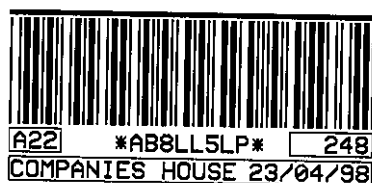


Geografix Limited

Directors' report and financial statements

31 December 1997

Registered number 1945220



Directors' report and financial statements

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Directors and officers

Directors

CA Rose
AD Homer
PM Reed

Secretary

PM Reed

Registered office

Hurricane Way
Norwich
Norfolk
NR6 6EW

Auditors

KPMG
Holland Court
The Close
Norwich
NR1 4DY

Bankers

Midland Bank PLC
18 London Street
Norwich
NR2 1LG

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 1997.

Principal activities

The company is principally engaged in the development and supply of systems and services for the electronic monitoring of offenders.

Business review

1997 was a year in which the future for the electronic monitoring of offenders became clearer with the acceptance of tagging as a cornerstone of UK government policy for the management of offenders in the community.

This development justified the investment in the development of the Geografix GEM system for the electronic monitoring of offenders which came into service in October 1997. The system has the potential to be supplied to third parties and exported as well as meeting the needs of the services provided by Geografix Limited.

In October the geographical areas served by the Geografix Limited Curfew Monitoring Service, which provides monitoring services to the UK Home Office, was extended to include the counties of Cambridgeshire and Suffolk in addition to existing operations in Norfolk.

Overall the year was one of development and expansion and the prospects for future growth during 1998 are strong.

During the year Geografix Limited ceased to offer services relating to Geographical Information Systems as the company decided to focus all of its resources into the electronic monitoring of offenders.

The profit for the year transferred to reserves is £9,852 (1996:£30,851).

Dividends

The directors do not recommend the payment of a dividend.

Directors and directors' interests

The directors' who served during the year and their interests in the share capital of the company at the beginning and end of the year were:

		Ordinary shares of £1 each	
		At 31 December 1997	At 1 January 1997
CA Rose		-	1
P Troen	(resigned 1 December 1997)	-	-
AD Homer	(appointed 1 December 1997)	-	-
PM Reed	(appointed 1 December 1997)	-	-

CA Rose had an interest of 300,000 ordinary 10p shares in the parent undertaking Geografix Group Limited at 31 December 1997.

Auditors

In accordance with Section 384 of the Companies Act 1985, a resolution for the re-appointment of KPMG as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

By order of the board

PM Reed
Secretary



7 April 1998
Hurricane Way
Norwich
NR6 6EW

Statement of 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 have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.



Holland Court
The Close
Norwich
NR1 4DY

Auditors' report to the members of Geografix Limited

We have audited the financial statements on pages 5 to 17.

Respective responsibilities of directors and auditors

As described on page 3 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with 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.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 December 1997 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 dark ink, appearing to be 'W. Miller', written over the printed name 'KPMG'.

KPMG
Chartered Accountants
Registered Auditors

7 April 1998

Profit and loss account
for the year ended 31 December 1997

	<i>Note</i>	1997 £	1996 £
Turnover	2	693,344	726,275
Cost of sales		(346,224)	(386,601)
		<hr/>	<hr/>
Gross profit		347,120	339,674
Administrative expenses		(334,976)	(322,921)
		<hr/>	<hr/>
Operating profit	3	12,144	16,753
Profit on disposal of fixed assets		11,968	-
Interest payable	6	(12,760)	16,438
		<hr/>	<hr/>
Profit on ordinary activities before taxation		11,352	33,191
Tax on profit on ordinary activities	7	(1,500)	(2,340)
		<hr/>	<hr/>
Profit for the financial year	16	£9,852	£30,851
		<hr/> <hr/>	<hr/> <hr/>

Materially, all amounts relate to continuing operations.

There were no recognised gains or losses other than the profit for the financial year.

The notes on pages 7 to 17 form part of these financial statements.

Balance sheet
at 31 December 1997

	<i>Note</i>	1997	1996
		£	£
Fixed assets			
Intangible assets	8	242,843	185,937
Tangible assets	9	115,186	72,876
Investments	10	161	161
		<u>358,190</u>	<u>258,974</u>
Current assets			
Stocks and work in progress	11	175,998	3,519
Debtors	12	99,514	107,831
Cash at bank and in hand		21,129	15,149
		<u>296,641</u>	<u>126,499</u>
Creditors: amounts falling due within one year	13	(331,925)	(169,271)
Net current liabilities		<u>(35,284)</u>	<u>(42,772)</u>
Total assets less current liabilities		<u>322,906</u>	<u>216,202</u>
Creditors: amounts falling due after more than one year	14	(96,852)	-
Net assets		<u><u>£226,054</u></u>	<u><u>£216,202</u></u>
Capital and reserves			
Called up share capital	15	575,537	575,537
Share premium account	16	49,975	49,975
Profit and loss account	16	(399,458)	(409,310)
Equity shareholders' funds	17	<u><u>£226,054</u></u>	<u><u>£216,202</u></u>

These financial statements were approved by the board of directors on 7 April 1998 and were signed on its behalf by:


CA Rose
Director

The notes on pages 7 to 17 form part of these financial statements.

Notes

(forming part of the financial statements)

1 Accounting policies

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

(a) Basis of accounting

The financial statements have been prepared in accordance with applicable accounting standards.

(b) Group financial statements

The company is exempt from preparing consolidated financial statements under Section 248 of the Companies Act 1985. The financial statements therefore present a view of the company's affairs as an individual entity and do not reflect the transactions of the group.

(c) Depreciation

Depreciation is calculated to write off the cost less the estimated residual values, of tangible fixed assets over their estimated useful lives as follows:

Plant and equipment	25% straight line
Fixtures and fittings	25% straight line
Motor vehicles	25% straight line

The cost of intangible fixed assets is amortised over their estimated useful lives as follows:

Research and development	Over the period of anticipated sales of the developed product
--------------------------	---

(d) Research and development

Expenditure is written off as incurred, with the exception of non-pioneering development expenditure on an individual project where the future recoverability can be reasonably foreseen. To the extent that expenditure is carried forward it is amortised in line with expected sales from the related project. Amortisation is charged to cost of sales.

Notes (continued)

1 Accounting policies (continued)

(e) Stocks and work in progress

Stock is valued at the lower of cost and net realisable value. Cost is determined on a first-in, first-out basis. Net realisable value is based on estimated selling price, less any further costs of realisation.

Work in progress is valued at the lower of cost and net realisable value. Cost consists of direct materials and direct labour. Net realisable value is based on estimated selling price, less any further costs of realisation.

(f) Deferred taxation

Provision is made for deferred taxation using the liability method except where, in the opinion of the directors, it is not likely to be payable in the foreseeable future.

(g) Assets held under finance leases and hire purchase contracts

Fixed assets held under hire purchase contracts, and those financed by leasing agreements which give rights approximating to ownership (ie finance leases) are treated in accordance with Statement of Standard Accounting Practice No 21 as if purchased outright. The corresponding obligations are included in creditors.

Depreciation is provided, depending on the type of fixed asset, by the rates and methods set out in note 1(c).

The related finance costs are charged to the profit and loss account over the period of the lease to produce a constant periodic rate of charge.

(h) Operating leases

Operating lease rentals are charged to the profit and loss account as incurred over the period of the lease.

(i) Foreign currencies

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling on the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling at the date of transaction. Any differences arising due to exchange fluctuations have been reflected in the profit and loss account.

(j) Pension scheme

The company operates defined contribution pension schemes for directors and senior employees and also makes contributions to directors' and employees' personal pension schemes. The pension costs represents contributions made by the company.

(k) Cash flow statement

Under Financial Reporting Standard 1, the company is exempt from the requirement to prepare a cash flow statement on the grounds of its size.

Notes (continued)

2 Turnover

Turnover is the total amount, excluding value added tax, receivable by the company in the ordinary course of business for goods supplied and for services provided as a principal.

An analysis of turnover by geographical market is:

	1997 £	1996 £
United Kingdom	692,539	672,704
Europe	-	2,479
Far East	805	960
South Africa	-	50,132
	<u>£693,344</u>	<u>£726,275</u>

An analysis of turnover by class of business is:

	1997 £	1996 £
Electronic monitoring	637,545	562,779
Other	55,799	163,496
	<u>693,344</u>	<u>£726,275</u>

3 Operating profit

Operating profit is stated after (crediting)/charging:

	1997 £	1996 £
Operating lease rentals for plant and machinery	15,026	14,143
Rental of premises	21,540	16,280
Depreciation	38,397	26,683
Profit on disposal of fixed assets	(11,968)	-
Auditors' remuneration	3,900	3,750
(Profit)/loss on foreign exchange	(20)	59
Amortisation of development expenditure	78,168	43,817
	<u>78,168</u>	<u>43,817</u>

Notes (continued)

4 Staff costs

Average number of employees (including directors) during the year:

	Number of employees	
	1997	1996
Directors	2	2
Direct labour	17	16
Administration	3	4
	<hr/>	<hr/>
	22	22
	<hr/>	<hr/>

The aggregate payroll costs of these persons were as follows:

	1997	1996
	£	£
Wages and salaries	400,584	319,975
Social security costs	32,013	34,551
Other pension costs	9,736	10,015
	<hr/>	<hr/>
	£442,333	£364,541
	<hr/>	<hr/>

5 Directors' emoluments

	1997	1996
	£	£
Management remuneration	70,750	51,659
Company contributions to money purchase pension	344	880
Estimated benefits in kind	752	3,498
	<hr/>	<hr/>
	£71,846	£56,037
	<hr/>	<hr/>

Retirement benefits are accruing to the following number of directors under:

	1997	1996
Money purchase pension schemes	2	0
	<hr/>	<hr/>

Notes (continued)

6 Interest payable

On bank loans, overdrafts and other loans wholly repayable within five years:

	1997 £	1996 £
Bank overdraft	1,176	6,929
Bank loans repayable by instalments	14,409	6,160
Other loans not repayable by instalments	-	(6,535)
Other loans repayable by instalments	-	(25,969)
On overdue corporation tax, NIC, PAYE and VAT	(2,825)	2,977
	<u>£12,760</u>	<u>£(16,438)</u>

Included in interest on other loans not repayable by instalments is a release of interest of £Nil (1996: 7,425) payable to Nova Holding AG, the former ultimate parent undertaking. Included in other loans repayable by instalments is a release of interest of £Nil (1996: £25,969) payable to Nova Holding AG following transfer of the debt from Tholco Limited.

7 Taxation

Tax (charge)/credit for the year represents:

	1997 £	1996 £
UK corporation tax		
- Current year	(1,500)	(1,310)
- Prior year	-	(1,030)
Deferred taxation		
- Current year	-	(7,680)
- Prior year	-	7,680
	<u>£(1,500)</u>	<u>£(2,340)</u>

Notes (continued)

8 Intangible fixed assets

	Electronic monitoring technology £
Cost	
At beginning of year	248,877
Additions	135,074
	<hr/>
At end of year	383,951
	<hr/>
Amortisation	
At beginning of year	62,940
Charge in the year	78,168
	<hr/>
At end of year	141,108
	<hr/>
Net book value	
At 31 December 1997	£242,843
	<hr/> <hr/>
At 31 December 1996	£185,937
	<hr/> <hr/>

Development costs relate to the system for the electronic monitoring of offenders. Costs are being amortised over 60 months from July 1995 on a straight line basis.

Notes (continued)

9 Tangible fixed assets

	Plant and equipment £	Fixtures and fittings £	Motor vehicles £	Total £
Cost				
At beginning of year	282,123	18,403	11,165	311,691
Additions	70,634	10,908	-	81,542
Disposals	(151,053)	(11,753)	(11,165)	(173,971)
	<hr/>	<hr/>	<hr/>	<hr/>
At end of year	201,704	17,558	-	219,262
	<hr/>	<hr/>	<hr/>	<hr/>
Depreciation				
At beginning of year	212,168	15,482	11,165	238,815
Charge for year	35,435	2,962	-	38,397
Disposals	(150,218)	(11,753)	(11,165)	(173,136)
	<hr/>	<hr/>	<hr/>	<hr/>
At end of year	97,385	6,691	-	104,076
	<hr/>	<hr/>	<hr/>	<hr/>
Net book value				
At 31 December 1997	£104,319	£10,867	£-	£115,186
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 1996	£69,955	£2,921	£-	£72,876
	<hr/>	<hr/>	<hr/>	<hr/>

10 Investments

	Subsidiary undertakings £	Non-UK listed investments £	Total £
Cost			
At beginning of year	10,000	161	10,161
Additions	-	-	-
Disposals	(10,000)	-	(10,000)
	<hr/>	<hr/>	<hr/>
At end of year	-	161	161
	<hr/>	<hr/>	<hr/>
Provisions			
At beginning of year	10,000	-	10,000
Adjustments for disposals	(10,000)	-	(10,000)
	<hr/>	<hr/>	<hr/>
At end of year	-	-	-
	<hr/>	<hr/>	<hr/>
Net book value			
At 31 December 1997	£-	£161	£161
	<hr/>	<hr/>	<hr/>
At 31 December 1996	£-	£161	£161
	<hr/>	<hr/>	<hr/>

Notes (continued)

10 Investments (continued)

The company disposed of the investment in its subsidiary undertaking, Geografix International Limited, on 12 November 1997.

11 Stocks and work in progress

	1997 £	1996 £
Raw materials and consumables	154,407	1,500
Work in progress	-	2,019
Finished goods	21,591	-
	<hr/> £175,998 <hr/>	<hr/> £3,519 <hr/>

12 Debtors

	1997 £	1996 £
Trade debtors	83,551	96,453
Other debtors	288	36
Prepayments and accrued income	15,675	11,342
	<hr/> £99,514 <hr/>	<hr/> £107,831 <hr/>

13 Creditors: amounts falling due within one year

	1997 £	1996 £
Bank loans and overdrafts	117,400	50,000
Trade creditors	68,389	53,226
Tax and social security costs	31,653	38,934
Accruals and deferred income	56,673	22,799
Geografix Group Limited loan (parent undertaking)	55,000	-
Corporation tax	2,810	4,312
	<hr/> £331,925 <hr/>	<hr/> £169,271 <hr/>

Notes (continued)

14 Creditors: amounts falling due after more than one year

	1997	1996
Bank loans	£96,852	£-
	<u> </u>	<u> </u>

Repayment details

The total borrowings of the company at 31 December 1997 are repayable as follows:

	1997		1996	
	Bank loans and overdrafts £	Geografix Group Limited loan £	Bank loans and overdrafts £	Geografix Group Limited loan £
Within one year	117,400	55,000	50,000	-
Between one and two years	96,567	-	-	-
Within two to five years	285	-	-	-
	<u>£214,252</u>	<u>£55,000</u>	<u>£50,000</u>	<u>£-</u>

The unsecured loan from Geografix Group Limited is payable on demand and carries an interest rate of 6% per annum above Barclays Bank PLC base rate. The bank loans are repayable by monthly instalments and carry an interest rate of 2% per annum above Midland Bank PLC base rate. Bank loans and overdrafts are secured by a fixed and floating charge over the assets of the company and by a cross guarantee with the parent undertaking.

15 Called up share capital

	1997	1996
Authorised		
Ordinary shares of £1 each	£575,538	£575,538
	<u> </u>	<u> </u>
Issued and fully paid		
Ordinary shares of £1 each	£575,537	£575,537
	<u> </u>	<u> </u>

Notes (continued)

16 Reserves

	Share premium account £	Profit and loss account £
At beginning of year	49,975	(409,310)
Profit for the financial year	-	9,852
	<hr/>	<hr/>
At end of year	£49,975	£(399,458)
	<hr/> <hr/>	<hr/> <hr/>

17 Reconciliation of movements in shareholders' funds

	1997 £	1996 £
Profit for the financial year	9,852	30,851
New share capital subscribed	-	574,538
Opening shareholders' funds/(deficit) attributable to equity shareholders	216,202	(389,187)
	<hr/>	<hr/>
Closing equity shareholders' funds	£226,054	£216,202
	<hr/> <hr/>	<hr/> <hr/>

18 Operating lease commitments

At 31 December 1997, the company had annual commitments under operating lease agreements expiring as follows:

	1997 £	1996 £
Land and buildings		
Within one year	-	28,200
Within 2 - 5 years	15,300	-
	<hr/>	<hr/>
	£15,300	£28,200
	<hr/> <hr/>	<hr/> <hr/>
Other		
Within one year	7,217	-
Within 2-5 years	23,014	14,652
	<hr/>	<hr/>
	£30,231	£14,652
	<hr/> <hr/>	<hr/> <hr/>

19 Pension arrangements

The company operates defined contribution pension schemes for directors and senior employees. The assets of the schemes are held separately from those of the company in independently administered funds. The pension cost represents contributions made by the company to the schemes which amounted to £2,484 (1996:£4,530). During the year the company also made contributions to employees personal pension schemes, the assets of which are held separately from those the company in independently administered funds. The pension cost represents contributions made by the company to the schemes which amounted to £7,252 (1996:£5,485).

There were no prepayments or accruals at the balance sheet date in respect of contributions to the schemes.

Notes (continued)

20 Ultimate parent undertaking

The ultimate parent undertaking of Geografix Limited is Geografix Group Limited (formerly known as Coolcopy Limited) which is incorporated in England. Geografix Group Limited acquired all of the issued share capital of Geografix Limited from Nova Holding AG on 12 November 1997.

21 Related party transactions

The company is a 100% subsidiary undertaking of Geografix Group Limited. CA Rose is the majority shareholder and is a director of both Geografix Group Limited and Geografix Limited. He therefore controls Geografix Limited and is a related party thereof. Until 12 November 1997, Geografix Limited was a 100% subsidiary undertaking of Nova Holding AG. This company also has a shareholding in Geografix Group Limited, and was therefore a related party for the whole year.

Until 12 November 1997, Geografix International Limited was a 100% subsidiary undertaking of Geografix Limited. After this date, Geografix International Limited was a 100% subsidiary undertaking of Nova Holding AG. Geografix International Limited was therefore a related party for the whole year.

The following transactions took place during the year between the various parties reported above:

- Geografix Limited sold its entire shareholding in Geografix International Limited to Nova Holding AG for £1
- Geografix Limited paid various liabilities owed by Geografix International Limited totalling £5,604
- Geografix Limited has provided guarantees in respect of the borrowings of Geografix Group Limited.
- Geografix Group Limited was paid management fees of £8,000 by Geografix Limited.
- CA Rose subscribed for 299,980 ordinary 10p shares in Geografix Group Limited at par.

In addition to the above, Nova Holding AG sold its entire shareholding in Geografix Limited to Geografix Group Limited on 12 November 1997. The principal terms of this transaction were:

- Geografix Group Limited paid consideration of £450,000 and issued 100,000 ordinary 10p shares to Nova Holding AG as fully paid;
- Geografix Group Limited agreed to pay a further £250,000 contingent on Geografix Limited achieving certain targets;
- Nova Holding AG assigned debts owed to it by Geografix Limited totalling £55,000 to Geografix Group Limited.

At the year end, Geografix Limited owed £55,000 to Geografix Group Limited.