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Jasmin PLC

ANNUAL REPORT AND ACCOUNTS 2003

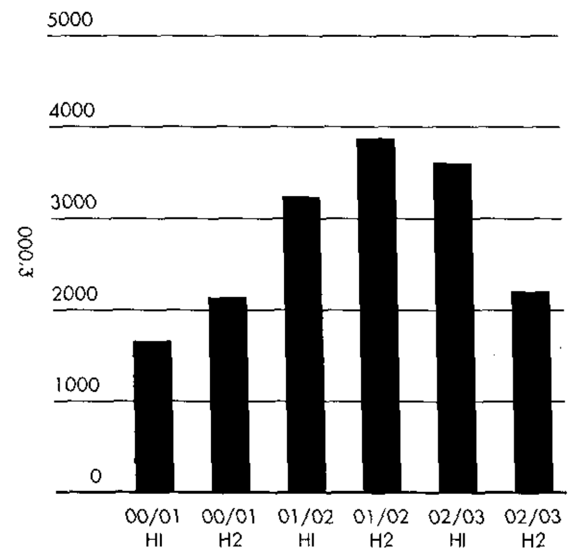
Technology
Innovation

CONTENTS

SUMMARY OF FINANCIAL PERFORMANCE

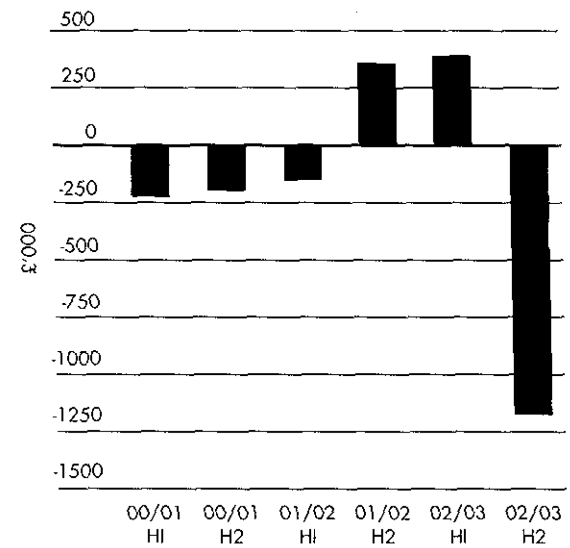
- Turnover down by 18%
- Loss for the year after tax £956,000 (2002 — £792,000 profit)
- Loss per share 20.22p (2002 — 16.75p profit)
- Property Revaluation resulting in net asset position being maintained
- Order book of £16m (2002 — £17m)
- Gearing at 102% (2002 — 78%) Note 16

TURNOVER



HI = First half year H2 = Second half year

PRE-TAX PROFIT



HI = First half year H2 = Second half year

CHAIRMAN'S STATEMENT

Introduction

It has been a disappointing year in terms of Jasmin's financial performance.

Results

Financial highlights for the financial year to 31 March 2003:

- Turnover of £5.8m (2002 — £7.1m)
- Operating (Loss)/Profit of £(0.6m) (2002 — £1.0m)
- (Loss)/Profit Before Tax of £(0.9m) (2002 — £0.7m)
- Basic (Loss)/Earnings per Share of (20.22p) (2002 — 16.75p)
- Gearing of 102% (2002 — 78%) (note 16)
- No dividend payment for the year to 31 March 2003 (2002 — 2p)

Financial

Turnover reduced 18% year-on-year largely as a result of the six month delay in the approval of the Emergency Roadside Telephone ("ERT") contract for the Highways Agency. Approval has now been granted and we are anticipating cash flow coming from this contract, subject to meeting our installation targets. Shareholders should be aware that significant hurdles still need to be overcome.

In April, we were disappointed to announce that we had suffered a cost overrun on one of our railway contracts. I am pleased to be able to reassure shareholders that we are undertaking a full project management review and taking the necessary action to best ensure that this does not happen again.

Full year turnover and profits were also adversely affected as the Company had anticipated certain contracts would be at a more advanced stage of completion by the year end. A number of these contracts have been completed after the year end at the anticipated level of profitability.

Gearing has risen to 102% (2002 — 78%). However, the overdraft accounts for only 34% of the gearing while 66% was accounted for by the commercial mortgage. In addition, we have undertaken a revaluation of the Group's property assets, which now stand at £6.5 million (2002 — £5.7m).

The Directors have not recommended the payment of a full-year dividend.

Operations

During the year, we have continued to win short-term business that provides a balance to the long-term Highways Agency contract. These contracts have come from our established markets. The net order book now stands at £16 million (2002 — £17 million). The Directors believe that a large majority will be booked in the current financial year. At the AGM I will make a statement concerning the first three months' trading.

Jasmin is well placed to win further contracts for the provision of passenger information systems at railway stations across the UK. There is also considerable interest in the refurbishment of on-board train passenger information systems, from which we should also benefit. I hope to be able to add more detail on our progress in the near future.

The war in Iraq and continued fears surrounding potential terrorist activity has presented a significant opportunity for Jasmin's detector products. In partnership with Bruker Daltonics, we were awarded a number of contracts for the supply of the detection systems for the UK defence industry. During the year we undertook projects for other clients in the UK and in the Far East. We are looking to work closely with our partners to take advantage of the opportunities that develop.

People

I would like to thank all our staff over the past year for their loyalty, skills and teamwork.

ROGER A J PLANT
Chairman
18 July 2003

REVIEW OF OPERATIONS

Our order book stood at £16 million at the year end, augmented by the prestigious Chiltern Railways project awarded in July 2002. We have continued to maintain and further develop our important partner relations in the Defence and Transport market and this, allied to the retention and recruitment of quality personnel, leaves us well positioned for the forthcoming year.

Markets

Transport — Rail

This sector contributed 16% of the turnover for the financial year.

The Government's continued commitment to the modernisation of the railway industry has provided us with the first of a number of potential contracts in this sector. We were awarded the contract for the Chiltern Railways project, a scheme to modernise the Closed Circuit TV (CCTV) and the Customer Information Systems (CIS) on the line between Banbury and Marylebone. The project is due for completion in September 2003 and is currently running on time. This project will be the first to benefit from the completion of development of our new CIS offering which is now fully integrated with current Network Rail and Train Operator Timetable and train location information to provide Real Time Passenger Information.

Transport — Roads

This sector contributed 45% of the turnover for the financial year.

The Emergency Roadside Telephone (ERT) for the Highways Agency (HA) was approved in February 2003 following the field trials, which had taken place between August 2002 and January 2003. The roll-out of the telephones is now taking place with initial installation packages already completed on the M25 at the confluence with the M11.

We have also secured a letter of intent for the installation of the ERT in the refurbished Blackwall Tunnel, which will be completed during the course of the current financial year.

With respect to the contract for the supply and design of Signal Driver equipment for the Highways Agency, the design phase has now been completed. We are currently manufacturing the Signal Drivers and the contract will be completed in the first half of this financial year. We are confident of further work in this area.

Defence — Simulation — Biological, Chemical and Radiological Detection

This sector contributed 39% of the turnover for the financial year.

A number of major contracts for the UK MOD were completed during the year, all of which we anticipate being repeated in the new financial year. We continue to receive repeat business from the Far East for detection equipment and we anticipate that this year will prove to be no exception. Our strategic partnership with a major Technology Provider in the Nuclear, Biological and Chemical (NBC) sector continues to develop, and this has resulted in a further two major contracts being awarded in this sector.

CHRISTOPHER G EGGLESHAW
Managing Director
18 July 2003

FINANCIAL REVIEW

Results

The disappointing results for the year ended 31 March 2003 are partly a result of delays in two key areas for the business. Firstly, delays in gaining full technical clearance for the installation of the Emergency Roadside Telephone and the Chiltern Rail project where a lack of knowledge of the regulatory framework surrounding rail projects resulted in cost overruns and delay; and secondly as a result of a delay in the completion of a number of short-term contracts resulting in the financial benefits of the contracts being recognised in periods after March 2003. The Company had anticipated that these contracts would have been at a more advanced stage of completion by the year end.

The loss for the current year has added approximately £900,000 to the available tax losses which now stand at £2,600,000. The interest cost reduces by £20,000 to £311,000 reflecting lower variable interest rates from the negotiated borrowing facilities despite higher levels of average borrowings.

Investment for the future

During the year the Group has invested heavily in customer information systems that the Directors believe will improve returns for the short to medium term as the rail industry, through the Strategic Rail Authority and Network Rail, invests in the infrastructure. We are well placed to capitalise with this investment.

Borrowings

The Directors continue to pay particular attention to the management of cash and borrowings. All the companies in the Group have sterling as their functional currency. However, where there is exposure to currency fluctuations, increasingly in our dealing with Europe, the risk is mitigated using forward exchange contracts. The Group's main financing issues are the availability of adequate liquid funds to support its current and future activities and this is done via loans, overdrafts and hire purchase agreements. The Group's exposure to fluctuations in interest rates is monitored and, when deemed appropriate, it fixes the rates of interest. At 31 March 2003 the Board had deemed this not necessary due to the continuing low level of interest rates which is felt will continue into the foreseeable future. The Group continues to bank with the Bank of Scotland and at 31 March 2003 has a commercial mortgage of £3,352,000 and an overdraft of £1,834,000. Both of these carry interest payable at 2% above the Bank of Scotland base rate. The gearing at year end was 102% compared to 94% at the half year and 78% last year end. In addition, the Group also had hire purchase agreements with an outstanding balance of £143,000 at 31 March 2003.

Property Revaluation

The leasehold land and building were revalued on 31 March 2003 on the basis of open market value for existing use at £6,500,000 by Innes England Limited. The Directors are satisfied that this figure realistically reflects the value of the property on such a basis.

Dividend

The Directors believe that it would be imprudent to recommend payment of a dividend this year.

Group status

The Group's shares, which are listed under Software by the FTSE, are traded on the London Stock Exchange as part of techMARK, the market for innovative technological companies.

PHILIP MOLYNEUX
Finance Director
18 July 2003

DIRECTORS

Roger Anthony John Plant
Chairman, 63, is a founding Director and shareholder. Prior to forming Jasmin, he worked for the European Space and Research Organisation on satellite testing computer systems and previously for Hunting Surveys Limited maintaining and operating technical equipment on world-wide geophysical surveys.

Christopher Gavin Eggleshaw
Managing Director, 48, joined Jasmin in May 2000 and was appointed to the Board in February 2002. He was previously Senior Commercial Contracts Manager at British Telecommunications plc and, more recently, was Managing Director of Telecom Supply Line Ltd and Commercial Director of Eurocraft Enclosures Ltd.

Philip Molyneux
Finance Director, 48, joined Jasmin in October 2002. A Chartered Accountant with 21 year's experience including 14 years with Coats plc in senior financial roles and 3 years as Finance Director of Welbeck Fabrics Ltd. with responsibility for all financial reporting.

David Howard Andrews
Non-Executive Director, 62, was also a founding Director and shareholder of Jasmin. Having acted as Engineering Director since the founding of the Group, he retired during 1998 and was appointed as a Non-Executive in October of that year. Prior to founding Jasmin, he worked for the European Space and Research Organisation and previously for the Radio Corporation of America (UK) Limited on defence projects, for Pye Telecommunications Limited on radio links and for Relay Exchange Limited on domestic and cable television engineering.

Ian Carysfort Buckley
Independent Non-Executive Director, 48, was appointed to the Board in June 2000. He was previously Managing Director of Corporate Finance at Greig Middleton. Prior to that he sat on the boards of Tailsman House plc, Circle Communications plc, and SelecTV plc. He is a chartered accountant and currently runs his own mergers and acquisitions consultancy.

Marian ('Maz') Kostuch
Independent Non-Executive Director, 40, was appointed to the Board in September 2001. He has worked for Fujitsu Services, formerly ICL Ltd, since 1983 and is currently their UK Services Director.

PROFESSIONAL ADVISERS

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London, EC2M 2RP

Auditors:
Deloitte & Touche
Nottingham

Registered Office:
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Bulwell
Nottingham, NG6 8UX

Bankers:
Bank of Scotland
Edinburgh & Lothians Business Centre
Orchard Brae House
30 Queensferry Road
Edinburgh, EH4 2UZ

Solicitors:
Shoosmiths
Lock House
Castle Meadow Road
Nottingham, NG2 1AG

Registered Number:
963627

Web site: www.jasmin.plc.uk

Registrars:
Capita IRG Plc
PO Box 25
Beckenham
Kent
BR3 4BR

Company Secretary:
P Molyneux

CORPORATE GOVERNANCE STATEMENTS

Compliance with the Code of Best Practice

Jasmin PLC strongly supports the Code of Best Practice set out in section 1 of the Financial Services Authority Combined Code on corporate governance. The Group breached Sections A1.2, A1.6, B1.7, B2.2 and D2.1, throughout the year ended 31 March 2003, as discussed below.

Committee structures

There are currently three standing committees of the Board, the Audit Committee, the Remuneration Committee and the Nominations Committee. Each of these committees comprises the three Non-Executive Directors.

The Audit Committee, which is chaired by I C Buckley, meets at least three times a year and its terms of reference include all the items recommended by the Combined Code. Its duties include monitoring internal control throughout the Group, approving the Group's accounting policies and reviewing the interim and annual accounts before submission to the Board.

The Remuneration Committee, which is chaired by M Kostuch, who is the senior Non-Executive Director, and the Nominations Committee, which is chaired by D H Andrews, have their own terms of reference. The reports of the Remuneration and Nominations Committees are set out on pages 9 to 11.

D H Andrews is not an independent non-executive director but a member of the remuneration committee in breach of B2.2. D H Andrews holds this position given his knowledge and experience of the business.

The Board of Directors

Composition

The Board currently comprises three Executive and three Non-Executive Directors. This composition reflects the full adoption of the Combined Code and meets the needs of the businesses of the Group.

As set out in the Directors' Report, a number of changes in the composition of the Board have taken place during the year. The Directors consider that the balance is appropriate for the Group in its current stage of development.

Section A1.6 of the Combined Code requires that every Director should receive appropriate training on first being appointed to the Board. No such formal training of new Directors has taken place during the year. The Group's policy is to provide specific training as and when requested.

Oversight and review of Group activities

The Board meets monthly to review Group activities. Monthly results for the Group are presented to the Board in advance for consideration at the meetings. Where necessary, presentations on key contracts, bids, technology developments, Group structures and infrastructure are presented. On average there is at least one such presentation, or paper, presented to each Board meeting.

The Board is responsible *inter alia* for Group strategy, investments and capital projects, and for ensuring that an appropriate internal control framework is in place. During the year the Board has been actively involved in the review of strategy and positioning of the Group.

Section A1.2 of the Combined Code requires that a schedule of matters specifically reserved for decision by the Board be maintained. While no formal schedule is in place, it is the practice of the Group for all significant matters to be disclosed at monthly Board meetings.

Division of responsibilities between Chairman and Group Managing Director

As in prior years, the Board has considered the appropriateness of the combined roles of Chairman and Group Managing Director. On 19 June 2002 R A J Plant relinquished his role as Group Managing Director in order to devote his time to his duties as Chairman. C G Eggleshaw was appointed Managing Director in his place. However, in his role as Chairman R. Plant continues to play a significant role in the day-to-day operations of the business. The Board are planning to undertake a full review of the division of roles and responsibilities within the organisation.

Communicating with shareholders

The Directors seek to build on mutual understandings of objectives between the Company and its shareholders, encouraging two-way communication with all its investors and responding quickly to all queries received. In accordance with London Stock Exchange procedures, announcements are made about significant contracts, changes that impact the businesses of the Group and financial results. The Directors seek to discuss these announcements with shareholders and other interested parties and actively promote shareholding in the Company by attendance at investment forums such as the annual Technology Investor exhibition. All shareholders have at least twenty working days' notice of the Annual General Meeting at which all Directors and Committee Chairs are introduced and available for questions.

The aim of the operating and financial review, in line with the recommendations in the Accounting Standards Board statement, is to help communicate more about the Group's activities and performance. The Board is always happy to receive suggestions about how this annual report could be improved to help shareholders.

Internal control

The Board acknowledges that, as explained in the Combined Code, it is responsible for the Group's system of internal control and for reviewing its effectiveness. Such a system is designed to manage, rather than eliminate, the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss. The Board also recognises the need to establish a continuous process for identifying, evaluating and managing the significant risks faced by the Group.

Section D2.1 of the Combined Code requires the Board to carry out a review of the Group's system of internal control at least annually. An informal ongoing process has taken place through the Executive Directors' close involvement in the day-to-day operation of the internal controls. As such, the Board has not considered it necessary to establish a review of effectiveness as required by D2.1.

During the year ended 31 March 2003 the Group has been involved in a number of significant and complicated projects. As part of the year end process the Board identified that the management accounting for these contracts was not consistent with the actual project activity culminating in two profit warnings.

The Board has taken steps to rectify this situation including a full review of the accounting for contracts in place at the year end. Actions in the process of being undertaken include the clarification of responsibilities within the executive management team, a full review of the management reporting process and the drafting of formal guidelines for applying the Group's accounting policies.

Furthermore, the Board is in the process of developing an action plan of necessary improvements for implementation in the next few months.

The Board intends its monitoring to cover all controls including financial, operational and compliance controls and risk management. It will be based principally on the management and Board review meetings which take place monthly. The Executive Directors discuss in detail operational and project issues as required at monthly management meetings and make recommendations where appropriate. These issues are then reported to the Board and are reviewed along with the monthly information pack containing updated financial data which is produced for the meeting. As part of this review, therefore, the Board will consider whether all risks are identified, evaluated, managed and controlled and whether any significant weaknesses are promptly remedied or indicate a need for more extensive monitoring.

Key business processes

The Board reviews the operations of the Group on a monthly basis. This review is based on a clear understanding of the key business processes of the Group and the risks associated with them. These key processes include:

- ***Tendering*** — Setting the right price and generating the right solution and specification to meet both the customers' needs and give the return required by the shareholders in the face of competitors' wishes to win the work.
- ***Design*** — Creating the software infrastructure designs to match the tender.
- ***Delivery*** — Building the system to meet the performance criteria of the specification, on time and to customer requirements, to ensure the expected return is achieved and avoid exposing the businesses to claims for non-compliance.
- ***Support*** — Supporting the systems, once installed, to maintain

CORPORATE GOVERNANCE STATEMENTS

customer goodwill and meet contractual agreements.

- ***Hiring, retaining and training of staff*** — Ensuring that the Group has employees of the correct calibre, that they are adequately trained for their roles and can keep up to date with changes in technology, regulation and best practice, as appropriate, to help the Group maintain its performance advantage.
- ***Treasury*** — Ensuring that adequate funding is available to support the Group's current activities and future plans.

The key features of the internal control system operated throughout the year are described below:

- ***Control environment and main control procedures*** — Formal evaluation, review and approval procedures are in place at each stage of the Group's key business processes. The controls are designed to ensure that the key business processes run efficiently and effectively. Controls are documented in the Quality manual and through other departmental documentation which is clearly communicated to all employees.
- ***Identification and evaluation of business risks and control objectives*** — The evaluation, review and approval procedures are also used to identify business risks both from within and outside the business that could impact the key business processes.
- ***Information systems*** — All decisions on significant changes to information systems are made by the Board. All employees are aware of the access and security controls in place and these are reviewed and implemented by the Technical Services Department which is the responsibility of the Chairman.
- ***Monitoring*** — The application of the controls is the responsibility of every employee. They are monitored by the Quality and Finance departments. Any exceptions are reported through monthly management reports provided to the Board. In addition, the Group is subject to external audit and review in order to maintain the ISO 9001, BABT and TickIT accreditations, augmented by inspections by the client to their own Quality Standards, as well as the annual financial audit under the Companies Act 1985.

The Board has considered the need for internal audit this year but does not consider it appropriate in view of the above monitoring systems which are employed.

Going concern basis

After making enquiries, the Directors have formed a judgement, at the time of approving the financial statements, that there is a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason the Directors continue to adopt the going concern basis in preparing the financial statements.

DIRECTORS' REMUNERATION REPORT

Introduction

This report has been prepared in accordance with the Directors' Remuneration Report Regulations 2002 which introduced new statutory requirements for the disclosure of directors' remuneration in respect of periods ending on or after 31 December 2002. The report also meets the relevant requirements of the Listing Rules of the Financial Services Authority and describes how the Board has applied the Principles of Good Governance relating to directors' remuneration. As required by the Regulations, a resolution to approved the report will be proposed at the Annual General Meeting of the Company at which the financial statements will be approved.

The Regulations require the auditors to report to the Company's members on the "auditable part" of the Directors' remuneration report and to state whether in their opinion that part of the report has been properly prepared in accordance with the Companies Act 1985 (as amended by the Regulations). The report has therefore been divided into separate sections for audited and unaudited information.

Unaudited information

Remuneration committee

The Company has established a Remuneration Committee which is constituted in accordance with the recommendations of the Combined Code. The members of the Committee are M Kostuch, D H Andrews and I C Buckley who are all independent Non-Executive Directors and the Committee is chaired by Mr M Kostuch.

None of the Committee has any personal financial interest (other than as shareholders), conflicts of interests arising from cross-directorships or day-to-day involvement in running the business. The Committee makes recommendations to the Board. No Director plays a part in any discussion about their own remuneration.

In determining the Directors' remuneration for the year, the Committee consulted Mr R A J Plant (Chairman).

Remuneration policy

Executive remuneration packages are prudently designed to attract, motivate and retain Directors of the high calibre needed to maintain the Group's position and to reward them for enhancing value to shareholders. The performance measurement of the Executive Directors and the determination of their annual remuneration package are undertaken by the Committee. The remuneration of the Non-Executive Directors is determined by the Board excluding the Non-Executive Director whose remuneration is being considered.

There are four main elements of the remuneration package for Executive Directors:

- Basic annual salary (including Directors' fees) and benefits;
- Annual bonus payment;
- Share option incentives; and
- Pension arrangements.

The Group's policy provides for a competitive package with a discretionary element of performance related remuneration which reflects the Group's performance against demanding financial objectives. This rewards good performance and is designed to attract, retain and motivate high-calibre executives.

Basic salary

An Executive Director's basic salary is determined by the Committee prior to the beginning of each year and when an individual changes position or responsibility. In deciding appropriate levels, the Committee considers the Group as a whole and compares it with other technology based businesses of similar size, complexity and potential. Basic salaries were reviewed March 2002 with increases taking effect from 1 April 2002. They were again reviewed in March 2003 with increases taking effect from 1 April 2003. Executive Directors' contracts of service, which include details of remuneration, will be available for inspection at the Annual General Meeting.

In addition to basic salary, the Executive Directors receive certain benefits-in-kind, principally a car and private medical insurance.

Annual bonus payments

The Committee establishes the objective that must be met for each financial year if a cash bonus is to be paid. The Committee believes that any incentive compensation awarded should be tied to the interests of the Company's shareholders and that principal measure of those interests is total shareholder return. Hence a bonus is earned on the basis of post-tax profit in excess of this base objective. Bonuses are calculated on the increase in post-tax profit after taking into account any bonus payment pro rata to the individual salary, i.e. an increase of 10% post-tax profit over the base objective would result in a bonus paid to each director of 10% of their basic salary.

Share options

The Company operates a Senior Executive Share Option Scheme which was approved by shareholders on 23 September 1992 and an Unapproved Executive Share Option Scheme which was approved by the Board of Directors on 23 September 1997. Options granted under these Schemes may be exercised only if a performance target, which applies to all Executive Directors, is achieved. This requires that earnings per share must have increased

DIRECTORS' REMUNERATION REPORT

by at least 2% per annum more than the increase in the "All Items" Index of Retail Prices published by the Central Statistical Office, as this reflects measurement of shareholder return.

The Company also operates a Save As You Earn Scheme available to all employees of the Group, including Executive Directors. Options from these schemes are granted at the absolute discretion of the Board, on the advice of the Remuneration Committee, taking into account individual performance.

No significant amendments are proposed to be made to the terms and conditions of any entitlement of the Directors to share options.

Pension arrangements

The Executive Directors, excluding the Chairman, are members of the Group's defined contribution pension scheme, whereby a percentage of their basic annual salary is used to purchase units in one or more of the CGU Life Pension Funds. On retirement, the full value of these units is available for the provision of benefits to the Director or dependants. The Company also provides Life Assurance in the form of a payment of a lump sum in the event of death in service.

Performance graph

The following graph shows the Company's performance, measured by total shareholder return, compared with the performance of the FTSE Techmark All Share Index, also measured by total shareholder return. The FTSE Techmark All Share Index has been selected for this comparison because it is the index which the Company uses as a comparison against its peers.

Directors' contracts

It is the Company's policy that Executive Directors should have contracts with an indefinite term providing for a maximum of six months' notice, by either party. However, the service contract of Mr R A J Plant provides for a two-year notice period. This is in contravention of Section B1.7 of the Combined Code requiring the Board to set notice periods at, or reducing them to, one year or less. The Committee considers that the two-year notice period is appropriate given the Director's seniority and value to the Group.

In the event of early termination, the Directors' contracts provide for compensation up to a maximum of basic salary for the notice period.

Non-Executive Directors

The Non-Executive Directors provide their services under one-year agreements which can be terminated on four weeks' notice. The basic fee paid to each Non-Executive Director in the year was £15,000. Non-Executive Directors cannot participate in any of the Group's share option schemes and are not eligible to join the Group's pension scheme.

	Date of Contract
R A J Plant	1 April 1991
C G Eggleshaw	20 February 2002
P Molyneux	7 October 2002
M Kostuch	1 April 2003
D H Andrews	1 April 2003
I C Buckley	1 April 2003

Nominations report

The members of the Committee are the three Non-Executive Directors. When a vacancy arises at executive level the Committee works with the Chairman to identify the best route to fill the vacancy. Candidates are interviewed by the Chairman and/or other Executive Directors before being considered by the Nominations Committee. The Committee recommends the appointment of its chosen candidate to the Board for approval.

The Committee is looking for high-calibre executives who can be given the role of managing the businesses on a daily basis on behalf of the Board and the Shareholders.

The Committee has had a number of meetings during the year and the appointments made are shown in the Directors' report.

Re-election of Directors

All the Directors retire by rotation at least every three years.

Audited information

Details of Directors' remuneration and share options.

	Salary £	Fees to third party £	Benefits £	Compensation £	Remuneration Total 2003 £	Remuneration Total 2002 £	Pension contributions Total 2003 £	Pension contributions Total 2002 £
Executive Directors								
R A J Plant	226,799	—	740	—	**227,539**	219,622	**—**	—
K I Higginbotham	19,600	—	4,462	30,000	**54,062***	84,876	**1,176***	4,800
R H D Whitehead	18,750	—	1,188	—	**19,938***	50,074	**1,125***	2,700
P Corcoran	—	—	—	—	**—**	66,311	**—**	3,600
C G Eggleshaw	74,512	—	5,825	—	**80,337**	5,719*	**4,471**	312*
P Molyneux	26,659	—	1,686	—	**28,345***	N/A	**1,600***	N/A
Non-Executive Directors								
D H Andrews†	15,000	—	—	—	**15,000**	15,000	**—**	—
K G Meadows	N/A	N/A	—	—	**N/A**	3,750*	**—**	—
I C Buckley	15,000	—	—	—	**15,000**	15,000	**—**	—
M Kostuch	9,000	6,000	—	—	**15,000**	8,750*	**—**	—
	405,320	6,000	13,901	30,000	**455,221**	469,102	**8,372**	11,412

* Part year

† D H Andrews was an Executive Director until his retirement on 30 September 1998. On 1 October 1998 he was appointed as a Non-Executive Director.

There were no contracts of significance during the year in which a Director of the Company had a material interest, except as detailed in note 24.

Share Options

	No. of Shares at 1 April 2002	Cancelled on resignation	**No. of Shares at 31 March 2003**
K I Higginbotham			
Unapproved Executive Share Option Scheme	60,000	60,000	**—**
Senior Executive Share Option Scheme	10,000	10,000	**—**

No options were granted in the year. There have been no further share options granted between 31 March 2003 and the date of this report.

Approved by

M KOSTUCH

Chairman Remuneration Committee

18 July 2003

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 MARCH 2003

The Directors present their annual report on the affairs of the Group, together with the accounts and auditors' report, for the year ended 31 March 2003.

Principal activities

The principal activities of the Company and its subsidiaries are the design and supply of information technology, training, simulation and detection, electrical and electronic control systems.

Results and dividends

The result of the Group for the year is set out in the profit and loss account. The Directors do not recommend the payment of a dividend (2002 — 2p) for the year ended 31 March 2003.

The Group made no charitable or political contributions during the year (2002 — £nil).

Review of the business and future developments

The review of operations of the Group and of the likely future developments are contained in the Chairman's Statement and the Operating and Financial Reviews.

Employment policy

Whenever appropriate, applications for employment by disabled persons are given the same consideration as for those who are not disabled. Should a current employee become disabled, every effort would be made to facilitate retraining.

Management at all levels throughout the Group ensures that Health and Safety standards are maintained and that evolving Group requirements are carefully monitored.

Employee involvement in Group issues is treated as a matter of importance. Information is distributed on a monthly basis through the "Team Brief" and through other regular Group meetings. A Group Staff Council has been set up to assist in communication and employee involvement in the businesses of the Group.

Fixed assets

The Company's leasehold property was revalued as at 31 March 2003. The Directors are of the opinion that the value of the leasehold property, as shown in note 10, fairly reflects its current value as at 31 March 2003. Details of the valuation and fixed asset movements are shown in note 10.

Directors and their interests

The Directors who served during the year and subsequently, and their beneficial and family interests in the shares and debentures of the Company at the end of the year, are set out below:

	Ordinary shares	
	1 March 2003	31 March 2002
Executive Directors		
R A J Plant	**1,630,000**	1,630,000
K I Higginbotham (resigned 8 July 2002)	**N/A**	15,000
R H D Whitehead (resigned 31 August 2002)	**N/A**	—
C G Eggleshaw	**12,500**	12,500
P Molyneux (appointed 7 October 2002)	**—**	N/A

	Ordinary shares	
	31 March 2003	31 March 2002
Non-Executive Directors		
D H Andrews*	**70,000**	70,000
I C Buckley	**—**	—
M Kostuch	**—**	—

* D H Andrews acted as an Executive Director until 30 September 1998 when he retired from the Board. He was appointed as a Non-Executive Director on 1 October 1998. His shares were all acquired prior to his becoming a Non-Executive Director.

I C Buckley, D H Andrews and M Kostuch have one-year agreements to 31 March 2004.

R A J Plant and M Kostuch retire by rotation and, being eligible, offer themselves for re-election.

Substantial interests

Other than the Directors' interests disclosed above, the Company has not been notified of any interests of 3% or more of the issued share capital at 14 July 2003.

Corporate governance

The Directors support the principles of the Code of Best Practice, issued by the Cadbury committee, on the financial aspects of Corporate Governance and have applied these as set out on pages 6 to 8.

Supplier payment policy

The Group's payment policy is to agree terms of payment before business is transacted and to act professionally in all business relationships. Trade creditors of the Group at 31 March 2003 were equivalent to 65 days (2002 — 68 days) purchases, based on the average daily amount invoiced by suppliers during the year.

Research and development activities

During the year the Group has invested in the development of a Customer Information System for the rail industry.

Statement of Directors' responsibilities

United Kingdom company law requires the Directors to prepare accounts for each financial year which give a true and fair view of the state of affairs of the Company and of the Group and of the profit or loss of the Group for that period. In preparing those accounts, the Directors are required to:

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

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and the Group and enable them to ensure that the accounts comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Euro

Transactions denominated in Euros have now become a significant proportion of the Group's purchases from the Eurozone. The Group has reviewed its financial systems' ability to cope with the Euro and has not found any significant non-compliance. A bank account has been opened, denominated in Euros, to allow overseas customers to pay in the new currency if contracts so specify. Costs incurred in relation to the introduction of the Euro are not expected to be material and will be written off to the profit and loss account, as incurred.

Special business at the Annual General Meeting

Resolutions are being put to the Annual General Meeting to renew the existing authorities under sections 80 and 95 of the Companies Act 1985 to give the Directors authority to allot relevant securities up to an aggregate amount of £393,962 (representing 33% of the Company's current issued share capital) and to authorise the Directors to allot equity securities for cash, otherwise than on a pre-emptive basis, in certain limited circumstances, and otherwise up to an aggregate nominal amount of £59,094 (representing 5% of the Company's current issued share capital). The Directors do not have a present intention of exercising the authority to allot relevant securities, and the authorities will lapse on the earlier of the next Annual General Meeting or 31 October 2004.

The Directors will propose a resolution that seeks shareholders' authority for the Company to make market purchases of its shares pursuant to Section 166 of the Companies Act 1985 up to a maximum of 236,377 ordinary shares (representing 5% of the Company's current issued share capital). The Directors have no current intention to utilise this authority. The authority will only be exercised if the Directors consider it to be in the best interests of the shareholders generally and if to do so would result in an increase in earnings per share. The resolution provides that the maximum price which may be paid for an ordinary share shall not be more than 5% above the average market values for an ordinary share, as derived from the Stock Exchange Daily Official List for the five business days immediately preceding the date on which the ordinary share is purchased. The minimum price which may be paid for such shares is 25p per share. The authority will lapse on the earlier of the next Annual General Meeting or 31 October 2004.

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 MARCH 2003

Auditors

On 1 August 2003, Deloitte & Touche will transfer their business to Deloitte & Touche LLP, a limited liability partnership incorporated under the Limited Liability Partnerships Act 2000. However, at present they remain the Company's auditors and have signed the accounts in that capacity. The Company has given its consent to treating the appointment of Deloitte & Touche as extending to Deloitte & Touche LLP with effect from 1 August 2003. Accordingly, although the accounts have been signed in the name of Deloitte & Touche, a resolution for the reappointment of Deloitte & Touche LLP will be proposed at the forthcoming Annual General Meeting.

By order of the Board,

ROGER A J PLANT
Director
18 July 2003

Sellers Wood Drive
Bulwell
Nottingham
NG6 8UX

INDEPENDENT AUDITORS' REPORT

To the members of Jasmin PLC:
We have audited the financial statements of Jasmin PLC for the year ended 31 March 2003 which comprise the profit and loss account, the balance sheets, the cash flow statement, the statement of total recognised gains and losses and the related notes of the reconciliation of movements in shareholders' funds, the note of historical cost, profits and losses, and notes 1 to 24. These financial statements have been prepared under the accounting policies set out therein. We have also audited the information in the part of the directors' remuneration report that is described as having been audited.

This report is made solely to the Company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company, and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and auditors
As described in the statement of Directors' responsibilities, the Company's Directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards. They are also responsible for the preparation of the other information contained in the annual report including the Directors' remuneration report. Our responsibility is to audit the financial statements and the part of the Directors' remuneration described as having been audited in accordance with relevant United Kingdom legal and regulatory requirements and auditing standards.

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

We review whether the corporate governance statement reflects the Company's compliance with the seven provisions of the Combined Code specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the Board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Group's corporate governance procedures or its risk and control procedures.

We read the Directors' report and the other information contained in the annual report for the above year as described in the contents section including the unaudited part of the Directors' remuneration report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of audit opinion
We conducted our audit in accordance with United Kingdom auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements and the part of the Directors' remuneration report described as having been audited. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the financial statements and of whether the accounting policies are appropriate to the circumstances of the Company and the Group, 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 and the part of the Directors' remuneration report described as having been audited 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 and the part of the Directors' remuneration report described as having been audited.

Opinion
In our opinion:

- the financial statements give a true and fair view of the state of affairs of the Company and the Group as at 31 March 2003 and of the loss of the Group for the year then ended; and
- the financial statements and part of the Directors' remuneration report described as having been audited have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche

DELOITTE & TOUCHE
Chartered Accountants and Registered Auditors
18 July 2003

CONSOLIDATED PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 MARCH 2003

	Notes	2003 £000	2002 £000
Turnover from continuing operations	2	**5,844**	7,099
Raw materials and consumables		**(2,523)**	(2,124)
Staff costs	3	**(2,665)**	(2,687)
Depreciation and amortisation of tangible and intangible fixed assets		**(242)**	(261)
Other operating charges		**(989)**	(980)
		(6,419)	(6,052)
Operating (loss)/profit from continuing operations	4	**(575)**	1,047
Finance charges (net)	5	**(311)**	(331)
(Loss)/profit on ordinary activities before taxation		**(886)**	716
Tax on (loss)/profit on ordinary activities	6	**(70)**	76
(Loss)/profit for the financial year after taxation		**(956)**	792
Dividend proposed of nil pence per share (2002 — 2 pence per share)		**—**	(95)
Retained (loss)/profit for the year		**(956)**	697
(Loss)/earnings per share	8		
Basic		**(20.22p)**	16.75p
Diluted		**(20.22p)**	16.67p

The accompanying notes are an integral part of this consolidated profit and loss account.

BALANCE SHEETS

31 MARCH 2003

		Group		Company	
		2003	2002	**2003**	2002
	Notes	**£000**	£000	**£000**	£000
Fixed assets					
Intangible assets	9	**251**	91	**—**	—
Tangible assets	10	**6,992**	6,146	**6,992**	6,146
		7,243	6,237	**6,992**	6,146
Current assets					
Stocks	12	**287**	323	**—**	—
Debtors	13	**5,063**	4,037	**6,880**	5,246
Cash at bank and in hand		**2**	49	**2**	49
		5,352	4,409	**6,882**	5,295
Creditors: Amounts falling due within one year	14	**(4,107)**	(2,025)	**(3,717)**	(2,185)
Net current assets		**1,245**	2,384	**3,165**	3,110
Total assets less current liabilities		**8,488**	8,621	**10,157**	9,256
Creditors: Amounts falling due after more than one year	15	**(3,275)**	(3,407)	**(3,275)**	(3,407)
Net assets		**5,213**	5,214	**6,882**	5,849
Capital and reserves					
Called-up share capital	19	**1,182**	1,182	**1,182**	1,182
Share premium account		**1,583**	1,583	**1,583**	1,583
Revaluation reserve		**3,962**	3,040	**3,962**	3,040
Profit and loss account		**(1,514)**	(591)	**155**	44
Shareholders' funds, all equity		**5,213**	5,214	**6,882**	5,849

Signed on behalf of the Board

R A J PLANT *Director*

C G EGGLESHAW *Director*

18 July 2003

The accompanying notes are an integral part of these balance sheets.

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 MARCH 2003

	Notes	**2003 £000**	2002 £000
Net cash (outflow)/inflow from operating activities	20	**(563)**	254
Returns on investments and servicing of finance			
Interest paid		**(299)**	(328)
Interest element of hire purchase agreements		**(9)**	(9)
Net cash outflow		**(308)**	(337)
Taxation			
Withholding tax deducted		**(10)**	(14)
Net cash outflow		**(10)**	(14)
Capital expenditure and financial investment			
Purchase of intangible fixed assets		**(195)**	—
Purchase of tangible fixed assets		**(36)**	(136)
Sale of tangible fixed assets		**27**	18
Equity dividends paid		**(95)**	—
Net cash outflow		**(299)**	(118)
Cash outflow before financing		**(1,180)**	(215)
Financing			
(Decrease)/increase in bank loans		**(148)**	811
Capital element of hire purchase repaid		**(73)**	(83)
Net cash (outflow)/inflow	21	**(221)**	728
(Decrease)/increase in cash in the year	21	**(1,401)**	513

The accompanying notes are an integral part of this consolidated cash flow statement.

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

FOR THE YEAR ENDED 31 MARCH 2003

	2003 £000	2002 £000
(Loss)/profit for the financial year	**(956)**	792
Surplus arising on revaluation of fixed assets	**955**	—
Total recognised gains and losses in the period and since the last annual report	**(1)**	792

STATEMENT OF MOVEMENTS IN SHAREHOLDERS' FUNDS

FOR THE YEAR ENDED 31 MARCH 2003

	Share capital £000	Share premium account £000	Revaluation reserve £000	Profit and loss account £000	Total £000
Group					
Balance at 1 April 2002	1,182	1,583	3,040	(591)	5,214
Loss for the year	—	—	—	(956)	(956)
Surplus on revaluation	—	—	955	—	955
Transfer of additional depreciation on revalued assets	—	—	(33)	33	—
Balance at 31 March 2003	**1,182**	**1,583**	**3,962**	**(1,514)**	**5,213**
Company					
Balance at 1 April 2002	1,182	1,583	3,040	44	5,849
Profit for the year (note 7)	—	—	—	78	78
Surplus on revaluation	—	—	955	—	955
Transfer of additional depreciation on revalued assets	—	—	(33)	33	—
Balance at 31 March 2003	**1,182**	**1,583**	**3,962**	**155**	**6,882**

CONSOLIDATED NOTE OF HISTORICAL COST PROFITS AND LOSSES

FOR THE YEAR ENDED 31 MARCH 2003

	2003 £000	2002 £000
(Loss)/profit on ordinary activities before taxation	**(886)**	716
Difference between the historical cost depreciation charge and the actual depreciation charge for the year	**33**	33
Historical cost (loss)/profit on ordinary activities before taxation	**(853)**	749
Historical cost (loss)/profit for the year retained after taxation and dividends	**(923)**	730

The accompanying notes are an integral part of this statement of movements in shareholders' funds and consolidated note of historical cost profits.

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 MARCH 2003

1. Accounting policies

The Financial Statements are prepared in accordance with applicable United Kingdom accounting standards. The particular accounting policies adopted by the Directors are described below:

a) *Basis of accounting*

The accounts have been prepared under the historical cost convention, modified to include the revaluation of certain fixed assets, and in accordance with applicable accounting standards.

b) *Basis of consolidation*

The Group accounts consolidate the accounts of Jasmin PLC and its subsidiaries. Intra-Group transactions are excluded. All companies within the Group make up their accounts to the same date.

c) *Intangible fixed assets*

Intangible assets comprise licences and development expenditure.

The licences were acquired for knowledge incorporated into the Group's products. Amortisation is charged over the term of the licence with annual impairment reviews being made by management.

Development expenditure is written off as incurred, except where the Directors are satisfied with the technical, commercial and financial viability of individual projects. In such cases, the identifiable expenditure is deferred and amortised over the period during which the Group is expected to benefit. This period is between 3 and 5 years. Provision is made for any permanent impairment.

d) *Tangible fixed assets*

Tangible fixed assets are stated at cost or valuation, net of depreciation and any provision for impairment. Depreciation on tangible fixed assets is calculated to write down their cost or valuation to their estimated residual values over the period of their estimated useful economic lives at the following rates:

Long leasehold land and buildings	Over the term of the lease
Technical equipment —	
plant and machinery	25% reducing balance
Computers	25% straight-line
Motor vehicles	25% reducing balance
Fixtures and fittings	15% reducing balance

Residual value is calculated on prices prevailing at the date of acquisition or revaluation.

e) *Revaluation of properties*

Long leasehold properties are revalued every three years with the surplus or deficit on book value being transferred to the revaluation reserve, except that a deficit which is in excess of any previously recognised surplus over depreciated cost relating to the same property, or the reversal of such a deficit, is charged (or credited) to the profit and loss account. A deficit which represents a clear consumption of economic benefits is charged to the profit and loss account regardless of any such previous surplus. Where depreciation charges are increased following a revaluation, an amount equal to the increase is transferred annually from the revaluation reserve to the profit and loss account as a movement on reserves. On the disposal or recognition of a provision for impairment of a revalued fixed asset, any related balance remaining in the revaluation reserve is also transferred to the profit and loss account as a movement on reserves.

f) *Long-term contracts*

Turnover and related costs on each long-term contract are recorded in the profit and loss account as contract activity progresses. Turnover is calculated on the basis of the value of work done and, when a profitable outcome to the contract can be assessed with reasonable certainty, includes attributable profit. Attributable profit is calculated on a prudent basis for each contract by reference to the contract's cumulative turnover, total contract value and total profit estimated for the complete contract. Full provision is made for losses on a contract immediately they can be foreseen.

The balance sheet presentation of long-term contracts is in accordance with the revised Statement of Standard Accounting Practice No. 9 — "Stock and long-term contracts". Amounts recoverable on long-term contracts comprise any excess of cumulative turnover for a contract over cumulative payments on account for that contract. Long-term contract balances are stated, on a contract by contract basis, at net cost less foreseeable losses and applicable payments on account. Any resulting excesses, for a particular contract, or foreseeable losses or payments on account are included under creditors.

Significant contracts with a shorter duration than one year are accounted for as long-term contracts.

The Group has adopted UITF 34 (Pre-contract costs) and now writes off all costs incurred prior to the contract being awarded.

g) *Stocks*

Stocks are stated at the lower of cost and estimated net realisable value. Cost is purchase price.

h) *Deferred taxation*

Deferred tax is provided in full on timing differences which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements. Deferred tax is not provided on timing differences arising from the revaluation of fixed assets where there is no commitment to sell the asset. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

i) *Hire purchase and leasing*
Assets acquired under hire purchase agreements are capitalised at the amount representing the purchase price of such assets and are depreciated in line with assets purchased outright.

The capital elements of future lease obligations are treated as liabilities and the interest elements are charged to the profit and loss account over the period of the agreement on a straight-line basis.

Rentals under operating leases are charged to the profit and loss account on a straight-line basis over the lease period, even if the payments are not made on such a basis.

j) *Pension costs*
The Group operates a defined contribution pension scheme covering the majority of its employees including Directors. The Group's contributions to the scheme are charged to the profit and loss account as they fall due.

2. Turnover

The Directors consider that the Group's turnover is derived from one class of business in the UK as described in the Directors' report.

The turnover attributable to each of the Group's geographical markets by destination is:

	2003 £000	2002 £000
United Kingdom	**4,744**	5,265
European Union	**18**	193
Rest of the world	**1,082**	1,641
	5,844	7,099

3. Information regarding Directors and employees

Directors' remuneration for the year ended 31 March 2003 was:

	2003 £000	2002 £000
Directors' emoluments	**455**	469
Company contribution to money purchase scheme	**8**	11

There were no contracts of significance during the year in which a Director of the Company had a material interest, except as detailed in note 24.

Retirement benefits are accrued under money purchase schemes to two Directors (2002 — four). The details of individual Directors' remuneration, share options and pension entitlements are given in the part of the Remuneration Report that has been described as being audited on page 11.

The average monthly number of employees (including executive Directors) was:	**2003 Number**	2002 Number
Production	**55**	57
Sales and administration	**30**	34
Management	**6**	5
	91	96

Their aggregate remuneration comprised:	**2003 £000**	2002 £000
Wages and salaries	**2,366**	2,394
Social security costs	**239**	235
Other pension costs (note 23)	**60**	58
	2,665	2,687

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 MARCH 2003

a4. Operating (loss)/profit from continuing operations

Operating (loss)/profit from continuing operations is stated after charging:

	2003 £000	2002 £000
Depreciation and other amounts written off tangible fixed assets		
— owned	**164**	181
— held under hire purchase agreements	**43**	45
Amortisation of purchased licences and know-how	**35**	35
Loss on disposal of fixed assets	**11**	7
Auditors' remuneration for audit services to the Group	**21**	19

The amount of the audit fee applicable to the Company was £9,500 (2002 — £9,000).

Amounts payable to Deloitte & Touche and their associates by the Company and its UK subsidiary undertakings in respect of non-audit services were £5,000 (2002 — £3,000).

5. Finance charges (net)

	2003 £000	2002 £000
Interest payable and similar charges		
Bank loans and overdrafts	**302**	322
Finance leases and hire purchase contracts	**9**	9
	311	331

6. Tax on (loss)/profit on ordinary activities

a) Analysis of charge/(credit) in the year

	2003 £000	2002 £000
Current tax		
Overseas withholding tax	**10**	14
Total current tax (note 6b)	**10**	14
Deferred tax		
Current year credit	**(27)**	(90)
Prior year charge	**87**	—
Total deferred tax (note 18)	**60**	(90)
Tax charge/(credit) on (loss)/profit on ordinary activities	**70**	(76)

6. Tax on (loss)/profit on ordinary activities (continued)

b) Factors affecting the tax charge for the year

The tax assessed for the year is lower than the standard rate of corporation tax in the UK (30%) (2002: 30%). The tax differences are explained below:

	2003 £000	2002 £000
(Loss)/profit on ordinary activities before tax	**(886)**	716
(Loss)/profit on ordinary activities multiplied by the standard rate of corporation tax in the UK	**(266)**	215
Effects of:		
Utilisation of brought forward losses	**(65)**	(173)
Current year losses carried forward	**343**	—
Expenses not deductible for tax purposes	**15**	17
Capital allowances for the year in excess of depreciation	**(24)**	(38)
Other	**7**	(7)
Current tax charge for the year (note 6a)	**10**	14

The Company had losses of approximately £2,600,000 (2002 — £1,700,000) for tax purposes which may be carried forward and utilised against future taxable profits from the same trade.

7. Profit/(loss) of parent company

As permitted by Section 230 of the Companies Act 1985, the profit and loss account of the parent company is not presented as part of these accounts. The parent company's profit for the financial year amounted to £78,000 (2002 — £15,000 loss).

8. Loss/(earnings) per share

Basic earnings per share is calculated by dividing the earnings attributable to ordinary shareholders by the weighted average number of ordinary shares in issue during the year.

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares in issue on the assumption of conversion of all dilutive potential ordinary shares. The Group has only one category of dilutive potential ordinary shares, those share options granted previously where the exercise price is less than the average price of the Company's ordinary shares during the year. However, these shares do not increase net loss per share in the year and therefore have no dilutive effect.

	2003 £000	2002 £000
Basic and diluted (loss)/earnings attributable to ordinary shareholders	**(956)**	792
	Number '000	Number '000
Weighted average number of ordinary shares	**4,727**	4,727
Effect of dilutive share options	**—**	23
Adjusted weighted average number of ordinary shares	**4,727**	4,750

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 MARCH 2003

9. Intangible fixed assets

Group only

	Development costs £000	Purchase licences and know-how £000	Total £000
Cost			
At 1 April 2002	—	176	176
Additions	195	—	195
At 31 March 2003	**195**	**176**	**371**
Amortisation			
At 1 April 2002	—	85	85
Charge for the year	—	35	35
At 31 March 2003	**—**	**120**	**120**
Net book value			
At 31 March 2003	**195**	**56**	**251**
At 31 March 2002	—	91	91

10. Tangible fixed assets

Group and Company	Land and buildings £000	Plant and machinery £000	Fixtures and fittings £000	Motor vehicles £000	Total £000
Cost or valuation					
At 1 April 2002	5,700	2,042	265	247	8,254
Additions	—	32	—	104	136
Disposals	—	—	—	(110)	(110)
Revaluation	800	—	—	—	800
At 31 March 2003	**6,500**	**2,074**	**265**	**241**	**9,080**
Accumulated depreciation					
At 1 April 2002	93	1,693	201	121	2,108
Charge for the year	62	96	9	40	207
Disposals	—	—	—	(72)	(72)
Revaluation	(155)	—	—	—	(155)
At 31 March 2003	**—**	**1,789**	**210**	**89**	**2,088**
Net book value					
At 31 March 2003	**6,500**	**285**	**55**	**152**	**6,992**
At 31 March 2002	5,607	349	64	126	6,146

10. Tangible fixed assets (continued)

a) Land and buildings

	2003 £000	2002 £000
Land and buildings comprise at net book value:		
Long leasehold	**6,500**	5,607

The leasehold land and buildings were revalued on 31 March 2003 on the basis of open market value for existing use at £6,500,000 by Innes England Limited, Nottingham, Chartered Surveyors. Comparative figures are stated on the basis of the previous valuation performed by the same valuers in 2000.

If stated under historical cost principles, the comparable amounts for the total of land and buildings would be:

	2003 £000	2002 £000
Cost	**2,747**	2,747
Accumulated depreciation	**(210)**	(181)
Historical cost value	**2,537**	2,566

Included in the cost of land and buildings is capitalised interest of £61,000 (2002 — £61,000).

b) Leased assets

The net book value of tangible fixed assets includes £171,000 (2002 — £143,000) in respect of assets held under hire purchase agreements.

11. Fixed asset investments

Company

	Shares in subsidiary companies	
	2003 £	2002 £
Cost and net book value	**400**	400

Subsidiary companies

The subsidiary companies which affected the results and net assets of the Group were:

Company	**Principal activities**	**Effective % of share capital held in Group**
Jasmin IT Limited	Information, software and electronic control systems	100%*
Jasmin Controls Limited	Electrical control and switchgear systems	100%*
Jasmin Simtec Limited	Training, simulation and detection systems	100%*
Jasmin Security Limited	Dormant	100%
Jasmin Cardtec Limited	Dormant	100%
Jasmin Service Limited	Dormant	100%*

All subsidiary companies are registered in England.

* Held directly by Jasmin PLC

The issued share capital of Jasmin Security Limited and Jasmin Cardtec Limited is wholly owned by Jasmin IT Limited.

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 MARCH 2003

12. Stocks

	Group		Company	
	2003	2002	**2003**	2002
	£000	£000	**£000**	£000
Raw materials and consumables	**287**	323	**—**	—

There is no material difference between the balance sheet value of stocks and their replacement costs.

13. Debtors

	Group		Company	
	2003	2002	**2003**	2002
	£000	£000	**£000**	£000
Trade debtors	**955**	919	**955**	919
Amounts recoverable on contracts	**3,887**	2,775	**—**	—
Amounts owed by subsidiary companies	**—**	—	**5,839**	4,224
Prepayments and accrued income	**41**	103	**41**	103
Deferred tax (see note 18)	**180**	240	**45**	—
	5,063	4,037	**6,880**	5,246

Debtors include the following amounts due in more than one year.

	Group		Company	
	2003	2002	**2003**	2002
	£000	£000	**£000**	£000
Amounts recoverable on contracts	**921**	600	**—**	—

14. Creditors: Amounts falling due within one year

	Group		Company	
	2003	2002	**2003**	2002
	£000	£000	**£000**	£000
Bank overdraft	**1,834**	480	**1,834**	480
Bank loans	**158**	148	**158**	148
Payment received on account	**390**	—	**—**	—
Trade creditors	**1,292**	848	**1,292**	848
Amounts owed to subsidiaries	**—**	—	**—**	160
Other taxation and social security	**242**	200	**242**	200
Accruals	**129**	193	**129**	193
Proposed dividend	**—**	95	**—**	95
Obligations under hire purchase agreements (note 16)	**62**	61	**62**	61
	4,107	2,025	**3,717**	2,185

15. Creditors: Amounts falling due after more than one year

	Group and Company	
	2003	2002
	£000	£000
Bank loans	**3,194**	3,352
Obligations under hire purchase agreements	**81**	55
	3,275	3,407

A summary of borrowings is set out in note 16.

Details relating to security are set out in note 16.

16. Borrowings

	Group and Company	
	2003	2002
	£000	£000
Bank overdraft	**1,834**	480
Bank loan	**3,352**	3,500
	5,186	3,980
Obligations under hire purchase agreements	**143**	116
	5,329	4,096

The long-term bank loan bears interest at 2% above the bank's base rate and is secured by a commercial mortgage on the Group's long leasehold premises. Obligations under hire purchase agreements are secured by related assets acquired under the agreements and bear interest at commercial rates.

An analysis of the maturity of Group debt is given in note 17(a).

The Company and its subsidiary companies have entered into a cross guarantee covering the overdrafts of all Group companies. At 31 March 2003 there were nil balances in subsidiary companies (2002 — £nil).

Gearing at 102% has increased on the prior year of 78%. Gearing is calculated as total borrowings divided by total shareholder funds.

Financial assets

The Group's cash balances are disclosed on the face of the balance sheet. Where the Group holds positive cash balances they are placed on deposit for terms of between one and three months.

17. Financial instruments

The Group's policies as regards derivatives and financial instruments are set out in the Financial Review on page 5 and the accounting policies in note 1. The Group does not trade in financial instruments.

Short-term debtors and creditors have been omitted from all disclosures, except obligations under hire purchase agreements falling due in less than one year which have been included in a) below:

a) Maturity profile of financial liabilities

	2003			2002		
	Bank borrowings £000	**Other £000**	**Total £000**	Bank borrowings £000	Other £000	Total £000
Within one year or less or on demand	**1,992**	**62**	**2,054**	628	61	689
More than one year but not more than two years	**171**	**40**	**211**	158	36	194
More than two years but not more than five years	**574**	**41**	**615**	534	19	553
More than five years	**2,449**	**—**	**2,449**	2,660	—	2,660
	5,186	**143**	**5,329**	3,980	116	4,096

In the maturity analysis of the Group's financial liabilities 'Other' includes liabilities shown as obligations under hire purchase contracts.

The Group had the following undrawn committed borrowing facilities at 31 March:

	2003	2002
	£000	£000
Expiring in one year or less	**666**	1,020

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 MARCH 2003

17. Financial instruments (continued)

b) Interest rate profile

(i) Financial liabilities

The Group had no non-interest bearing financial liabilities at the year end (2002 — Nil). All interest bearing financial liabilities are denominated in Sterling.

	2003 £000	2002 £000
Floating rate financial liabilities	**5,267**	4,035

(ii) Financial assets

These comprised:

	2003 £000	2002 £000
Cash at bank	**2**	49
Amounts recoverable on contracts due after more than one year	**921**	600
	923	649

The assets described above are non-interest bearing and have no maturity period. The cash at bank relates to sums paid into NatWest Bank PLC by debtors during March 2002 and not transferred to the Company's Bank of Scotland account until after the year end.

Investments in subsidiary companies are excluded from the above financial assets as permitted by FRS 13 — Derivatives and Other Financial Instruments: Disclosures.

The fair values of financial assets and liabilities are not materially different from the carrying values. The fair values have been calculated by discounting expected cash flows at prevailing interest rates at the year end.

18. Deferred taxation

The deferred tax asset recognised in the financial statements is:

	The Group		**The Company**	
	2003 £000	2002 £000	**2003 £000**	2002 £000
Losses	**135**	240	**—**	—
Accelerated Capital Allowances	**45**	—	**45**	—
	180	240	**45**	—

Deferred tax assets have been recognised as the Group anticipates, based upon recent and forecast trading, that sufficient taxable profits are more likely than not to arise in the foreseeable future to utilise losses and reverse the accelerated capital allowances to the extent capitalised.

18. Deferred taxation (continued)

The amount of deferred tax not provided in the financial statements is:

	The Group		The Company	
	2003	2002	**2003**	2002
	£000	£000	**£000**	£000
Accelerated Capital Allowances	**(115)**	(160)	**(88)**	(154)
Losses	**(642)**	(271)	**—**	—
Surplus on revaluation	**750**	510	**750**	510
Gains rolled over	**73**	73	**73**	73
Capital losses	**(19)**	(19)	**(19)**	(19)
	47	133	**716**	410

	£000
Movements in deferred tax	
Opening balance as at 1 April 2002	240
Current year charge	(60)
Closing balance as at 31 March 2003 (note 13)	**180**

A deferred tax asset has not been recognised in respect of all the accelerated capital allowances and losses as, based on detailed budgets, the Group does not anticipate sufficient taxable profits arising within the immediate future in the subsidiaries which currently have losses available.

No deferred tax has been provided on the surplus on revaluation and gains rolled over as these would only crystallise if the building were sold. It is the Group's intention to retain the property for the foreseeable future. Capital losses will only be utilised if a capital gain is made.

19. Called-up share capital

	2003	2002
	£000	£000
Authorised		
10,000,000 ordinary shares of 25 pence each	**2,500**	2,500
Allotted, called-up and fully paid		
4,727,550 ordinary shares of 25 pence each	**1,182**	1,182

Employee Sharesave Scheme

At 31 March 2003 there were options outstanding in respect of 50,149 shares (2002 — 50,149). The exercise price is £1.30 and these options may not be exercised prior to 1 November 2003.

Executive Schemes

At 31 March 2003 there were no options outstanding in respect of any executive share option schemes (2002 — 70,000).

20. Reconciliation of operating (loss)/profit to net cash (outflow)/inflow from operating activities

	2003	2002
	£000	£000
Operating (loss)/profit	**(575)**	1,047
Depreciation and amortisation charges	**242**	261
Loss on sale of fixed assets	**11**	7
Decrease/(increase) in stocks	**36**	(23)
Increase in debtors	**(1,086)**	(1,291)
Increase in creditors	**809**	253
Net cash (outflow)/inflow from operating activities	**(563)**	254

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 MARCH 2003

21. Analysis and reconciliation of net debt

	At 1 April 2002 £000	Cash flow £000	Other non-cash changes £000	**At 31 March 2003 £000**
Overdraft	480	1,354	—	**1,834**
Cash in hand and at bank	(49)	47	—	**(2)**
Debt due within one year	148	(148)	158	**158**
Debt due after one year	3,352	—	(158)	**3,194**
Hire purchase agreements	116	(73)	100	**143**
Net debt	4,047	1,180	100	**5,327**

	2003 £000	2002 £000
Decrease/(increase) in cash in the year	**1,401**	(513)
Cash (outflow)/inflow from changes of debt and hire purchase agreements	**(221)**	728
Change in net debt resulting from cash flows	**1,180**	215
New hire purchase agreements	**100**	28
Movement in net debt in the year	**1,280**	243
Net debt at start of year	**4,047**	3,804
Net debt at end of year	**5,327**	4,047

22. Financial commitments

a) Operating lease commitments

The Company and the Group had no annual commitments under non-cancellable operating leases at either year end.

b) Capital commitments

Capital commitments are as follows:

	2003 £000	2002 £000
Future committed capital expenditure	**14**	18

23. Pension arrangements

The total pension cost for the Group was £60,000 (2002 — £58,000). The pension scheme has been arranged under Group investment accounts operated by CGU Life. All contributions, including voluntary contributions, are allocated to one or more Pension Unit Funds. Units purchased make up the employees' individual investment accounts. On retirement the full value of the units in these accounts is available for the provision of benefits to the employee or dependants at 31 March 2003 (2002 — £nil).

24. Related party transactions

In August 2002, Roger Plant, Chairman of Jasmin PLC, made an unsecured loan of £150,000 to the Group at an interest rate of 12% per annum. Interest payments of £11,096, less attributable taxation, were made prior to the repayment of the loan in March 2003. In December 2001 he made an unsecured loan of £167,000 to the Group at an interest rate of 10% per annum. Interest payments of £3,464 less attributable taxation were made prior to repayment in March 2002. There was no liability in respect of either of these loans at 31 March 2003 and 31 March 2002.

As permitted by paragraph 3 (c) of FRS8, no disclosure is made of transactions with wholly owned members of the Group headed by Jasmin PLC.

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Annual General Meeting of Jasmin PLC will be held at the registered office of the Company, at 12 noon on 21 August 2003 for the purpose of considering and, if thought fit, passing the following resolutions:

Ordinary business

1. To adopt the accounts for the year ended 31 March 2003 together with the reports of the Directors and auditors thereon.
2. To confirm that no Ordinary Dividend will be paid.
3. To re-elect Mr R A J Plant, who retires by rotation, as a Director of the Company.
4. To re-elect Mr M Kostuch, who retires by rotation, as a Director of the Company.
5. To reappoint Deloitte & Touche as auditors and authorise the Directors to fix the auditors' remuneration.
6. To approve the Report of the Committee on Remuneration set out on pages 9 to 11.

Special business

The following resolutions will be proposed as Special Resolutions:

7. (A) THAT the Directors be generally and unconditionally authorised pursuant to and in accordance with section 80 of the Companies Act 1985 ("the Act") to exercise for the period ending on the date of the next Annual General Meeting or 31 October 2004, whichever is the earlier, all the powers of the Company to allot relevant securities up to an aggregate nominal amount of £393,962;

   (B) THAT pursuant to and during the period of the said authority the Directors be empowered to allot equity securities wholly for cash:

   (i) in connection with a Rights Issue; and

   (ii) otherwise than in connection with a rights issue up to an aggregate nominal amount of £59,094 as if Section 89(1) of the Act did not apply to any such allotment;

   (C) THAT by such authority and power the Directors may during such period make offers or agreements which would or might require the making of allotments after the expiry of such period; and

   (D) THAT for the purposes of this Resolution:

   (i) "Rights Issue" means an offer of equity securities open for acceptance for a period fixed by the Directors to holders of equity securities on the register on a fixed date in proportion to their respective holdings of such securities or in accordance with the rights attached thereto (but subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements or legal or practical problems under the laws of, or the requirements of any recognised body or stock exchange, in any territory);

   (ii) the nominal amount of any securities shall be taken to be, in the case of rights to subscribe for or convert any securities into shares of the Company, the nominal amount of such shares which may be allotted pursuant to such rights; and

   (iii) words and expressions defined in or for the purposes of Part IV of the Act shall bear the same meanings herein.

8. THAT the Company be and is hereby generally and unconditionally authorised for the purposes of section 166 of the Companies Act 1985 ("the Act") to make one or more market purchases (within the meaning of Section 163(3) of the Act) of ordinary shares of 25p each in the capital of the Company provided that:

   (a) the maximum number of ordinary shares hereby authorised to be purchased is 236,377;

   (b) the minimum price which may be paid for such shares is 25p per share (exclusive of expenses);

   (c) the maximum price (exclusive of expenses) which may be paid for an ordinary share shall not be more than 5% above the average of the market values of ordinary shares as derived from the Stock Exchange Daily Official List for the five business days immediately preceding the date on which the ordinary share is purchased;

   (d) unless previously renewed, varied or revoked, the authority hereby conferred shall expire at the conclusion of the Company's next Annual General Meeting or 31 October 2004, whichever is the earlier;

   (e) the Company may make a contract or contracts to purchase ordinary shares under the authority hereby conferred prior to the expiry of such authority which will or may be executed wholly or partly after the expiry of such authority and may make a purchase of ordinary shares in pursuance of any such contract or contracts.

Registered office:
Sellers Wood Drive
Bulwell
Nottingham
NG6 8UX

By Order of the Board
R A J PLANT
Director
18 July 2003

NOTICE OF ANNUAL GENERAL MEETING

Note: Explanatory note for Resolution 5.

On 1 August 2003 Deloitte & Touche will transfer their business to Deloitte & Touche LLP, a limited liability partnership incorporated under the Limited Liability Partnerships Act 2000. The Company has given its consent to treating the appointment of Deloitte & Touche as extending to Deloitte & Touche LLP with effect from 1 August 2003. Accordingly, although the accounts were signed in the name of Deloitte & Touche, a resolution for the reappointment of Deloitte & Touche LLP will be proposed at the forthcoming annual general meeting.

Note: Explanatory notes for Resolutions 7 and 8 are included in the Directors' Report.

To have the right to attend and vote at the meeting (and also for purposes of calculating how many votes a person may cast) a person must have his/her name entered on the register of members 48 hours before the date of the meeting. Changes to entries on the register after this time shall be disregarded in determining the rights of any person to attend or vote at the meeting.

Any member of the Company who is entitled to attend and vote may appoint a proxy to vote in his/her stead. A proxy need not be a member of the Company. Appointment of a proxy need not preclude a member from attending and voting at the above meeting if he/she so desires. A form of proxy is enclosed with this notice for use in connection with the meeting. To be effective the form of proxy must be deposited with the Company's registrar's office by not later than 12.00 noon on 19 August 2003.

Particulars of Directors' interests in the share capital of the Companies and copies of Directors' Service Contracts are available for inspection at the Registered Office of the Company during normal business hours and at the place of the Annual General Meeting for at least 15 minutes prior to and during the meeting.

Jasmin PLC
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