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**CUSTOM MICRO PRODUCTS  
LIMITED**

Report and Financial Statements

Year ended

30 April 2005



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**BDO Stoy Hayward**  
Chartered Accountants

# **CUSTOM MICRO PRODUCTS LIMITED**

**Annual report and financial statements for the year ended 30 April 2005**

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## **Directors**

B G Beecraft  
L J Day  
L Maynard  
M Rapoport  
A S Reid  
A G Witts

## **Secretary and registered office**

B G Beecraft, 57 Grosvenor Street, London W1K 3JA

## **Company number**

1015185

## **Bankers**

HSBC Bank PLC, 242 High Street North, Longfleet, Poole, Dorset BH15 1DZ

## **Auditors**

BDO Stoy Hayward LLP, Northside House, 69 Tweedy Road, Bromley, Kent, BR1 3WA

## **CUSTOM MICRO PRODUCTS LIMITED**

### **Report of the directors for the year ended 30 April 2005**

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The directors present their report together with the audited financial statements for the year ended 30 April 2005.

#### **Results and dividends**

The profit and loss account is set out on page 5 and shows the profit for the year.

An interim dividend of £600,000 was paid in the year (2004: £Nil). A final dividend of £371,000 is proposed (2004: £Nil).

#### **Principal activities, trading review and future developments**

The principal activity of the company continued to be the supply of electronic and electrical components and related services. The company's balance sheet as detailed on page 6 shows a satisfactory position, shareholder's funds amounting to £145,206 (2004: £949,732). The company made an operating profit of £199,779 (2004 (fifteen months):£581,904) and the directors are confident that the company will continue to trade profitably in the current period.

During the year, the company became a subsidiary company of the Newmark Security PLC group, and has now adopted a more conservative approach to the management of its accounting policies in line with the rest of the Group. These changes in the measurement of its accounting policies have reduced operating profit and net assets in the year by approximately £99,000.

#### **Directors and their interests**

The directors of the company during the year were:

B G Beecraft (appointed 7 July 2004)	L J Day
P Lagesse (appointed 19 April 2005)	L J Maynard
M Rapoport (appointed 7 July 2004)	A S Reid (appointed 7 July 2004)
A Witts	

The directors beneficial interest in the company's issued Ordinary Share Capital were:

	<b>Number of Shares</b>	
	<b>30 April 2005</b>	<b>1 May 2004</b>
A G Witts	-	3,340
L J Maynard	-	960

No other director held any beneficial interest in the company's issued ordinary share capital at either date.

On 7 July 2004, Messrs Witts and Maynard sold their shares to Newmark Group Limited, a subsidiary of Newmark Security PLC, and Custom Micro Products Limited is now a wholly owned subsidiary of Newmark Security PLC.

B G Beecraft, M Rapoport and A S Reid were also directors of the ultimate parent company, Newmark Security PLC, and their interests in the share capital of that company are shown in that company's financial statements.

## **CUSTOM MICRO PRODUCTS LIMITED**

### **Report of the directors for the year ended 30 April 2005**

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#### **Directors' responsibilities**

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

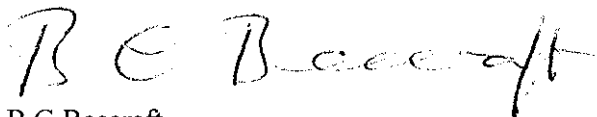
- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

#### **Auditors**

Day Thomas & Co. resigned as the company's auditors during the year and BDO Stoy Hayward LLP were appointed to fill the vacant position. A resolution to reappoint BDO Stoy Hayward LLP as auditors will be proposed at the next annual general meeting.

#### **By order of the Board**



B G Beecraft  
**Secretary**

Date: 27 October 2005

## **CUSTOM MICRO PRODUCTS LIMITED**

### **Report of the independent auditors**

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#### **To the shareholder of Custom Micro Products Limited**

We have audited the financial statements of Custom Micro Products Limited for the year ended 30 April 2005 on pages 5 to 15 which have been prepared under the accounting policies set out on pages 7 and 8.

#### *Respective responsibilities of directors and auditors*

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

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

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Our report has been prepared pursuant to the requirements of the Companies Act 1985 and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of the Companies Act 1985 or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

#### *Basis of opinion*

We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

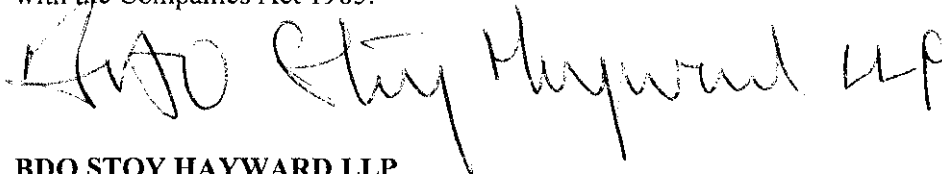
**CUSTOM MICRO PRODUCTS LIMITED**

**Report of the independent auditors (*Continued*)**

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*Opinion*

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 30 April 2005 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

A handwritten signature in black ink, appearing to read "BDO Stoy Hayward LLP", is written over the printed name of the firm.

**BDO STOY HAYWARD LLP**

*Chartered Accountants  
and Registered Auditors*  
Bromley

Date: 27 October 2005

# CUSTOM MICRO PRODUCTS LIMITED

## Profit and loss account for the year ended 30 April 2005

	Note	Year ended 30 April 2005 £	Fifteen months ended 30 April 2004 £ (restated)
<b>Turnover</b>	2	2,978,942	4,155,600
Cost of sales		(1,771,125)	(2,442,015)
<b>Gross profit</b>		<u>1,207,817</u>	<u>1,731,585</u>
Administrative expenses		(1,008,038)	(1,131,681)
<b>Operating profit</b>	3	<u>199,779</u>	<u>581,904</u>
Interest receivable and similar income	6	12,650	19,778
<b>Profit on ordinary activities before taxation</b>		<u>212,429</u>	<u>601,682</u>
Tax on profit on ordinary activities	7	(46,135)	(147,102)
<b>Profit on ordinary activities after taxation</b>		<u>166,294</u>	<u>454,580</u>
Dividends	8	(971,000)	-
<b>Retained (deficit)/profit for the period</b>		<u>(804,706)</u>	<u>454,580</u>

All amounts relate to continuing activities.

There were no recognised gains and losses other than those included in the profit and loss account.

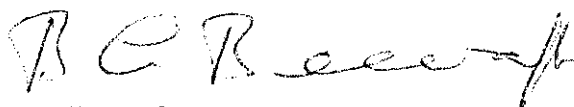
The notes on pages 7 to 15 form part of these financial statements.

# CUSTOM MICRO PRODUCTS LIMITED

Balance sheet at 30 April 2005

	Note	2005 £	2005 £	2004 £	2004 £
<b>Fixed assets</b>					
Tangible assets	9		116,626		199,482
<b>Current assets</b>					
Stocks	10	259,488		402,121	
Debtors	11	719,710		381,007	
Cash at bank and in hand		84,721		533,837	
			1,063,919	1,316,965	
<b>Creditors: amounts falling due within one year</b>	12	(1,035,519)		(566,236)	
<b>Net current assets</b>			28,400		750,729
<b>Total assets less current liabilities</b>			145,026		950,211
<b>Creditors: amounts falling due after more than one year</b>	13		-		(479)
<b>Net assets</b>			145,026		949,732
<b>Capital and reserves</b>					
Called up share capital	14		4,300		4,300
Profit and loss account	15		140,726		945,432
<b>Shareholder's funds-Equity</b>	16		145,026		949,732

The financial statements were approved by the Board on 27 October 2005



B G Beecraft

Director

The notes on pages 7 to 15 form part of these financial statements.



# CUSTOM MICRO PRODUCTS LIMITED

## Notes forming part of the financial statements for the year ended 30 April 2005

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### 1 Accounting policies

The financial statements have been prepared under the historical cost convention. Development and technical support costs are now included within cost of sales whereas they were previously included in administrative expenses, and the corresponding figures have now been restated accordingly. The following principal accounting policies have been applied:

#### *Turnover*

Turnover is stated net of value added tax and trade discounts, and represents the amount derived from the provision of goods and services falling within the company's activities.

#### *Depreciation*

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

Leasehold improvements	- Straight line over the remaining term of the lease (2004 and prior years: reducing balance 5% per annum)
Plant and machinery	- 33 1/3% per annum straight line
Motor vehicles	- 25% per annum straight line (2004 and prior years: 25% per annum reducing balance)
Fixtures and fittings	- 16 2/3% per annum straight line

The impact of the changes in depreciation rates of leasehold improvements and motor vehicles has been to increase the depreciation charge in the year by £11,501 and £13,300 respectively.

#### *Research and development*

All expenditure in respect of research and development is written off as it is incurred, except for expenditure on related fixed assets which is written off over the expected life of those assets.

#### *Stocks and work in progress*

Stocks are valued at the lower of cost and net realisable value. Net realisable value is based on estimated selling price less additional costs to completion and disposal.

Work in progress includes cost of direct materials and labour.

#### *Deferred taxation*

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

Deferred tax balances are not discounted.

#### *Foreign currencies*

Transactions in foreign currencies are recorded at the rate ruling at the date of transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. All differences are taken to the profit and loss account.

## CUSTOM MICRO PRODUCTS LIMITED

Notes forming part of the financial statements for the year ended 30 April 2005 (*Continued*)

### 1 Accounting policies (*Continued*)

#### *Pension costs*

Contributions to the company's defined contribution pension scheme are charged to the profit and loss account in the year in which they become payable.

#### *Deferred income*

Amounts charged to customers in advance for maintenance contracts and warranties are deferred and credited to the profit and loss account on a straight line basis over the period of commitment. The unamortized amount is included in amounts received on account or warranty provisions as appropriate.

#### *Employee Benefit Trust*

The company has an employee benefit trust, the net assets of which are consolidated within the company's net assets at the balance sheet date in accordance with UITF 38, provided the company has not relinquished 'de facto' control of these assets to its employees.

### 2 Turnover

The turnover attributable to the different classes of the company's business are:

	Year ended 30 April 2005 £	Fifteen months ended 30 April 2004 £
By activity		
Provision of security hardware	2,855,642	4,023,518
Maintenance contracts	123,300	132,082
	<hr/>	<hr/>
	2,978,942	4,155,600
	<hr/>	<hr/>

The analysis of turnover by geographical area is as follows:

	Year ended 30 April 2005 £	Fifteen months ended 30 April 2004 £
United Kingdom	1,380,020	2,148,405
Europe	806,611	1,060,970
USA	769,765	946,225
Rest of the world	22,546	-
	<hr/>	<hr/>
	2,978,942	4,155,600
	<hr/>	<hr/>

## CUSTOM MICRO PRODUCTS LIMITED

Notes forming part of the financial statements for the year ended 30 April 2005 (*Continued*)

### 3 Operating profit

	Year ended 30 April 2005 £	Fifteen months ended 30 April 2004 £
The operating profit is stated after charging:		
Auditors' remuneration -audit fees	8,500	4,500
-other services	2,000	1,250
Operating lease rentals -land and buildings	45,304	50,000
Depreciation of tangible fixed assets	90,749	78,616
Group management charge	104,000	-
	<u>          </u>	<u>          </u>

### 4 Directors emoluments

	Year ended 30 April 2005 £	Fifteen months ended 30 April 2004 £
Directors' emoluments consist of:		
Aggregate emoluments	255,910	300,819
Company pension contributions	-	32,812
	<u>          </u>	<u>          </u>
	255,910	333,631
	<u>          </u>	<u>          </u>
Emoluments of the highest paid director:		
Emoluments	116,654	143,243
	<u>          </u>	<u>          </u>

## CUSTOM MICRO PRODUCTS LIMITED

Notes forming part of the financial statements for the year ended 30 April 2005 (*Continued*)

### 5 Employees

	Year ended 30 April 2005 Number	Fifteen months ended 30 April 2004 Number
The average number of employees, including directors, during the period was:		
Management, administration and sales	8	9
Manufacturing	15	15
	<u>23</u>	<u>24</u>

Staff costs for the above persons were:-

	Year ended 30 April 2005 £	Fifteen months ended 30 April 2004 £
Wages and salaries	873,468	1,131,772
Social security costs	106,660	134,218
Pension contributions	10,536	47,586
	<u>990,664</u>	<u>1,313,576</u>

### 6 Interest receivable and similar income

	Year ended 30 April 2005 £	Fifteen months ended 30 April 2004 £
Interest receivable	<u>12,650</u>	<u>19,778</u>

# CUSTOM MICRO PRODUCTS LIMITED

Notes forming part of the financial statements for the year ended 30 April 2005 (*Continued*)

## 7 Taxation on profit on ordinary activities

	Year ended 30 April 2005 £	Fifteen months ended 30 April 2004 £
<i>UK Corporation tax</i>		
Current tax on profits of the year	12,596	147,102
Adjustment in respect of previous periods	33,539	-
Total current tax	<u>46,135</u>	<u>147,102</u>
Reconciliation of taxation charge		
	Year ended 30 April 2005 £	Fifteen months ended 30 April 2004 £
Profit on ordinary activities before taxation	<u>212,429</u>	<u>601,682</u>
Profit on ordinary activities at the standard rate of corporation tax of 30 % (2004 – 30%)	63,729	180,505
Effects of:		
Expenses not deductible for tax purposes	1,435	1,320
Depreciation for the period in excess of capital allowances	10,211	158
Group relief	(62,778)	-
Marginal rate relief	-	(34,881)
Prior year tax adjustment	33,539	-
Current tax charge for period	<u>46,135</u>	<u>147,102</u>

# CUSTOM MICRO PRODUCTS LIMITED

Notes forming part of the financial statements for the year ended 30 April 2005 (Continued)

## 8 Dividends

	Year ended 30 April 2005 £	Fifteen months ended 30 April 2004 £
<i>Equity shares</i>		
Interim paid of £139.53 (2004:£Nil) per share	600,000	-
Final proposed of £86.28 (2004:£Nil) per share	371,000	-
	<u>971,000</u>	<u>-</u>

## 9 Tangible assets

	Short Leasehold Improvements £	Plant and Equipment £	Motor Vehicles £	Fixtures and Fittings £	Total £
<i>Cost</i>					
At 1 May 2004	119,105	374,233	91,855	70,199	655,392
Additions	-	6,990	-	903	7,893
Disposals	-	(279,463)	-	(45,992)	(325,455)
At 30 April 2005	<u>119,105</u>	<u>101,760</u>	<u>91,855</u>	<u>25,110</u>	<u>337,830</u>
<i>Depreciation</i>					
At 1 May 2004	42,430	292,974	63,921	56,585	455,910
Charge for the year	15,335	50,766	20,283	4,365	90,749
Disposals	-	(279,463)	-	(45,992)	(325,455)
At 30 April 2005	<u>57,765</u>	<u>64,277</u>	<u>84,204</u>	<u>14,958</u>	<u>221,204</u>
<i>Net book value</i>					
At 30 April 2005	<u>61,340</u>	<u>37,483</u>	<u>7,651</u>	<u>10,152</u>	<u>116,626</u>
At 30 April 2004	<u>76,675</u>	<u>81,259</u>	<u>27,934</u>	<u>13,614</u>	<u>199,482</u>

# CUSTOM MICRO PRODUCTS LIMITED

Notes forming part of the financial statements for the year ended 30 April 2005 (Continued)

10	Stocks	2005 £	2004 £
	Raw materials	188,861	207,982
	Work in progress	47,874	84,844
	Finished goods	22,753	109,295
		<u>259,488</u>	<u>402,121</u>

There is no material difference between the replacement cost of stocks and the amounts stated above.

11	Debtors	2005 £	2004 £ (restated)
	Trade debtors	669,939	347,602
	Other debtors	32,576	22,821
	Prepayments and accrued income	17,148	10,584
	Amount due from group undertaking	47	-
		<u>719,710</u>	<u>381,007</u>

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

12	Creditors: amounts falling due within one year	2005 £	2004 £
	Bank overdraft (secured)	5,695	-
	Trade creditors	329,319	251,190
	Amount due to group undertakings	475,000	-
	Other taxation and social security	25,317	26,473
	Other creditors	29,364	21,274
	Accruals and deferred income	124,210	113,761
	Corporation tax	46,135	147,102
	Hire purchase creditors	479	6,436
		<u>1,035,519</u>	<u>566,236</u>

The overdraft is secured by fixed and floating charges over the assets of the company, together with the charge over the lease at 450 Blandford Road, Hamworthy.

# CUSTOM MICRO PRODUCTS LIMITED

Notes forming part of the financial statements for the year ended 30 April 2005 (Continued)

## 13 Creditors: amounts falling due after more than one year

	2005 £	2004 £
Hire purchase creditors	-	479

## 14 Share capital

	2005 £	2004 £
Authorised: 10,000 (2004:10,000) Ordinary shares of £1 each	10,000	10,000
Allotted, called up and fully paid: 4,300 (2004:4,300) Ordinary shares of £1 each	4,300	4,300

## 15 Reserves

	Profit and loss account £	Total £
At 1 May 2004	945,432	945,432
Deficit for the year	(804,706)	(804,706)
At 30 April 2005	140,726	140,726

## 16 Reconciliation of movements in shareholder's funds

	Year ended ended 30 April 2005 £	Fifteen months ended 30 April 2004 £
Opening shareholder's funds	949,732	495,152
(Deficit)/profit for the period	(804,706)	454,580
Closing shareholder's funds	145,026	949,732



## CUSTOM MICRO PRODUCTS LIMITED

Notes forming part of the financial statements for the year ended 30 April 2005 (continued)

### 17 Cash flow statement

The company has used the exemption under Financial Reporting Standard 1, "Cash flow statements", not to prepare a cash flow statement as it is consolidated in the financial statements of its ultimate parent company.

### 18 Related party disclosures

The company has taken advantage of the exemption conferred by Financial Reporting Standard 8 "Related party disclosures" not to disclose transactions with undertakings in which 90% or more of the voting rights are controlled by Newmark Security PLC. These undertakings results have been included within the consolidated financial statements of Newmark Security PLC.

The company has traded with the following related parties during the period:

Entity involved	Director concerned	Type of transaction	Value amount due at year end	Value amount during year
Infotronics Inc	A Witts	Sales	£165,811	£770,716
Custom Coatings Limited	A Witts	Property lease income	£Nil	£13,227
		Sales	£5,091	£6,160
		Purchases	£405	£10,586
A Witts SIPPS	A Witts	Property lease payments	£ Nil	£31,203
L Maynard SIPPS	L Maynard	Property lease payments	£ Nil	£14,101

The directors believe that these transactions were the same as those available on the open market.

A Witts is an officer and 49% shareholder of Infotronics Inc.

A Witts is a director and 30% shareholder of Custom Coatings Limited.

### 19 Ultimate parent company

As at 30 April 2005 the directors regard Newmark Security PLC as the immediate and ultimate parent undertaking, a company registered in England and Wales which is the parent of both the smallest and largest groups of which the company is a member. Copies of the parent company's consolidated financial statements may be obtained from Companies House, Crown Way, Cardiff, CF14 3UZ.