

P. J. M.

Company Registration No. 2724821 (England and Wales)

INTELLIGENT SECURITY LIMITED
DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 2002



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

CONTENTS

	Page
Directors' report	1
Accountants' report	2
Profit and loss account	3
Balance sheet	4 - 5
Notes to the financial statements	6 - 10

INTELLIGENT SECURITY LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 MAY 2002

The directors present their report and financial statements for the year ended 31 May 2002.

Principal activities

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

Directors

The following directors have held office since 1 June 2001:

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

Directors' interests

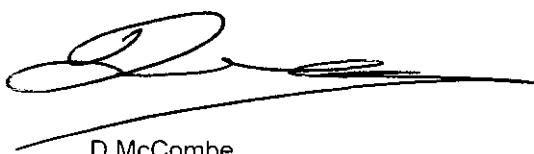
The directors' interests in the shares of the company were as stated below:

	Ordinary shares of £ 1 each	
	31 May 2002	1 June 2001
R F Aird	508,083	268,500
M C Boylan	10,792	6,000
P Cathcart	26,250	15,000
I F Moore	9,583	-

	Preference Shares of £ 1 each	
	31 May 2002	1 June 2001
R F Aird	150,000	150,000
M C Boylan	-	-
P Cathcart	-	-
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

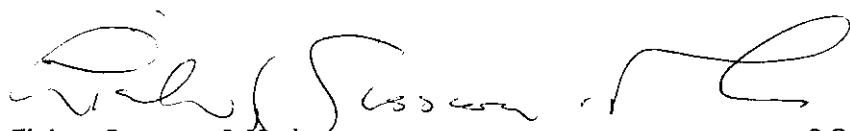


D McCombe
Secretary
2 September 2002

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 year ended 31 May 2002, set out on pages 3 to 10 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

2 September 2002

Chartered Accountants

Farley Court
Allsop Place
London NW1 5LG

INTELLIGENT SECURITY LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 MAY 2002

	Notes	2002 £	2001 £
Turnover		800,042	582,296
Cost of sales		(233,741)	(309,764)
Gross profit		566,301	272,532
Administrative expenses		(531,993)	(652,016)
Operating profit/(loss)	2	34,308	(379,484)
Interest payable and similar charges		(4,822)	(3,689)
Profit/(loss) on ordinary activities before taxation		29,486	(383,173)
Tax on profit/(loss) on ordinary activities	3	-	-
Profit/(loss) on ordinary activities after taxation	12	29,486	(383,173)

INTELLIGENT SECURITY LIMITED

BALANCE SHEET AS AT 31 MAY 2002

	Notes	2002 £	£	2001 £	£
Fixed assets					
Intangible assets	4	491,667		494,735	
Tangible assets	5	33,339		26,964	
Investments	6	107		107	
			525,112		521,806
Current assets					
Stock		42,488		13,871	
Debtors	7	148,261		186,567	
Cash at bank and in hand		-		226	
			190,750		200,664
Creditors: amounts falling due within one year	8	(485,511)		(744,604)	
Net current liabilities			(294,761)		(543,940)
Total assets less current liabilities			230,352		(22,134)
Creditors: amounts falling due after more than one year	9		(236,000)		(283,000)
			(5,648)		(305,134)
Capital and reserves					
Called up share capital	11	880,000		610,000	
Share premium account	12	140,000		140,000	
Profit and loss account	12	(1,025,648)		(1,055,134)	
Shareholders' funds			(5,648)		(305,134)
Equity interests			(255,648)		(555,134)
Non-equity interests			250,000		250,000
			(5,648)		(305,134)

INTELLIGENT SECURITY LIMITED

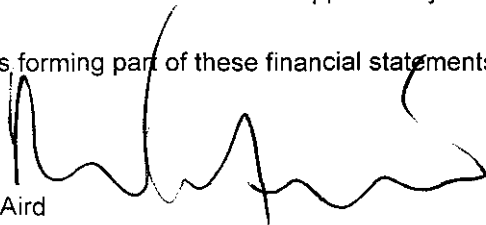
BALANCE SHEET (CONTINUED) AS AT 31 MAY 2002

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 year and of its profit or loss for the financial year 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.

The financial statements were approved by the Board on 2 September 2002

Notes forming part of these financial statements appear on pages 6 to 10.



R F Aird
Director

INTELLIGENT SECURITY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MAY 2002

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 profit/(loss)

	2002	2001
	£	£
Operating profit/(loss) is stated after charging:		
Depreciation of tangible assets	1,254	1,671
Directors' emoluments	42,117	46,667

The number of directors for whom retirement benefits are accruing under money purchase pension schemes amounted to 1 (2001 - 2).

3 Taxation

The company has estimated losses of £1,344,158 (2001 - £886,159) available for carry forward against future trading profits.

INTELLIGENT SECURITY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MAY 2002

4 Intangible fixed assets

	Patents	Development Costs	Total
	£	£	£
Cost			
At 1 June 2001	53,258	597,020	650,278
Additions	11,112	947	12,059
At 31 May 2002	64,370	597,967	662,337
Amortisation			
At 1 June 2001	26,027	139,020	165,047
Charge for year	5,623	-	5,623
At 31 May 2002	31,650	139,020	170,670
Net book value			
At 31 May 2002	32,720	458,947	491,667
At 31 May 2001	36,736	457,999	494,735

5 Tangible fixed assets

	£
Cost	
At 1 June 2001	109,607
Additions	32,877
At 1 June 2001 & at 31 May 2002	142,484
Depreciation	
At 1 June 2001	95,087
Charge for the year	14,058
At 31 May 2002	109,145
Net book value	
At 31 May 2002	33,339
At 31 May 2001	5,014

INTELLIGENT SECURITY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MAY 2002

6 Fixed asset investments

	Shares in group undertakings and participating interests £
Cost	
At 1 June 2001 & at 31 May 2002	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	Class	Shares held %
Subsidiary undertakings			
VSD Limited	England and Wales	Ordinary	100
Video Fire Detection Limited	England and Wales	Ordinary	100
Detector Technologies Limited	England and Wales	Ordinary	100
Intelligent Fire 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
VSD Limited	100	-
Video Fire Detection Limited	2	-
Detector Technologies Limited	2	-
Intelligent Fire Limited	2	-

All the above subsidiaries are dormant.

7 Debtors	2002 £	2001 £
Trade debtors	138,757	176,863
Other debtors	9,504	9,704
	148,261	186,567

INTELLIGENT SECURITY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MAY 2002

8	Creditors: amounts falling due within one year	2002 £	2001 £
	Bank overdraft	170,329	108,467
	Trade creditors	127,232	214,138
	Taxation and social security	7,114	5,652
	Other creditors	180,835	416,347
		<u>485,511</u>	<u>744,604</u>
9	Creditors: amounts falling due after more than one year	2002 £	2001 £
	Long term creditor	<u>236,000</u>	<u>283,000</u>
	Long Term Creditor Analysis		
	Between one and two years	48,000	47,000
	Between two and five years	188,000	218,000
	In five years or more	<u>-</u>	<u>18,000</u>

The long term creditor relates to the balance of initial consideration of £358,000 for the purchase of the business of Video Fire Detection Limited, which is payable over 38 months from June 2003.

10 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 £642 (2001 - Nil).

INTELLIGENT SECURITY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MAY 2002

11 Share capital	2002 £	2001 £
Authorised		
1,750,000 Ordinary shares of £ 1 each	1,750,000	500,000
250,000 Preference Shares of £ 1 each	250,000	250,000
	<u>2,000,000</u>	<u>750,000</u>
Allotted, called up and fully paid		
630,000 Ordinary shares of £ 1 each	630,000	360,000
250,000 Preference Shares of £ 1 each	250,000	250,000
	<u>880,000</u>	<u>610,000</u>

During the year 270,000 ordinary shares of £1 each were allotted and fully paid at par for cash consideration to provide additional working capital.

12 Statement of movements on reserves	Share premium account £	Profit and loss account £
Balance at 1 June 2001	140,000	(1,055,134)
Retained profit for the year	-	29,486
Balance at 31 May 2002	<u>140,000</u>	<u>(1,025,648)</u>

13 Contingent liabilities

As referred to in Note 9 regarding the acquisition of the business of Video Fire Detection Limited, in addition to the initial consideration of £358,000, further payments are due based on sale of the company's products during the 10 years and 2 months from 18 May 2001 upto a maximum of £973,000. In line with the directors' estimates of the payments which will be due, a provision of £100,000 was made as at 31 May 2001, of which £5,847 was paid during the year. No provision has been made for the balance of £873,000 which in the directors opinion is unlikely to be payable.

14 Related party transactions

During the year, Monogram Investments Limited charged the company £38,000 (2001- £30,000) for management services. Mr. R F Aird is a director and the controlling shareholder of Aird Investment Management Limited.

Other creditors include £26,433 owed to Mr. R F Aird, who is a director of the company.