



ANNUAL REPORT AND ACCOUNTS 2005

The Total Security Solution

- Focused on developing the geographical spread of the business and range of services to become a total security solutions group
- Solid growth achieved during the year with turnover up 17% to £16,375,000 (2004: £14,049,000) and gross profit up 10% to £3,008,000 (2004: £2,731,000)
- Cash balance at year end £940,000 (2004: £258,000) and net assets of £8,169,000 (2004: £4,692,000)
- Dividend doubled to 0.1p per share
- Expanding shareholder base with a significant number of new institutional investors
- Continued growth organically with significant contracts won in key target areas and by acquisition with four acquisitions completed in the year
- Anticipate being one of the first companies to achieve SIA's Approved Contractor status

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Corporate Statement

SectorGuard is a leading provider of total security solutions ranging from risk assessments to the provision of physical security measures such as security officers, CCTV, access control and asset tagging, tailoring the solutions to client requirements.

SectorGuard maintains high-level professional service standards. Superior security personnel are retained and recruitment is aided through the company's approach of rewarding full-time employees through a share option scheme.

SectorGuard is committed to an aggressive growth strategy, combining selected acquisitions with targeted organic growth.

Chairman's Statement

I am pleased to present the results for the year ended 30 September 2005. It has been another year of solid growth, building on the firm foundations set since our incorporation in 1998. SectorGuard is currently in a strong position and has an exciting future as we focus on developing both the geographical spread of the business and the range of products and services we can offer our clients.

Through the acquisition of two companies specialising in the installation and maintenance of electronic systems we are now well placed to provide clients with a total security solution ranging from risk assessment to the provision of physical security measures such as security officers, CCTV, access control and asset tagging. Our intention is to keep building on the strengths of the Group both organically and by acquisition and to continue the development of the range of security services we can offer.

Additionally, we have continued to expand the shareholder base and I am pleased to report that the equity issued during the year to finance acquisitions was placed with a number of institutional investors. This was with a view to building relationships with these investors to assist in the long-term development plans of the Group.

Financial results

Our results for the year ended 30 September 2005 show a 17 per cent. increase in turnover to £16,375,000 (2004: £14,049,000) resulting in a gross profit of £3,008,000 (2004: £2,731,000) and net cash inflow from operating activities of £1,264,000 (2004: £90,000). The Group had £940,000 cash at bank at the year end (2004: £258,000) and net funds of £239,000 (2004: net debt £992,000). Net assets at the year end had increased 74 per cent. to £8,169,000 (2004: £4,692,000).

As reported in the interim statement, licensing of security officers under the Security Industry Authority (SIA) will be compulsory by 20 March 2006. SectorGuard has set itself a target of obtaining licenses for all existing security officers by the end of December 2005, to ensure that the business does not suffer from any delays occasioned through backlogs in license application processing. Licensing the existing staff has created two additional, non-recurring costs, re-training the officers and the cost of collating and processing all the license applications and associated documents. This additional expenditure is reflected in the profits and has resulted in a temporary 1 per cent. reduction in gross margin. We are confident this reduction in margin will be recovered in the current year.

As underlying profits are continuing to rise we have pleasure in proposing an increased dividend of 0.1p per share from 0.05p per share in 2004.

Acquisitions

As part of our strategy we are focused on growing the business through acquisition and last financial year we completed four deals. As well as adding to the turnover and profitability of the Group, these acquisitions added significant resources to the Group's management team, and provided us with a platform for building a total security solution business. By combining the provision of complementary services and products, such as electronic perimeter protection and traditional manned guarding, within one business we can tailor efficient and effective security solutions for our clients and provide the Group with greater opportunities for organic expansion.

In December 2004 we acquired the manned guarding contracts of two Midlands based businesses: Nationwide (GB) Limited based in Grantham and Choice Security Services Limited based in Stourbridge. These acquisitions have enhanced our client base in that region and have provided us with a solid base for building the geographic spread of our business.

On 4 April 2005 we completed the acquisition of SectorAlarm Limited, a company specialising in the installation and maintenance of electronic security systems. On 16 September we acquired Asset Protection (EAS) Limited, which specialises in installing and maintaining electronic asset tagging systems, principally for the retail sector.

Since the year end, SectorAlarm acquired Oakpark Alarms, the intruder alarm maintenance business of Oakpark Security Management Limited, based in Surrey.

Organic growth

As in previous years the growth through acquisitions has been supplemented with organic growth. This year we have won significant contracts in all of our key target areas of higher education, local authority, commercial and not for profit organisations.

We believe that one impact of SIA licensing will be the re-distribution of contracts to those companies that achieve the SIA's Approved Contractor Status. As stated in our recent trading statement, whilst the full details of the scheme are as yet unconfirmed, SectorGuard has taken a lead role in the development of the scheme and we anticipate being one of the first companies to achieve this status. As a result we believe that we will obtain significant organic growth in manned guarding turnover over the next two years and we have built our sales team to allow us to benefit from this and other opportunities such as the expansion into the Midlands. We are also integrating the sales teams from each of the trading companies into one sales office with specialist divisions. This should facilitate the cross-selling of products and services as opportunities arise.

Current trading

In a four year period our turnover has grown by 400% leading to a significant increase in head office staff. In order to cope with this and future expansion we are moving to new premises later this month that will accommodate our three trading companies under one roof and double the size of the control room. I would like to take this opportunity to thank all the members of the project team who are working to make this move as seamless as possible.

The current year has started well with all three trading companies winning new contracts, and the completion of the acquisition of Oakpark Alarms which adds significant density to our client base in Surrey. We are confident that our strategy of growing the Group and building the SectorGuard brand through acquisition, organic growth and attention to service levels will continue to benefit all stakeholders. I look forward to reporting on our further progress when we publish our interim report.



David Marks
Chairman

Directors' Report

The directors present their report and the accounts for the year ended 30 September 2005.

Activities

The principal activity of the group is the provision of total security solutions encompassing manned guarding, alarm response, CCTV, access control, alarm installation and maintenance and asset tagging.

The subsidiary undertakings contributing to the profits and net assets of the group are listed in notes 29 to 31 to the financial statements.

Review of business

In the opinion of the directors the state of the group's affairs at 30 September 2005 and its future prospects are satisfactory.

Results for the year and dividends

The profit for the year after taxation was £513,595 (2004: £601,302). The directors recommend the payment of a dividend of 0.1p (2004: 0.05p) per ordinary share payable on 24 February 2006 to ordinary shareholders on the register at the close of business on 3 February 2006.

Directors and their interests

The directors of the company during the year ended 30 September 2005, and their interests in the share capital of the company were:

	30 September 2005			30 September 2004		
	Ordinary shares of 0.5p each	Share options	Warrants	Ordinary shares of 0.5p each	Share options	Warrants
D Marks	36,750,000	5,269,182	Nil	36,750,000	2,769,182	5,250,000
R Weigl	Nil	125,000	Nil	Nil	Nil	Nil
J McLeod	670,000	379,192	Nil	670,000	254,192	Nil

P Gorty resigned as a director on 31 December 2004.

Of the ordinary shares in which D Marks is interested, 10,500,000 ordinary shares (2004: 10,500,000) 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.

During the year, D Marks, R Weigl and J McLeod were granted 2,500,000, 125,000 and 125,000 share options respectively at an exercise price of 4.0p.

P Gorty realised a gain of £5,994 (2004: Nil) on the exercise of share options. During the year D Marks realised a gain of £39,375 on the exercise of warrants.

The warrants expired on 13 March 2005, being the third anniversary of admission to AIM. Further details of share options can be seen in note 19.

Creditor payment policy

The group aims to clear all creditor payments at the end of the month following the invoice period, except where different terms agreed with individual suppliers result in accelerated payment terms. At the year end the group had creditor days of 18 (2004: 19).

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 group continues and that appropriate arrangements are made. It is the policy of the group 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 group 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 group. 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.

Post balance sheet events

On 9 December 2005, SectorAlarm Limited acquired the business of Oakpark Alarms for an initial consideration of £92,849 with further consideration payable depending on performance.

Corporate governance

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

The directors intend, in so far as practicable given the group'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 which is consistent with the recommendations on Corporate Governance of the Quoted Companies Alliance.

Auditors

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

Approved by the board of directors on 9 December 2005 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 blue ink scribble that forms a horizontal oval shape.

David 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 group and of the profit or loss of the group 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;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts;
- 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 group 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 group 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 2005, which comprise the Consolidated Profit and Loss Account, the Balance Sheets, the Consolidated Cash Flow Statement and the related notes 1 to 32. 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 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 and the Chairman's 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 affairs of the company and the group as at 30 September 2005 and the profit of the group 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

25 Moorgate
London EC2R 6AY

9 December 2005

The maintenance and integrity of the SectorGuard plc web site 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 accounts since they were initially presented on the web site.

Legislation in the United Kingdom governing the preparation and dissemination of accounts may differ from legislation in other jurisdictions.

Consolidated Profit and Loss Account

for the year ended 30 September 2005

	Notes	2005 £	2005 £	2004 £
Turnover	2			
Existing operations		15,511,411		14,048,604
Acquisitions		863,686		–
Continuing operations			16,375,097	14,048,604
Cost of sales			(13,366,903)	(11,317,173)
Gross profit			3,008,194	2,731,431
Administrative expenses before goodwill amortisation			(1,852,751)	(1,536,328)
Operating profit before goodwill amortisation			1,155,443	1,195,103
Goodwill amortisation			(324,672)	(212,256)
Operating profit				
Existing operations		610,764		982,847
Acquisitions		220,007		–
Continuing operations			830,771	982,847
Interest receivable and similar income			7,414	4,949
Interest payable and similar charges	5		(118,514)	(102,439)
Profit on ordinary activities before taxation	6		719,671	885,357
Tax on profit on ordinary activities	7		(206,076)	(284,055)
Profit on ordinary activities after taxation			513,595	601,302
Equity dividends			(305,125)	(102,878)
Retained profit for the financial year	21		208,470	498,424
Earnings per ordinary share				
Basic	24		0.23p	0.30p
Diluted	24		0.22p	0.29p
Basic (based on pre amortisation earnings figure)	24		0.35p	0.38p
Diluted (based on pre amortisation earnings figure)	24		0.35p	0.37p

There were no gains or losses in either year other than those stated in the above Profit and Loss account.

Consolidated Balance Sheet

for the year ended 30 September 2005

	Notes	2005 £	2004 £
Fixed assets			
Intangible assets	8	7,033,171	3,743,955
Tangible assets	9	295,073	259,839
		7,328,244	4,003,794
Current assets			
Stocks	10	137,604	–
Debtors	11	4,061,104	3,592,230
Cash at bank and in hand		940,434	258,230
		5,139,142	3,850,460
Creditors: amounts falling due within one year	13	(3,123,565)	(2,707,143)
Net current assets		2,015,577	1,143,317
Total assets less current liabilities		9,343,821	5,147,111
Creditors: amounts falling due after more than one year	14	(288,442)	(395,346)
Provisions for liabilities and charges	17	(886,555)	(60,000)
Net assets		8,168,824	4,691,765
Capital and reserves			
Called up share capital	18	1,525,625	1,028,777
Share premium account	21	4,761,083	2,090,337
Merger reserve	21	158,395	–
Own shares in employee share trust	21	(57,400)	–
Profit and loss account	21	1,781,121	1,572,651
Shareholders' funds	22	8,168,824	4,691,765

The accounts were approved by the board of directors on 9 December 2005 and were signed on its behalf by:



D Marks
Director

Company Balance Sheet

for the year ended 30 September 2005

	Notes	2005 £	2004 £
Fixed assets			
Intangible assets	8	4,089,944	3,743,955
Investment in subsidiary undertakings	30	2,679,845	–
Tangible assets	9	237,035	259,839
		7,006,824	4,003,794
Current assets			
Debtors	11	3,923,980	3,592,230
Cash at bank and in hand		751,281	258,230
		4,675,261	3,850,460
Creditors: amounts falling due within one year	13	(2,720,640)	(2,707,143)
Net current assets		1,954,621	1,143,317
Total assets less current liabilities		8,961,445	5,147,111
Creditors: amounts falling due after more than one year	14	(188,442)	(395,346)
Provisions for liabilities and charges	17	(886,555)	(60,000)
Net assets		7,886,448	4,691,765
Capital and reserves			
Called up share capital	18	1,525,625	1,028,777
Share premium account	21	4,761,083	2,090,337
Own shares in employee share trust	21	(57,400)	–
Profit and loss account	21	1,657,140	1,572,651
Shareholders' funds	22	7,886,448	4,691,765

The accounts were approved by the board of directors on 9 December 2005 and were signed on its behalf by:



D Marks
Director

Consolidated Cash Flow Statement
for the year ended 30 September 2005

	Notes	2005 £	2004 £
Net cash inflow from operating activities	20	1,264,274	89,568
Returns on investment and servicing of finance			
Interest received		7,414	4,949
Interest paid		(112,814)	(98,366)
Finance lease interest paid		(5,700)	(4,769)
		(111,100)	(98,186)
Taxation			
Corporation tax paid		(284,914)	(240,836)
Capital expenditure			
Payments to acquire tangible fixed assets		(174,567)	(142,563)
Proceeds from disposal of tangible fixed assets		55,494	–
		(119,073)	(142,563)
Acquisitions and disposals			
Payments to acquire subsidiary undertaking – SectorAlarm Ltd		(275,496)	–
Payments to acquire subsidiary undertaking – Asset Protection (EAS) Ltd		(1,623,321)	–
Payments to acquire business assets		(520,742)	(401,748)
Net cash acquired with subsidiary – SectorAlarm Ltd		25,806	–
Net cash acquired with subsidiary – Asset Protection (EAS) Ltd		131,700	–
		(2,262,053)	(401,748)
Equity dividends paid		(102,878)	–
Net cash outflow before financing		(1,615,744)	(793,765)
Financing			
Issue of ordinary share capital		3,267,264	154,950
Expenses of issue of ordinary share capital		(122,298)	(8,560)
Purchase of own shares by employee share trust		(57,400)	–
Repayment of loans		(283,303)	(437,751)
Bank working capital facility		(448,601)	448,601
Capital element of finance lease payments		(57,714)	(42,720)
New finance leases		–	101,607
		2,297,948	216,127
Increase/(decrease) in cash in year	20	682,204	(577,638)

Notes to the Accounts

for the year ended 30 September 2005

I. Accounting policies

The accounts have been prepared in accordance with applicable United Kingdom accounting standards. 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.

Fixed assets

Fixed assets are stated at cost less depreciation and less impairment. Depreciation is provided on cost in equal annual instalments over the estimated useful lives of the assets concerned. The following annual rates are used:

Leasehold improvements	– over the lease period
Fixtures and fittings	– 20% straight line
Equipment	– 20% straight line
Motor vehicles	– 25% straight line

Goodwill

Goodwill arises on the acquisition of business assets and subsidiary undertakings 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.

Basis of consolidation

The consolidated financial statements comprise the financial statements of the company and its subsidiaries drawn up to 30 September 2005. The acquisition method of accounting has been applied. Under this method, acquired subsidiaries are included in the consolidated profit and loss account from the date of acquisition and their assets and liabilities are included in the consolidated balance sheet.

The assets and liabilities of the acquired subsidiaries were fair valued at the date of acquisition, and the difference between the fair value of the assets and liabilities acquired and the fair value of consideration paid has been accounted for as goodwill. Where the purchase agreement includes deferred consideration, provision has been made for the best estimate of the deferred amount payable within provisions for liabilities and charges.

Merger relief has been taken on the acquisition of SectorAlarm Limited. In accordance with Sections 131 and 133 of the Companies Act 1985, the company has taken no account of any premium on the shares issued and has recorded the cost of investment as the nominal value of the shares issued. The resulting difference arising on consolidation has been credited to a merger reserve.

Deferred taxation

Deferred taxation is provided for on a full provision basis on all timing differences which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at rates expected to apply when they reverse based on current rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the accounts. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not 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.

1. Accounting policies (continued)

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.

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. Where there is a difference between the option price and the fair value of the share at the date of grant, the difference is charged to the profit and loss account over the period to exercise.

Employee share trust

The group has adopted UITF 38, 'Accounting for ESOP trusts' in these accounts. In accordance with UITF 38, the cost of SectorGuard plc shares held by the SectorGuard Plc Employee Share Trust is shown as a deduction from shareholders' funds.

Stocks

Stocks are stated at the lower of cost and net realisable value. Net realisable value is based on estimated selling price, less further costs expected to be incurred to completion and disposal. Provision is made for obsolete and defective items where appropriate.

2. Revenue recognition

Income is recognised as follows:

Manned guarding and mobile patrol:

Turnover represents the amount earned during the period for the provision of security calculated on an hourly basis.

Supply and installation of electronic security systems and consumables:

Turnover represents the amount earned during the period from supplying and installing electronic security systems and consumables.

Electronic security systems maintenance agreements and keyholding and alarm response services:

Turnover represents a non-refundable annual fixed fee charged to the group's clients during the period for the provision of services and also includes the amount earned on call out charges during the period arising when the company is required to attend the client's premises.

All of the above turnover is net of VAT and trade discounts.

Notes to the Accounts

for the year ended 30 September 2005

3. Directors' remuneration

	2005 £	2004 £
Emoluments	256,598	163,629
Gain on exercise of warrants	39,375	–
Pension contributions	17,648	17,068

	2005 £	2004 £
Highest paid director's aggregate emoluments	195,335	132,129
Contributions to pension scheme attributable to highest paid director	13,448	12,868

Retirement benefits are accruing to two directors (2004: one) under a money purchase defined contribution scheme.

4. Employee information

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

	2005 Number	2004 Number
Operations – security officers and engineers	611	566
Operations – staff	10	10
Selling and distribution	5	3
Administration	16	16
	642	595

Staff costs for the above persons were:

	2005 £	2004 £
Wages and salaries	12,064,463	10,505,500
Social security costs	1,145,035	1,009,194
Pension costs	17,648	17,068
Other staff costs	–	220
	13,227,146	11,531,982

5. Interest payable and similar charges

	2005 £	2004 £
Bank loans and overdrafts	54,921	67,142
Debt factoring charges	57,893	31,224
Finance leases	5,700	4,073
	118,514	102,439

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

	2005 £	2004 £
Depreciation		
– owned assets	62,685	56,394
– assets held under finance leases	38,074	58,119
Amortisation of goodwill	324,672	212,256
Auditors' remuneration		
– audit (of which £18,330 (2004: £16,000) relates to the company)	23,413	16,000
– for non audit services paid to companies related to the auditors	5,051	2,000
Hire of plant and machinery – operating leases	–	35,837
Other operating leases	41,867	54,992
Profit on sale of fixed assets	9,423	–

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

	2005 £	2004 £
UK corporation tax at 30% (2004: 30%)	215,200	292,000
(Over)/under provision in respect of the previous year	(7,086)	4,078
Total current tax	208,114	296,078
Deferred taxation credit (note 12)	(2,038)	(12,023)
Tax on profit on ordinary activities	206,076	284,055

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% (2004: 30%). The differences are explained below.

	2005 £	2004 £
Profit on ordinary activities before tax	719,671	885,357
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2004: 30%)	215,901	265,607
Effects of:		
Expenses not deductible for tax purposes	5,172	2,172
Losses group relieved	(13,093)	–
Adjustments to tax charge in respect of the previous year	(7,086)	4,078
Marginal relief	–	(14,266)
Depreciation in excess of capital allowances	(10,531)	12,610
Other timing differences	17,751	25,877
Current tax charge for the year (7a)	208,114	296,078

Notes to the Accounts

for the year ended 30 September 2005

8. Intangible fixed assets

a) Group

	Goodwill £
<hr/>	
Cost	
At 1 October 2004	4,351,839
Additions	3,613,888
At 30 September 2005	7,965,727
<hr/>	
Amortisation	
At 1 October 2004	607,884
Charge for the year	324,672
At 30 September 2005	932,556
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Net book value	
At 30 September 2005	7,033,171
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At 30 September 2004	3,743,955
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b) Company

	Goodwill £
<hr/>	
Cost	
At 1 October 2004	4,351,839
Additions	588,897
At 30 September 2005	4,940,736
<hr/>	
Amortisation	
At 1 October 2004	607,884
Charge for the year	242,908
At 30 September 2005	850,792
<hr/>	
Net book value	
At 30 September 2005	4,089,944
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At 30 September 2004	3,743,955
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Additions to goodwill in the year include amounts arising on the acquisition of subsidiaries as disclosed in note 29, and also £588,897 relating to the acquisition of business assets, being contracts.

9. Tangible fixed assets

a) Group

	Leasehold property £	Equipment £	Fixtures and fittings £	Motor vehicles £	Total £
Cost					
At 1 October 2004	–	213,854	28,337	360,004	602,195
Additions	11,206	63,414	27,602	72,345	174,567
Acquisitions	–	–	–	7,497	7,497
Disposals	–	–	–	(139,040)	(139,040)
At 30 September 2005	11,206	277,268	55,939	300,806	645,219
Depreciation					
At 1 October 2004	–	128,564	22,699	191,093	342,356
Disposals	–	–	–	(92,969)	(92,969)
Charge for the year	–	32,328	2,459	65,972	100,759
At 30 September 2005	–	160,892	25,158	164,096	350,146
Net book value					
At 30 September 2005	11,206	116,376	30,781	136,710	295,073
At 30 September 2004	–	85,289	5,639	168,911	259,839

b) Company

	Leasehold property £	Equipment £	Fixtures and fittings £	Motor vehicles £	Total £
Cost					
At 1 October 2004	–	213,854	28,337	360,004	602,195
Additions	11,206	44,807	27,602	27,750	111,365
Disposals	–	–	–	(131,543)	(131,543)
At 30 September 2005	11,206	258,661	55,939	256,211	582,017
Depreciation					
At 1 October 2004	–	128,564	22,699	191,093	342,356
Disposals	–	–	–	(92,969)	(92,969)
Charge for the year	–	32,328	2,459	60,808	95,595
At 30 September 2005	–	160,892	25,158	158,932	344,982
Net book value					
At 30 September 2005	11,206	97,769	30,781	97,279	237,035
At 30 September 2004	–	85,289	5,639	168,911	259,839

The net book value of tangible assets includes an amount of £49,807 (2004: £120,977) in respect of assets held under finance leases. An additional category of 'Equipment' has been introduced during the year and includes a net book value of £85,289 brought forward from the prior year, where it was included within 'Fixtures and fittings'.

Notes to the Accounts

for the year ended 30 September 2005

10. Stocks – Group

	2005 £	2004 £
Finished goods and goods for resale	137,604	–

11. Debtors

a) Group

	2005 £	2004 £
Trade debtors	3,144,974	2,951,574
Other debtors	60,472	134,917
Deferred tax recoverable (note 12)	19,060	17,022
Prepayments and accrued income	836,598	488,717
	4,061,104	3,592,230

b) Company

	2005 £	2004 £
Trade debtors	2,696,104	2,951,574
Other debtors	60,472	22,836
Amounts owed by subsidiary undertaking	319,171	112,081
Deferred tax recoverable (note 12)	18,123	17,022
Prepayments and accrued income	830,110	488,717
	3,923,980	3,592,230

12. Deferred tax recoverable

	£
At 1 October 2004	17,022
Credit for the year relating to acquisitions	937
Credit for the year relating to parent	1,101
As at 30 September 2005	19,060

The deferred tax asset relates primarily to depreciation in excess of capital allowances.

In addition, the group has unrelieved trading losses of £298,763 (2004: Nil). No deferred tax asset has been recognised in respect of these as their crystallisation is insufficiently certain.

13. Creditors: amounts falling due within one year**a) Group**

	2005 £	2004 £
Bank and other loans, working capital facility and overdrafts (note 15)	387,586	811,658
Obligations under finance leases (note 16)	25,402	43,093
Trade creditors	336,765	111,491
Corporation tax	327,218	292,000
Other taxation and social security	866,199	695,573
Other creditors	775,343	614,247
Dividend payable	305,125	102,878
Accruals	99,927	36,203
	3,123,565	2,707,143

b) Company

	2005 £	2004 £
Bank loans, working capital facility and overdrafts (note 15)	287,586	811,658
Obligations under finance leases (note 16)	25,402	43,093
Trade creditors	245,790	111,491
Corporation tax	176,000	292,000
Other taxation and social security	847,067	695,573
Other creditors	775,343	614,247
Dividend payable	305,125	102,878
Accruals	58,327	36,203
	2,720,640	2,707,143

14. Creditors: amounts falling due after more than one year**a) Group**

	2005 £	2004 £
Bank and other loans (note 15)	255,604	326,727
Obligations under finance leases (note 16)	32,838	68,619
	288,442	395,346

b) Company

	2005 £	2004 £
Bank loans (note 15)	155,604	326,727
Obligations under finance leases (note 16)	32,838	68,619
	188,442	395,346

Notes to the Accounts

for the year ended 30 September 2005

15. Borrowings

a) Group

	2005 £	2004 £
Falling due within one year		
Bank working capital facility and overdrafts	90,904	448,601
Treasury loan	196,682	363,057
Other loan	100,000	–
	387,586	811,658
Falling due after more than one year		
Treasury loan	155,604	326,727
Other loan	100,000	–
	255,604	326,727
	643,190	1,138,385
Repayable as follows:		
In one year or less	387,586	811,658
Between one and two years	255,604	196,682
Between two and five years	–	130,045
	643,190	1,138,385

b) Company

	2005 £	2004 £
Falling due within one year		
Bank working capital facility and overdrafts	90,904	448,601
Treasury loan	196,682	363,057
	287,586	811,658
Falling due after more than one year		
Treasury loan	155,604	326,727
	443,190	1,138,385
Repayable as follows:		
In one year or less	287,586	811,658
Between one and two years	155,604	196,682
Between two and five years	–	130,045
	443,190	1,138,385

The loans are repayable in quarterly instalments and redeem between October 2005 and September 2007.

The treasury loans accrue interest at 2.25% above Base Rate and are secured by a fixed and floating charge on the assets of SectorGuard plc and Keyman life assurance on the life of David Marks.

The other loan accrues interest at 1.5% above Base Rate and is not secured.

16. Finance leases – Group and Company

The net finance lease obligations to which the group is committed are:

	2005 £	2004 £
In one year or less	25,402	43,093
Between one and two years	25,402	68,619
Between two and five years	7,436	–
	58,240	111,712

17. Provisions for liabilities and charges – Group and Company

	2005 £	2004 £
Deferred consideration on the purchase of contracts	128,155	60,000
Deferred consideration on the acquisition of subsidiary undertakings	758,400	–
	886,555	60,000

	Deferred consideration £
Movement in the year:	
At 1 October 2004	60,000
Charge for the year	1,005,900
Consideration paid	(179,345)

At 30 September 2005

886,555

The deferred consideration includes a performance-related element in respect of which the amounts payable are not expected to be materially different from those provided.

18. Called up share capital

	2005 £	2004 £
Authorised		
600,000,000 (2004: 600,000,000) ordinary shares of 0.5p each	3,000,000	3,000,000
Allotted, called up and fully paid		
305,124,922 (2004: 205,755,476) ordinary shares of 0.5p each	1,525,625	1,028,777

On 14 February 2005, 432,625 0.5p shares were issued, pursuant to the exercise of share options.

On 11 March 2005, 1,563,333 ordinary 0.5p shares were issued, pursuant to the exercise of warrants.

On 17 March 2005, 118,000 ordinary 0.5p shares were issued, pursuant to the exercise of warrants.

On 18 March 2005, 6,583,001 ordinary 0.5p shares were issued, pursuant to the exercise of warrants.

On 5 April 2005, 4,525,576 ordinary 0.5p shares were issued in part consideration on the acquisition of SectorAlarm Ltd.

On 22 June 2005, 432,625 ordinary 0.5p shares were issued, pursuant to the exercise of share options.

On 11 August 2005, 85,714,286 ordinary 0.5p shares were issued, through a placing of new ordinary shares.

Notes to the Accounts

for the year ended 30 September 2005

19. Warrants and share options

	No. of warrants
Warrants not exercised at 30 September 2004	12,235,000
Warrants exercised during the year	(8,264,334)
Warrants expired during the year	(3,970,666)

Warrants remaining at 30 September 2005 **Nil**

Each warrant conferred upon the holder the right to subscribe in cash for one ordinary share in the company at the subscription price of 3p. The warrants expired on 13 March 2005 being the third anniversary of the company's admission to AIM.

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

Option price	Date exercisable	Ordinary shares of 0.5p each	
		2005	2004
2.8p	2005 – 2012	606,639	756,624
1.88p	2006 – 2013	1,864,339	2,537,198
4.125p	2007 – 2014	1,304,488	2,017,390
4.0p	2008 – 2015	1,855,000	–
		5,630,466	5,311,212

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

Option price	Date exercisable	Ordinary shares of 0.5p each	
		2005	2004
2.8p	2005 – 2012	833,333	833,333
1.88p	2006 – 2013	1,329,788	1,329,788
4.125p	2007 – 2014	606,061	606,061
4.0p	2008 – 2015	666,641	–
		3,435,823	2,769,182

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

Option price	Date exercisable	Ordinary shares of 0.5p each	
		2005	2004
2.8p	2005 – 2012	–	333,334
1.88p	2006 – 2013	–	531,916
4.125p	2007 – 2014	–	242,426
4.0p	2008 – 2015	1,958,360	–
		1,958,360	1,107,676

20. Notes to the consolidated cash flow statement

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

	2005 £	2004 £
Operating profit	830,771	982,847
Profit on sale of tangible fixed assets	(9,423)	–
Depreciation	100,759	114,513
Amortisation	324,672	212,256
Decrease/(increase) in debtors	238,593	(891,623)
Increase in prepayments	(341,353)	–
Increase/(decrease) in creditors	132,555	(328,425)
Decrease in accruals	(31,946)	–
Decrease in stock	19,646	–
Net cash inflow from operating activities	1,264,274	89,568

b) Reconciliation of net cash flow to movement in net funds/(debt)

	2005 £	2004 £
Increase/(decrease) in cash in the year	682,204	(577,638)
Cash outflow to repay debt	283,303	437,751
Cash outflow/(inflow) from bank working capital facility	448,601	(448,601)
Capital element of finance leases	57,714	42,720
New finance leases	–	(101,607)
Change in net debt resulting from cash flows	1,471,822	(647,375)
Debt acquired with subsidiaries	(240,951)	–
Decrease/(increase) in net funds for the period	1,230,871	(647,375)
Net debt at 1 October 2004	(991,867)	(344,492)
Net funds at 30 September 2005	239,004	(991,867)

c) Analysis of net (debt)/funds

	At 1 October 2004 £	Cash flow £	Other non-cash flows £	At 30 September 2005 £
Cash at bank	258,230	682,204	–	940,434
Debt due within 1 year	(811,658)	524,072	(100,000)	(387,586)
Debt due after 1 year	(326,727)	207,832	(136,709)	(255,604)
Finance leases	(111,712)	57,714	(4,242)	(58,240)
Total net (debt)/funds	(991,867)	1,471,822	(240,951)	239,004

Notes to the Accounts

for the year ended 30 September 2005

20. Notes to the consolidated cash flow statement (continued)

d) Purchase of subsidiary undertakings

Analysis of the consideration and net assets acquired in respect of subsidiaries during the year is provided in note 29.

The subsidiary undertakings acquired during the year contributed £369,127 to the group's operating cash inflows, paid £7,978 in respect of net returns on investments and servicing of finance, paid nil in respect of taxation and utilised £55,702 for capital expenditure.

21. Reserves

a) Group

	Share premium account £	Merger reserve £	Own shares in employee share trust £	Profit and loss account £	Total £
As at 1 October 2004	2,090,337	–	–	1,572,651	3,662,988
Retained profit for the year	–	–	–	208,470	208,470
Warrants exercised during the year	206,608	–	–	–	206,608
Shares issued to raise capital	2,571,429	–	–	–	2,571,429
Share options exercised during the year	15,007	–	–	–	15,007
Share issue costs	(122,298)	–	–	–	(122,298)
Share issue	–	158,395	–	–	158,395
Own shares in employee share trust (note 26)	–	–	(57,400)	–	(57,400)
As at 30 September 2005	4,761,083	158,395	(57,400)	1,781,121	6,643,199

In accordance with section 230 (4) of the Companies Act 1985 the Company has taken advantage of the exemption from the requirement to present its own profit and loss account. The company's profit after tax for the financial year is £389,614 (2004: £601,302).

b) Company

	Share premium account £	Own shares in employee share trust £	Profit and loss account £	Total £
As at 1 October 2004	2,090,337	–	1,572,651	3,662,988
Retained profit for the year	–	–	84,489	84,489
Warrants exercised during the year	206,608	–	–	206,608
Shares issued to raise capital	2,571,429	–	–	2,571,429
Share options exercised during the year	15,007	–	–	15,007
Share issue costs	(122,298)	–	–	(122,298)
Own shares in employee share trust (note 26)	–	(57,400)	–	(57,400)
As at 30 September 2005	4,761,083	(57,400)	1,657,140	6,360,823

22. Reconciliation of movements in shareholders' funds

a) Group

	2005 £	2004 £
Profit for the financial year	513,595	601,302
Equity dividend	(305,125)	(102,878)
Profit retained for the year	208,470	498,424
Issue of shares in the year	3,167,594	146,390
Own shares in employee share trust	(57,400)	–
Merger reserve	158,395	–
Net addition to shareholders' funds	3,477,059	644,814
Opening shareholders' funds	4,691,765	4,046,951
Closing shareholders' funds	8,168,824	4,691,765

b) Company

	2005 £	2004 £
Profit for the financial year	389,614	601,302
Equity dividend	(305,125)	(102,878)
Profit retained for the year	84,489	498,424
Issue of shares in the year	3,167,594	146,390
Own shares in employee share trust	(57,400)	–
Net addition to shareholders' funds	3,194,683	644,814
Opening shareholders' funds	4,691,765	4,046,951
Closing shareholders' funds	7,886,448	4,691,765

23. Operating lease commitments

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

	2005		2004	
	Land and buildings £	Motor vehicles £	Land and buildings £	Other £
Within one year	43,584	21,396	8,869	120
Within two – five years	378,187	17,622	Nil	Nil

On 10 October 2005 the company entered into a ten year lease in respect of new premises. Following an initial seven month rent free period, annual payments are £93,380.

Notes to the Accounts

for the year ended 30 September 2005

24. Earnings per share

The basic earnings per share is based upon a profit of £513,595 (2004: £601,302) and the weighted average number of shares ranking for dividend during the year of 226,724,448 (2004: 203,760,229).

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 228,770,896 (2004: 209,639,260) adjusted for the effects of all dilutive potential shares.

An adjusted earnings per share figure has been calculated in addition to the earnings per share required by FRS 14, 'Earnings per Share'. The directors believe that the presentation of an adjusted basic earnings per ordinary share, being the basic earnings per ordinary share adjusted for goodwill amortisation assists with understanding the underlying performance of the group. The basic earnings per share calculated on this definition of earnings is based upon a profit of £793,196 (2004: £774,558).

The fully diluted adjusted 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 228,770,896 (2004: 209,639,260) adjusted for the effects of all dilutive potential shares.

25. Financial assets and instruments

The group's financial assets comprise cash that arises directly from its operations. Its financial instruments comprise treasury loans, finance leases and other loans. The main purpose of these financial instruments is to provide working capital for the group. The group'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 group to unnecessary risk of default.

The group's policy is to minimise its borrowing costs subject to the need to match the terms of borrowing to the liquidity of the assets it finances.

As permitted by FRS 13, short term debtors and creditors have been excluded from the disclosures.

a) Interest rate risk – financial assets

Financial assets comprise cash at bank. Interest on floating rate financial assets is based on an average interest rate of 1.4%.

Financial assets at 30 September 2005	Floating rate financial assets £
Currency	
Sterling	940,434
	940,434

25. Financial assets and instruments (continued)

b) Interest rate risk – financial liabilities

Financial liabilities comprise treasury loans, finance leases and other loans. Interest on floating rate financial liabilities is based on a margin over Base Rate as below:

Financial liabilities at 30 September 2005	Floating rate financial liabilities £	Margin over Base Rate %
Currency		
Treasury loans	352,286	2.25
Financial leases	58,240	2.25
Other loans	200,000	1.50
	610,526	

26. SectorGuard plc Employee Share Trust

The SectorGuard plc Employee Share Trust was established on 19 January 2005. Its purpose is to hedge against the future obligations of the group in respect of shares awarded under the share option schemes. The trustees of the employee share trust 'Balchan Management Limited' purchase the company's shares in the open market with financing provided by the company, as required, on the basis of regular reviews of the anticipated share liabilities of the group. The employee share trust's waiver of dividends may be revoked or varied at any time.

During the course of the year, the trust acquired 1,360,000 shares in the company at a net cost of £57,400. This figure is included in other reserves in the company and group balance sheet. No allocations were made during the year.

The mid market share price at the year end was 3.5p.

27. Related party transactions

During the year finance and administration support services were provided to SectorAlarm Limited by SectorGuard plc for the consideration of £70,000 (2004: £129,874). Previously, David Marks was a director and shareholder of SectorAlarm Ltd and SectorAlarm Ltd operated from the same premises as SectorGuard plc. SectorAlarm Ltd was acquired by SectorGuard plc on 1 February 2005. Further details are provided in note 29. All transactions are on an arm's length basis.

28. Capital commitments

The group is committed to pay two further instalments totalling £55,222 in respect of new premises refurbishment costs.

Notes to the Accounts

for the year ended 30 September 2005

29. Acquisitions

The acquisition method of accounting has been adopted in all cases. Analysis of assets and liabilities acquired and their fair value are shown below. In order to reflect the directors' estimate of true economic value, fair value adjustment has been made to write down the fixed assets of SectorAlarm acquired, to zero.

a) SectorAlarm Ltd

	Fair value adjustments		Assets acquired at fair value £
	Book value of assets acquired £	Write downs to fair value £	
Intangible fixed assets	762,098	–	762,098
Tangible fixed assets	112,223	(112,223)	–
Stock	5,801	(5,801)	–
Debtors	57,264	–	57,264
Prepayments	6,528	–	6,528
Cash	25,806	–	25,806
Creditors (amounts falling due within one year)	(519,455)	–	(519,455)
Creditors (amounts falling due after more than one year)	(100,000)	–	(100,000)
Net assets acquired	350,265	(118,024)	232,241
Consideration:			
Ordinary shares			181,023
Cash (including acquisition costs)			275,496
Deferred consideration			500,000
			956,519
Goodwill arising			724,278

The group acquired a 100% interest in SectorAlarm Ltd on 1 February 2005. The deferred consideration of £500,000 is contingent on the future profits of the business but the amount payable is not expected to be materially different from that provided and is payable in two instalments in May 2006 and May 2007.

Summarised profit and loss accounts of SectorAlarm Limited for the year ended 30 September 2004 and the period ended 31 January 2005 are as follows:

	Year to 30 September 2004 £	Period to 31 January 2005 £
Turnover	611,990	231,322
Operating profit/(loss)	2,085	(183,007)
Loss on ordinary activities before and after tax	(4,007)	(185,919)

There were no gains or losses in either year other than those included in the loss on ordinary activities above.

29. Acquisitions (continued)**b) Asset Protection (EAS) Ltd**

	Fair value adjustments		Assets acquired at fair value £
	Book value of assets acquired £	Write downs to fair value £	
Tangible fixed assets	15,315	(7,818)	7,497
Stock	157,250	–	157,250
Debtors	302,319	–	302,319
Cash	131,700	–	131,700
Creditors (amounts falling due within one year)	(255,660)	–	(255,660)
Net assets acquired	350,924	(7,818)	343,106
Consideration:			
Cash (including acquisition costs)			1,623,321
Deferred consideration			258,400
			1,881,721
Goodwill arising			1,538,615

The group acquired a 100% interest in Asset Protection (EAS) Ltd on 1 June 2005. The deferred consideration of £258,400 is payable in January 2006.

Summarised profit and loss accounts of Asset Protection (EAS) Limited for the years ended 31 May 2004 and 2005 are as follows:

	Year to 31 May 2004 £	Year to 31 May 2005 £
Turnover	765,691	1,137,817
Operating profit	194,106	448,495
Profit before tax	192,593	449,726
Tax	(35,787)	(112,000)
Profit after tax	156,806	337,726

There were no gains or losses in either year other than those included in the profit on ordinary activities above.

30. Investments in subsidiaries

	£
Cost	
At 1 October 2004	–
Additions	2,679,845
At 30 September 2005	2,679,845

Notes to the Accounts

for the year ended 30 September 2005

31. Principal undertakings

All subsidiary undertakings are incorporated and operate in the UK. All holdings are of ordinary shares and all subsidiaries are 100% owned.

Company

Asset Protection (EAS) Limited
SectorAlarm Limited

Nature of business

Installation and maintenance of security tagging equipment
Installation and maintenance of electronic security systems

32. Post balance sheet events

On 9 December 2005, SectorAlarm Limited acquired the business of Oakpark Alarms for an initial consideration of £92,849 with further consideration payable, depending on performance.

Directors and Advisers

Directors

David Marks Chairman

James McLeod Operations Director

Robert Weigl Non-executive Director

Company secretary

Humayun Ahmed

Registered office

Hanover House
Queensgate
Britannia Road
Waltham Cross
Hertfordshire EN8 7TF

Company's registered number

3553625

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50 Pall Mall
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London SW1A 1QA

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Registrars

Capita Registrars

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Auditors

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Public relations consultants

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Aldermay House
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London EC4N 1TX

Accountants and tax advisers

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London EC2R 6AY

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Jubilee Walk
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Crawley
West Sussex RH10 1LQ

Employee share trust trustees

Balchan Management Limited

PO Box 425
Old Bank Chambers
Grande Rue
St Martin's
Guernsey
Channel Islands GY1 3WZ

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 16 February 2006 at 11 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 2005.
2. To re-appoint Nexia Audit Limited as auditors and to authorise the directors to fix their remuneration.
3. To declare a dividend of 0.1p per ordinary share.
4. To re-elect David Marks as a director of the company.

To consider and, if thought fit, pass the following resolutions, as an ordinary resolution in the case of resolutions 5 and 6 and as a special resolution in the case of resolution 7.

Special business

5. THAT the authorised share capital be increased from £3,000,000 to £3,500,000 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.
6. 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.
7. THAT, subject to and conditional upon the passing of resolution number 6 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 6 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



Humayun Ahmed
Secretary
17 January 2006

Registered office:
Hanover House
Queensgate
Britannia Road
Waltham Cross
Hertfordshire EN8 7TF

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 p.m. on 14 February 2006 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 16 February 2006 at 11 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	Vote withheld	Discretionary
Resolution 1 To receive and adopt the report and accounts for the year ended 30 September 2005.				
Resolution 2 To re-appoint Nexia Audit Limited as auditors.				
Resolution 3 To declare a dividend of 0.1p per ordinary share.				
Resolution 4 To re-elect David Marks as a director.				
Resolution 5 To increase authorised share capital.				
Resolution 6 To authorise the directors to allot shares pursuant to section 80 Companies Act 1985.				
Resolution 7 To disapply section 89(1) Companies Act 1985.				

Dated.....2006 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 a.m. on 14 February 2006. 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. If you want your proxy to vote in a certain way on the resolutions specified please place an 'X' in the relevant boxes. If you select 'discretionary' or fail to select any of the given options your proxy can vote as he or she chooses or can decide not to vote at all. The proxy can also do this on any other resolution that is put to the meeting. The 'Vote Withheld' option is provided to enable you to abstain on any particular resolution. However, it should be noted that a 'Vote Withheld' is not a vote in law and will not be counted in the calculation of the proportion of the votes 'For' and 'Against' a resolution.
- 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. MBI22



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

First fold

Second fold



Head office

SectorGuard plc
Hanover House
Queensgate
Britannia Road
Waltham Cross
Hertfordshire EN8 7TF

Tel: 01992 701940

Fax: 01992 701945

Email: enquiries@sectorguard.plc.uk

World wide web

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

www.sectorguard.plc.uk