



SectorGuard

ANNUAL REPORT AND ACCOUNTS 2002

SectorGuard plc
(formerly known as SectorGuard Limited)

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Corporate Statement

SectorGuard, listed on the London Stock Exchange's Alternative Investment Market, is a leading provider of manned guarding solutions. Working closely with its clients, SectorGuard tailors individual security programmes which it actions using vetted, highly trained and uniformed security personnel.

SectorGuard maintains high-level professional service standards through its attention to detail, its management style and most importantly its security personnel who take great pride in their work and remain dedicated to fulfilling each client's security needs. Superior security personnel are retained and recruitment is aided through the company's unique approach of rewarding full-time employees through a share option scheme as well as providing extremely competitive remuneration packages.

SectorGuard is committed to an aggressive growth strategy and is expanding both its service offering and geographical spread. The company provides its wide range of clients with a variety of services including static guards, mobile patrols and key holding and alarm response.

Trading Highlights

- Turnover up 72% to £7.3m
- Operating profit up 228% to £595,000
- Earnings per share up 400% to 0.4p
- Acquisition of guarding contracts of Olympic Security Services in June increased turnover by 60%
- New contracts won include the Hadley Wood Residents Association vigilance patrol
- Acquisition of guarding contracts of Gainsborough Events & Security Services in January increasing turnover by 10%
- In advanced talks with a number of potential strategic acquisitions

Chairman's Statement

I am pleased to report record results with turnover up 72% to £7,373,705 (2001: £4,279,267) and pre-tax profits up by 391% to £502,031 (2001: £102,314).

Our first year since flotation has shown steady progress. In a fragmented industry, there are a number of real opportunities to add to our potential for earnings growth and I look forward with optimism to the coming year.

A handwritten signature in blue ink, consisting of a large, stylized 'P' and 'G' that are interconnected.

Peter Gorty
Chairman

I am pleased to report record results with turnover up 72% to £7,373,705 (2001: £4,279,267) and pre-tax profits up by 391% to £502,031 (2001: £102,314).

Our listing on the Alternative Investment Market (AIM) on 13 March 2002 increased the visibility of the company and enabled us to accelerate our strategy to become a leading provider of manned security services in the UK.

Trading performance

We experienced strong revenue growth during the period and a number of important new contracts were won, including the supply of security personnel to East Berkshire College, Strutt and Parker and Honeywell FM.

Our results also reflect the successful integration of the guarding contracts of Olympic Security Services, which we acquired in June. These added 60% to our turnover and significantly increased our contact base in London, the Home Counties and the Midlands.

We continued to explore profitable diversification and in particular expanded our activities in residential security to include private, as well as local authority controlled, residential areas. We secured a number of residential contracts including the high profile contract to provide security to Hadley Wood Residents Association where we work in close co-operation with the police to help reduce crime in the area by providing neighbourhood vigilance patrols. Panic buttons link participating households to our uniformed guards and the area is patrolled in marked and unmarked vehicles twenty-four hours a day, seven days a week.

Agreements like Hadley Wood, or a contract providing residents with guards and dogs which we won in Stanmore, follow a growing trend for the provision of a private local security presence to act as a visible deterrent. We believe that there is considerable potential in the provision of security to residential areas and are currently in talks with a number of residential associations.

Current trading

The current year has begun well for us and in the first quarter we secured contracts with Beacon Youth Trust, Tomkins and Bank of America.

We are constantly seeking new business opportunities and acquisition targets in order to further consolidate our position as a market leader. In line with this strategy, we acquired the manned guarding contracts of Gainsborough Events & Security Services on 6 January 2003 (which produced a turnover of approximately £1 million in 2002) and we are in advanced negotiations regarding a second acquisition.

Management and employees

We have an increasingly experienced staff of hardworking, dedicated people whose skills we continue to develop to the professional high standards that our clients have come to expect. I would like to take this opportunity to welcome the management team and staff that joined us from Olympic Security Services in June and I would like to thank David Marks and all the staff for their effective efforts in 2002.

Outlook


Our first year since flotation has shown steady progress. In a fragmented industry, there are a number of real opportunities to add to our potential for earnings growth and I look forward with optimism to the coming year.

Chief Executive's Statement

Our strategy of developing the business both organically and through acquisitions and investing in the quality of our service delivery continues to drive SectorGuard's expansion and development as a security company with high-quality revenue streams and a low-cost base from which to deliver rapid growth in earnings for our shareholders.

A handwritten signature in blue ink that reads "David Marks". The signature is enclosed within a blue ink scribble that forms a horizontal, elongated shape with a pointed right end, resembling a stylized arrow or a bullet.

David Marks
Chief Executive



**“The quality of the
guards provided is
what determines the
perception of the
guarding company,
on that basis
SectorGuard is an
excellent company”**

**Antony Russell
Hiscox Underwriting Group Services Ltd**

Chief Executive's Statement

Strategy

The strength of our business model lies in our strategy to enhance our already strong organic growth of core activities through selective acquisitions. By drawing together a number of smaller operations into one group we are able to take advantage of economies of scale and provide increased value for shareholders and customers. Our aim is to expand both regionally and through widening our service offering within the security sector. To this end we have expanded the business to include residential security and have plans to move into the events and exhibitions security arena.

We place great emphasis on the ability, aptitude and attitude of all our staff, and seek to enhance our level of service through providing on-going training and management support at all levels. This, combined with our company-wide share option scheme and good remuneration packages, assists us in recruiting and retaining high calibre staff.

We also place great emphasis on building partnerships with our clients to design and maintain a security programme which meets their requirements.

The combination of attention to the needs of our staff and clients has ensured that we meet and regularly exceed our clients' expectations and often become an integral part of their operations.

Acquisitions

In line with our strategy we successfully integrated the business of Olympic Security Services (Olympic) into the Group following the acquisition of its manned guarding contracts in June. This deal significantly increased our contract base in London and the Home Counties and also expanded our client base in the Midlands opening up this region for further development. Olympic had more than 60 manned guarding contracts including Bovis Lend Lease, Insignia Richard Ellis, MFI and Nelson Bakewell, which complement our existing client base.

We have also just completed our first acquisition during the current financial year. On 6 January 2003 we acquired the manned guarding contracts of Gainsborough Events & Security Services. Gainsborough, which has a number of notable contracts producing an annual turnover of £1 million, will considerably increase our business volumes and further enhance our reputation for providing

high quality manned guarding services. Furthermore, we are currently in advanced talks with other potential acquisition targets.

Funding and liquidity

Over the year we raised an additional £1,470,000 (before expenses) through the placing of 49 million ordinary shares. This, together with our strong trading results, places us in a strong cash position to take advantage of acquisition opportunities as they arise.

Summary

Our strategy of developing the business both organically and through acquisitions and investing in the quality of our service delivery continues to drive SectorGuard's expansion and development as a security company with high-quality revenue streams and a low-cost base from which to deliver rapid growth in earnings for our shareholders.

“SectorGuard’s service has been responsive, professional and sensitive to both the needs of our service users and us as an organisation”

**Caroline Lamont
Single Homeless Project**

Directors' Report

The directors present their report and the accounts for the year ended 30 September 2002.

Activities

The principal activity of the company is the provision of manned guarding, mobile patrolling and keyholding services.

Review of business

The company name changed from SectorGuard Limited to SectorGuard plc on 4 March 2002. The company's admission to AIM took place on 13 March 2002.

In the opinion of the directors the state of the company's affairs at 30 September 2002 and the future prospects of the company are satisfactory.

Results for the year and dividends

The profit for the year after taxation was £338,862 (2001: £66,442).

The directors do not recommend the payment of a dividend (2001: £nil).

Post balance sheet events

After the year end, SectorGuard plc acquired the manned guarding contracts of Gainsborough Events & Security Services Limited.

Directors and their interests

The directors of the company during the year ended 30 September 2002, and their interests in the share capital of the company were:

	30 September 2002			30 September 2001	
	Ordinary shares of 0.5p each	Share options	Warrants	Ordinary shares of £1 each	Share options and warrants
P Gorty (<i>appointed 1 March 2002</i>)	166,667	166,667	33,333	—	—
D Marks	26,250,000	833,333	5,250,000	3,000	—
G Lyons (<i>appointed 1 March 2002</i>)	250,000	166,667	50,000	—	—
B Myers (<i>resigned 29 January 2002</i>)	9,375,000	—	1,875,000	1,500	—
D Sullivan (<i>resigned 29 January 2002</i>)	9,375,000	—	1,875,000	1,500	—

Of the ordinary shares and warrants in which D Marks is interested, 7,500,000 ordinary shares and 1,500,000 warrants are registered in the names of Dr Oswald Morton and Glyn Taylor as trustees of Morton 1998 Trust, of which D Marks' minor children are beneficiaries.

No share options were exercised during the year.

D Marks holds 5,250,000 warrants over the share capital of the company. Each warrant allows the holder to subscribe for one ordinary share at the exercise price of 3p. The warrants may be exercised at any time up to the third anniversary of admission to AIM.

P Gorty holds 33,333 warrants over the share capital of the company. Each warrant allows the holder to subscribe for one ordinary share at the exercise price of 3p. The warrants may be exercised at any time up to the third anniversary of admission to AIM.

G Lyons holds 50,000 warrants over the share capital of the company. Each warrant allows the holder to subscribe for one ordinary share at the exercise price of 3p. The warrants may be exercised at any time up to the third anniversary of admission to AIM.

No directors exercised their warrants during the year.

Creditor payment policy

The company does not follow a code or standard on payment practice. Payment terms are normally agreed with individual suppliers at the time of order placement and are honoured, provided that goods and services are supplied in accordance with the contractual conditions. At the year end, the company had creditor days of 37 (2001: 43).

Disabled employees

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the company continues and that appropriate training is arranged. It is the policy of the company that the training, career development and promotion of disabled persons should, as far as possible, be identical with that of other employees.

Employee consultations

The company places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and on the various factors affecting the performance of the company.

Corporate governance

The directors intend, in so far as practicable given the company's size and the constitution of the board, to comply with the main provisions of the Combined Code: Principles of Corporate Governance and Code of Best Practice derived from the final report published by the committee on Corporate Governance chaired by Sir Ronald Hampel which will be consistent with the recommendations on Corporate Governance of the Quoted Companies Alliance. In this connection, the board is not intending to appoint further non-executive directors in the immediate future.

The directors intend to comply with Rule 19 of the AIM Rules relating to directors' dealings as applicable to AIM companies and will also take all reasonable steps to ensure compliance with Rule 19 by the company's applicable employees.

Auditors

Since the previous Annual General Meeting, Smith & Williamson transferred their audit business to a separate legal entity, Nexia Audit Limited. A resolution to reappoint Nexia Audit Limited will be proposed at the next Annual General Meeting.

Approved by the board of directors on 10 January 2003 and signed on its behalf by:

A handwritten signature in blue ink that reads "David Marks". The signature is written in a cursive style and is enclosed within a large, sweeping blue oval stroke.

D Marks
Director

Statement of Directors' Responsibilities in Respect of the Accounts

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 profit or loss of the company 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;
- 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 to 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 hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent Auditors' Report to the shareholders of SectorGuard plc

We have audited the accounts of SectorGuard plc for the year ended 30 September 2002 on pages 12 to 23. These accounts have been prepared under the historical cost convention and the accounting policies set out therein.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report, and the accounts 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 accounts in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the accounts give a true and fair view and whether the accounts have been 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 accounts, 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 the information specified by law regarding directors' remuneration and transactions with the company 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 company's corporate governance procedures or its risk and control procedures.

We read other information contained in the annual report and consider whether it is consistent with the audited accounts. This other information comprises only the Directors' Report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the accounts. Our responsibilities do not extend to any other information.

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 accounts and the part of the Directors' Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, 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 accounts 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 accounts.

Opinion

In our opinion:

- the accounts give a true and fair view of the state of the company's affairs as at 30 September 2002 and of its profit for the year then ended; and
- the accounts have been properly prepared in accordance with the Companies Act 1985.

Nexia Audit Limited

Chartered Accountants
Registered Auditors

1 Riding House Street
London W1A 3AS

10 January 2003

Profit and Loss Account
for the year ended 30 September 2002

	Notes	2002 £	2001 £
Turnover	2	7,373,705	4,279,267
Cost of sales		(5,840,495)	(3,395,404)
Gross profit		1,533,210	883,863
Administrative expenses		(938,690)	(702,630)
Operating profit		594,520	181,233
Interest receivable and similar income		1,529	891
Interest payable and similar charges	5	(94,018)	(79,810)
Profit on ordinary activities before taxation	6	502,031	102,314
Tax on profit on ordinary activities	7	(163,169)	(35,872)
Retained profit for the financial year	19	338,862	66,442

Earnings per ordinary share

Basic and diluted	22	0.4p	0.1p
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All of the company's operations are classed as continuing. There were no gains or losses in the year other than those included in the above profit and loss account.

Balance Sheet

as at 30 September 2002

	Notes	2002 £	2001 £
Fixed assets			
Intangible assets	8	2,549,969	1,394,971
Tangible assets	9	178,504	230,267
		2,728,473	1,625,238
Current assets			
Debtors	10	2,198,462	894,877
Cash at bank and in hand		241,096	8,424
		2,439,558	903,301
Creditors: amounts falling due within one year	11	(1,867,696)	(1,047,167)
Net current assets/(liabilities)		571,862	(143,866)
Total assets less current liabilities		3,300,335	1,481,372
Creditors: amounts falling due after more than one year	12	(451,108)	(688,448)
Provisions for liabilities and charges	15	(548,135)	(6,750)
Net assets		2,301,092	786,174
Capital and reserves			
Called up share capital	16	562,000	10,000
Share premium account	19	1,185,186	561,130
Profit and loss account	19	553,906	215,044
Shareholders' funds	20	2,301,092	786,174

The accounts were approved by the board of directors on 10 January 2003 and were signed on its behalf by:



D Marks
Director

Cash Flow Statement

for the year ended 30 September 2002

	Notes	2002 £	2001 £
Net cash (outflow)/inflow from operating activities	18	(114,507)	367,191
Returns on investment and servicing of finance			
Interest received		1,529	891
Interest paid		(86,509)	(69,476)
Finance lease interest paid		(5,546)	(10,334)
		(90,526)	(78,919)
Taxation			
Corporation tax paid		(39,539)	(27,497)
Capital expenditure			
Payments to acquire intangible fixed assets		(700,975)	(556,675)
Payments to acquire tangible fixed assets		(40,087)	(14,453)
Proceeds from sale of tangible fixed assets		18,232	8,224
		(722,830)	(562,904)
Net cash outflow before financing		(967,402)	(302,129)
Financing			
Issue of ordinary share capital		1,497,000	—
Expenses paid in connection with shares issued		(320,944)	—
Repayment of loans		(196,620)	(84,120)
New long term loans		300,000	450,000
Capital element of finance lease payments		(72,849)	(74,910)
		1,206,587	290,970
Increase/(decrease) in cash in year	18	239,185	(11,159)

Notes to the Accounts

for the year ended 30 September 2002

I. Accounting policies

A summary of the more important accounting policies adopted is described below.

Basis of accounting

The accounts have been prepared under the historical cost convention.

Pension costs

Contributions to defined contribution schemes are charged to the profit and loss account as they become payable in accordance with the rules of the scheme.

Fixed assets

Depreciation is provided on cost or revalued amounts in equal annual instalments over the estimated useful lives of the assets concerned. The following annual rates are used:

Fixtures and fittings – 20% straight line
Motor vehicles – 25% straight line

Goodwill

Goodwill arises on the acquisition of business assets and represents the excess of the fair value of consideration over the fair value of identifiable net assets acquired. Goodwill is capitalised and written off on a straight line basis over 20 years.

Deferred taxation

Deferred taxation is provided for on a full provision basis on all timing differences that have arisen but not reversed at the balance sheet date. A deferred tax asset is not recognised to the extent that the transfer of economic benefit in future is uncertain. Any assets and liabilities recognised have not been discounted.

Leases

Assets held under finance leases are included in fixed assets and the capital element of the related lease commitment is shown as obligations under finance leases. The lease rentals are treated as consisting of capital and interest elements. The capital element is applied to reduce the outstanding obligations and the interest element is charged against profit over the period of the lease.

Rental costs under operating leases are charged to the profit and loss account on a straight line basis over the lease term.

2. Turnover

Turnover represents amounts receivable for services net of VAT and trade discounts.

3. Directors' remuneration

	2002 £	2001 £
Aggregate emoluments:		
D Marks	72,904	63,595
B Myers	1,667	5,000
D Sullivan	1,667	5,000
P Gorty	8,750	—
G Lyons	8,750	—
	93,738	73,595
Company pension contributions to money purchase scheme	6,489	7,065

Retirement benefits are accruing to one director (2001: one) under a money purchase defined benefit scheme.

Notes to the Accounts

for the year ended 30 September 2002

4. Employee information

The average number of persons, including directors employed by the company during the year was:

	Number 2002	Number 2001
Operations – security officers	280	189
Operations – staff	9	7
Selling and distribution	2	2
Administration	8	8
	299	206

Staff costs for the above persons were:

	2002 £	2001 £
Wages and salaries	5,198,910	3,094,585
Social security costs	427,433	279,800
Pension costs	10,597	7,065
Other staff costs	2,616	1,252
	5,639,556	3,382,702

5. Interest payable and similar charges

	2002 £	2001 £
Bank loans and overdrafts	64,564	52,009
Debt factoring charges	24,910	17,467
Finance leases	4,544	10,334
	94,018	79,810

6. Profit on ordinary activities before taxation

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

	2002 £	2001 £
Depreciation		
– owned assets	34,716	35,444
– assets held under finance leases	44,575	43,615
Amortisation of goodwill	91,607	52,273
Auditors' remuneration		
– audit	7,500	7,500
– non audit services	77,500	—
Finance charges	4,544	10,334
Hire of plant and machinery – operating leases	6,084	3,680
Other operating leases	117,506	34,527
Exceptional profit on major contract	—	(120,000)

7. Taxation

a) Tax on profit on ordinary activities

	2002 £	2001 £
UK corporation tax at 30% (2001: 30%)	167,000	39,125
Under provision for the year	414	1,497
Deferred taxation (note 15)	(4,245)	(4,750)
	163,169	35,872

b) Factors affecting tax charge for the year

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

	2002 £	2001 £
Profit on ordinary activities before tax	502,031	102,314
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2001: 30%)	150,609	30,694
Effects of:		
Expenses not deductible for tax purposes (primarily goodwill amortisation and fixed asset depreciation)	24,353	22,697
Adjustments to tax charge in respect of previous years	414	1,497
Marginal relief	(7,962)	(14,266)
Deferred tax charge	(4,245)	(4,750)
Current tax charge for year (note 7a)	163,169	35,872

8. Intangible fixed assets

	Goodwill £
Cost	
At 1 October 2001	1,521,732
Additions	1,246,605
At 30 September 2002	2,768,337
Amortisation	
At 1 October 2001	126,761
Charge for the year	91,607
At 30 September 2002	218,368
Net book value	
At 30 September 2002	2,549,969
At 30 September 2001	1,394,971

Notes to the Accounts

for the year ended 30 September 2002

9. Tangible fixed assets

	Fixtures and fittings £	Motor vehicles £	Total £
Cost			
At 1 October 2001	158,182	210,795	368,977
Additions	5,550	34,537	40,087
Disposals	—	(37,724)	(37,724)
At 30 September 2002	163,732	207,608	371,340
Depreciation			
At 1 October 2001	58,819	79,891	138,710
Charge for the year	31,949	47,342	79,291
Disposals	—	(25,165)	(25,165)
At 30 September 2002	90,768	102,068	192,836
Net book value			
At 30 September 2002	72,964	105,540	178,504
At 30 September 2001	99,363	130,904	230,267

The net book value of tangible assets includes an amount of £91,024 (2001: £122,646) in respect of assets held under hire purchase.

10. Debtors

	2002 £	2001 £
Trade debtors	1,664,595	731,377
Other debtors	425,460	60,330
Prepayments	108,407	103,170
	2,198,462	894,877

11. Creditors: amounts falling due within one year

	2002 £	2001 £
Bank loans and overdrafts (note 13)	502,138	203,133
Obligations under finance leases	33,890	71,536
Trade creditors	133,558	120,246
Corporation tax	167,000	39,125
Other taxation and social security	604,992	490,782
Other creditors	406,339	97,191
Accruals	19,779	25,154
	1,867,696	1,047,167

12. Creditors: amounts falling due after more than one year

	2002 £	2001 £
Bank loans (note 13)	444,045	646,183
Obligations under finance leases	7,063	42,265
	451,108	688,448

13. Borrowings

	2002 £	2001 £
Falling due within one year		
Treasury loan	502,138	196,620
Falling due after more than one year		
Treasury loan	444,045	646,183
	946,183	842,803
Repayable as follows:		
In one year or less	502,138	196,620
Between one and two years	193,275	196,620
Between two and five years	250,770	449,563
	946,183	842,803

The loans are repayable in quarterly instalments at fixed and variable interest rates, and are secured by a debenture on SectorGuard plc and keyman life assurance on the life of David Marks.

14. Finance leases

The net finance lease obligations to which the company are committed are:

	2002 £	2001 £
In one year or less	33,890	71,536
Between one and two years	7,063	34,223
Between two and five years	—	8,042
	40,953	113,801

Notes to the Accounts

for the year ended 30 September 2002

15. Provisions for liabilities and charges

	2002 £	2001 £
Deferred taxation	2,505	6,750
Deferred consideration on the purchase of contracts	545,630	—
	548,135	6,750

The amount of deferred tax provided and unprovided at the year end was as follows:

	2002		2001	
	Provided £	Unprovided £	Provided £	Unprovided £
Deferred tax liability	2,505	—	6,750	—
Movement in the year:			Deferred consideration £	Deferred tax £
At 1 October 2001			—	6,750
Charge/(credit) for the year			545,630	(4,245)
At 30 September 2002			545,630	2,505

The deferred consideration includes a performance related element for which it is not expected to have an outcome materially different to that provided for.

16. Called up share capital

	2002 £	2001 £
Authorised		
1,000,000 ordinary shares of £1 each	—	1,000,000
400,000,000 ordinary shares of 0.5p each	2,000,000	—
Allotted, called up and fully paid		
10,000 ordinary shares of £1 each	—	10,000
112,400,000 ordinary shares of 0.5p each	562,000	—

On 4 March 2002 the company passed an ordinary resolution sub-dividing the issued and unissued 1 million £1 ordinary shares into 200 million ordinary shares of 0.5p each. On 4 March 2002 the company passed an ordinary resolution increasing the authorised share capital by 200 million shares to 400 million ordinary shares of 0.5p each.

On 4 March 2002, 60,500,000 ordinary 0.5p shares were issued to the shareholders of the company at that date by way of a bonus issue of 30.25 shares for every one existing ordinary share held.

On 13 March 2002, 29,000,000 ordinary 0.5p shares were placed by Seymour Pierce Limited at 3p per share.

16. Called up share capital (continued)

On 17 June 2002, 10,000,000 ordinary 0.5p shares were issued to provide additional finance for acquisitions and working capital.

A total of 900,000 ordinary 0.5p shares at 3p per share were issued, pursuant to the exercise of warrants issued by the company on 13 March 2002.

On 7 August 2002, 10,000,000 ordinary 0.5p shares were issued to provide additional finance for acquisitions and working capital.

The aggregate nominal value of all shares allotted during the year was £552,000 for total consideration of £1,176,056, resulting in share premium net of share issue expenses of £624,056.

17. Warrants and share options

	Number of warrants
Warrants issued on flotation	18,300,000
Warrants exercised during the year	(900,000)
Warrants not exercised at 30 September 2002	17,400,000

On 13 March 2002 the company constituted and issued 18,300,000 warrants over its share capital at nil value based on one warrant for every 5 ordinary shares held at that date. Each warrant confers upon the holder the right to subscribe in cash for one ordinary share in the company at the subscription price of 3p. The warrants expire on the third anniversary of the company's admission to AIM.

At 30 September 2002 there were 1,224,930 share options in issue. These entitle the holders to purchase one 0.5p ordinary share. The options were granted on 12 March 2002 and are exercisable at any time between 12 March 2005 and 12 March 2012 at a price of 2.8p per share.

18. Notes to the cash flow statement

a) Reconciliation of operating profit to net cash inflow from operating activities

	2002 £	2001 £
Operating profit	594,520	181,233
Depreciation	79,291	79,059
Amortisation	91,607	52,273
(Increase) in debtors	(1,303,585)	(212,418)
Increase in creditors	429,333	266,235
(Profit)/loss on disposal	(5,673)	809
Net cash (outflow)/inflow from operating activities	(114,507)	367,191

Notes to the Accounts

for the year ended 30 September 2002

18. Notes to the cash flow statement (continued)

b) Reconciliation of net cash flow to movement in net debt

	2002 £	2001 £
Increase/(decrease) in cash in the year	239,185	(11,159)
Cash outflow to repay debt	196,620	84,120
Cash inflow from new loans	(300,000)	(450,000)
Finance leases	72,849	20,236
Decrease/(increase) in net debt	208,654	(356,803)
Net debt at 1 October 2001	(954,694)	(597,891)
Net debt at 30 September 2002	(746,040)	(954,694)

c) Analysis of net debt

	At 1 October 2001 £	Cash flow £	Other non cash flows £	At 30 September 2002 £
Cash at bank	8,424	232,672	—	241,096
Overdrafts	(6,513)	6,513	—	—
		239,185		
Debt due within one year	(196,620)	196,620	(502,138)	(502,138)
Debt due after one year	(646,183)	(300,000)	502,138	(444,045)
Finance leases	(113,801)	72,849	—	(40,952)
Total net debt	(954,694)	208,654	—	(746,040)

19. Reserves

	Share premium account £	Profit and loss account £
As at 1 October 2001	561,130	215,044
Retained profit for the year	—	338,862
Bonus issue of shares	(302,500)	—
Placing of shares on flotation	725,000	—
Shares issued during the year	500,000	—
Share issue costs	(320,944)	—
Warrants exercised	22,500	—
As at 30 September 2002	1,185,186	553,906

20. Reconciliation of movements in shareholders' funds

	2002 £	2001 £
Profit for the financial year	338,862	66,442
Issue of shares in the year	1,176,056	—
Net addition to shareholders' funds	1,514,918	66,442
Opening shareholders' funds	786,174	719,732
Closing shareholders' funds	2,301,092	786,174

21. Operating lease commitments

At 30 September 2002, the company had annual commitments under operating leases as follows:

	2002		2001	
	Land and buildings £	Other £	Land and buildings £	Other £
Within one year	—	—	90,130	2,116
Within two to five years	35,475	402	35,475	403

22. Earnings per share

The earnings per share is based upon a profit of £338,862 (2001: £66,442) and the weighted average number of shares ranking for dividend during the year of 83,735,000 (2001: 62,500,000 as restated).

The fully diluted earnings per share is based upon the profit as disclosed above and the weighted average number of shares ranking for dividend during the year of 84,732,083 (2001: 62,500,000 as restated) adjusted for the effects of all dilutive potential shares.

The comparative weighted average number of shares has been restated to reflect the sub-division of the ordinary share capital in March 2002.

23. Related party transactions

During the year secretarial and administration services were provided by David Marks & Co Limited at a cost of £7,000 (2001: £9,000). The balance owing at the year end was £2,051 (2001: £nil). David Marks is a director of David Marks & Co Limited.

During the year finance and administration support services were provided to Sectoralarm Limited at a cost of £67,138 (2001: £127,983). At the year end SectorGuard plc was owed £53,518 (2001: £33,968) by Sectoralarm Limited, a company of which David Marks, Bernard Myers and David Sullivan are also directors.

All transactions are on an arm's length basis.

24. Post balance sheet events

On 6 January 2003 the company acquired the manned guarding contracts of Gainsborough Events & Security Services Limited. The cost of this acquisition is dependent on future results and, whilst the purchase will be material to the company, the directors are unable to fully quantify the amount of any such future costs.

Directors and Advisers

Directors

David Marks Chief Executive

Gideon Lyons Non-executive Director

Peter Gorty Non-executive Chairman

Secretary

David Marks

Registered office

No 1 Riding House Street
London W1A 3AS

Company's registered number

3553625

Bankers

Barclays Bank plc

50 Pall Mall
PO Box 15161
London SW1A 1QA

Solicitors

Nabarro Nathanson

Lacon House
1 Theobald's Road
London WC1X 8SA

Registrars

Capita Registrars

Bourne House
34 Beckenham Road
Beckenham
Kent BR3 4TU

Auditors

Nexia Audit Limited

Chartered Accountants
No 1 Riding House Street
London W1A 3AS

Nominated advisers

Seymour Pierce Limited

29–30 Cornhill
London EC3V 3NF

Public relations consultants

St Brides Media & Finance Limited

46 Bedford Row
London WC1R 4LR

Business and tax advisers

Smith & Williamson

Chartered Accountants
No 1 Riding House Street
London W1A 3AS

Brokers

Seymour Pierce Ellis Limited

Talisman House
Jubilee Walk
Three Bridges
Crawley
West Sussex RH10 1LQ

Notice of Annual General Meeting

Notice is given that the Annual General Meeting of the company will be held at Lacon House, Theobald's Road, London WC1X 8RW on 14 February 2003 at 11.00 a.m. for the following purposes:

Ordinary business

1. To receive and adopt the report of the directors and the accounts for the year ended 30 September 2002.
2. To re-appoint Peter Gorty as a director of the company.
3. To re-appoint Gideon Lyons as a director of the company.
4. To re-elect David Marks as a director of the company.
5. To re-appoint Nexia Audit Limited as auditors and to authorise the directors to fix their remuneration.

To consider and, if thought fit, pass the following resolutions, as ordinary resolutions in the case of resolutions 6 and 7 and as a special resolution in the case of resolution 8.

Special business

6. THAT the authorised share capital be increased from £2,000,000 to £2,500,000 by the creation of 100,000,000 ordinary shares of 0.5p each ranking *pari passu* in all respects with the existing ordinary shares in the capital of the company.
7. THAT the directors be and they are hereby generally and unconditionally authorised to exercise all the powers of the company to allot relevant securities (as defined in section 80 of the Companies Act 1985 ("the Act")) up to an aggregate nominal amount of £1,000,000 provided that this authority shall expire on the date preceding the fifth anniversary of the date of the passing of this resolution, except that the company may before such expiry make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the directors may allot relevant securities in pursuance of any such offer or agreement as if the authority conferred by this resolution had not expired and that this authority shall be in substitution for all previous authorities conferred upon the directors pursuant to section 80 of the Act but without prejudice to the allotment of any relevant securities already made or to be made pursuant to such authorities.
8. THAT, subject to and conditional upon the passing of resolution number 7 set out in the notice of the meeting, the directors be and they are hereby empowered, pursuant to section 95 of the Act, to allot equity securities (as defined in section 94 of the Act) for cash as if section 89(1) of the Act did not apply to any such allotment provided that this power shall be limited to:
 - (a) the allotment of equity securities in connection with a rights issue or other pro rata offer in favour of holders of ordinary shares where the equity securities respectively attributable to the interests of all the ordinary shareholders are proportionate (as nearly as may be) to the respective numbers of equity securities held by them subject in each case to such exclusions or other arrangements as the directors may consider necessary or expedient to deal with fractional entitlements or legal difficulties under the laws of any territory or the requirements of a regulatory body; and
 - (b) the allotment (otherwise than pursuant to sub-paragraph (a) above) of equity securities up to an aggregate nominal amount of £1,000,000.

and shall expire on whichever is the earlier of the date preceding the fifth anniversary of the date of the passing of this resolution or the expiry of the authority contained in resolution number 7 set out in the notice of this meeting except that the company may before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and the directors may allot equity securities in pursuance of such offer or agreement as if the power conferred by this resolution had not expired.

By order of the board



David Marks
Secretary
10 January 2003

Registered office:
No 1 Riding House Street
London W1A 3AS

Notice of Annual General Meeting

Notes

1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy or proxies to attend and, on a poll, to vote instead of him/her. A proxy need not be a member of the company.
2. A form of proxy is provided with this notice and instructions for use are shown on the form. To be valid, completed forms must be received at the office of the company's registrars, Capita Registrars of Bourne House, PO Box 25, Beckenham, Kent BR3 3BR not less than 48 hours before the time fixed for the meeting. Deposit of the form of proxy will not prevent a member from attending the meeting and voting in person.
3. The following documents are available for inspection at the registered office of the company during normal business hours on each weekday (public holidays excluded) and at the place of the Annual General Meeting for 15 minutes prior to and during the meeting:
 - (a) the register of directors' interests (and their families) in shares of the company;
 - (b) copies of directors' service contracts (other than contracts expiring or determinable by the company in less than one year);
 - (c) copy of the company Memorandum and Articles of Association.
4. The company specifies, pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, that only those shareholders registered in the register of members of the company as at 6.00 p.m. on 12 February 2003 shall be entitled to attend or vote at the general meeting in respect of the number of shares registered in their respective names at that time. Changes to entries on the register after that time will be disregarded in determining the rights of any person to attend or vote at the meeting.

Form of Proxy

SectorGuard plc

I/We

(Name in full in block capitals please)

of

being (a) member(s) of SectorGuard plc appoint the chairman of the meeting (see note 4 below)

as my/our proxy to vote for me/us on my/our behalf at the Annual General Meeting of the company to be held on 14 February 2003 at 11.00 a.m. and at any adjournment of the meeting, on the following resolutions, as indicated by an 'X' in the appropriate box, and on any other resolutions, as he thinks fit:

	Business	For	Against
Resolution 1	To receive and adopt the report and accounts for the year ended 30 September 2002.		
Resolution 2	To re-appoint Peter Gorty as a director.		
Resolution 3	To re-appoint Gideon Lyons as a director.		
Resolution 4	To re-elect David Marks as a director.		
Resolution 5	To re-appoint Nexia Audit Limited as auditors.		
Resolution 6	To increase the authorised share capital of the company.		
Resolution 7	To authorise the directors to allot shares pursuant to section 80 Companies Act 1985.		
Resolution 8	To disapply section 89(1) Companies Act 1985.		

Dated2003 Signature

Notes

- To be valid this form, duly completed, must be received at the office of the company's registrars, whose address appears overleaf by 11.00 a.m. on 12 February 2003. The form must be signed. If someone else signed the form on your behalf, you or that person must send the power of attorney or other written authority under which it is signed to the address overleaf.
- A corporation must execute this form either under its common seal or under the hand of two directors or one director and the secretary or under the hand of an officer or attorney duly authorised in writing.
- This form enables you to instruct your proxy how to vote in the event of a poll on the resolutions to be proposed at the meeting. Please indicate with an 'X' how you wish to vote. If you do not indicate how you wish to vote, the proxy will vote or abstain from voting as he or she thinks fit.
- The appointment of the chairman as proxy has been included for convenience. If you wish to appoint any other person (or persons) as proxy (or proxies) delete the words "the chairman of the meeting" and add the name and address of the proxy (or proxies) appointed. A proxy need not be a member of the company. If you do not delete such words and you appoint a proxy (or proxies), the chairman shall not be entitled to vote as proxy. (Any alteration must be initialled.) (If you appoint more than one person to act as proxy the number of shares in respect of which each such proxy is to vote must be specified. In the absence of any specific direction, a proxy shall be deemed to be entitled to vote in respect of all the shares in the relevant holding.)
- In the case of joint holders, the signature of any one holder will be sufficient but the names of all the joint holders should be stated and the vote of the senior who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the votes of the other joint holders. For this purpose, seniority will be determined by the order in which the names stand in the register of members in respect of the shares.
- Returning the form of proxy will not prevent you from attending the meeting and voting in person.



Third fold and tuck in

BUSINESS REPLY SERVICE
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Capita Registrars
Bourne House
PO Box 25
Beckenham
Kent BR3 3BR

First fold

Second fold

“We have been using SectorGuard at the International Press Centre for over two years.

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We look forward to the new year confident that the service will continue to be of the highest standard.”

**John Harding
International Press Centre**





Head office

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Herts CM21 9RG

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For further information on
SectorGuard please access our
web site address:

www.sectorguard.plc.uk