2,653	2,651	1,125	1,205

The effect of a 10 per cent. strengthening of the Euro and Dollar against Sterling at the balance sheet date on the Euro/Dollar denominated trade receivables and payables carried at that date would, all other variables held constant, have resulted in a net increase in pre-tax profit for the year and increase of net assets of £22,000 (2007: £16,000). A 10 per cent. weakening in the exchange rates would, on the same basis, have decreased pre-tax profit and decrease net assets by £28,000 (2007: £20,000).

Capital

The Group considers its capital to comprise its ordinary share capital, share premium account, foreign exchange reserve and accumulated retained earnings.

In managing its capital, the Group's primary objective is to ensure its continued ability to provide a consistent return for its equity shareholders through capital growth and distributions. The Group seeks to maintain a gearing ratio that balances risks and returns at an acceptable level and also to maintain a sufficient funding base to enable the Group to meet its working capital and strategic investment needs. In making decisions to adjust its capital structure to achieve these aims, the Group considers not only its short-term position but also its long-term operational and strategic objectives.

20. Financial assets and liabilities – Numerical information

Maturity of financial liabilities

The carrying amounts of financial liabilities, all of which are exposed to cash flow or fair value interest rate risk, are repayable as follows:

	2008 £'000	**2007 £'000**
In less than one year	809	3,930
In more than one year but not more than two years	578	311
In more than two years but not more than three years	132	80
In more than three years but not more than four years	–	10
In more than four years but not more than five years	–	10
In more than five years	–	142
	1,519	4,483

Borrowing facilities

The Group had undrawn committed borrowing facilities available at 30 April 2008 in which all conditions have been met.

	Floating rate £'000	**Fixed rate £'000**	**2008 Total £'000**	**2007 Total £'000**
Expiry within 1 year	587	–	587	2,448

Interest rate risk

The currency and interest profile of the Group's financial assets and liabilities after taking account of interest rate swaps are as follows:

	Floating rate liabilities 2008 £'000	Fixed rate liabilities 2008 £'000	Interest free liabilities 2008 £'000	Total £'000
Sterling	1,325	194	–	1,519

	Floating rate liabilities 2007 £'000	Fixed rate liabilities 2007 £'000	Interest free liabilities 2007 £'000	Total £'000
Sterling	563	167	–	730
Euro	3,561	192	–	3,753
	4,124	359	–	4,483

	Floating rate assets 2008 £'000	Fixed rate assets 2008 £'000	Interest free assets 2008 £'000	Total £'000
Sterling	87	–	–	87

	Floating rate assets 2007 £'000	Fixed rate assets 2007 £'000	Interest free assets 2007 £'000	Total £'000
Sterling	1,948	–	–	1,948

The weighted average interest rate of fixed rate liabilities and the weighted average period for which they are fixed is as follows:

	Rate 2008 %	Period 2008 Years	Rate 2007 %	Period 2007 Years
Sterling	4.0	1.0	4.0	0.9
Euro	–	–	6.1	20.0
	4.0	1.0	5.1	11.1

Fair values

The book value and fair value of financial liabilities are as follows:

	Book value 2008 £'000	Fair value 2008 £'000	Book value 2007 £'000	Fair value 2007 £'000
Bank loans	1,325	1,293	563	517
Mortgage loan	–	–	192	118
Finance lease creditor	194	185	167	157
Deferred consideration loan notes	–	–	3,561	3,561
	1,519	1,478	4,483	4,353

Fair values of financial liabilities have been determined by discounting cash payments at prevailing market rates of interest having regard to the specific risks attaching to them.

The fair values of all other monetary assets and liabilities at 30 April 2008 and 2007 is equal to their book value.

21. Provisions

	Rental provision contracts £'000	Leasehold dilapidations £'000	Warranty £'000	Holiday pay £'000	Total £'000
At 1 May 2007	88	84	20	77	269
Released in year	(16)	–	–	–	(16)
Deferred tax asset brought forward	–	–	–	–	–
Charged in year	–	–	–	10	10
At 30 April 2008	72	84	20	87	263
Due within one year or less	16	–	20	87	123
Due after more than one year	56	84	–	–	140
	72	84	20	87	263

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

Leasehold dilapidations relate 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. On recognition of the initial provision, an equal amount was recognised as part of the cost of the leasehold improvements. This cost is recognised as depreciation of leasehold improvements over the remaining term of the lease. The main uncertainty relates to estimating the cost that will be incurred at the end of the lease.

22. Deferred tax

Deferred tax is calculated in full on temporary differences under the liability method using a tax rate of 28 per cent. (2007: 30 per cent.).

The movement on the deferred tax account is as shown below:

	Group 2008	Group 2007
Liability/(asset)		
At 1 May	(37)	(116)
Income statement	85	79
At 30 April	48	(37)

Deferred tax assets have been recognised in respect of all temporary timing differences giving rise to deferred tax assets because it is probable that these assets will be recovered.

The movements in deferred tax assets and liabilities (prior to the offsetting of balances within the same jurisdiction as permitted by IAS12) during the period are shown below.

Deferred tax assets and liabilities are only offset where there is a legally enforceable right of offset and there is an intention to settle the balances net.

Details of the deferred tax liability, and amounts charged/(credited) to the consolidated income statement are as follows:

	Liability/ (Asset) 2008 £'000	Charged/ (credited) to income 2008 £'000
Accelerated capital allowances	(47)	(5)
Other temporary and deductible differences	160	85
Available losses	(65)	5
	48	85

	(Asset)/ Liability 2007 £'000	Charged/ (credited) to income 2007 £'000
Accelerated capital allowances	(42)	(12)
Other temporary and deductible differences	75	91
Available losses	(70)	–
	(37)	79

A deferred tax asset has not been recognised for the following:

	2008 £'000	2007 £'000
Unused tax losses	841	967

23. Share capital

	Authorised			
	2008 Number	2008 £	2007 Number	2007 £
Ordinary shares of 1p each	1,015,164,192	10,151,642	1,015,164,192	10,151,642

	Issued and fully paid			
	2008 Number	2008 £	2007 Number	2007 £
Ordinary shares of 1p each				
At beginning of the year	448,957,816	4,489,578	373,957,816	3,739,578
Issued in the year	1,474,500	14,745	75,000,000	750,000
At end of the year	450,432,316	4,504,323	448,957,816	4,489,578

The 1,474,500 new shares were allotted on 27 March 2008 to holders of Global Depository Receipts ("GDRs") of Vema N.V., a subsidiary company. The shares were issued and allotted in relation to a share offer originally made in 2002 to acquire the GDR's of Vema, and Newmark repeated the Offer in the year to the remaining GDR holders.

24. Reserves

	Share premium £'000	Merger reserve £'000	Retained earnings £'000	Foreign exchange reserve £'000	Warrant reserve £'000
At 1 May 2006	493	801	(1,861)	(39)	248
Translation differences on overseas operations	–	–	–	1	–
Share-based payment provision	–	–	38	–	–
Profit for the year	–	–	1,089	–	(114)
Reclassification between reserves	–	–	134	–	(134)
At 30 April 2007	493	801	(600)	(38)	–
At 30 April 2007	493	801	(600)	(38)	–
Translation differences on overseas operations	–	–	–	(109)	–
Share-based payments provision	–	–	41	–	–
Excess of market price over nominal value of shares issued in year	9	–	–	–	–
Profit for the year	–	–	2,483	–	–
At 30 April 2008	502	801	1,924	(147)	–

The share premium account represents the excess of the market value of shares issued over the nominal value of those shares, less expenses of issue.

The merger reserve arose in the year ended 30 April 2003 when the Company made an offer to the Global Depository Receipt ("GDR") holders of Vema N.V. for the 49 per cent. of the issued share capital of that company not already owned by the Group. The offer represented 1.5 Newmark shares for each GDR and the merger reserve represented the excess of market value over nominal value of the shares issued.

Retained earnings represents the cumulative amount of retained profits/losses each year as reported in the income statement, plus the exchange differences on the retranslation of foreign operations up to 1 May 2005 (the date of transition to IFRS).

Foreign exchange reserve represents the cumulative exchange differences on the retranslation of foreign operations from 1 May 2005.

The warrant reserve arose from the valuation of warrants attached to loan notes issued by the Company as adjusted by the subsequent revaluations of those loan notes at 30 April 2006 and at exercise date.

25. Minority interests

	£'000
At 1 May 2007	64
Less: Buy back of minority interest in year	(24)
At 30 April 2008	40

26. Leases

Finance leases

Future lease payments are due as follows:

	Minimum lease payments 2008 £'000	Interest 2008 £'000	Present value 2008 £'000
Not later than one year	122	12	110
Later than one year and not later than five years	94	10	84
	216	22	194

	Minimum lease payments 2007 £'000	Interest 2007 £'000	Present value 2007 £'000
Not later than one year	119	10	109
Later than one year and not later than five years	65	7	58
	184	17	167

The present value of future lease payments are analysed as:

	2008 £'000	2007 £'000
Current liabilities	110	109
Non-current liabilities	84	58
	194	167

Operating leases – lessee

The Group leases the majority of its properties. The terms of property leases vary, although they all tend to be tenant repairing with rent reviews every 2 to 5 years.

Commitments under non-cancellable operating leases expiring:

	2008 £'000	2007 £'000
Not later than one year	–	7
Later than one year and not later than five years	316	91
Later than five years	796	815
	1,112	913

27 Share-based payment

The Group previously operated two share option schemes, a HM Revenue & Custom's Approved Share Option Scheme and an Unapproved Share Option Scheme. The schemes require that exercise of options be subject to the satisfaction of certain performance criteria. Rights over share options will be forfeited after leaving the Group's employment.

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

Date of Grant	Subscription Price payable	2008 Approved	2008 Unapproved	2007 Approved	2007 Unapproved
October 1997	14.5p	–	–	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	7,000,000	7,000,000
Total		7,500,000	13,450,000	7,528,000	13,478,000

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

The remaining weighted average contractual lives for Approved and Unapproved Options were 7.2 and 5.9 years respectively (2007: 8.1 and 6.9).

Of the total number of options outstanding at the end of the year 500,000 Approved and 6,450,000 Unapproved (2007: 528,000 and 6,478,000 respectively) had vested at the end of the year.

There were no options granted or exercised during the year.

The Group has now adopted the Newmark Security PLC EMI Share Option Plan which enables the Board to grant qualifying share options under the HM Revenue and Custom's Enterprise Management Incentive ("EMI") tax code and also unapproved share options to employees and directors. The EMI share options vest and become exercisable 3 years from the date of grant (subject to leaver and takeover provisions), or such other period of time specified by the Remuneration Committee. Performance conditions set by the Remuneration Committee will apply to these EMI options. On 26 October 2007, the Company granted 4,800,000 options under the EMI approved share option scheme and 1,000,000 options under the EMI unapproved share option scheme. The options were granted at a price of 1.425p per share.

The following information is relevant in the determination of the fair value of options granted during the year under the EMI Schemes:

Option Pricing Model used: Binomial Option Pricing model.

Share Price at grant date: Share Price at grant date, adjusted for a mid-market spread.

Exercise Price: 1.425p.

Estimated date to exercise of Options: 10 years.

Expected volatility: 60 per cent.

Risk-free interest rate: Yield on a zero coupon government security at grant date.

Dividend Yield: 7.4 per cent.

The volatility assumption was based on the weighted average share price movement over the last four years.

The share based remuneration expense for equity settled schemes was £41,000 (2007: £38,000).

28. Related party transactions

Details of directors' remuneration are given in the Report of the Remuneration Committee on page 11.

29. Notes supporting cash flow statement

Cash and cash equivalents comprises:

	2008 £'000	2007 £'000
Cash available on demand	87	1,948
Net cash (decrease)/increase in cash and cash equivalents	(1,861)	575
Cash and cash equivalents at beginning of year	1,948	1,373
Cash and cash equivalents at end of year	87	1,948

Significant non-cash transactions are as follows:

Financing activities		
Proceeds from finance lease creditor	180	94
Debt converted into equity	–	750
	180	844

COMPANY BALANCE SHEET
30 April 2008 – UK GAAP Financial Statements

	Note	2008 £'000	2008 £'000	2007 £'000	2007 £'000
Fixed assets					
Investment in subsidiary	3		18,869		16,587
Tangible assets	4		3		6
			18,872		16,593
Current assets					
Debtors	5	24		16	
Cash at bank and in hand		–		28	
		24		44	
Creditors: amounts falling due within one year	6	(12,624)		(12,816)	
Net current liabilities			(12,600)		(12,772)
Total assets less current liabilities			6,272		3,821
Creditors: amounts falling due after more than one year	7		(626)		(313)
Accruals and deferred income			(91)		(108)
Net assets			5,555		3,400
Capital and reserves					
Called up share capital	8		4,504		4,490
Share premium account	9		502		493
Merger reserve	9		801		801
Profit and loss account	9		(252)		(2,384)
Shareholder's funds–Equity	10		5,555		3,400

The notes on pages 46 to 49 from part of these financial statements.

These financial statements were approved by the Board of Directors and authorised for issue on 16 July 2008.

M Dwek
Director

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 accounts have been prepared on the going concern basis.

The following principal accounting policies have been applied consistently in dealing with items which are considered material in relation to the Company's financial statements.

Profit and Loss Account

Under Section 230(4) of the Companies Act 1985 the Company is exempt from the requirement to present its own profit and loss account. The loss for the year ended 30 April 2008 is disclosed in note 10. The charge for taxation is based on the loss for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Depreciation

Depreciation is provided to write off the cost, less estimated residual values, of all fixed assets evenly over their expected useful lives. It is calculated at the following rates:

Computer equipment – 25 per cent. per annum straight line
Fixtures and fittings – 10 per cent. per annum straight line

Valuation of investments

Investments held as fixed assets are stated at cost less any provision for impairment.

Deferred taxation

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date except that the recognition of deferred tax assets is limited to the extent that the company anticipates to make sufficient taxable profits in the future to absorb the reversal of the underlying timing differences.

Deferred tax balances are not discounted.

Leased assets

Operating lease rentals are charged to the profit and loss account on a straight-line basis over the term of the lease.

2. Employees and staff costs

	2008 Number	2007 Number
The average number of employees, including directors, during the period was:		
Office and management	2	2

	2008 £'000	2007 £'000
Staff costs (including Executive Director) comprise:		
Wages and salaries	128	123
Employer's national insurance contributions and similar taxes	16	14
	144	137

3. Investment in subsidiary

	£'000
Cost	
At 1 May 2007	16,587
Additions at 30 April 2008	2,282
Net book value 30 April 2008	18,869
Net book value 30 April 2007	16,587

The investments in Safetell Limited and Safetell Security Screens Limited were transferred from Safetell International Limited in the year.

The subsidiaries of Newmark Security PLC, are as follows:

Name	Country of incorporation	Proportion of ownership interest
Newmark Technology (C-Cure Division) Limited	Great Britain	100%
Vema B.V.	The Netherlands	100%
Newmark Technology S.A.	Belgium	100%
Safetell International Limited	Great Britain	100%
Safetell Limited	Great Britain	100%
Safetell Security Screens Limited	Great Britain	100%
Newmark Technology Inc.	USA	100%
Grosvenor Technology Limited	Great Britain	100%
Newmark Group Limited	Great Britain	100%
Sateon Limited	Great Britain	100%

4. Tangible assets

	Computers Fixtures & Fittings £'000	Total £'000
Cost		
At 1 May 2007	7	7
Additions	4	4
Disposals	(2)	(2)
At 30 April 2008	9	9
Depreciation		
At 1 May 2007	1	1
Charge for the year	5	5
Eliminated in respect of	–	–
Disposals	–	–
At 30 April 2008	6	6
Net book value		
At 30 April 2008	3	3
At 30 April 2007	6	6

5. Debtors

	2008 £'000	2007 £'000
Other debtors	14	6
Prepayments	10	10
	24	16

All amounts shown under debtors fall due for payment within one year.

6. Creditors: amounts falling due within one year

	2008 £'000	2007 £'000
Bank overdraft	441	–
Loan (i)	250	250
Loan (ii)	449	–
Deferred consideration loan notes (note below)	–	3,611
Amount due to group undertakings	11,479	8,950
Other taxation and social security	5	5
	12,624	12,816

Bank loan (i) is repayable by equal monthly instalments until July 2009 and is secured on the assets of the UK subsidiary companies. Interest is payable at 2 per cent. above base rate.

Bank loan (ii) is secured on the assets of the UK subsidiary companies and is repayable by equal monthly instalments until November 2011. Interest is payable at 2 per cent. above base rate.

The deferred consideration loan notes were denominated in Euros and derived from the contingent consideration payable on the acquisition of Grosvenor Technology Limited. The loan notes were unsecured and were paid in cash on 1 November 2007. Interest was payable at 1/4 per cent. below base rate.

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

	2008 £'000	2007 £'000
Loans (see note 6)	626	313

8. Share capital

	2008	2007
Authorised:		
1,015,164,192 Ordinary shares of 1p each (2007: 1,015,164,192)	10,151,642	10,151,642
Allotted, called up and fully paid:		
450,432,316 Ordinary shares of 1p each (2007: 448,957,816)	4,504,323	4,489,578

The 1,474,500 new shares were allotted on 27 March 2008 to holders of Global Depository Receipts ("GDRs") of Vema N.V., a subsidiary company. The shares were issued and allotted in relation to a share offer originally made in 2002 to acquire the GDRs of Vema, and Newmark repeated the Offer in the year to the remaining GDR holders.

9. Reserves

	Share premium account £'000	Merger reserve £'000	Profit and loss account £'000
At 1 May 2007	493	801	(2,384)
Excess of market price and nominal value on shares issued in the year	9	–	–
Loss for the year	–	–	(321)
Dividends received	–	–	2,453
At 30 April 2008	502	801	(252)

10. Reconciliation of movements in shareholder's funds

	2008 £'000	2007 £'000
Opening shareholder's funds	3,400	2,210
Loss for the year	(321)	(560)
Dividends received	2,453	1,000
New share capital subscribed	23	750
Closing shareholder's funds	5,555	3,400

11. Commitments under operating leases

At 30 April 2008 the company had annual commitments under non-cancellable operating leases as follows:

	2008 Land and buildings £'000	2007 Land and buildings £'000
Expiring within one year	–	27
Expiring within two to three years	42	–

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Annual General Meeting of Newmark Security PLC will be held at 57 Grosvenor Street, London W1K 3JA on 26 September 2008 at 10.00 a.m. 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 2008.
2. To re-appoint M. Rapoport 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 £1,501,441; 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, such authority to be in substitution for any existing authorities conferred on Directors pursuant to section 80 of the Act.
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 exclusion 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 £900,865,

   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 agreements if the power conferred hereby had not expired and provided further that this power shall be in substitution for and supersede and revoke any previous power granted to the Directors to the extent not previously utilised.

By order of the Board
B G Beecraft
Company Secretary

16 July 2008
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, speak and vote instead of him. A proxy need not be a member of the Company. More than one proxy may be appointed to exercise the rights attaching to the different shares held by the member but a member may not appoint more than one proxy to exercise rights attached to any one share. A form of proxy is enclosed.
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 25 September 2008 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 2009. 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.