

2004/05

QUADRANT VIDEO SYSTEMS PLC

ANNUAL REPORT

YEAR ENDED 31 MAY 1999

Registered number 2127345

PANNELL KERR FORSTER
Chartered Accountants



QUADRANT VIDEO SYSTEMS PLC
ANNUAL REPORT
YEAR ENDED 31 MAY 1999

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QUADRANT VIDEO SYSTEMS PLC
DIRECTORS' REPORT

The directors submit their annual report together with the financial statements for the year ended 31 May 1999.

RESULTS AND DIVIDENDS

The profit for the year after taxation was £342,270 (1998: £115,436).

The directors do not recommend the payment of a dividend in respect of the year on the ordinary share capital of the Company. Dividends of £74,900 have been paid in respect of the cumulative preference shares.

REVIEW OF THE BUSINESS

The Company's principal activity during the year continued to be the design, manufacture, sale, installation, service and hire of video audio, presentation and CCTV systems, and associated equipment. The Company's financial position at 31 May 1999 is shown in the attached balance sheet.

FUTURE DEVELOPMENTS

The directors plan to develop the activities of the Company, taking into account the general economic conditions which are likely to exist in the year ending 31 May 2000.

YEAR 2000

Steps have been taken to evaluate the likely impact of the Year 2000 issue on the company's systems and operations. Considerable work has been undertaken to test the Year 2000 compliance of all core business systems and where necessary systems have been replaced or have been scheduled to be replaced or upgraded. It is anticipated that the project will be completed well before the end of 1999, and any additional compliance costs are not expected to be material.

The directors believe that all reasonable steps are being taken to ensure that key systems will be Year 2000 compliant. However, in common with other businesses, the directors cannot guarantee that external interfaces will not have an impact on the business.

DIRECTORS

The directors who served during the year were:

R C Singleton
G C Wragg
M G Boddy
P A Gregory
G Robinson
Fotovalue Limited

DIRECTORS' INTEREST

The interests of the directors in the share capital of the Company at the beginning of the year were as follows:.

	<u>Number of 'A' Ordinary Shares</u>
R C Singleton	27,273
G C Wragg	13,636
M G Boddy	13,636

During the year the above holdings of 'A' ordinary shares were sold to Quadrant Group plc, the company's parent undertaking.

QUADRANT VIDEO SYSTEMS PLC
DIRECTORS' REPORT

The interests of the directors in the Ordinary Shares of Quadrant Group plc, the company's parent undertaking, were as follows:

	Ordinary Shares of 20p each at <u>31 May 1999</u>	Ordinary Shares of 20p each at <u>31 May 1998</u>
R C Singleton	37,250	2,750
M G Boddy	10,680	680
G C Wragg	10,250	250

		<u>Share Options</u>			
		<u>31 May 1999</u>		<u>31 May 1998</u>	
<u>Exercisable Between</u>		<u>Price</u> £	<u>Number</u>	<u>Price</u> £	<u>Number</u>
R C Singleton	July 1994 to July 2001	-	-	16.80	1,000
	June 1995 to June 2002	-	-	7.20	1,250
	November 1995 to November 2002	-	-	4.00	2,250
	June 1996 to November 2003	-	-	3.80	2,500
	October 2001 to October 2008	0.425	50,000	-	-
M G Boddy	July 1994 to July 2001	16.80	1,000	16.80	1,000
G C Wragg	July 1994 to July 2001	16.80	500	16.80	500
P A Gregory	July 1994 to July 2001	16.80	500	16.80	500

No share options were exercised by the directors during the year. The share options held by R C Singleton at 31 May 1998 were cancelled on 19 October 1998.

PAYMENT POLICY TO SUPPLIERS

It is not the Company's policy to follow any standard or code on payment practice. However, with respect to the financial year to 31 May 2000, the Company will continue to agree the terms of payment with its suppliers on a transaction by transaction basis and endeavour to abide by those terms. For the financial year to 31 May 1999 the Company settled outstanding invoices on average within 54 days (1998: 46 days).

AUDITORS

A resolution to reappointment Pannell Kerr Forster as auditors will be proposed at the forthcoming Annual General Meeting.

BY ORDER OF THE BOARD


G Robinson
Secretary

16 December 1999

QUADRANT VIDEO SYSTEMS PLC
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 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 financial statements;
- prepare financial statements on a 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 which 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' REPORT TO THE SHAREHOLDERS OF
QUADRANT VIDEO SYSTEMS PLC**

We have audited the financial statements on pages 5 to 14 which have been prepared under the accounting policies set out on pages 7 and 8.

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. 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 affairs of the Company as at 31 May 1999 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Pannell Kerr Forster

PANNELL KERR FORSTER
Chartered Accountants
Registered Auditors

London

20 December 1999

QUADRANT VIDEO SYSTEMS PLC
PROFIT AND LOSS ACCOUNT
YEAR ENDED 31 MAY 1999

	<u>Notes</u>	<u>1999</u> £	<u>1998</u> £
Turnover	2	12,495,203	13,925,624
Cost of sales		(8,816,175)	(9,372,069)
Gross profit		3,679,028	4,553,555
Distribution costs		(69,393)	(68,183)
Administrative expenses		(3,188,316)	(4,290,780)
Operating profit		421,319	194,592
Interest receivable		69	-
Interest payable	5	(79,118)	(79,156)
Profit on ordinary activities before taxation	6	342,270	115,436
Tax on profit on ordinary activities	7	-	-
Profit for the financial year		342,270	115,436
Dividends payable to non-equity shareholders	8	(74,900)	(74,900)
Retained profit for the year	15	267,370	40,536

There are no recognised gains or losses other than those included above.

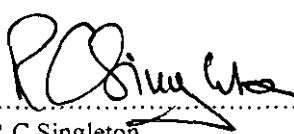
All amounts relate to continuing activities.

Movements on reserves are shown in note 15 to the financial statements.

QUADRANT VIDEO SYSTEMS PLC
BALANCE SHEET
31 MAY 1999

	<u>Notes</u>	<u>£</u>	<u>1999</u>	<u>£</u>	<u>1998</u>	<u>£</u>
FIXED ASSETS						
Tangible assets	9		1,473,054		1,528,959	
CURRENT ASSETS						
Stocks	10	697,940		740,289		
Debtors due within one year	11	3,410,780		3,106,246		
Debtors due in more than one year	11	253,503		608,305		
Cash at bank and in hand		6,685		4,313		
			<u>4,368,908</u>	<u>4,459,153</u>		
CREDITORS						
Amounts falling due within one year	12	3,088,534		3,528,053		
			<u>1,280,374</u>	<u>931,100</u>		
NET CURRENT ASSETS						
TOTAL ASSETS LESS CURRENT LIABILITIES						
			2,753,428	2,460,059		
CREDITOR AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR						
	12		(25,999)	-		
NET ASSETS						
			<u>2,727,429</u>	<u>2,460,059</u>		
CAPITAL AND RESERVES						
Called up share capital	14		2,412,727	2,412,727		
Share premium	15		15,065	15,065		
Profit and loss account	15		299,637	32,267		
SHAREHOLDERS' FUNDS (including non-equity interests)						
	16		<u>2,727,429</u>	<u>2,460,059</u>		

Approved by the board on 16 December 1999


 R C Singleton
 Director

QUADRANT VIDEO SYSTEMS PLC
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 MAY 1999

1 ACCOUNTING POLICIES

The financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom.

The principal accounting policies applied in the preparation of the financial statements of the Company are described below.

(a) Accounting convention

The financial statements have been prepared in accordance with the historical cost convention.

(b) Depreciation

Fixed assets are stated at cost less accumulated depreciation.

Depreciation is calculated so as to write off the cost of tangible fixed assets, less their estimated residual values, on a straight line basis over the expected useful economic lives of the assets concerned, commencing on the first day of the month following acquisition. The principal annual rates used for this purpose are:

	%
Freehold buildings	1
Fixtures and fittings	15
Equipment held for hire	15
Plant and equipment	20
Office equipment (including computers)	20
Motor vehicles	25

Short leasehold land and buildings and improvements are written off over 50 years, or the period of the lease if shorter.

(c) Stocks

Stocks are stated at the lower of cost and net realisable value. In the case of manufactured products, cost includes all direct expenditure and production overheads based on the normal level of activity. Provision is made for obsolete, slow moving and defective stock.

(d) Deferred taxation

Deferred taxation is provided in respect of material timing differences to the extent that it is probable that such differences will crystallise.

(e) Finance and operating leases

Assets acquired under finance leases or hire purchase agreements are capitalised and depreciated in accordance with the Company's depreciation policy. The capital element of future lease payments is included in the balance sheet as obligations under finance leases.

Payments under operating leases are charged wholly to the profit and loss account in the period in which they are incurred.

(f) Pensions

The Company operates a defined contribution pension scheme, the costs of which are charged to the profit and loss account as they fall due.

QUADRANT VIDEO SYSTEMS PLC
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 MAY 1999

1 ACCOUNTING POLICIES (continued)

(g) Turnover

Turnover represents amounts receivable for goods and services provided during the year net of trade discounts, VAT and other related taxes.

2 TURNOVER	<u>1999</u>	<u>1998</u>
	£	£
Geographical market:		
United Kingdom	12,495,203	13,925,624
	<u> </u>	<u> </u>

3 STAFF COSTS

Wages and salaries	2,327,349	2,242,702
Social security costs	220,952	207,222
Other pension costs	28,305	25,395
	<u> </u>	<u> </u>
	2,576,606	2,475,319
	<u> </u>	<u> </u>

The average number employed by the Company during the period:

	<u>Number</u>	<u>Number</u>
Management and administration	7	23
Production and sales	108	96
	<u> </u>	<u> </u>
	115	119
	<u> </u>	<u> </u>

QUADRANT VIDEO SYSTEMS PLC
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 MAY 1999

4 DIRECTORS' EMOLUMENTS

1999
£

1998
£

The emoluments of the directors of the Company comprise:

Remuneration for management services	284,064	194,610
Pension contributions to a money purchase scheme	10,543	9,267
	<hr/>	<hr/>
	294,607	203,877
	<hr/>	<hr/>

The number of directors to whom retirement benefits are accruing under money purchase schemes is 4 (1998 : 4).

The emoluments of the highest paid director were:-

Remuneration for management services	101,757	66,209
Pension contributions to a money purchase scheme	3,990	3,420
	<hr/>	<hr/>
	105,747	69,629
	<hr/>	<hr/>

5 INTEREST PAYABLE

Interest payable on bank loans and overdrafts	79,118	79,145
Other interest	-	11
	<hr/>	<hr/>
	79,118	79,156
	<hr/>	<hr/>

6 PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

Profit on ordinary activities before taxation is stated after charging/(crediting) the following:

Depreciation charge for the period:

Tangible fixed assets held under finance leases	6,761	6,264
Other fixed assets	362,234	366,071
Profit on disposal of tangible fixed assets	(7,307)	(7,884)
Auditors' remuneration:		
Audit	16,500	16,000
Other services	3,000	5,800
Operating lease rentals - land and buildings	130,016	146,470
- plant and equipment	282,574	287,305
	<hr/>	<hr/>

QUADRANT VIDEO SYSTEMS PLC
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 MAY 1999

7 TAX ON PROFIT ON ORDINARY ACTIVITIES

There is no charge to taxation for the period (1998: £Nil) due to the availability of tax losses brought forward.

The Company has tax losses available for offset against future taxable trading profits amounting to approximately £1,050,000 (1998 : £1,500,000).

8 DIVIDENDS

	<u>1999</u> £	<u>1998</u> £
Dividends payable to non equity shareholders in respect of the 3.5% Cumulative Preference Shares	74,900	74,900

9 TANGIBLE FIXED ASSETS

	<u>Freehold land and buildings</u> £	<u>Short leasehold land and buildings</u> £	<u>Plant, equipment and motor vehicles</u> £	<u>Total</u> £
Cost				
At 1 June 1998	347,245	302,163	2,693,740	3,343,148
Additions	-	78,226	319,427	397,653
Disposals	-	(12,892)	(172,385)	(185,277)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 May 1999	347,245	367,497	2,840,782	3,555,524
	<hr/>	<hr/>	<hr/>	<hr/>
Depreciation				
At 1 June 1998	20,596	218,476	1,575,117	1,814,189
Charge for year	3,504	45,493	319,998	368,995
Eliminated on disposals	-	(6,252)	(94,462)	(100,714)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 May 1999	24,100	257,717	1,800,653	2,082,470
	<hr/>	<hr/>	<hr/>	<hr/>
Net book value				
At 31 May 1999	323,145	109,780	1,040,129	1,473,054
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 May 1998	326,649	83,687	1,118,623	1,528,959
	<hr/>	<hr/>	<hr/>	<hr/>

The net book value of plant, equipment and motor vehicles includes assets held under finance leases of £51,750.

QUADRANT VIDEO SYSTEMS PLC
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 MAY 1999

10 STOCKS	<u>1999</u> £	<u>1998</u> £
Work in progress	114,576	248,385
Finished goods and goods for resale	583,364	491,904
	<hr/> 697,940	<hr/> 740,289
	<hr/> <hr/>	<hr/> <hr/>

11 DEBTORS

Due within one year:

Trade debtors	2,425,665	2,007,103
Amounts owed by group undertakings	758,091	799,119
Other debtors	111,506	199,033
Prepayments and accrued income	115,518	100,991
	<hr/> 3,410,780	<hr/> 3,106,246
	<hr/> <hr/>	<hr/> <hr/>

Due in more than one year:

Amounts owed by group undertakings	253,503	608,305
	<hr/>	<hr/>

The Company's parent undertaking, Quadrant Group plc, has entered into a financial arrangement with a bank under which certain of the trade debtors of the Company are used to secure facilities made available to the Quadrant Group. The Company, the parent undertaking and certain fellow subsidiaries have guaranteed the total liability of the Group to the bank under these arrangements which amounted to £1,471,766 at 31 May 1999 (1998: £1,175,813)

12 CREDITORS

	<u>1999</u> £	<u>1998</u> £
Amounts falling due within one year:		
Bank overdraft	695,664	836,643
Obligations under hire purchase and finance leases	7,456	514
Trade creditors	1,422,669	1,427,400
Amounts due to group undertakings	127,960	315,570
Corporation tax	392	392
Other taxation and social security	113,575	162,859
Other creditors	356,248	297,749
Accruals and deferred income	352,189	287,295
Preference dividends	12,381	199,631
	<hr/> 3,088,534	<hr/> 3,528,053
	<hr/> <hr/>	<hr/> <hr/>
Amounts falling due between two and five years:		
Obligations under hire purchase and finance leases	25,999	-
	<hr/>	<hr/>

The bank overdraft, which is part of a pooled facility with cross guarantees between Quadrant group companies is secured by charges over the assets of the group companies.

QUADRANT VIDEO SYSTEMS PLC
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 MAY 1999

13 DEFERRED TAXATION

The full potential liability to deferred taxation comprises:

	<u>1999</u> £	<u>1998</u> £
Accelerated capital allowances	24,000	26,000
Short term timing differences	(6,000)	(14,000)
Tax losses	(18,000)	(12,000)
	<hr/>	<hr/>
	-	-
	<hr/> <hr/>	<hr/> <hr/>

14 CALLED UP SHARE CAPITAL

	<u>1999</u> £	<u>1998</u> £
Authorised		
Ordinary Shares of £1 each	272,727	218,182
'A' Ordinary Shares of £1 each	-	54,545
3.5% Redeemable Cumulative Preference Shares of £1 each	2,140,000	2,140,000
	<hr/>	<hr/>
	2,412,727	2,412,727
	<hr/> <hr/>	<hr/> <hr/>
Allotted, called up and fully paid		
Ordinary Shares of £1 each	272,727	218,182
'A' Ordinary Shares of £1 each	-	54,545
3.5% Redeemable Cumulative Preference Shares of £1 each	2,140,000	2,140,000
	<hr/>	<hr/>
	2,412,727	2,412,727
	<hr/> <hr/>	<hr/> <hr/>

During the year the entire issued 'A' Ordinary share capital was sold by Messrs R C Singleton, G C Wragg and M G Boddy to Quadrant Group plc and converted into an equivalent number of ordinary shares.

The 3.5% Cumulative Preference Shares have rights to a cumulative dividend of 3.5% per annum of the capital paid up. The Preference shares have rights to vote at meetings of the Company, at the rate of 100 votes for each Preference Share, if the preference dividend is three months in arrears or if any Preference Shares due to be redeemed, as described below, have remained unredeemed, or if the business of the meeting includes consideration of the winding up of the Company. The Preference Shares are redeemable at any time by the Company, and at the latest by 30 September 2000, at the amount paid up for the shares. On the winding up of the Company the Preference Shareholders shall be paid, in priority to the Ordinary Shareholders out of any surplus assets, the amount paid up on the Preference Shares together with any arrears of dividend.

QUADRANT VIDEO SYSTEMS PLC
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 MAY 1999

15 RESERVES

	£	
Share premium account		
At 1 June 1998 and 31 May 1999	15,065	
	<u> </u>	
Profit and loss account		
At 1 June 1998	32,267	
Profit for the year	267,370	
	<u> </u>	
At 31 May 1999	299,637	
	<u> </u>	

16 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	<u>1999</u> £	<u>1998</u> £
Profit/(loss) for the period	342,270	115,436
Dividends	(74,900)	(74,900)
	<u> </u>	<u> </u>
	267,370	40,536
Shareholders' Funds brought forward	2,460,059	2,419,523
	<u> </u>	<u> </u>
Shareholders' Funds carried forward	2,727,429	2,460,059
	<u> </u>	<u> </u>
Shareholders' Funds are attributable as follows:		
Equity shareholders	587,429	320,059
Non equity shareholders	2,140,000	2,140,000
	<u> </u>	<u> </u>
	2,727,429	2,460,059
	<u> </u>	<u> </u>

QUADRANT VIDEO SYSTEMS PLC
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 MAY 1999

17 LEASE COMMITMENTS	<u>1999</u>	<u>1998</u>
	£	£
Operating leases		
At the year end the Company has annual commitments under non-cancellable operating leases in respect of land and buildings as follows:		
Expiring in less than one year	47,500	31,341
Expiring between two and five years	-	57,000
Expiring in more than five years	89,785	35,200
	<hr/>	<hr/>
	137,285	123,541
	<hr/> <hr/>	<hr/> <hr/>
At 31 May 1999 the Company has annual commitments under non-cancellable operating leases in respect of motor vehicles as follows:		
Expiring within one year	42,473	17,642
Expiring between two and five years	203,915	199,333
	<hr/>	<hr/>
	246,388	216,975
	<hr/> <hr/>	<hr/> <hr/>

18 CONTINGENT LIABILITIES

At 31 May 1999 the company had given guarantees and indemnities under performance bonds amounting to £50,000.

19 ULTIMATE PARENT AND CONTROLLING UNDERTAKING

The ultimate parent and controlling undertaking of the largest and smallest group for which consolidated accounts are prepared is Quadrant Group plc, a company incorporated in Great Britain. Copies of the parent undertaking's consolidated financial statements may be obtained from The Secretary, Quadrant Group plc, North Court House, Morton Bagot, Studley, Warwickshire B80 7EL.

As permitted by FRS8 "Related Party Disclosures" the financial statements do not disclose transactions with the ultimate parent company and fellow subsidiaries where more than 90% of the voting rights are controlled by the group.