

Building security around you



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.

SectorGuard's approach is to listen to our client's needs, carry out a risk assessment and then provide impartial advice, drawing on both our experience and the breadth of services we can provide in order to build a tailor-made security solution for each individual client.

SectorGuard is committed to an aggressive growth strategy combining selected acquisitions with targeted growth. This growth is underpinned by a high degree of client retention secured through our approach to client service.

IFC CORPORATE STATEMENT

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IBC INDEPENDENT REVIEW REPORT
TO SECTORGUARD PLC

HIGHLIGHTS

- Completed the acquisitions of Protector and Euro Security Systems
- Obtained Investors in People accreditation
- Revenue of £17,809,565 (2006: £17,781,897)
- Total assets £14,134,837 (2006: £12,788,746)
- Net cash inflow from operating £1,044,108 (2006: £217,873)

CHAIRMAN'S STATEMENT

I am pleased to report on the twelve month interim period ended on 30 September 2007, following the change of our accounting reference date from 30 September to 31 March. The accounts for this period have been prepared for the first time in accordance with International Financial Reporting Standards and an explanation of the impact of this change in accounting standards is included in the notes to these accounts.

This period has been one of major investment and consolidation. During the period we have: completed two acquisitions; launched the SectorGuard Data Protection Suite, the first of its kind in the UK, which was opened by the Chairman of the SIA, Baroness Henig; settled into new headquarters in Waltham Cross; opened new offices in Crewe; acquired Investors in People ("IIP") accreditation; and are working towards obtaining accreditation for ISO 14001, Environmental Management Systems. In addition, we have used this period to complete the repositioning of SectorGuard as a total security solutions provider, putting us at the forefront of the convergence of the individual sectors and enhancing cross-selling opportunities across the business and providing added value services to a wide range of clients.

We are now in a very strong position to achieve substantial growth in all areas of our business, delivering significant increases in shareholder value.

OPERATIONS

During the period we completed two acquisitions: the business of Protector, a specialist in installing CCTV systems; and Euro Security Systems, a specialist intruder alarm and CCTV installation and maintenance business. These two acquisitions have improved the strength and depth of our electro-technical divisions.

The group's four operating divisions, Security Personnel, Response Services, Fire & Security Systems, and Asset Protection have continued to develop both as independent units and as integral parts of our Total Security Solution. The continued development of this integrated solution has been greatly assisted by moving the business units into one central office in Waltham Cross. In order to maintain a similar approach in the Midlands and the North of England we have also combined our Stourbridge manned guarding office and the Protector business unit, which was previously located in Salford, into one office in Crewe. This co-ordinated approach to the provision of security services and products has enabled us to offer value added solutions to existing and potential suppliers, providing real enhancement of the service offered and demonstrates a major differentiation between us and other suppliers in this growing market.

During the period we have extended the range of services we offer our clients to assist them in coping with the increased regulatory and legislative burden placed on their businesses. The two principal new services offered are:

- Fire risk assessments and maintenance of fire management plans following the implementation in October 2006 of the Regulatory Reform (Fire Safety) Order 2005; and
- A Data Protection Suite, assisting clients in complying with the requirements of Section 4 of the Data Protection Act 1998, where they capture images from a CCTV system.

In addition to developing new services to assist clients we are continuing to invest in our own systems to ensure we stay at the forefront of regulatory and legislative changes. During the period we have obtained accreditation for IIP for the electro-technical division and made a corporate commitment on behalf of the entire organisation. We have also commenced the accreditation process for ISO 14001, Environmental Management Systems, and hope to receive accreditation by the end of our financial year, making us one of the first security companies to achieve this standard.

Obtaining these accreditations demonstrates to all stakeholders in the company the investment we are prepared to make in our staff, systems and procedures with a view to delivering best practice across the whole company and managing the sustainability of our business and the resources we employ.

ACQUISITIONS

As reported above, we acquired two businesses during the period with a view to strengthening our Fire & Security Systems division and expanding our geographical reach.

We acquired Protector, a Salford based specialist CCTV installation and maintenance business, from Smart Securities CCTV Ltd in February, and we acquired Euro Security Systems, a Hertfordshire based business focused on the installation and maintenance of electronic security systems including intruder alarms, access control and CCTV, in June.

Both of these acquisitions bring benefits of senior management, experience and product knowledge in addition to a broad range of clients ranging from Hugo Boss and Kwik-Fit to Total Oil and Exxon Mobil. The geographical spread of the electro-technical divisions of the business has now been spread nationwide and our market penetration in the retail sector has been significantly improved as a direct result. The Managing Director of Smart, Gareth Wright, has joined us as General Manager of the electro-technical divisions and has been overseeing the integration of Protector, Euro and the balance of our electro-technical business into one comprehensive unit supplying services and product under the SectorGuard Fire & Security Systems and SectorGuard Asset Protection banners. Una Riley, the former Managing Director of Euro, has joined us as Group Head of Communications, and as well as being responsible for managing this important aspect of our business, has assisted greatly in all aspects of achieving further accreditation in the company. Una is a past Master of the

Company of Security Professionals and Senior Warden of the Guild of Public Relations Practitioners and adds a new dimension to our senior management and our internal skill sets.

FINANCE

These accounts have been prepared for the first time under International Financial Reporting Standards ("IFRS"). There have been two principal changes to these interim accounts arising from this transition, namely the re-classification of intangible assets into customer lists which are amortised and goodwill which is not amortised but is still subject to an impairment review; and accounting for share-based payments under IFRS 2 which requires the fair value of the equity issued to be charged to the income statement as opposed to any discount to market value. As SectorGuard has never issued options at a discount to market value there has not been a charge to the profit and loss account in respect of options in previous years. Details of the adjustments made can be found in the notes to the accounts.

In addition to the changes outlined above, IFRS requires different disclosure in the accounts and notes to the accounts. In common with many other businesses we will publish a full transition document on our website detailing changes in relation to both these financial statements and the full statements to be published at the end of the financial accounting period.

Revenue for the twelve month period was £17,809,565 compared to £17,781,897 for the year ended 30 September 2006, generating a gross profit of £3,699,688 (2006: £3,746,790), thereby reporting a consistent 21% gross margin. There have been minor fluctuations in margin over the course of the past twelve months due to the varying mix of business. However, with the expected increased turnover from our electro-technical divisions I would expect that to continue to have a marked impact on the group's margin.

Whilst gross margin and gross profit have been maintained, EBITDA for the twelve months under review was £1,134,112 which was £441,266 less than for the year ended 30 September 2006. This was principally due to the investment in developing the business both in terms of the repositioning exercise, which cost in excess of £100,000, and the integration of the acquisitions where there was a period of overlap in terms of rent and other costs. These costs will not be recurring and therefore should have no impact on future trading. Central overheads have risen by around £120,000, however, due to the growth of the business and the move to new offices. This increased overhead should be recovered from the increased turnover we expect to generate.

The adoption of IFRS 2 in relation to share options has reduced our profits for the twelve month period by £51,244 (year ended 30 September 2006: £34,587) and in accordance with IFRS 2 we have re-stated prior year profits and created a share-based payment reserve with an opening balance of £67,054.

The business generated £1,044,108 net cash inflow from operating compared to £217,873 in 2006 and at 30 September 2007 had total assets of £14,134,837 (2006: £12,788,746).

CURRENT TRADING AND FUTURE OUTLOOK

The business is continuing to develop across all its divisions and now that the integration of the electro-technical business units into one cohesive body is taking shape I anticipate significant organic growth from this side of the business. We have already generated significant income from the Data Protection Suite and there have been a number of exciting opportunities for developing new business by the improved ability to offer a total security solution package for potential clients, especially on larger tenders.

The security personnel division is progressing strongly. The major challenge for this division since 1 October has been the increase in statutory holiday entitlement from 4 weeks to 4.8 weeks, this has an impact on staff resources as additional staff will need to be recruited to cover a 20% increase in holiday.

In addition to our investment in ISO 14001 and Investors in People accreditations, we have been developing a number of initiatives which have increased our involvement with the security and wider community. We have been developing an initiative with the City of London Mounted Police, which increases their profile within local communities to try and build respect for the law and the police with younger members of the community. Perhaps the most exciting initiative is the SectorGuard Anglo American Exchange programme, which is open to all members of the UK security profession and aims to raise standards within the sector by facilitating an exchange programme between UK and US based security operatives, sharing knowledge and procedures.

I am confident that the investment made over the past 18 months will lead to increased business across all our divisions. Brand awareness has been increased as a result of both our marketing and business development efforts, this in turn is generating new business opportunities.

We are currently exploring a number of substantial acquisition opportunities in the security personnel sector, which we hope to update shareholders on in the near future. Following successful completion, we would then anticipate focusing our energies on building the business organically.



DAVID MARKS
CHAIRMAN
12 DECEMBER 2007

CONSOLIDATED INCOME STATEMENT

for the twelve months ended 30 September 2007

	Note	Twelve months ended 30 Sept 2007 (unaudited) £	Six months ended 30 Sept 2007 (unaudited) £	Year ended 30 Sept 2006 (audited) £
REVENUE	3	17,809,565	9,249,895	17,781,897
Cost of sales		(14,109,877)	(7,556,014)	(14,035,107)
GROSS PROFIT		3,699,688	1,693,881	3,746,790
Operating expenses		(2,825,572)	(1,376,871)	(2,305,831)
OPERATING PROFIT	3	874,116	317,010	1,440,959
Finance income		8,815	3,886	12,143
Finance costs		(142,037)	(95,709)	(152,868)
PROFIT BEFORE TAX		740,894	225,187	1,300,234
Tax expense		(228,805)	(69,543)	(289,633)
PROFIT FOR THE PERIOD		512,089	155,644	1,010,601
EARNINGS PER SHARE (PENCE)	4			
Basic		0.17	0.05	0.33
Diluted		0.17	0.05	0.33

CONSOLIDATED BALANCE SHEET

as at 30 September 2007

	As at 30 Sept 2007 (unaudited) £	As at 30 Sept 2006 (audited) £
NON-CURRENT ASSETS		
Intangible assets	8,338,774	7,146,948
Property, plant and equipment	795,561	642,716
Deferred tax recoverable	26,767	26,239
	9,161,102	7,815,903
CURRENT ASSETS		
Inventories	263,797	142,279
Trade and other receivables	4,651,705	4,527,519
Cash and cash equivalents	58,233	303,045
	4,973,735	4,972,843
TOTAL ASSETS	14,134,837	12,788,746
CURRENT LIABILITIES		
Trade and other payables	2,071,938	1,695,044
Current tax liabilities	264,835	303,265
Loans and overdrafts	941,440	521,767
Obligations under finance leases	189,379	70,409
Provisions	20,000	269,657
	3,487,592	2,860,142
NON-CURRENT LIABILITIES		
Loans and overdrafts	1,000,000	588,113
Obligations under finance leases	26,254	78,699
	1,026,254	666,812
TOTAL LIABILITIES	4,513,846	3,526,954
EQUITY		
Share capital	1,579,254	1,547,726
Share premium account	4,789,933	4,756,463
Share-based payment reserve	118,298	67,054
Other reserves	202,662	131,294
Retained earnings	2,930,844	2,759,255
TOTAL EQUITY	9,620,991	9,261,792
TOTAL LIABILITIES AND EQUITY	14,134,837	12,788,746

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the twelve months ended 30 September 2007

	Share capital £	Share premium account £	Share-based payment reserve £	Merger reserve £	Own shares in employee trust £	Retained earnings £	Total £
At 1 October 2005	1,525,625	4,761,083	32,467	158,395	(57,400)	2,053,779	8,473,949
Profit after tax	—	—	—	—	—	1,010,601	1,010,601
Proceeds from shares issued	22,101	—	—	174,337	—	—	196,438
Costs associated with share options	—	(4,620)	—	—	—	—	(4,620)
Share-based payment	—	—	34,587	—	—	—	34,587
Shares acquired	—	—	—	—	(144,038)	—	(144,038)
Dividends paid	—	—	—	—	—	(305,125)	(305,125)
At 1 October 2006	1,547,726	4,756,463	67,054	332,732	(201,438)	2,759,255	9,261,792
Profit after tax	—	—	—	—	—	512,089	512,089
Proceeds from shares issued	31,528	39,119	—	141,268	—	—	211,915
Costs associated with share options	—	(5,649)	—	—	—	—	(5,649)
Share-based payment	—	—	51,244	—	—	—	51,244
Shares acquired	—	—	—	—	(69,900)	—	(69,900)
Dividends paid	—	—	—	—	—	(340,500)	(340,500)
AT 30 SEPTEMBER 2007	1,579,254	4,789,933	118,298	474,000	(271,338)	2,930,844	9,620,991

CONSOLIDATED CASH FLOW STATEMENT

for the twelve months ended 30 September 2007

	Twelve months ended 30 Sept 2007 (unaudited) £	Six months ended 30 Sept 2007 (unaudited) £	Year ended 30 Sept 2006 (audited) £
OPERATING ACTIVITIES			
Cash flow from operations (note 5)	1,311,871	(54,559)	541,835
Taxation paid	(267,763)	(267,763)	(323,962)
NET CASH INFLOW/(OUTFLOW) FROM OPERATING	1,044,108	(322,322)	217,873
INVESTING ACTIVITIES			
Payments to acquire intangible fixed assets	(1,302,688)	(441,143)	(539,065)
Payments to acquire tangible fixed assets	(390,121)	(182,186)	(342,627)
Proceeds from disposal of tangible fixed assets	4,675	—	2,095
NET CASH OUTFLOW FROM INVESTING	(1,688,134)	(623,329)	(879,597)
FINANCING ACTIVITIES			
Interest received	8,815	3,886	12,143
Interest paid	(131,992)	(85,664)	(147,734)
Interest element of finance leases	(10,045)	(10,045)	(5,134)
Equity dividends paid	(340,500)	—	(305,125)
Issue of equity share capital	11,281	465	196,439
Expenses of ordinary share capital	(5,649)	—	(5,170)
Share premium on issue of ordinary share capital	39,119	1,601	550
Purchase of own equity shares	(69,900)	(30,000)	(144,038)
Repayment of loans	(782,688)	244,179	(471,316)
New bank loans	1,600,000	—	1,000,000
New finance leases	138,062	138,062	—
Repayment of capital element of finance leases	(71,537)	(36,332)	(44,286)
NET CASH INFLOW FROM FINANCING	384,966	226,152	86,329
Decrease in cash and bank overdrafts	(259,060)	(719,499)	(575,395)
Cash and bank overdrafts at beginning of period	274,135	734,574	849,530
Cash and bank overdrafts at end of period	15,075	15,075	274,135
Cash and bank overdrafts at end of period comprise:			
Cash and cash equivalents	58,233	58,233	303,045
Overdrafts	(43,158)	(43,158)	(28,910)
	15,075	15,075	274,135

NOTES TO THE INTERIM STATEMENT

for the twelve months ended 30 September 2007

1 FINANCIAL INFORMATION

The group has elected to change the accounting reference date of all group companies to 31 March under section 225 of the Companies Act 1985. This interim statement covers the twelve month period ended 30 September 2007. The next full financial statements will be prepared for the eighteen month period ended 31 March 2008 in accordance with International Financial Reporting Standards ("IFRS") as adopted for use in the EU applied in accordance with the provisions of the Companies Act 1985.

The financial information for the twelve months ended 30 September 2007 is unaudited and has been prepared in accordance with the group's accounting policies, set out below, that are expected to apply for the eighteen month period ended 31 March 2008. These policies are in accordance with IFRS as explained above. These results have been reviewed by the group's auditors. The financial information relating to the year ended 30 September 2006 has been extracted from the full financial statements for that year and has also been restated in accordance with the accounting policies set out below. The report of the auditors on the 2006 accounts as prepared under UK GAAP was unqualified and did not contain a statement made under section 237(2) or section 237(3) of the Companies Act 1985. The financial information in this report does not constitute statutory accounts within the meaning of section 240 of the Companies Act 1985.

These interim financial statements have been prepared under the historical cost convention.

BASIS OF CONSOLIDATION

The consolidated financial statements incorporate the financial statements of the company and all group undertakings. These are adjusted, where appropriate, to conform to group accounting policies. The purchase method of accounting is used to account for the acquisition of subsidiaries by the group. The results of companies acquired or disposed of are included in the income statement after or up to the date that control passes respectively.

REVENUE

Revenue comprises the fair value of the consideration receivable for the sale of goods and services in the ordinary course of the group's activities. Revenue is shown net of value added tax and discounts.

The group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the group and when specific criteria have been met for each of the group's activities as described below.

MANNED GUARDING AND MOBILE PATROL:

Revenue 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:

Revenue represents the amount earned during the period from supplying and installing electronic security systems and consumables. Revenue is recognised and invoiced once equipment is supplied to clients' premises.

ELECTRONIC SECURITY SYSTEMS MAINTENANCE AGREEMENTS AND KEYHOLDING AND ALARM RESPONSE SERVICES:

Revenue represents a non-refundable annual fixed fee charged to the group's clients during the period for the provision of services and is recognised when invoiced to the client. Revenue also includes the amounts earned on call-out charges during the period arising when the group is required to attend the clients' premises, and is invoiced and recognised when the engineer visits the site.

SEGMENT REPORTING

A business segment is a group of assets and operations engaged in providing products and services that are subject to risks and returns different from those of other business segments. A geographical segment is engaged in providing products and services within a particular economic environment that are subject to risks and returns different from those of other segments operating in other economic environments.

The group manages its operations on a business segment basis, and this is the basis on which it reports its primary segment information.

1 FINANCIAL INFORMATION CONTINUED

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 included in "intangible assets"; it is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose.

OTHER INTANGIBLE ASSETS

Intangible assets are stated at cost less provisions for amortisation and impairments. Customer lists separately acquired or acquired as part of a business combination are amortised over their estimated useful lives, using the straight-line basis, from the time they are available for use. The estimated useful lives for determining the amortisation charge are reviewed annually.

FINANCE LEASE AGREEMENTS

Where the group enters into a lease which entails taking substantially all the risks and rewards of ownership of an asset, the lease is treated as a finance lease. The asset is recorded in the balance sheet as a tangible fixed asset and is depreciated in accordance with the above depreciation policies. Future instalments under such leases, net of finance charges, are included within creditors. Rentals payable are apportioned between the finance element, which is charged to the income statement on a straight-line basis, and the capital element which reduces the outstanding obligation for future instalments.

OPERATING LEASE AGREEMENTS

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profits on a straight-line basis over the period of the lease.

TAXATION

Deferred taxation is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised.

The charge for current tax is based on the results for the period, adjusted for items which are non-assessable or disallowed.

SHARE OPTION SCHEMES

The group issues share options to all full-time permanent employees with the aim of rewarding all staff equally for their loyalty to the group. Share options are measured at fair value at the date of grant. The fair value is expensed on a straight-line basis over the vesting period, which is usually three years. Options are forfeited if the employee leaves before the option vests, and it is assumed that 50% of options will be forfeited.

2 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimate with the most significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year is the impairment of goodwill. The calculation of any impairment loss requires an estimate of the value in use of the cash-generating units ("CGUs") to which goodwill has been allocated. This involves a forecast of the future cash flows of the CGU and the selection of appropriate discount rates in order to ascertain present values. A significant element of judgment is needed.

The cash flow projections are based on financial plans approved by senior management covering a five year period. Cash flows for the following ten years are extrapolated based on an estimated growth rate of 2.25%. This rate does not exceed the average long-term growth rate for the UK. Management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGUs.

No goodwill impairment has been recognised in the period.

NOTES TO THE INTERIM STATEMENT CONTINUED

for the twelve months ended 30 September 2007

3 SEGMENTAL ANALYSIS

The group is organised into two main business segments: security personnel and response services; and fire and security systems and asset protection. The group operates exclusively in the UK and therefore no geographical analysis is presented.

	Security personnel £	Fire & Security Systems £	Unallocated £	Total £
Twelve months ended 30 September 2007:				
Revenue	15,312,912	2,496,653	—	17,809,565
Result:				
Operating profit	730,709	143,407	—	874,116
Finance income	—	—	8,815	8,815
Finance costs	(122,125)	(19,912)	—	(142,037)
Profit before tax	608,584	123,495	8,815	740,894
Twelve months ended 30 September 2006:				
Revenue	15,458,094	2,323,803	—	17,781,897
Result:				
Operating profit	990,603	450,356	—	1,440,959
Finance income	—	—	12,143	12,143
Finance costs	(132,889)	(19,979)	—	(152,868)
Profit before tax	857,714	430,377	12,143	1,300,234

4 EARNINGS PER SHARE

The basic earnings per Ordinary Share is calculated by dividing profit for the period by the weighted average number of Ordinary Shares outstanding during the period.

The diluted earnings per Ordinary Share is calculated by dividing profit for the period by the weighted average number of shares outstanding during the period after adjusting both figures for the effect of dilutive potential Ordinary Shares.

	Twelve months ended 30 Sept 2007 No	Six months ended 30 Sept 2007 No	Year ended 30 Sept 2006 No
Weighted average number of Ordinary Shares for the purpose of basic EPS	307,261,769	309,544,917	305,037,999
Effect of dilutive potential Ordinary Shares: share options	738,974	635,541	2,087,084
Weighted average number of Ordinary Shares for the purpose of diluted EPS	308,000,743	310,180,458	307,125,083
BASIC EPS			
Profit after taxation (£)	512,089	155,644	1,010,601
Earnings per share (pence)	0.17	0.05	0.33
DILUTED EPS			
Profit after taxation (£)	512,089	155,644	1,010,601
Earnings per share (pence)	0.17	0.05	0.33

5 CASH FLOW STATEMENT

Reconciliation of operating profit to net cash inflow from operating activities:

	Twelve months ended 30 Sept 2007 £	Six months ended 30 Sept 2007 £	Year ended 30 Sept 2006 £
Operating profit	874,116	317,010	1,440,959
Depreciation	237,276	129,135	130,138
Amortisation of intangible assets	22,720	17,071	4,281
Movement in share-based payment reserve	51,244	31,400	34,587
Profit on disposal of fixed assets	(4,675)	—	(2,095)
(Increase)/decrease in inventories	(121,518)	6,222	(4,675)
Increase in trade and other receivables	(124,186)	(552,198)	(482,279)
Increase/(decrease) in trade and other payables	376,894	(3,199)	(383,190)
Decrease in provisions	—	—	(195,891)
Net cash inflow/(outflow) from operating activities	1,311,871	(54,559)	541,835

6 ACQUISITIONS

The group acquired the following unincorporated businesses during the first interim period:

	Cost £	Customer lists £	Goodwill £
Protector	859,555	214,889	644,666
Euro Security Systems	288,292	72,073	216,219

Protector, a specialist CCTV installation and maintenance business, was acquired on 6 February 2007.

Euro Security Systems, a business focused on the installation and maintenance of electronic security systems including intruder alarms, access control and CCTV, was acquired on 20 June 2007.

7 INTERIM REPORT

Copies of this interim report are being sent to all shareholders and will be available to the public from the Company's Head Office: Hanover House, Queensgate, Britannia Road, Waltham Cross, Hertfordshire EN8 7TF.

8 TRANSITION TO IFRS

For all periods up to and including the year ended 30 September 2006, the group prepared its financial statements in accordance with UK GAAP. The group will prepare the financial statements for the eighteen month period ended 31 March 2008 in accordance with IFRS.

IFRS 1 establishes the transitional requirements for the preparation of financial statements in accordance with IFRS for the first time. The general principle is that any Standards effective at the first-time reporting date for the group (31 March 2008) are to be applied retrospectively to the opening IFRS balance sheet (1 October 2005), the comparative period (the year ended 30 September 2006) and the reporting period (31 March 2008).

Outlined below is the group's position in relation to key exemptions and exceptions that are available under IFRS.

BUSINESS COMBINATIONS

The group has adopted the exemption not to apply IFRS 3 "Business Combinations" in respect of acquisitions occurring prior to 1 October 2005. As a result, in the opening balance sheet, goodwill arising from past business combinations remains as stated under UK GAAP at 1 October 2005.

NOTES TO THE INTERIM STATEMENT CONTINUED

for the twelve months ended 30 September 2007

8 TRANSITION TO IFRS CONTINUED

SHARE-BASED PAYMENT

IFRS 2 "Share-based Payment" has been applied to all grants of equity instruments after 7 November 2002 that had not vested as at 1 October 2005.

Key IFRS adjustments are outlined below:

SHARE-BASED PAYMENT

The previous UK GAAP approach to share-based payments was to record any intrinsic loss on grant suffered by the company. This means that for share options granted at the market price, there was no charge to the income statement. Where shares or options were granted at reduced cost to the employee, the income statement was charged with an amount equal to the difference between the exercise price and the market price on the date of the award, spread over the performance period.

IFRS 2 "Share-based Payment", and its UK GAAP equivalent FRS 20 "Share-based Payment", require the fair value of the equity instruments issued to be charged to the income statement.

The group receives a tax credit, as appropriate, which relates to share options and awards when exercised, based on the gains the holders make. The deferred tax asset represents an estimate of future tax relief for this gain and is based on the potential gains available to the option or award holders at the balance sheet date.

The movement in deferred tax asset from one balance sheet to the next may result in either a tax credit or a tax charge recorded in the income statement. The amount of any tax credit recognised in the income statement is capped at the cumulative amount of the tax effect of the share-based payment charge. Any excess credit is taken to equity.

This adjustment reduced profit before tax in the year ended 30 September 2006 by £34,587.

GOODWILL AMORTISATION

UK GAAP required goodwill to be amortised over its estimated expected useful life, which the group had determined to be normally no longer than 20 years. Under IFRS 3, however, goodwill is considered to have an indefinite life and so is not amortised, but is subject to annual impairment testing. This adjustment therefore reverses the goodwill amortisation charged under UK GAAP.

This adjustment increased profit before tax in the year ended 30 September 2006 by £409,994.

INTANGIBLE ASSETS

UK GAAP recognises intangible assets as identifiable when they can be disposed of separately from the revenue earning activity to which they contribute. IAS 38 "Intangible Assets" additionally recognises intangible assets when they arise from contractual or other legal rights.

Of the goodwill recognised in the year ended 30 September 2006, £102,754 relates to customer lists. These were not recognised under UK GAAP but are recognised under IFRS. Customer lists are amortised over their estimated useful life, which in this case is 20 years.

After goodwill of £409,994 had been added back to profit before tax (see above), amortisation of customer lists reduced profit before tax by £4,281.

8 TRANSITION TO IFRS CONTINUED

(A) RECONCILIATION OF EQUITY AT 1 OCTOBER 2005

	UK GAAP £	Share-based payment £	Goodwill amortisation £	IFRS £
NON-CURRENT ASSETS				
Intangible assets	7,033,171	—	—	7,033,171
Property, plant and equipment	295,073	—	—	295,073
Deferred tax recoverable	19,060	—	—	19,060
	7,347,304	—	—	7,347,304
CURRENT ASSETS				
Inventories	137,604	—	—	137,604
Trade and other receivables	4,042,044	—	—	4,042,044
Cash and cash equivalents	940,434	—	—	940,434
	5,120,082	—	—	5,120,082
TOTAL ASSETS	12,467,386	—	—	12,467,386
CURRENT LIABILITIES				
Trade and other payables	2,078,234	—	—	2,078,234
Current tax liabilities	327,218	—	—	327,218
Loans and overdrafts	387,586	—	—	387,586
Obligations under finance leases	25,402	—	—	25,402
Provisions	886,555	—	—	886,555
	3,704,995	—	—	3,704,995
NON-CURRENT LIABILITIES				
Loans and overdrafts	255,604	—	—	255,604
Obligations under finance leases	32,838	—	—	32,838
	288,442	—	—	288,442
TOTAL LIABILITIES	3,993,437	—	—	3,993,437
EQUITY				
Share capital	1,525,625	—	—	1,525,625
Share premium account	4,761,083	—	—	4,761,083
Share-based payment reserve	—	32,467	—	32,467
Other reserves	100,995	—	—	100,995
Retained earnings	2,086,246	(32,467)	—	2,053,779
TOTAL EQUITY	8,473,949	—	—	8,473,949
TOTAL LIABILITIES AND EQUITY	12,467,386	—	—	12,467,386

NOTES TO THE INTERIM STATEMENT CONTINUED

for the twelve months ended 30 September 2007

8 TRANSITION TO IFRS CONTINUED**(B) RECONCILIATION OF EQUITY AT 30 SEPTEMBER 2006**

	UK GAAP £	Share-based payment £	Goodwill amortisation £	Intangible assets £	Taxation £	IFRS £
NON-CURRENT ASSETS						
Intangible assets	6,741,235	—	409,994	(4,281)	—	7,146,948
Property, plant and equipment	642,716	—	—	—	—	642,716
Deferred tax recoverable	15,863	—	—	—	10,376	26,239
	7,399,814	—	—	—	—	7,815,903
CURRENT ASSETS						
Inventories	142,279	—	—	—	—	142,279
Trade and other receivables	4,527,519	—	—	—	—	4,527,519
Cash and cash equivalents	303,045	—	—	—	—	303,045
	4,972,843	—	—	—	—	4,972,843
TOTAL ASSETS	12,372,657	—	—	—	—	12,788,746
CURRENT LIABILITIES						
Trade and other payables	1,695,044	—	—	—	—	1,695,044
Current tax liabilities	263,032	—	—	—	40,233	303,265
Loans and overdrafts	521,767	—	—	—	—	521,767
Obligations under finance leases	70,409	—	—	—	—	70,409
Provisions	269,657	—	—	—	—	269,657
	2,819,909	—	—	—	—	2,860,142
NON-CURRENT LIABILITIES						
Loans and overdrafts	588,113	—	—	—	—	588,113
Obligations under finance leases	78,699	—	—	—	—	78,699
	666,812	—	—	—	—	666,812
TOTAL LIABILITIES	3,486,721	—	—	—	—	3,526,954
EQUITY						
Share capital	1,547,726	—	—	—	—	1,547,726
Share premium account	4,756,463	—	—	—	—	4,756,463
Share-based payment reserve	—	67,054	—	—	—	67,054
Other reserves	131,294	—	—	—	—	131,294
Retained earnings	2,450,453	(67,054)	409,994	(4,281)	(29,857)	2,759,255
TOTAL EQUITY	8,885,936	—	—	—	—	9,261,792
TOTAL LIABILITIES AND EQUITY	12,372,657	—	—	—	—	12,788,746

8 TRANSITION TO IFRS CONTINUED

(C) RECONCILIATION OF INCOME STATEMENT FOR THE YEAR ENDED 30 SEPTEMBER 2006

	UK GAAP £	Share-based payment £	Goodwill amortisation £	Intangible assets £	Taxation £	IFRS £
REVENUE	17,781,897	—	—	—	—	17,781,897
Cost of sales	(14,035,107)	—	—	—	—	(14,035,107)
GROSS PROFIT	3,746,790	—	—	—	—	3,746,790
Operating expenses	(2,676,957)	(34,587)	409,994	(4,281)	—	(2,305,831)
OPERATING PROFIT	1,069,833	—	—	—	—	1,440,959
Finance income	12,143	—	—	—	—	12,143
Finance costs	(152,868)	—	—	—	—	(152,868)
PROFIT BEFORE TAX	929,108	—	—	—	—	1,300,234
Tax expense	(259,776)	—	—	—	(29,857)	(289,633)
PROFIT FOR THE PERIOD	669,332	—	—	—	—	1,010,601

(D) IMPACT OF IAS 1 "PRESENTATION OF FINANCIAL STATEMENTS" ON THE CONSOLIDATED BALANCE SHEET AS AT 30 SEPTEMBER 2006

This table highlights the presentational impact of IFRS on the consolidated balance sheet as at 30 September 2006. Assets, liabilities and shareholders' funds are stated under UK GAAP values and format and are mapped from this starting position to the line item classification required under IFRS.

UK GAAP values and format	£	IAS1 Presentational changes £	£	UK GAAP values in IFRS format
FIXED ASSETS				NON-CURRENT ASSETS
Intangible assets	6,741,235	—	6,741,235	Intangible assets
Tangible assets	642,716	—	642,716	Property, plant and equipment
	—	15,863	15,863	Deferred tax recoverable
	7,383,951	15,863	7,399,814	
CURRENT ASSETS				CURRENT ASSETS
Stocks	142,279	—	142,279	Inventories
Debtors	4,543,382	(15,863)	4,527,519	Trade and other receivables
Cash at bank	303,045	—	303,045	Cash and cash equivalents
	4,988,706	(15,863)	4,972,843	

NOTES TO THE INTERIM STATEMENT CONTINUED

for the twelve months ended 30 September 2007

8 TRANSITION TO IFRS CONTINUED**(D) IMPACT OF IAS 1 "PRESENTATION OF FINANCIAL STATEMENTS" ON THE CONSOLIDATED BALANCE SHEET AS AT 30 SEPTEMBER 2006 CONTINUED**

UK GAAP values and format	£	IAS1 Presentational changes £	£	UK GAAP values in IFRS format
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR				CURRENT LIABILITIES
Bank loans and overdrafts	421,767	100,000	521,767	Loans and overdrafts
Other loans	100,000	(100,000)	—	
Trade creditors	135,631	1,559,413	1,695,044	Trade and other payables
Finance lease agreements	70,409	—	70,409	Obligations under finance leases
Corporation tax	263,032	—	263,032	Current tax liabilities
PAYE and other taxes	710,911	(710,911)	—	
Other creditors	736,659	(736,659)	—	
Accruals and deferred income	111,843	(111,843)	—	
	—	269,657	269,657	Provisions
	2,550,252	269,657	2,819,909	
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	666,812	—	666,812	NON-CURRENT LIABILITIES
PROVISIONS FOR LIABILITIES	269,657	(269,657)	—	

UK GAAP values and format	£	IAS1 Presentational changes £	£	UK GAAP values in IFRS format
CAPITAL AND RESERVES				EQUITY
Called-up share capital	1,547,726	—	1,547,726	Share capital
Share premium account	4,756,463	—	4,756,463	Share premium account
Merger reserve	332,732	(201,438)	131,294	Other reserves
Own shares in employee share trust	(201,438)	201,438	—	
Profit and loss account	2,450,453	—	2,450,453	Retained earnings
SHAREHOLDERS' FUNDS	8,885,936	—	8,885,936	TOTAL EQUITY

(E) IMPACT OF IAS 1 "PRESENTATION OF FINANCIAL STATEMENTS" ON THE CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 30 SEPTEMBER 2006

This table highlights the presentational impact of IFRS on the consolidated profit and loss account for the year ended 30 September 2006. Income and expense are stated under UK GAAP values and format and are mapped from this starting position to the line item classification required under IFRS.

UK GAAP values and format	£	IAS1 Presentational changes £	£	UK GAAP values in IFRS format
TURNOVER	17,781,897	—	17,781,897	REVENUE
Cost of sales	(14,035,107)	—	(14,035,107)	Cost of sales
GROSS PROFIT	3,746,790	—	3,746,790	GROSS PROFIT
Operating expenses	(2,676,957)	—	(2,676,957)	Operating expenses
OPERATING PROFIT	1,069,833	—	1,069,833	OPERATING PROFIT
Interest receivable	12,143	—	12,143	Finance income
Interest payable and similar charges	(152,868)	—	(152,868)	Finance charges
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	929,108	—	929,108	PROFIT BEFORE TAX
Tax on profit on ordinary activities	(259,776)	—	(259,776)	Tax expense
PROFIT FOR THE FINANCIAL YEAR	669,332	—	669,332	PROFIT FOR THE PERIOD

INDEPENDENT REVIEW REPORT TO SECTORGUARD PLC

INTRODUCTION

We have been engaged by the group to review the condensed set of financial statements in the report for the twelve months ended 30 September 2007 which comprises a condensed income statement, a condensed balance sheet as at 30 September 2007, a condensed statement of changes in equity, a condensed cash flow statement, comparative figures and associated notes.

We have read the other information contained in the report and considered whether it contains any apparent misstatements or material inconsistencies with the financial information in the condensed set of financial statements.

This report is made solely to the group in accordance with the terms of our engagement to assist the group in meeting the requirements of the AIM Rule 18. Our review has been undertaken so that we might state to the group those matters we are required to state to it in this 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 group for our review work, for this report or for the conclusions we have reached.

DIRECTORS' RESPONSIBILITIES

The report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the report in accordance with AIM Rule 18.

As disclosed in note one, the annual financial statements of the group are prepared in accordance with IFRS as adopted by the European Union. It is the responsibility of the directors to ensure that the condensed set of financial statements included in this report have been prepared on a basis consistent with that which will be adopted in the group's annual financial statements.

OUR RESPONSIBILITY

Our responsibility is to express to the group a conclusion on the condensed set of financial statements in the report based on our review.

SCOPE OF REVIEW

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures.

A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the report for the twelve months ended 30 September 2007 is not prepared, in all material respects, in accordance with the requirements of the AIM rules.

NEXIA SMITH & WILLIAMSON
12 DECEMBER 2007



HEAD OFFICE

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

Tel: 0800 163683
Fax: 01992 701945
Email: enquiries@sectorguard.plc.uk

WORLD WIDE WEB

For further information on SectorGuard
please access our website address:

www.sectorguard.plc.uk