Company Registration No. 2724821 (England and Wales)

INTELLIGENT SECURITY LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 31 MAY 2001



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INTELLIGENT SECURITY LIMITED

COMPANY INFORMATION

Directors	R F Aird M C Boylan P Cathcart I F Moore
Secretary	D McCombe
Company number	2724821
Registered office	Farley Court Allsop Place London NW1 5LG
Accountants	Fisher, Sassoon & Marks Farley Court Allsop Place London NW1 5LG
Business address	27 Woolmer Way Bordon Hampshire GU35 9QE
Bankers	Barclays Bank plc West Surrey Group, P.O. Box 317 Woking Surrey GU21 1WT
Solicitors	Cathcart & Co 2 Swakeleys Road Ickenham Middlesex UB10 8BG

INTELLIGENT SECURITY LIMITED

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INTELLIGENT SECURITY LIMITED

DIRECTORS' REPORT
FOR THE PERIOD ENDED 31 MAY 2001

The directors present their report and financial statements for the period ended 31 May 2001.

Principal activities and review of the business

The principal activity of the company continued to be that of design, development, supply and maintenance of electronic fire and security systems.

The results for the period are adversly affected by both the cost of completing the transition of the company into a predominantly fire detection systems supplier, and the costs written off to profit and loss account, associated with litigation and then, by way of settlement, the acquisition of the business of Video Fire Detection Limited for an initial consideration of £358,000. The advanced visual fire detection technology acquired cements the company as a world leader in the field and positions the company for growth and profitability next year and beyond.

Directors

The following directors have held office since 1 December 1999:

R F Aird
M C Boylan
P Cathcart
A T P Headland (Resigned 8 November 2001)
I F Moore

Directors' interests

The directors' interests in the shares of the company were as stated below:

	Ordinary shares of £ 1 each	
	31 May 2001	**1 December 1999**
R F Aird	268,500	268,500
M C Boylan	6,000	6,000
P Cathcart	15,000	15,000
A T P Headland	21,000	21,000
I F Moore	-	-

	Preference Shares of £ 1 each	
	31 May 2001	**1 December 1999**
R F Aird	150,000	150,000
M C Boylan	-	-
P Cathcart	-	-
A T P Headland	-	-
I F Moore	-	-

This report has been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies.

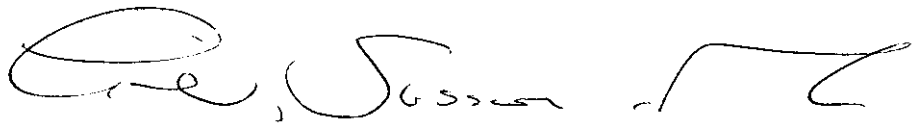
By order of the board

D McCombe
Secretary
6 August 2002

INTELLIGENT SECURITY LIMITED

ACCOUNTANTS' REPORT TO THE DIRECTORS ON THE UNAUDITED ACCOUNTS OF INTELLIGENT SECURITY LIMITED

As described on the balance sheet you are responsible for the preparation of the accounts for the period ended 31 May 2001, set out on pages 3 to 11 and you consider that the company is exempt from an audit. In accordance with your instructions, we have compiled these unaudited accounts in order to assist you to fulfil your statutory responsibilities from the accounting records and information and explanations supplied to us.



Fisher, Sassoon & Marks

6 August 2002

Chartered Accountants

Farley Court
Allsop Place
London NW1 5LG

INTELLIGENT SECURITY LIMITED

PROFIT AND LOSS ACCOUNT
FOR THE PERIOD ENDED 31 MAY 2001

	Notes	Period ended 31 May 2001 £	Year ended 30 November 1999 £
Turnover		582,296	349,822
Cost of sales		(309,764)	(40,560)
Gross profit		272,532	309,262
Administrative expenses		(652,016)	(276,936)
Other operating income		-	13,601
Operating (loss)/profit	2	(379,484)	45,927
Other interest receivable and similar income		-	168
Interest payable and similar charges	3	(3,689)	(6)
(Loss)/profit on ordinary activities before taxation		(383,173)	46,089
Tax on (loss)/profit on ordinary activities	4	-	-
(Loss)/profit on ordinary activities after taxation	14	(383,173)	46,089

INTELLIGENT SECURITY LIMITED

BALANCE SHEET
AS AT 31 MAY 2001

	Notes	2001 £	2001 £	1999 £	1999 £
Fixed assets					
Intangible assets	5		494,735		23,479
Tangible assets	6		26,964		6,685
Investments	7		107		100
			521,806		30,264
Current assets					
Stock	8	13,871		56,854	
Debtors	9	186,567		61,720	
Cash at bank and in hand		226		18,897	
		200,664		137,471	
Creditors: amounts falling due within one year	10	(744,604)		(88,279)	
Net current (liabilities)/assets			(543,940)		49,192
Total assets less current liabilities			(22,134)		79,456
Creditors: amounts falling due after more than one year	11		(283,000)		-
			(305,134)		79,456
Capital and reserves					
Called up share capital	13		610,000		610,000
Share premium account	14		140,000		140,000
Profit and loss account	14		(1,055,134)		(670,544)
Shareholders' funds			(305,134)		79,456

INTELLIGENT SECURITY LIMITED

BALANCE SHEET (CONTINUED)
AS AT 31 MAY 2001

In preparing these financial statements:

(a) The directors are of the opinion that the company is entitled to the exemption from audit conferred by Section 249A(1) of the Companies Act 1985;

(b) No notice has been deposited under Section 249B(2) of the Companies Act 1985, and

(c) The directors acknowledge their responsibilities for:

  (i) ensuring that the company keeps accounting records which comply with Section 221 of the Companies Act 1985, and

  (ii) preparing accounts which give a true and fair view of the state of affairs of the company as at the end of the financial period and of its profit or loss for the financial period in accordance with the requirements of Section 226, and which otherwise comply with the requirements of this Act relating to accounts, so far as applicable to the company.

These financial statements have been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies and with the Financial Reporting Standard for Smaller Entities (effective March 2000).

The financial statements were approved by the Board on 6 August 2002

I F Moore
Director

INTELLIGENT SECURITY LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 MAY 2001

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1 Accounting policies

1.1 Accounting convention

The financial statements are prepared under the historical cost convention and as a going concern which assumes the continued financial support of the company's creditors and in accordance with the Financial Reporting Standard for Smaller Entities.

1.2 Compliance with accounting standards

The financial statements are prepared in accordance with applicable accounting standards.

1.3 Turnover

Turnover represents amounts receivable for goods and services net of VAT and trade discounts.

1.4 Patents

The cost of patents are written off over 5 years.

1.5 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life, as follows:

Motor vehicles	25% Reducing balance
Patents	20% Reducing balance
Computer Costs	25% Reducing balance

1.6 Investments

Fixed asset investments are stated at cost less provision for diminution in value.

1.7 Group accounts

The financial statements present information about the company as an individual undertaking and not about its group. The company and its subsidiary undertaking comprise a small-sized group. The company has therefore taken advantage of the exemptions provided by section 248 of the Companies Act 1985 not to prepare group accounts.

2 Operating (loss)/profit

	2001	1999
	£	£
Operating (loss)/profit is stated after charging:		
Depreciation of tangible assets	1,671	2,288
Directors' emoluments	-	2,148
and after crediting:		
Government grants	-	13,601

The number of directors for whom retirement benefits are accruing under money purchase pension schemes amounted to 1 (1999 - 2).

3 Interest payable

	2001	1999
	£	£
On bank overdraft	3,689	6

4 Taxation

The company had carry forward losses of £875,356 (1999 - £530,620) at the balance sheet date.

5 Intangible fixed assets

	Patents	Development Costs	Total
	£	£	£
Cost			
At 1 December 1999	29,349	139,021	168,370
Additions	23,909	457,999	481,908
At 31 May 2001	53,258	597,020	650,278
Amortisation			
At 1 December 1999	5,870	139,021	144,891
Charge for period	10,652	-	10,652
At 31 May 2001	16,522	139,021	155,543
Net book value			
At 31 May 2001	36,736	457,999	494,735
At 30 November 1999	23,479	-	23,479

6 Tangible fixed assets

	£
Cost	
At 1 December 1999	109,607
Additions	29,267
At 1 December 1999 & at 31 May 2001	138,874
Depreciation	
At 1 December 1999	102,922
Charge for the period	8,988
At 31 May 2001	111,910
Net book value	
At 31 May 2001	26,964
At 30 November 1999	6,685

7 Fixed asset investments

	Shares in group undertakings and participating interests
	£
Cost	
At 1 December 1999	100
Additions	7
At 31 May 2001	107

Holdings of more than 20%

The company holds more than 20% of the share capital of the following companies:

Company	Country of registration or incorporation	Shares held Class	%
Subsidiary undertakings			
Detector Technologies Limited	England and Wales	Ordinary	100
Intelligent Fire Limited	England and Wales	Ordinary	100
VSD Limited	England and Wales	Ordinary	100
Video Fire Detection Limited	England and Wales	Ordinary	100

The aggregate amount of capital and reserves and the results of these undertakings for the last relevant financial year were as follows:

	Capital and reserves	Profit for the year
Detector Technologies Limited	2	-
Intelligent Fire Limited	2	-
VSD Limited	100	-
Video Fire Detection Limited	2	-

All the above subsidiaries are dormant.

8 Stock

	2001	1999
	£	£
Finished goods and consumables	13,871	56,854

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE PERIOD ENDED 31 MAY 2001

9 Debtors	2001 £	1999 £
Trade debtors	176,863	54,536
Other debtors	9,704	7,184
	186,567	61,720

10 Creditors: amounts falling due within one year	2001 £	1999 £
Bank overdraft	108,467	-
Trade creditors	214,138	59,440
Taxation and social security	5,652	21,478
Other creditors	416,347	7,361
	744,604	88,279

11 Creditors: amounts falling due after more than one year	2001 £	1999 £
Purchase consideration	283,000	-
Long Term Creditor Analysis		
Between one and two years	47,000	-
Between two and five years	218,000	-
In five years or more	18,000	-

The long term creditor relates to the balance of the initial consideration of £358,000 for the purchase of the business of Video Fire Detection Limited, which is payable over 50 months from June 2002.

12 Pension costs

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions payable by the company to the fund and amounted to £Nil (1999 - £2,148).

INTELLIGENT SECURITY LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 MAY 2001

13 Share capital	2001 £	1999 £
Authorised		
500,000 Ordinary shares of £ 1 each	500,000	500,000
250,000 Preference Shares of £ 1 each	250,000	250,000
	750,000	750,000
Allotted, called up and fully paid		
360,000 Ordinary shares of £ 1 each	360,000	360,000
250,000 Preference Shares of £ 1 each	250,000	250,000
	610,000	610,000

14 Statement of movements on reserves

	Share premium account £	Profit and loss account £
Balance at 1 December 1999	140,000	(671,961)
Retained loss for the period	-	(383,173)
Balance at 31 May 2001	140,000	(1,055,134)

15 Contingent liabilities

As referred to in Note 11 regarding the acquisition of the business of Video Fire Detection Limited, in addition to the initial consideration of £358,000, furthur payments are due based on sale of the company's products during the next 10 years and 2 months from 18 May 2001 up to a maximum of £973,000. In line with the directors estimation of the payments which will be due, a provision of £100,000 has been made. No provision has been made for the balance of £873,000 which in the directors opinion is unlikely to be payable.

16 Related party transactions

During the period Aird Investment Management Limited charged the company £30,000 (1999- £12,500) for management services. Mr. R F Aird is a director and the controlling shareholder of Aird Investment Management Limited.

Other creditors include £254,450 owed to Mr. R F Aird, who is a director of the company.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE PERIOD ENDED 31 MAY 2001

17 Post balance sheet events

In May 2002, the company issued 281,250 ordinary shares of £1 each at par.