



ANNUAL REPORT AND ACCOUNTS 2003

02	Chairman's Statement
04	Chief Executive's Statement
08	Directors' Report
10	Statement of Directors' Responsibilities in Respect of the Accounts
11	Independent Auditors' Report
12	Profit and Loss Account
13	Balance Sheet
14	Cash Flow Statement
15	Notes to the Accounts
24	Directors and Advisers
25	Notice of Annual General Meeting
27	Form of Proxy

SectorGuard, listed on the AIM market of the London Stock Exchange, 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 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, key holding and alarm response.

Trading Highlights

- Turnover up 73% to £12,752,659 (2002: £7,373,705)
- Operating profit before goodwill amortisation and impairment up 47% to £1,010,519 (2002: £686,127)
- Cash at bank at year-end up 247% to £835,868 (2002: £241,096)
- Four successful acquisitions
- New contracts won within education sector
- Well positioned to take advantage of future opportunities

Chairman's Statement

Results for the year ended 30 September 2003 show turnover up 73% to £12,752,659 (2002: £7,373,705 and pre-tax profits up 48% to £741,621 (2002: £502,031). Operating profit before goodwill amortisation and impairment is up 47% to £1,010,519 (2002: £686,127).

Increasing regulation of the security sector will mean that quality providers will thrive. There will undoubtedly be industry consolidation and we are well positioned to take advantage of appropriate opportunities as they arise. With a judicious mixture of organic expansion and acquisitions your Board believes that SectorGuard has considerable growth potential.



Peter Gorty
Chairman

It gives me great pleasure to present the accounts for the year ended 30 September 2003. It has been a good year for us with significant progress being made in expanding the company both organically and through acquisition. This success has been reflected not only in our strong figures, including a 47% increase in profits, but also by the fact that we are now one of the fastest growing companies in our sector. A significant proportion of our growth has been derived through the acquisition of four new businesses, adding to the density of our contract base in London, the Home Counties and the Midlands. We have also broadened and strengthened our areas of activity. Our sales team has achieved particular success in generating new contracts within the education sector where we were awarded five new contracts in the year and a further two contracts since the year end, to supply manned security to various colleges.

Results

The company's financial performance shows continuous year on year improvement since floating on AIM two years ago. Results for the year ended 30 September 2003 show turnover up 73% to £12,752,659 (2002: £7,373,705) and pre-tax profits up 48% to £741,621 (2002: £502,031). Operating profit before goodwill amortisation and impairment is up 47% to £1,010,519 (2002: £686,127).

Following our successful fund raising in the first half of the year through a placing with institutional and other investors, the company ended the year with a strong cash position of £835,868 as at 30 September 2003, enabling us to be in a position to take advantage of acquisition opportunities as and when they arrive. The placing was particularly encouraging as we gained the support of leading institutions specialising in the smaller company sector including ISIS Asset Management, Northern AIM VCT, Artemis AIM VCT, Brewin Dolphin and Matrix Securities.

The future

Increasing regulation of the security sector will mean that quality providers will thrive. There will undoubtedly be industry consolidation and we are well positioned to take advantage of appropriate opportunities as they arise. With a judicious mixture of organic expansion and acquisitions, your Board believes that SectorGuard has considerable growth potential.

Finally I would like to take this opportunity to thank my fellow directors and all our staff for their tireless efforts over the past year in making SectorGuard the success it is.


Chief Executive's Statement

We continue to enjoy strong trading and the healthy increase in turnover and pre-tax profits reflects this. We have continued to build on our strong foundations within the Midlands and the South East of England and further improved our reputation as a leading manned guarding solutions provider in the UK. Our new institutional backing, ongoing contract wins and solid financial position have all helped in driving the business forward.

We believe that the security sector will continue to consolidate largely as a result of the increasing burden of new regulations and legislation. SectorGuard is well positioned to continue to take advantage of this consolidation and we look forward to the future with confidence.

A handwritten signature in blue ink that reads "David Marks". The signature is enclosed within a large, stylized blue oval shape that also serves as a decorative element.

David Marks
Chief Executive



**“We have used
SectorGuard for over
two years and have been
extremely happy with the
service they have provided.**

**They have shown good
levels of management
and supervision, and
fast reaction to short
term cover.”**

**Nick Kyriacou, Security Manager
University College London**

Chief Executive's Statement

We continue to enjoy strong trading and the healthy increase in turnover and pre-tax profits reflects this. We have continued to build on our strong foundations within the Midlands and the South East of England and further improved our reputation as a leading manned guarding solutions provider in the UK. Our new institutional backing, ongoing contract wins and solid financial position have all helped in driving the business forward.

New business

Over the course of the year we have won a number of new business contracts and there has been a marked growth in the volume of services we provide to the education sector. We now have contracts to secure more than 50 college and school properties and have been appointed as the approved supplier of manned security services for the London Universities Purchasing Consortium. Birkbeck College, Brunel University, Henley College, Henley Management College, The School of Oriental and African Studies and University College London are new to our client list, and since the year end, we have won a further two contracts with the College of North West London and the Merrist Wood Campus of Guildford College.

London remains a key region for us and our presence here has grown enormously. However we continue to extend our geographical coverage into the Midlands and the South of England.

Acquisitions

During the year we acquired four businesses: the manned guarding contracts of Gainsborough Events & Security Services Limited in January; the London division of UK Guarding Services Limited in March; the manned guarding business of London Alliance Contract Services Limited in April; and the manned guarding business of First Response Security Services Limited in June. Growth through acquisition remains a focal point in our strategy and we continue to explore a number of acquisition opportunities, whilst still allowing the appropriate management time to integrate the businesses fully and extract the maximum benefit from the increased critical mass.

Staff

At the year end our staff numbered in excess of 700 and their commitment, professionalism and loyalty is a fundamental driving force for the business. We have instigated ongoing internal training programmes facilitating career progression within the company and enabling all employees to deliver an even better service to our clients. Share options are distributed to all employees as we believe that making all employees stakeholders in the future of the business closely aligns their approach to their work with the aims of the business. Also, by rewarding staff loyalty, we reduce our staff turnover leading to the development of a strong and stable workforce to service our clients.

The future

We believe that the security sector will continue to consolidate, largely as a result of the increasing burden of new regulations and legislation. SectorGuard is well positioned to continue to take advantage of this consolidation and we look forward to the future with confidence.

“We have been using SectorGuard on our three Thames Marinas for two years. By outsourcing our night patrols we have improved customer perception, saved management time and made cost savings”

**Mike Gates
MDL Thames Marinas**

Directors' Report

The directors present their report and the accounts for the year ended 30 September 2003.

Activities

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

Review of business

In the opinion of the directors the state of the company's affairs at 30 September 2003 and the future prospects of the company are satisfactory.

Results for the year and dividends

The profit for the year after taxation was £520,321 (2002: £338,862).

The directors do not recommend the payment of a dividend (2002: £nil).

Directors and their interests

The directors of the company during the year ended 30 September 2003, and their interests in the share capital of the company were:

	30 September 2003			30 September 2002		
	Ordinary shares of 0.5p each	Share options	Warrants	Ordinary shares of 0.5p each	Share options	Warrants
P Gorty	166,667	432,625	33,333	166,667	166,667	33,333
D Marks	36,750,000	2,163,121	5,250,000	26,250,000	833,333	5,250,000
G Lyons	250,000	432,625	50,000	250,000	166,667	50,000

Of the ordinary shares and warrants in which D Marks is interested, 10,500,000 ordinary shares (2002: 7,500,000) and 1,000,000 warrants (2002: 1,000,000) 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. Further details of share options can be seen in note 17.

D Marks holds 5,250,000 (2002: 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, which took place on 13 March 2002.

P Gorty holds 33,333 (2002: 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, which took place on 13 March 2002.

G Lyons holds 50,000 (2002: 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, which took place on 13 March 2002.

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 28 (2002: 37).

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. This is achieved through formal and informal meetings. Employee representatives are consulted regularly on a wide range of matters affecting their current and future interests.

Corporate governance

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

Auditors

A resolution to reappoint Nexia Audit Limited will be proposed at the next Annual General Meeting.

Approved by the board of directors on 12 January 2004 and signed on its behalf by:

A handwritten signature in blue ink that reads "David Marks". The signature is enclosed within a blue ink scribble that forms a large, irregular loop.

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.

The maintenance and integrity of the website is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters, and accordingly, the auditors accept no responsibility for any changes that may have occurred to the information contained in the financial statements since they were initially presented on the website.

Legislation in the United Kingdom governing the preparation and dissemination of the financial statements and other information included in annual reports may differ from legislation in other jurisdictions.

Independent Auditors' Report to the shareholders of SectorGuard plc

We have audited the accounts of SectorGuard plc for the year ended 30 September 2003 which comprise the Profit and Loss Account, the Balance Sheet, the Cash Flow Statement and the related notes 1 to 24. These accounts have been prepared under the historical cost convention and the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

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 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, the Chairman's Statement, the Chief Executive's Statement and the Corporate Statement. 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. 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 2003 and of its profit for the year then ended and 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

12 January 2004

Profit and Loss Account

for the year ended 30 September 2003

	Notes	2003 £	2002 £
Turnover	2	12,752,659	7,373,705
Cost of sales		(10,303,167)	(5,840,495)
Gross profit		2,449,492	1,533,210
Administrative expenses before goodwill amortisation and impairment		(1,438,973)	(847,083)
Operating profit before goodwill amortisation and impairment		1,010,519	686,127
Goodwill amortisation and impairment		(177,260)	(91,607)
Operating profit		833,259	594,520
Interest receivable and similar income		1,543	1,529
Interest payable and similar charges	5	(93,181)	(94,018)
Profit on ordinary activities before taxation	6	741,621	502,031
Tax on profit on ordinary activities	7	(221,300)	(163,169)
Retained profit for the financial year	19	520,321	338,862

Earnings per ordinary share

Basic and diluted	22	0.29p	0.31p
Basic and diluted (based on pre amortisation and impairment earnings figure)	22	0.39p	0.39p

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 2003

	Notes	2003 £	2002 £
Fixed assets			
Intangible assets	8	3,685,695	2,549,969
Tangible assets	9	231,789	178,504
		3,917,484	2,728,473
Current assets			
Debtors	10	2,688,584	2,198,462
Cash at bank and in hand		835,868	241,096
		3,524,452	2,439,558
Creditors: amounts falling due within one year	11	(2,508,801)	(1,867,696)
Net current assets		1,015,651	571,862
Total assets less current liabilities		4,933,135	3,300,335
Creditors: amounts falling due after more than one year	12	(694,952)	(451,108)
Provisions for liabilities and charges	15	(191,232)	(548,135)
Net assets		4,046,951	2,301,092
Capital and reserves			
Called up share capital	16	1,002,952	562,000
Share premium account	19	1,969,772	1,185,186
Profit and loss account	19	1,074,227	553,906
Shareholders' funds	20	4,046,951	2,301,092

The accounts were approved by the board of directors on 12 January 2004 and were signed on its behalf by:



D Marks
Director

Cash Flow Statement

for the year ended 30 September 2003

	Notes	2003 £	2002 £
Net cash inflow/(outflow) from operating activities	18	1,254,035	(114,507)
Returns on investment and servicing of finance			
Interest received		1,543	1,529
Interest paid		(94,384)	(86,509)
Finance lease interest paid		(2,253)	(5,546)
		(95,094)	(90,526)
Taxation			
Corporation tax paid		(159,025)	(39,539)
Capital expenditure			
Payments to acquire intangible fixed assets		(1,667,384)	(700,975)
Payments to acquire tangible fixed assets		(156,522)	(40,087)
Proceeds from sale of tangible fixed assets		—	18,232
		(1,823,906)	(722,830)
Net cash outflow before financing		(823,990)	(967,402)
Financing			
Issue of ordinary share capital		1,280,000	1,497,000
Expenses paid in connection with shares issued		(54,462)	(320,944)
Repayment of loans		(318,648)	(196,620)
New long term loans		500,000	300,000
Capital element of finance lease payments		(41,357)	(72,849)
New finance leases		53,229	—
		1,418,762	1,206,587
Increase in cash in year	18	594,772	239,185

Notes to the Accounts

for the year ended 30 September 2003

1. 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, and on the going concern basis.

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 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.

Share option schemes

The directors continue to believe that offering the benefits of share ownership in the company through long term share option schemes to all employees, incentivises them, rewards them for providing a high level of service to clients and leads to a higher employee retention rate. The company has made a further distribution of share options in the year.

There are three Share Option Schemes in existence to accommodate all employees, however, both the exercise price of options granted under the Schemes and the broad terms of the Schemes are the same.

2. Turnover

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

Notes to the Accounts

for the year ended 30 September 2003

3. Directors' remuneration

	2003 £	2002 £
Directors' emoluments:		
D Marks	139,752	72,904
P Gorty	15,375	8,750
G Lyons	15,375	8,750
B Myers	—	1,667
D Sullivan	—	1,667
	170,502	93,738
	2003 £	2002 £
Company pension contributions to money purchase scheme	12,974	6,489

Retirement benefits are accruing to one director (2002: one) under a money purchase defined contribution scheme.

4. Employee information

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

	2003 Number	2002 Number
Operations – security officers	516	280
Operations – staff	16	9
Selling and distribution	2	2
Administration	10	8
	544	299

Staff costs for the above persons were:

	2003 £	2002 £
Wages and salaries	9,524,652	5,198,910
Social security costs	874,535	427,433
Pension costs	17,179	10,597
Other staff costs	2,451	2,616
	10,418,817	5,639,556

5. Interest payable and similar charges

	2003 £	2002 £
Bank loans and overdrafts	65,486	64,564
Debt factoring charges	26,293	24,910
Finance leases	1,402	4,544
	93,181	94,018

6. Profit on ordinary activities before taxation is stated after charging:

	2003 £	2002 £
Depreciation		
– owned assets	49,052	34,716
– assets held under finance leases	54,185	44,575
Amortisation of goodwill	177,260	91,607
Auditors' remuneration		
– audit	11,000	7,500
– for non audit services paid to companies related to the auditors	6,049	77,500
Finance charges	1,402	4,544
Hire of plant and machinery – operating leases	21,748	6,084
Other operating leases	84,780	117,506

7. Taxation**a) Tax on profit on ordinary activities**

	2003 £	2002 £
UK corporation tax at 30% (2002: 30%)	236,779	167,000
(Over)/under provision for the year	(7,975)	414
Total current tax	228,804	167,414
Deferred taxation credit (note 15)	(7,504)	(4,245)
Tax on profit on ordinary activities	221,300	163,169

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 of 30% (2002: 30%). The differences are explained below.

	2003 £	2002 £
Profit on ordinary activities before tax	741,621	502,031
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2002: 30%)	222,486	150,609
Effects of:		
Expenses not deductible for tax purposes	639	28,598
Adjustments to tax charge in respect of previous years	(7,975)	414
Marginal relief	(17,904)	(7,962)
Capital allowances in excess of depreciation	9,125	(4,245)
Other timing differences	22,433	—
Current tax charge for year (note 7a)	228,804	167,414

Notes to the Accounts

for the year ended 30 September 2003

8. Intangible fixed assets

	Goodwill £
Cost	
At 1 October 2002	2,768,337
Additions	1,312,986
At 30 September 2003	4,081,323
Amortisation	
At 1 October 2002	218,368
Charge for the year	177,260
At 30 September 2003	395,628
Net book value	
At 30 September 2003	3,685,695
At 30 September 2002	2,549,969

9. Tangible fixed assets

	Fixtures and fittings £	Motor vehicles £	Total £
Cost			
At 1 October 2002	163,732	207,608	371,340
Additions	61,254	95,268	156,522
At 30 September 2003	224,986	302,876	527,862
Depreciation			
At 1 October 2002	90,768	102,068	192,836
Charge for the year	39,610	63,627	103,237
At 30 September 2003	130,378	165,695	296,073
Net book value			
At 30 September 2003	94,608	137,181	231,789
At 30 September 2002	72,964	105,540	178,504

The net book value of tangible assets includes an amount of £90,572 (2002: £91,024) in respect of assets held under hire purchase.

10. Debtors

	2003 £	2002 £
Trade debtors	1,242,493	1,664,595
Other debtors	166,816	425,460
Deferred tax recoverable	4,999	—
Prepayments and accrued income	1,274,276	108,407
	2,688,584	2,198,462

Included within Other debtors is approximately £120,000 due from SectorAlarm Limited which is not expected to be paid to the company within one year.

11. Creditors: amounts falling due within one year

	2003 £	2002 £
Bank loans and overdrafts (note 13)	460,653	502,138
Obligations under finance leases	24,755	33,890
Trade creditors	84,889	133,558
Corporation tax	236,758	167,000
Other taxation and social security	949,206	604,992
Other creditors	727,452	406,339
Accruals	25,088	19,779
	2,508,801	1,867,696

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

	2003 £	2002 £
Bank loans (note 13)	666,882	444,045
Obligations under finance leases	28,070	7,063
	694,952	451,108

13. Borrowings

	2003 £	2002 £
Falling due within one year		
Treasury loan	460,653	502,138
Falling due after more than one year		
Treasury loan	666,882	444,045
	1,127,535	946,183
Repayable as follows:		
In one year or less	460,653	502,138
Between one and two years	363,057	193,275
Between two and five years	303,825	250,770
	1,127,535	946,183

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.

Notes to the Accounts

for the year ended 30 September 2003

14. Finance leases

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

	2003 £	2002 £
In one year or less	24,755	33,890
Between one and two years	17,692	7,063
Between two and five years	10,378	—
	52,825	40,953

15. Provisions for liabilities and charges

	2003 £	2002 £
Deferred taxation	—	2,505
Deferred consideration on the purchase of contracts	191,232	545,630
	191,232	548,135

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

	2003		2002	
	Provided £	Unprovided £	Provided £	Unprovided £
Deferred tax liability	—	—	2,505	—
			Deferred consideration £	Deferred tax £
Movement in the year:				
At 1 October 2002			545,630	2,505
Release of provision			(626,187)	—
Charge/(credit) for the year			271,789	(7,504)
At 30 September 2003			191,232	(4,999)

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

16. Called up share capital

	2003 £	2002 £
Authorised		
500,000,000 (2002: 400,000,000) ordinary shares of 0.5p each	2,500,000	2,000,000
Allotted, called up and fully paid		
200,590,476 (2002: 112,400,000) ordinary shares of 0.5p each	1,002,952	562,000

16. Called up share capital (continued)

On 14 February 2003, the company passed an ordinary resolution increasing the authorised share capital by 100 million shares to 500 million ordinary shares of 0.5p each.

On 20 February 2003, 47,000,000 ordinary shares of 0.5p each were placed by Seymour Pierce Limited at 2p per share.

On 3 April 2003, 25,000,000 ordinary shares of 0.5p each were issued to the shareholders of the company at 4 March 2002 pro-rata to their shareholding at that date pursuant to the conditional Bonus Issue approved at the Extraordinary General Meeting held on 4 March 2002.

On 3 April 2003, 16,190,476 ordinary shares of 0.5p each were placed by Seymour Pierce Limited at 2.1p per share.

17. Warrants and share options

No. of warrants

Warrants not exercised at 30 September 2002 and at 30 September 2003	17,400,000
--	------------

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, which occurred on 13 March 2002. No warrants were exercised during the year.

Options outstanding under the Approved Share Option Scheme as at 30 September 2003

Option price	Date exercisable	Ordinary shares of 0.5p each	
		2003	2002
2.8p	2005 – 2012	811,660	1,224,930
1.88p	2006 – 2013	2,888,253	—
		3,699,913	1,224,930

Options outstanding under the Enterprise Management Incentive Scheme as at 30 September 2003

Option price	Date exercisable	Ordinary shares of 0.5p each	
		2003	2002
2.8p	2005 – 2012	833,333	833,333
1.88p	2006 – 2013	1,329,788	—
		2,163,121	833,333

Options outstanding under the Unapproved Share Option Scheme as at 30 September 2003

Option price	Date exercisable	Ordinary shares of 0.5p each	
		2003	2002
2.8p	2005 – 2012	333,334	333,334
1.88p	2006 – 2013	531,916	—
		865,250	333,334

Notes to the Accounts

for the year ended 30 September 2003

18. Notes to the cash flow statement

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

	2003 £	2002 £
Operating profit	833,259	594,520
Depreciation	103,237	79,291
Amortisation	177,260	91,607
Increase in debtors	(485,122)	(1,303,585)
Increase in creditors	625,401	429,333
Profit on disposal	—	(5,673)
Net cash inflow/(outflow) from operating activities	1,254,035	(114,507)

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

	2003 £	2002 £
Increase in cash in the year	594,772	239,185
Cash outflow to repay debt	318,648	196,620
Cash inflow from new loans	(500,000)	(300,000)
Capital element of finance leases	41,357	72,849
New finance leases	(53,229)	—
Decrease in net debt	401,548	208,654
Net debt at 1 October 2002	(746,040)	(954,694)
Net debt at 30 September 2003	(344,492)	(746,040)

c) Analysis of net debt

	At 1 October 2002 £	Cashflow £	Other non cash flows £	At 30 September 2003 £
Cash at bank	241,096	594,772	—	835,868
Debt due within 1 year	(502,138)	(273,792)	315,277	(460,653)
Debt due after 1 year	(444,045)	92,440	(315,277)	(666,882)
Finance leases	(40,953)	(11,872)	—	(52,825)
Total net debt	(746,040)	401,548	—	(344,492)

19. Reserves

	Share premium account £	Profit and loss account £
As at 1 October 2002	1,185,186	553,906
Retained profit for the year	—	520,321
Bonus issue of shares	(125,000)	—
Shares issued during the year	964,048	—
Share issue costs	(54,462)	—
As at 30 September 2003	1,969,772	1,074,227

20. Reconciliation of movements in shareholders' funds

	2003 £	2002 £
Profit for the financial year	520,321	338,862
Issue of shares in the year	1,225,538	1,176,056
Net addition to shareholders' funds	1,745,859	1,514,918
Opening shareholders' funds	2,301,092	786,174
Closing shareholders' funds	4,046,951	2,301,092

21. Operating lease commitments

At 30 September 2003, the company had annual commitments under operating leases as follows:

	2003		2002	
	Land and buildings £	Other £	Land and buildings £	Other £
Within two – five years	35,475	402	35,475	402

22. Earnings per share

The earnings per share is based upon a profit of £520,321 (2002: £338,862) and the weighted average number of shares ranking for dividend during the year of 176,828,571 (2002: 107,808,333 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 178,006,561 (2002: 109,641,667 as restated) adjusted for the effects of all dilutive potential shares.

The earnings per share based on earnings before amortisation and impairment of £697,581 (2002: £430,469) which reflects the weighted average number of shares ranking for dividend during the year of 176,828,571 (2002: 107,808,333 as restated) is 0.39p (2002: 0.39p).

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 178,006,561 (2002: 109,641,667 as restated) adjusted for the effects of all dilutive potential shares.

The earnings per share figure has reduced despite an increase in the profit for the year, due to the increase in the number of shares in issue following the placing of shares in February and March 2003.

The comparative weighted average number of shares has been restated to reflect the bonus issue of ordinary shares made on 3 April 2003.

23. Financial assets and instruments

The company's financial instruments comprise cash that arises directly from its operations. The main purpose of these financial instruments is to provide working capital for the company. The company's policy is to obtain the highest rate of return on its cash balances, subject to having sufficient resources to manage the business on a day to day basis and not exposing the company to unnecessary risk of default.

24. Related party transactions

During the year secretarial and administration services were provided by David Marks & Co Limited at a cost of £18,000 (2002: £7,000). The balance owing at the year end was £5,067 (2002: £2,051). David Marks is a director and shareholder of David Marks & Co Limited. During the year finance and administration support services were provided to SectorAlarm Limited at a cost of £131,273 (2002: £116,901). At the year end SectorGuard plc was owed £147,250 (2002: £53,518) by SectorAlarm Limited. David Marks is a director and shareholder of SectorAlarm Limited. All transactions are on an arm's length basis.

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
Theobald's Road
London WC1X 8SA

Registrars

Capita Registrars

The Registry
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

Bucklersbury House
3 Queen Victoria Street
London EC4N 8EL

Public relations consultants

St Brides Media & Finance Limited

46 Bedford Row
London WC1R 4LR

Business and tax advisers

Smith & Williamson Limited

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 19 February 2004 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 2003.
2. 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 3 and 4 and as a special resolution in the case of resolution 5.

Special business

3. THAT the authorised share capital be increased from £2,500,000 to £3,000,000 by the creation of 100,000,000 ordinary shares of 0.5p each having the same rights in all respects as the existing ordinary shares in the capital of the company.
4. 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.
5. THAT, subject to and conditional upon the passing of resolution number 4 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 £750,000;

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 4 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
12 January 2004

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 The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU 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 17 February 2004 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 19 February 2004 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 2003.		
Resolution 2 To re-appoint Nexia Audit Limited as auditors.		
Resolution 3 To increase the authorised share capital of the company.		
Resolution 4 To authorise the directors to allot shares pursuant to section 80 Companies Act 1985.		
Resolution 5 To disapply section 89(1) Companies Act 1985.		

Dated2004 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 17 February 2004. 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
Licence No. MB122

1



Capita Registrars
The Registry
34 Beckenham Road
Beckenham
Kent BR3 4BR

First fold

Second fold

“EMCOR Facilities Services use SectorGuard for the provision of security services as part of our Shell UK Facilities Management Contract Strategy. Since the partnership began, SectorGuard have proved themselves to be capable of not just meeting but exceeding our own expectations, through a total commitment to providing a quality service within the boundaries we set as a client. They are a company who have the expertise to manage all of EMCOR’s business requirements whilst maintaining a real “feel good” factor to our site staff and clients through the communication channels and expertise of their own management and staff throughout the organisation”.

**Keith Edwards
EMCOR Facilities Services**



Head office

SectorGuard plc
Gainsborough House
Sheering Lower Road
Sawbridgeworth
Herts CM21 9RG

Tel: 01279 724777

Fax: 01279 722899

Email: enquiries@sectorguard.plc.uk

World wide web

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

www.sectorguard.plc.uk