

Hainsford Group Limited
(formerly Geografix Group Limited and Coolcopy
Limited)

Directors' report and financial statements

For the period 15 September 97 to 31 December 1998

Registered number 03434297



Hainsford Group Limited

*(formerly Geografix Group Limited and Coolcopy Limited)
Directors' report and financial statements
For the period 15 September 97 to 31 December 1998*

Directors' report and financial statements

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Hainsford Group Limited

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Directors' report and financial statements
For the period 15 September 97 to 31 December 1998*

Directors and officers

Directors

CA Rose
DJL Fitzwilliams

Secretary

CA Rose

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 first report and the audited financial statements for the period ended 31 December 1998.

Principal activities

Coolcopy Limited was incorporated on 15 September 1997. On the 12 November 1997 the company acquired the entire share capital of Geografix Limited and changed its name to Geografix Group Limited. From that date the company has acted as a holding company, receiving management fees and incurring administration expenses. On the 27 January 1999 the company changed its name to Hainsford Group Limited.

Business review

The profit for the period transferred to reserves is £ 29,076.

In November 1997 the company acquired a controlling interest in the share capital of Hainsford Limited (formerly Geografix Limited), a company involved in the electronic monitoring of offenders in the UK. At the time, the future of this company was by no means certain, since the contracts it had for electronic monitoring were short term and the ability of the company to demonstrate that it had the financial resources necessary to secure renewal of these contracts was questionable. In November 1998, the directors of Hainsford Limited decided to sell the entire trade and assets of the electronic monitoring business, following an offer from Premier Prison Services Limited. The initial consideration for this disposal will be supplemented by further income streams which are payable as a result of certain events which were only contingent at the time of the disposal. This has secured the immediate financial future of the group and the directors are now actively looking for suitable opportunities for re-investment.

On the 24 December 1998, 100,000 ordinary shares of 10p each were repurchased from Nova Holding AG.

Dividends

The directors do not recommend the payment of a dividend.

Year 2000 compliance

The directors have made a full assessment of the impact of the year 2000 problem and do not consider it to pose a significant risk to the company's current business operations

Directors and directors' interests

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

		Ordinary shares of 10p each At 31 December 1998
QGP Cooke	(appointed 2 October, resigned 12 November 1997)	-
CA Rose	(appointed 12 November 1997)	150,000
P Troen	(appointed 12 November 1997, resigned 30 November 1998)	-
DJL Fitzwilliams	(appointed 12 November 1997)	50,000
Sir S Tumim	(appointed 5 March 1998, resigned 22 June 1998)	-

CA Rose also had an interest of 150,000 ordinary shares transferred to the CA Rose Settlement trust, of which he is a trustee but not a beneficiary.

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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

9th July 1999


CA Rose
Secretary

Hurricane Way
Norwich
NR6 6EW

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial period 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 period. 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 Hainsford Group Limited

We have audited the financial statements on pages 6 to 12.

Respective responsibilities of directors and auditors

As described on page 4 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 1998 and of its profit for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

A handwritten signature in black ink, appearing to be 'W. J. L.' or similar, written in a cursive style.

KPMG
Chartered Accountants
Registered Auditors

12 July 1999

Profit and loss account
for the period ended 31 December 1998

	<i>Note</i>	1998 £
Turnover and gross profit	2&3	120,005
Administrative expenses		(85,403)
		<hr/>
Profit on ordinary activities before taxation		34,602
Tax on profit on ordinary activities	5	(5,526)
		<hr/>
Retained profit for the financial period	9	£29,076
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Materially, all amounts relate to continuing operations.

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

The notes on pages 8 to 12 form part of these financial statements.

Balance sheet
at 31 December 1998

	Note	£	1998	£
Fixed assets				
Investments	6	524,942		
				524,942
Current assets				
Cash at bank and in hand		1,462		
				1,462
Creditors: amounts falling due within one year	7	(346,828)		
Net current liabilities				(345,366)
Net assets				£179,576
Capital and reserves				
Called up share capital	8			40,000
Share premium account	9			122,500
Capital redemption reserve	9			10,000
Profit and loss account	9			7,076
Equity shareholders' funds	10			£179,576

These financial statements were approved by the board of directors on its behalf by:

9/7/99

and were signed on



CA Rose

Director

The notes on pages 8 to 12 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) **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.

(d) **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.

(e) **Going concern**

The company has the ongoing support of its subsidiary undertaking, Hainsford Limited, and as a result the directors consider the going concern basis for preparing the financial statements is appropriate.

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.

3 Operating profit

Operating profit is stated after (crediting)/charging:

	1998 £
Directors emoluments	79,347
Auditors' remuneration	4,000
	<hr/>

Notes*(forming part of the financial statements)***4 Staff costs**

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

Number of employees
1998

Directors 3

The aggregate payroll costs of these persons were as follows:

	1998 £
Wages and salaries	72,147
Social security costs	7,200
	<hr/>
	£79,347
	<hr/>

5 Taxation

Tax charge for the period represents:

	1998 £
UK corporation tax	
- Current period	£5,526
	<hr/>

Notes*(forming part of the financial statements)***6 Investments**

	Investment's in subsidiary undertakings
	£
<i>Cost and net book value</i>	
At beginning of period	-
Additions	524,942
Disposals	-
	<hr/>
At end of period	£524,942
	<hr/>

The company has two 100% subsidiary undertakings, both registered in England;

(i) Hainsford Limited (formerly Geografix Limited). The principal activity of this company was, until 25 November 1998, the development and supply of systems and services for the electronic monitoring of offenders. On this date it sold its entire trade and assets, and has since then provided various services in relation to the electronic monitoring of offenders and has continued to receive payments under the agreements signed as part of the disposal of its business.

Draft accounts to 31 December 1998 for Hainsford Limited show a profit before tax for the year of £665,440 and an aggregate of share capital and reserves of £632,863 as at that date.

(ii) Hainsford Equipment Limited (formerly Geografix Equipment Limited): This company did not trade in the year to 31 December 1998. The aggregate of its share capital and reserves at that date was £2.

Notes*(forming part of the financial statements)***7 Creditors: amounts falling due within one year**

	1998 £
Other creditors	3,934
Amounts owed to subsidiary undertaking	328,700
Tax and social security costs	2,668
Accruals and deferred income	6,000
Corporation tax	5,526
	<hr/> £346,828 <hr/>

8 Called up share capital

	1998
<i>Authorised</i>	
Ordinary shares of 10p each	£100,000
	<hr/>
<i>Issued and fully paid</i>	
Ordinary shares of 10p each	50,000
Purchase of own shares	(10,000)
	<hr/>
Ordinary shares of 10p each at end of period	£40,000
	<hr/>

9 Reserves

	Share premium account £	Capital Redemption Reserve £	Profit and loss account £
At the beginning of the period	-	-	-
Premium paid on purchase of own shares	-	-	(12,000)
Transfer to capital redemption reserve	-	10,000	(10,000)
Premium arising on issue of shares	122,500	-	-
Profit for the financial period	-	-	29,076
	<hr/>	<hr/>	<hr/>
At end of period	£122,500	£10,000	£7,076
	<hr/>	<hr/>	<hr/>

10 Reconciliation of movements in shareholders' funds

	1998 £
Profit for the financial period	29,076
Issue of shares	172,500
Redemption of shares	(22,000)
Opening shareholders' funds/(deficit) attributable to equity shareholders	-
	<hr/>
Closing equity shareholders' funds	£179,576
	<hr/>

Notes

(forming part of the financial statements)

11 Related party transactions

C.A.Rose is the majority shareholder and director of Hainsford Group Ltd which in turn has a 100% shareholding in Hainsford Limited (formerly Geografix Limited), and Hainsford Equipment Limited (formerly Geografix Equipment Limited). He therefore controls all three companies and is a related party thereof.

CA Rose is also a director and 100% shareholder of Geografix (Scotland) Limited, this company is therefore a related party resulting from common control.

Until 12 November 1997, Hainsford Limited was a 100% subsidiary undertaking of Nova Holding AG. Nova Holding AG also had a shareholding in Hainsford Group Limited until 28 December 1998, and was therefore a related party for the entire period.

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

(i) Hainsford Group Limited acquired the entire shareholding of Hainsford Limited from Nova Holding AG on 12 November 1997. The principal terms of this transaction were as follows:-

- The purchase price of £562,500 was satisfied by £450,000 in cash and the balance by the issue of 100,000 ordinary 10p shares in Hainsford Group Limited, fully paid.
- Nova Holding AG assigned debts owed to it by Hainsford Limited totalling £55,000 to Hainsford Group Limited for £1.
- Hainsford Group Limited agreed to pay a further £250,000 contingent on Hainsford Limited achieving certain financial targets, although these amounts subsequently ceased to be payable when Hainsford Limited disposed of its trade and assets.

(ii) On 12 November 1997 CA Rose subscribed for 300,000 ordinary shares of 10p at par.

(iii) CA Rose transferred 150,000 ordinary 10p shares into the CA Rose Settlement on 23 December 1998, of which he is a trustee but not a beneficiary.

(iv) Hainsford Group Limited received £120,000 from Hainsford Limited during the period in management charges.

(v) Hainsford Limited paid various amounts owed by Hainsford Group Limited during the period. These amounts were all dealt with through the intercompany account.

(vi) Hainsford Limited has provided guarantees in respect of the borrowings of Hainsford Group Limited.

(vii) On the 28 December 1998 Hainsford Group Limited repurchased 10,000 of its own 10p shares from Nova Holding AG for £22,000.

At the period end Hainsford Group Limited owed £328,700 to Hainsford Limited.

Transactions between the company's subsidiary undertaking, Hainsford Limited, and related parties, are disclosed in that company's own financial statements.