



ANNUAL REPORT AND ACCOUNTS 2004

Building on Success

- Turnover up 10.2% to £14.0 million (2003: £12.8 million)
- Gross profit up 11.5% to £2.7 million (2003: £2.4 million)
- Operating profit before goodwill amortisation up 18.3% to £1.2 million (2003: £1.0 million)
- Net assets up by 15.9% to £4.7 million (2003: £4.0 million)
- Maiden dividend proposed of 0.05p per share
- Successful acquisition of the mobile patrol, keyholding and alarm response business of Abbott Security Services Limited
- Two further acquisitions since the year end
- Further new contracts won within the education, not for profit and local authority sectors, building on last year's success

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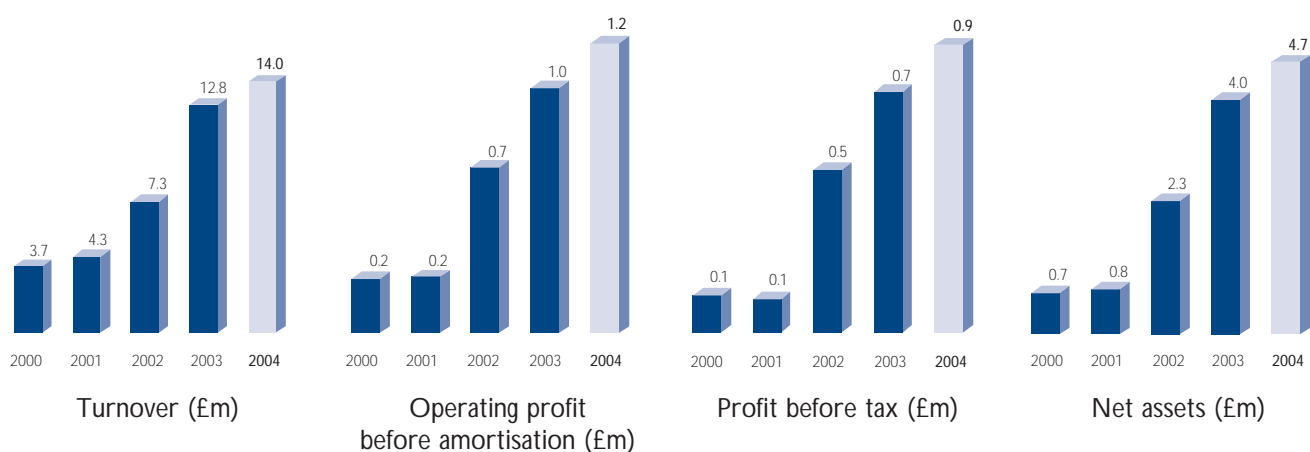
Corporate Statement

SectorGuard is a leading provider of manned guarding solutions tailoring individual security programmes to client requirements using highly trained security personnel.

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 and provides services including static guards, mobile patrols, key holding and alarm response.

Trading Highlights



Chairman's Statement

I am pleased to present the results for the year ended 30 September 2004. It has been another good year for us with significant increases in turnover, profit and net assets. We have continued to grow, both organically and through acquisition, increasing our market penetration in London and the Home Counties where the SectorGuard brand is now widely recognised. We are now concentrating on rolling out the brand regionally with two acquisitions since the year end. Preparations are well under way for licensing under the Private Security Industry Act. This should marginalise the less professional operators and offer major opportunities for established businesses such as SectorGuard.

Financial results

We increased turnover by 10.2% to £14 million (2003: £12.75 million) and as a result of continued attention to margins saw this reflected in an 11.5% increase in gross profit to £2.7 million (2003: £2.4 million). Operating profit before goodwill amortisation increased by 18% to £1.2 million (2003: £1.0 million) and we achieved a profit after taxation of £600,000 for the year (2003: £520,000). Net assets increased by 15.9% to £4.7 million (2003: £4.0 million). Our cash reserves were sufficient to finance two acquisitions last month and are robust enough to sustain future acquisition plans. We feel that having completed six years of sustained growth, with successive years' profits exceeding £1 million contributing to strong cash flow, we are now in a position to commence paying dividends. It is, therefore, with great pleasure that the Board is proposing to pay a maiden dividend of 0.05p per share.

Organic growth

During the year ended 30 September 2004 we strengthened our position as a leading

supplier of security services to the education sector in the South East. New contracts were won with 'blue chip clients' such as Queen Mary, University of London, St George's Hospital Medical School, the College of North West London, the School of Hygiene and Tropical Medicine and the Senate House complex of the University of London.

We were also awarded contracts with a number of commercial enterprises such as Grand Metropolitan Estates, Great Portland Estates, MFI and Gainsborough Business Centres as well as contracts with not for profit organisations such as the Forest YMCA and Banbury Foyer. This sector is one in which SectorGuard has an increasing market share and sees significant potential for growth.

Our organic growth derives from the high levels of service we provide to our clients, and earlier this year we were delighted that SectorGuard was recognised for these high standards by industry professionals, at the Security Excellence Awards, where we were runners up in the Best Guarding Company category.

Acquisitions

We completed the acquisition of the mobile patrol, keyholding and alarm response business of Abbott Security Services Limited, adding significant density to our mobile and keyholding services in the London region. In addition to seeking acquisitions in the South East we are rolling out the SectorGuard brand across the UK and since the year end we have completed the acquisition of two businesses in the Midlands. The first was the manned guarding, mobile patrol, keyholding and alarm response business of Nationwide (GB) Limited which provides security services to clients in the East Midlands and the North East of England.



“For several years SectorGuard has been responsible for the day-to-day running of security on our premises here at Friars House. The security guards on duty at any given time have proven to be responsive, professional and sensitive. We are more than satisfied with SectorGuard’s performance.”

**Julianah Adigun, Centre Manager
London Business Centres**

Chairman's Statement

Acquisitions (continued)

The second acquisition was of the manned guarding, mobile patrol, keyholding and alarm response business of Stourbridge based Choice Security Services Limited. By combining these two businesses with our existing Midlands branch we have been able to form a strong foundation on which to build our regional expansion.

Private Security Industry Act

There has been much coverage in the press of the impact of licensing under the Private Security Act. The initiative is poised to revolutionise the way manned guarding operates. The roll out of licensing commences in January 2005 and all security officers will be required to hold licences by March 2006. Most commentators have focused on the cost implications of licensing for the security providers and ultimately the client. Indeed, there is little doubt that it will add to the industry's costs. We feel, however, that one of the prime benefits will be the further polarisation of the industry between professionally run security companies that adhere to regulations and operators who flout the law. On those grounds alone we welcome the new Act. As the founder of SectorGuard I have attempted to create a business, which is strictly regulated but also gives priority to client service levels. Licensing will make it easier for us to differentiate ourselves from less professionally run businesses – of which, sadly, there are many – and so help us build our market share.

Board changes

Since the year end we have appointed two new directors. James McLeod has been appointed as Operations Director and Robert Weigl as a non-executive director. James joined us following the acquisition of Olympic Security Services in June 2002, where he had been managing director

and for the past year has been associate Director of Operations at SectorGuard. Prior to joining Olympic he had acquired extensive security experience as security manager for both the Co-operative Wholesale Society and Bejam. Robert has been involved in the business to business service sector for his entire career. He has been managing director and chairman of Sira Business Services plc, an AIM listed business services company, and is currently a director of Bridge Human Resources Limited, a recruitment company. Since the year end, Peter Gorty and Gideon Lyons have stepped down as non-executive directors. I would like to wish James, Robert, Peter and Gideon every success in their respective careers and I would like to thank Peter and Gideon for the help they have provided both to me, and the company over the past three years. I would also like to thank all those employees of SectorGuard who have helped us to achieve our sixth successive year of growth.

Current trading

The current year has started well and we are exploring a number of new initiatives, which could lead to further contracts being awarded. We remain confident in our strategy and are focused on exploiting our excellent brand name and reputation to grow the business for the benefit of all stakeholders. I look forward to reporting on our further progress when we publish our interim report.



David Marks
Chairman

“Our business is the manufacture of machines for the Heavy Duty Vehicle market, which we export throughout the world. SectorGuard has provided us with 24 hour 7 days a week security for our premises at Acton and Greenford. We have always found SectorGuard to be a very professional security organisation, providing us with suitable trained personnel for our particular unique security requirements.

We have always found their management and staff responsive to our continuing security requirements without our own staff having to spend valuable time involved in day-to-day security problems. SectorGuard is, no doubt, a fully equipped security organisation always aware of all changes in legislation regarding the security industry, which is important to an organisation such as ours.”

**Mervyn Dolan, Senior Buyer
Prestolite Electric**

Directors' Report

The directors present their report and the accounts for the year ended 30 September 2004.

Activities

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

Review of business

In the opinion of the directors the state of the company's affairs at 30 September 2004 and the future prospects of the company are satisfactory.

Results for the year and dividends

The profit for the year after taxation was £601,302 (2003: £520,321). The directors recommend the payment of a dividend of 0.05p (2003: Nil) per ordinary share payable on 25 February 2005 to ordinary shareholders on the register at the close of business on 4 February 2005.

Directors and their interests

The directors of the company during the year ended 30 September 2004, and their interests in the share capital of the company were:

	30 September 2004			30 September 2003		
	Ordinary shares of 0.5p each	Share options	Warrants	Ordinary shares of 0.5p each	Share options	Warrants
P Gorty (resigned 31 December 2004)	166,667	553,838	33,333	166,667	432,625	33,333
G Lyons (resigned 20 September 2004)	250,000	553,838	50,000	250,000	432,625	50,000
D Marks	36,750,000	2,769,182	5,250,000	36,750,000	2,163,121	5,250,000
R Weigl (appointed 20 September 2004)	Nil	Nil	Nil	Nil	Nil	Nil
J McLeod (appointed 20 September 2004)	670,000	254,192	Nil	670,000	132,979	Nil

Of the ordinary shares and warrants in which D Marks is interested, 7,500,000 ordinary shares (2003: 7,500,000) and 1,500,000 warrants (2003: 1,500,000) 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.

No share options were exercised during the year. Further details of share options can be seen in note 18.

D Marks holds 5,250,000 (2003: 5,250,000) warrants over the share capital of the company. P Gorty holds 33,333 (2003: 33,333) warrants over the share capital of the company. G Lyons holds 50,000 (2003: 50,000) warrants over the share capital of the company.

Each warrant allows the holder to subscribe for one ordinary share at the exercise price of 3p. The warrants may be exercised at any time up to the third anniversary of admission to AIM, which took place on 13 March 2002.

No directors exercised their warrants during the year.

Creditor payment policy

The company does not follow a code or standard on payment practice. Payment terms are normally agreed with individual suppliers at the time of order placement and are honoured, provided that goods and services are supplied in accordance with the contractual conditions. At the year end, the company had creditor days of 40 (2003: 28).

Disabled employees

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

Employee consultations

The company places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and on the various factors affecting the performance of the company. This is achieved through formal and informal meetings. Employee representatives are consulted regularly on a wide range of matters affecting their current and future interests.

Post balance sheet events

On 1 December 2004, SectorGuard plc acquired the business of Nationwide (GB) Limited for an initial consideration of £212,000 with further consideration payable depending on performance.

On 13 December 2004, SectorGuard plc acquired the business of Choice Security Services Limited for an initial consideration of £106,000 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 companies and also take all reasonable steps to ensure compliance with Rule 19 by the company's applicable employees.

The directors intend, in so far as practicable given the company's size and the constitution of the board, to comply with the main provisions of the Combined Code: Principles of Corporate Governance and Code of Best Practice 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 11 January 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.

D Marks
Director

Statement of Directors' Responsibilities in Respect of the Accounts

Company law requires the directors to prepare accounts for each financial year, which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those accounts, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- 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 to enable them to ensure that the accounts comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent Auditors' Report
to the shareholders of SectorGuard plc

We have audited the accounts of SectorGuard plc for the year ended 30 September 2004, which comprise the Profit and Loss Account, the Balance Sheet, the Cash Flow Statement and the related notes 1 to 27. These accounts have been prepared under the historical cost convention and the accounting policies set out therein.

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

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report, and the accounts in accordance with applicable law and United Kingdom Accounting Standards are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the accounts in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the accounts give a true and fair view and whether the accounts have been properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the accounts, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if the information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

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

Basis of audit opinion

We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the accounts are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts.

Opinion

In our opinion the accounts give a true and fair view of the state of the company's affairs as at 30 September 2004 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Nexia Audit Limited

Chartered Accountants
Registered Auditors

No 1 Riding House Street
London W1A 3AS

11 January 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.

Profit and Loss Account

for the year ended 30 September 2004

	Notes	2004 £	2003 £
Turnover	2	14,048,604	12,752,659
Cost of sales		(11,317,173)	(10,303,167)
Gross profit		2,731,431	2,449,492
Administrative expenses before goodwill amortisation		(1,536,328)	(1,438,973)
Operating profit before goodwill amortisation		1,195,103	1,010,519
Goodwill amortisation		(212,256)	(177,260)
Operating profit		982,847	833,259
Interest receivable and similar income		4,949	1,543
Interest payable and similar charges	5	(102,439)	(93,181)
Profit on ordinary activities before taxation	6	885,357	741,621
Tax on profit on ordinary activities	7	(284,055)	(221,300)
Profit on ordinary activities after taxation		601,302	520,321
Equity dividends		(102,878)	—
Retained profit for the financial year	21	498,424	520,321

Earnings per ordinary share

Basic	23	0.30p	0.29p
Basic and diluted	23	0.29p	0.29p
Basic (based on pre amortisation earnings figure)	23	0.38p	0.39p
Diluted (based on pre amortisation earnings figure)	23	0.37p	0.39p

All of the company's operations are classed as continuing. There were no gains or losses in the year other than those included in the above Profit and Loss Account.

Balance Sheet

as at 30 September 2004

	Notes	2004 £	2003 £
Fixed assets			
Intangible assets	8	3,743,955	3,685,695
Tangible assets	9	259,839	231,789
		4,003,794	3,917,484
Current assets			
Debtors	10	3,592,230	2,688,584
Cash at bank and in hand		258,230	835,868
		3,850,460	3,524,452
Creditors: amounts falling due within one year	12	(2,707,143)	(2,508,801)
Net current assets		1,143,317	1,015,651
Total assets less current liabilities		5,147,111	4,933,135
Creditors: amounts falling due after more than one year	13	(395,346)	(694,952)
Provisions for liabilities and charges	16	(60,000)	(191,232)
Net assets		4,691,765	4,046,951
Capital and reserves			
Called up share capital	17	1,028,777	1,002,952
Share premium account	20	2,090,337	1,969,772
Profit and loss account	20	1,572,651	1,074,227
Shareholders' funds	21	4,691,765	4,046,951

The accounts were approved by the board of directors on 11 January 2005 and were signed on its behalf by:



D Marks
Director

Cash Flow Statement

for the year ended 30 September 2004

	Notes	2004 £	2003 £
Net cash inflow from operating activities	19	89,568	1,254,035
Returns on investment and servicing of finance			
Interest received		4,949	1,543
Interest paid		(98,366)	(94,384)
Finance lease interest paid		(4,769)	(2,253)
		(98,186)	(95,094)
Taxation			
Corporation tax paid		(240,836)	(159,025)
Capital expenditure			
Payments to acquire intangible fixed assets		(270,516)	(1,667,384)
Payments to acquire tangible fixed assets		(142,563)	(156,522)
Decrease in provision for liabilities and charges		(131,232)	—
		(544,311)	(1,823,906)
Net cash outflow before financing		(793,765)	(823,990)
Financing			
Issue of ordinary share capital		154,950	1,280,000
Expenses paid in connection with shares issued		(8,560)	(54,462)
Repayment of loans		(437,751)	(318,648)
New long term loans		—	500,000
Bank working capital facility		448,601	—
Capital element of finance lease payments		(42,720)	(41,357)
New finance leases		101,607	53,229
		216,127	1,418,762
(Decrease)/increase in cash in year	19	(577,638)	594,772

Notes to the Accounts

for the year ended 30 September 2004

1. 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.

Pension costs

Contributions to defined contribution schemes are charged to the Profit and Loss Account as they become payable in accordance with the rules of the scheme.

Fixed assets

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

Fixtures and fittings – 20% straight line

Motor vehicles – 25% straight line

Goodwill

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

Deferred taxation

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

Leases

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

Rental costs under operating leases are charged to the Profit and Loss Account on a straight line basis over the lease term.

Share option schemes

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

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

2. Turnover

The following policies are adopted for each of the company's income streams:

Manned guarding and mobile patrol

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

Keyholding and alarm response

Turnover represents a non refundable annual fixed fee charged to the company's clients during the period for the provision of keyholding services and also includes 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 2004

3. Directors' remuneration

	2004 £	2003 £
Aggregate emoluments	163,629	170,502
Company pension contributions to money purchase scheme	12,868	12,974

Retirement benefits are accruing to one director (2003: one) under a money purchase defined contribution scheme.

4. Employee information

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

	2004 Number	2003 Number
Operations – security officers	566	516
Operations – staff	10	16
Selling and distribution	3	2
Administration	16	10
	595	544

Staff costs for the above persons were:

	2004 £	2003 £
Wages and salaries	10,505,500	9,524,652
Social security costs	1,009,194	874,535
Pension costs	17,068	17,179
Other staff costs	220	2,451
	11,531,982	10,418,817

5. Interest payable and similar charges

	2004 £	2003 £
Bank loans and overdrafts	67,142	65,486
Debt factoring charges	31,224	26,293
Finance leases	4,073	1,402
	102,439	93,181

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

	2004 £	2003 £
Depreciation		
– owned assets	56,394	49,052
– assets held under finance leases	58,119	54,185
Amortisation of goodwill	212,256	177,260
Auditors' remuneration		
– audit	16,000	11,000
– for non audit services paid to companies related to the auditors	2,000	6,049
Hire of plant and machinery – operating leases	35,837	21,748
Other operating leases	54,992	84,780

In addition to the remuneration for non audit services paid to companies related to the auditors and charged to profit, £8,300 (2003: Nil) was paid in relation to advice on share options, which was offset against share premium.

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

	2004 £	2003 £
UK corporation tax at 30% (2003: 30%)	292,000	236,779
Under/(over) provision for the year	4,078	(7,975)
Total current tax	296,078	228,804
Deferred taxation credit (note 11)	(12,023)	(7,504)
Tax on profit on ordinary activities	284,055	221,300

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% (2003: 30%). The differences are explained below.

	2004 £	2003 £
Profit on ordinary activities before tax	885,357	741,621
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2003: 30%)	265,607	222,486
Effects of:		
Expenses not deductible for tax purposes	2,172	639
Adjustments to tax charge in respect of previous years	4,078	(7,975)
Marginal relief	(14,266)	(17,904)
Depreciation in excess of capital allowances	12,610	9,125
Other timing differences	25,877	22,433
Current tax charge for year (note 7a)	296,078	228,804

Notes to the Accounts

for the year ended 30 September 2004

8. Intangible fixed assets

	Goodwill £
Cost	
At 1 October 2003	4,081,323
Additions	270,516
At 30 September 2004	4,351,839
Amortisation	
At 1 October 2003	395,628
Charge for the year	212,256
At 30 September 2004	607,884
Net book value	
At 30 September 2004	3,743,955
At 30 September 2003	3,685,695

9. Tangible fixed assets

	Fixtures and fittings £	Motor vehicles £	Total £
Cost			
At 1 October 2003	224,986	302,876	527,862
Additions	38,045	104,518	142,563
Disposals	(20,840)	(47,390)	(68,230)
At 30 September 2004	242,191	360,004	602,195
Depreciation			
At 1 October 2003	130,378	165,695	296,073
Charge for the year	41,725	72,788	114,513
Disposals	(20,840)	(47,390)	(68,230)
At 30 September 2004	151,263	191,093	342,356
Net book value			
At 30 September 2004	90,928	168,911	259,839
At 30 September 2003	94,608	137,181	231,789

The net book value of tangible assets includes an amount of £120,977 (2003: £90,572) in respect of assets held under finance leases.

10. Debtors

	2004 £	2003 £
Trade debtors	2,951,574	1,242,493
Other debtors	134,917	166,816
Deferred tax recoverable (note 11)	17,022	4,999
Prepayments and accrued income	488,717	1,274,276
	3,592,230	2,688,584

Included within other debtors is £75,000 (2003: £120,000) due which is not expected to be paid to the company within one year.

11. Deferred tax recoverable

	Movement in year
At 1 October 2003	4,999
Credit for the year (note 7)	12,023
As at 30 September 2004	17,022

The deferred tax asset relates to decelerated capital allowances.

12. Creditors: amounts falling due within one year

	2004 £	2003 £
Bank loans and overdrafts (note 14)	811,658	460,653
Obligations under finance leases (note 15)	43,093	24,755
Trade creditors	111,491	84,889
Corporation tax	292,000	236,758
Other taxation and social security	695,573	949,206
Other creditors	614,247	727,452
Dividend payable	102,878	—
Accruals	36,203	25,088
	2,707,143	2,508,801

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

	2004 £	2003 £
Bank loans (note 14)	326,727	666,882
Obligations under finance leases (note 15)	68,619	28,070
	395,346	694,952

Notes to the Accounts

for the year ended 30 September 2004

14. Borrowings

	2004 £	2003 £
Falling due within one year		
Bank working capital facility	448,601	—
Treasury loan	363,057	460,653
	811,658	460,653
Falling due after more than one year		
Treasury loan	326,727	666,882
	1,138,385	1,127,535
Repayable as follows:		
In one year or less	811,658	460,653
Between one and two years	196,682	363,057
Between two and five years	130,045	303,825
	1,138,385	1,127,535

The loans, which are repayable in quarterly instalments, redeem between July 2005 and May 2007 and accrue interest at 2.25% above Base Rate. These loans are secured by a fixed and floating charge on the assets of SectorGuard plc and keyman life assurance on the life of David Marks.

15. Finance leases

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

	2004 £	2003 £
In one year or less	43,093	24,755
Between one and two years	68,619	17,692
Between two and five years	—	10,378
	111,712	52,825

16. Provisions for liabilities and charges

	2004 £	2003 £
Deferred consideration on the purchase of contracts	60,000	191,232
Movement in the year:		Deferred consideration £
At 1 October 2003		191,232
Charge for the year		57,090
Consideration paid		(188,322)
At 30 September 2004		60,000

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

17. Called up share capital

	2004 £	2003 £
Authorised		
600,000,000 (2003: 500,000,000) ordinary shares of 0.5p each	3,000,000	2,500,000
Allotted, called up and fully paid		
205,755,476 (2003: 200,590,476) ordinary shares of 0.5p each	1,028,777	1,002,952

On 12 February 2004, 5,000,000 ordinary 0.5p shares were issued, pursuant to the exercise of warrants issued by the company on 13 March 2002.

On 19 February 2004, the company passed an ordinary resolution increasing the authorised share capital by 100 million shares to 600 million shares.

On 20 February 2004 165,000 ordinary 0.5p shares were issued, pursuant to the exercise of warrants issued by the company on 13 March 2002.

18. Warrants and share options

	No. of warrants
Warrants not exercised at 30 September 2003	17,400,000
Warrants exercised during the year	(5,165,000)
Warrants not exercised at 30 September 2004	12,235,000

Each warrant confers upon the holder the right to subscribe in cash for one ordinary share in the company at the subscription price of 3p. The warrants expire on the third anniversary of the company's admission to AIM, which occurred on 13 March 2002.

Options outstanding under the Approved Share Option Scheme as at 30 September 2004

Option price	Date exercisable	Ordinary shares of 0.5p each	
		2004	2003
2.8p	2005 – 2012	756,624	811,660
1.88p	2006 – 2013	2,537,198	2,888,253
4.125p	2007 – 2014	2,017,390	—
		5,311,212	3,699,913

Options outstanding under the Enterprise Management Incentive Scheme as at 30 September 2004

Option price	Date exercisable	Ordinary shares of 0.5p each	
		2004	2003
2.8p	2005 – 2012	833,333	833,333
1.88p	2006 – 2013	1,329,788	1,329,788
4.125p	2007 – 2014	606,061	—
		2,769,182	2,163,121

Notes to the Accounts

for the year ended 30 September 2004

18. Warrants and share options (continued)

Options outstanding under the Unapproved Share Option Scheme as at 30 September 2004

Option price	Date exercisable	Ordinary shares of 0.5p each	
		2004	2003
2.8p	2005 – 2012	333,334	333,334
1.88p	2006 – 2013	531,916	531,916
4.125p	2007 – 2014	242,426	—
		1,107,676	865,250

19. Notes to the cash flow statement**a) Reconciliation of operating profit to net cash inflow from operating activities**

	2004 £	2003 £
Operating profit	982,847	833,259
Depreciation	114,513	103,237
Amortisation	212,256	177,260
Increase in debtors	(891,623)	(485,122)
(Decrease)/increase in creditors	(328,425)	625,401
Net cash inflow from operating activities	89,568	1,254,035

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

	2004 £	2003 £
(Decrease)/increase in cash in the year	(577,638)	594,772
Cash outflow to repay debt	437,751	318,648
Cash inflow from new long term loans	—	(500,000)
Cash inflow from bank working capital facility	(448,601)	—
Capital element of finance leases	42,720	41,357
New finance leases	(101,607)	(53,229)
(Increase)/decrease in net debt	(647,375)	401,548
Net debt at 1 October 2003	(344,492)	(746,040)
Net debt at 30 September 2004	(991,867)	(344,492)

c) Analysis of net debt

	At 1 October 2003 £	Cash flow £	Other non cash flows £	At 30 September 2004 £
Cash at bank	835,868	(577,638)	—	258,230
Debt due within one year	(460,653)	(351,005)	—	(811,658)
Debt due after one year	(666,882)	340,155	—	(326,727)
Finance leases	(52,825)	(58,887)	—	(111,712)
Total net debt	(344,492)	(647,375)	—	(991,867)

20. Reserves

	Share premium account £	Profit and loss account £
As at 1 October 2003	1,969,772	1,074,227
Retained profit for the year	—	498,424
Warrants exercised during the year	129,125	—
Share issue costs	(8,560)	—
As at 30 September 2004	2,090,337	1,572,651

21. Reconciliation of movements in shareholders' funds

	2004 £	2003 £
Profit for the financial year	601,302	520,321
Equity dividend	(102,878)	—
Profit retained for the year	498,424	520,321
Issue of shares in the year	146,390	1,225,538
Net addition to shareholders' funds	644,814	1,745,859
Opening shareholders' funds	4,046,951	2,301,092
Closing shareholders' funds	4,691,765	4,046,951

22. Operating lease commitments

At 30 September 2004, the company had annual commitments under operating leases as follows:

	2004		2003	
	Land and buildings £	Other £	Land and buildings £	Other £
Within one year	8,869	120	Nil	Nil
Within two – five years	Nil	Nil	35,475	402

23. Earnings per share

The earnings per share is based upon a profit of £601,302 (2003: £520,321) and the weighted average number of shares ranking for dividend during the year of 203,760,229 (2003: 176,828,571).

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 209,639,260 (2003: 178,006,561) adjusted for the effects of all dilutive potential shares.

The earnings per share based on earnings before amortisation and impairment of £774,558 (2003: £697,581) which reflects the weighted average number of shares ranking for dividend during the year of 203,760,229 (2003: 176,828,571) is 0.38p (2003: 0.39p).

The fully diluted earnings per share is based upon the profit as disclosed above and the weighted average number of shares ranking for dividend during the year of 209,639,260 (2003: 178,006,561) adjusted for the effects of all dilutive potential shares.

Notes to the Accounts

for the year ended 30 September 2004

24. Financial assets and instruments

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

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 2.2%.

Financial assets at 30 September 2004	Floating rate financial assets £
Currency	
Sterling	258,230
	258,230

b) Interest rate risk – financial liabilities

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

Financial liabilities at 30 September 2004	Floating rate financial assets £	Margin over Base Rate %
Currency		
Bank working capital facility	448,601	1.25
Treasury loans	689,784	2.25
Financial leases	111,712	2.25
	1,250,097	

25. Related party transactions

During the year secretarial and administration services were provided by David Marks & Co Limited at a cost of £18,000 (2003: £18,000). The balance owing at the year end was Nil (2003: £5,067). David Marks is a director and shareholder of David Marks & Co Limited. During the year finance and administration support services were provided to SectorAlarm Limited at a cost of £129,874 (2003: £131,273). At the year end SectorGuard plc was owed £112,081 (2003: £147,250) by SectorAlarm Limited. David Marks is a director and shareholder of SectorAlarm Limited. All transactions are on an arm's length basis.

26. Capital commitments

As at the year end the company had committed to spend £71,539 on motor vehicles (2003: Nil).

27. Post balance sheet events

On 1 December 2004, SectorGuard plc acquired the business of Nationwide (GB) Limited for an initial consideration of £212,000 with further consideration payable depending on performance.

On 13 December 2004, SectorGuard plc acquired the business of Choice Security Services Limited for an initial consideration of £106,000 with further consideration payable depending on performance.

Notice of 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 18 February 2005 at 11am 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 2004.
2. To re-appoint Nexia Audit Limited as auditors and to authorise the directors to fix their remuneration.
3. To declare a dividend of 0.05p per ordinary share.
4. To re-elect James McLeod as a director of the company.
5. To re-elect Robert Weigl as a director of the company.

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

Special business

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



David Marks
Secretary
11 January 2005

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

Notice of Meeting

Notes

1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy or proxies to attend and, on a poll, to vote instead of him/her. A proxy need not be a member of the company.
2. A form of proxy is provided with this notice and instructions for use are shown on the form. To be valid, completed forms must be received at the office of the company's registrars, Capita Registrars of The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU not less than 48 hours before the time fixed for the meeting. Deposit of the form of proxy will not prevent a member from attending the meeting and voting in person.
3. The following documents are available for inspection at the registered office of the company during normal business hours on each weekday (public holidays excluded) and at the place of the Annual General Meeting for 15 minutes prior to and during the meeting:
 - (a) the register of directors' interests (and their families) in shares of the company;
 - (b) copies of directors' service contracts (other than contracts expiring or determinable by the company in less than one year);
 - (c) copy of the company Memorandum and Articles of Association.
4. The company specifies, pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, that only those shareholders registered in the register of members of the company as at 6pm on 16 February 2005 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.

Directors and Advisers

Directors

David Marks
Chairman

James McLeod
Operations Director

Robert Weigl
Non-executive Director

Secretary

David Marks

Registered office

No 1 Riding House Street
London W1A 3AS

Company's registered number

3553625

Bankers

Barclays Bank plc
50 Pall Mall
PO Box 15161
London SW1A 1QA

Auditors

Nexia Audit Limited
Chartered Accountants
No 1 Riding House Street
London W1A 3AS

Accountants and tax advisers

Smith & Williamson Limited
Chartered Accountants
No 1 Riding House Street
London W1A 3AS

Solicitors

Nabarro Nathanson
Lacon House
Theobald's Road
London WC1X 8SA

Nominated advisers

Seymour Pierce Limited
Bucklersbury House
3 Queen Victoria Street
London EC4N 8EL

Brokers

Seymour Pierce Ellis Limited
Talisman House
Jubilee Walk
Three Bridges
Crawley, West Sussex RH10 1LQ

Registrars

Capita Registrars
The Registry
34 Beckenham Road
Beckenham, Kent BR3 4TU

Public relations consultants

St Brides Media & Finance Limited
46 Bedford Row
London WC1R 4LR



Head office

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

Tel: 01279 724777

Fax: 01279 722899

Email: enquiries@sectorguard.plc.uk

World wide web

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

www.sectorguard.plc.uk