This Admission Document was prepared solely in connection with the admission of the Company's shares to trading on AIM on 3 March 1997. It has not been updated or reviewed since that date and as such neither the Company, its officers or advisers give any warranty or representation as to the accuracy or completeness of any information or opinions contained in the Admission Document.

The Admission Document was issued on 18 February 1997 as a prospectus drawn up in accordance with the requirements of the Public Offers of Securities Regulations 1995. However it does not constitute an approved prospectus (within the meaning of section 85 of the Financial Services and Markets Act 2000) and therefore no offer, solicitation or invitation is made to the public to subscribe for or to acquire any shares in the Company by the disclosure of this document on the Company's website.

The Admission Document must not be mailed or otherwise distributed or sent to or into the United States, Australia, Canada, the Republic of Ireland, the Republic of South Africa or Japan. The Admission Document does not constitute an offer to sell or to subscribe for, or the solicitation of an offer to buy or to subscribe for, ordinary shares in any jurisdiction in which such an offer or solicitation is unlawful.

THIS DOCUMENT IS IMPORTANT. If you are in any doubt about the contents of this document you should consult your stockbroker, solicitor, accountant, bank manager or other professional adviser authorised under the Financial Services Act 1986 who specialises in advising on the acquisition of shares and other securities.

A copy of this document, which has been drawn up in accordance with the Public Offers of Securities Regulations 1995, has been delivered to the Registrar of Companies for England and Wales for registration in accordance with Regulation 4(2) of those Regulations. The Directors, whose names appear on page 4 of this document, and the Vendors, whose names appear on page 3 of this document, accept responsibility for the information contained in this document. To the best of the knowledge and belief of the Directors and the Vendors (who have taken all reasonable care to ensure that such is the case) the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

Application will be made for the Ordinary Shares (including the Placing Shares) to be admitted to trading on the Alternative Investment Market of the London Stock Exchange ("AIM"). AIM is a market designed primarily for emerging or smaller companies to which a higher investment risk than that associated with established companies tends to be attached. A prospective investor should be aware of the potential risks in investing in such companies and should make the decision to invest only after careful consideration and consultation with his or her own independent financial adviser.

The rules of AIM are less demanding that those of the Official List. It is emphasized that no application is being made for admission of these securities to the Official List. Further, the London Stock Exchange has not itself approved the contents of this document.

The whole text of this document should be read and in particular your attention is drawn to the section headed "RISK FACTORS" on page 12.

SCREEN PLC

(incorporated in England and Wales under the Companies Act 1985 with Registered No. 2990100)

PLACING

of

60,500,000 Ordinary Shares of 0.1 pence each
at a price of 3 pence per share

and

APPLICATION FOR ADMISSION TO TRADING ON THE ALTERNATIVE INVESTMENT MARKET

by

ELLIS & PARTNERS LIMITED

as Nominated Broker

and

SMITH & WILLIAMSON

as Nominated Adviser

Share Capital following the Placing

Authorised		*Issued and Fully Paid*	
Number	*Amount*	*Number*	*Amount*
285,000,000	£285,000	192,386,501	192,387

The Ordinary Shares now being placed will rank pari passu in all respects with the existing Ordinary Shares and will rank in full for all dividends and other distributions hereafter declared, paid or made in respect of the Ordinary Share capital of the Company. It is expected that dealings in Ordinary Shares will commence on AIM on 3 March 1997.

Smith & Williamson, which is regulated by The Securities and Futures Authority Limited, is the Company's Nominated Adviser for the purpose of the AIM Rules. Its responsibilities as the Company's Nominated Adviser under the AIM Rules are owed solely to the London Stock Exchange and are not owed to the Company or to any Director or to any other person in respect of his decision to acquire Ordinary Shares in reliance on any part of this document. No representation or warranty, express or implied, is made by Smith & Williamson as to any of the contents of this document (without limiting the statutory rights of any person to whom this document is issued).

Ellis & Partners Limited is regulated by The Securities and Futures Authority Limited. Persons receiving this document should note that, in connection with matters described in this document, Ellis & Partners Limited is acting for the Company and no one else and will not be responsible to any other person for providing the protections afforded to customers of Ellis & Partners Limited nor for providing advice in relation to the contents of this document or any matters referred to herein.

Contents

Definitions

"Act"	the Companies Act 1985, as amended
"Admission"	the admission of all the Ordinary Shares, including the Placing Shares, to trading on AIM becoming effective
"AIM"	the Alternative Investment Market of the London Stock Exchange
"AIM Rules"	the AIM Admission Rules contained in Chapter 16 of the Rules of the London Stock Exchange, as amended
"CCTV"	Closed Circuit Television
"the Company"	Screen PLC
"Directors" or "the Board"	the directors of the Company whose names appear on page 4
"Ellis & Partners"	Ellis & Partners Limited, Nominated Broker to the Company
"the Group"	the Company and its subsidiaries
"Karline"	Karline Security Systems Plc, a wholly owned subsidiary of the Company, and/or its business
"London Stock Exchange"	London Stock Exchange Limited
"Ordinary Shares"	ordinary shares of 0.1p each in the Company
"Petards"	Petards International Limited, a wholly owned subsidiary of the Company, and/or its business
"Placing"	the placing of 31,666,667 Placing Shares by Ellis & Partners and the subscription for, in aggregate, 28,833,333 Placing Shares by the Trustees of the Procord Limited Employee Trust, John Forrest, Terence Roffey and AIM Distribution Trust Plc as described in this document
"Placing Agreement"	the placing agreement between, *inter alia*, the Company and Ellis & Partners summarised in paragraph 16 of Part IV of this document
"Placing Price"	3 pence per Placing Share
"Placing Shares"	the 60,500,000 Ordinary Shares which are the subject of the Placing
"Preference Shares"	214,609 preference shares of £1 each in Petards held by 3i Group plc
"Screen Security"	Screen Security Limited, a wholly owned subsidiary of the Company, and/or its business
"Vendors"	Gearcell Plc, a company controlled by Mr and Mrs Owen Williams, whose registered office is at 78 Dean Street, London W1V 6BE, and the trustees of the Gearcell Retirement Benefits Scheme, who include Mr and Mrs Owen Williams, of Stubbings Gate, Burchetts Green Lane, Burchetts Green, Maidenhead, Berkshire SL6 3QP

Directors, Secretary and Advisers

Directors:	Owen Williams, *Chairman and Chief Executive* Terence Norman Roffey, *Executive Director* Michael Jeremy Williams, *Executive Director* John Richard Forrest, *Non-executive Director* John James Jack, *Non-executive Director* Christopher Winston Smith, *Non-executive Director* *all of:* Stubbings Barn Burchetts Green Lane Burchetts Green Maidenhead Berkshire SL6 3QP
Company Secretary:	Christopher Martin Williams
Registered Office:	Stubbings Barn Burchetts Green Lane Burchetts Green Maidenhead Berkshire SL6 3QP
Nominated Adviser:	Smith & Williamson No. 1 Riding House Street London W1A 3AS
Nominated Broker:	Ellis & Partners Limited Talisman House 16 The Courtyard East Park Crawley RH10 6AS
Solicitors to Admission:	Nabarro Nathanson 50 Stratton Street London W1X 6NX
Solicitors to the Company:	Cole & Cole Buxton Court 3 West Way Oxford OX2 0SZ
Auditors and Reporting Accountants:	Grant Thornton Chartered Accountants 1 Westminster Way Oxford OX2 0PZ
Registrars:	Independent Registrars Group Limited Balfour House 390/398 High Road Ilford Essex IG1 1NG

Key Information

The following information should be read in conjunction with the full text of this document from which it is derived.

- The Company is engaged in the design and provision of a range of electronic security products and systems to central and local government and commercial customers principally in the United Kingdom, through its subsidiaries Karline, Petards and Screen Security.
- Karline designs, installs and commissions a range of electronic security systems and products.
- Petards designs and sells a range of products, known under the registered brand name COBYT® (Control By Touch), for use in CCTV surveillance and alarm monitoring systems. Petards' system incorporates proprietary software and other interactive features which provide the operator of the system with an easy to follow set of procedures. The Directors consider that these aspects of Petards' system provide it with important competitive advantages.
- Screen Security has under development a technologically advanced mass market security product which it is anticipated will provide the Group with significant potential for growth.
- Considerable synergies exist between the activities of Karline, Petards and Screen Security which the Directors believe will result in increased sales.
- The Group has an existing customer base of installed systems which provides a market for the sale of new and additional equipment and services.
- The Group has an existing management team experienced in introducing technology products and related services to the electronic security industry.
- Approximately 31.45 per cent of the Company's enlarged issued share capital is being placed to raise £1.815 million before expenses. Of the total gross proceeds of the Placing £250,000 is being raised for the Vendors through the placing of existing Ordinary Shares.
- The net proceeds of the Placing receivable by the Company, which are estimated to amount to approximately £1.315 million, will be used to purchase the Preference Shares, to reduce the Group's borrowings and to provide working capital for the expansion and development of the Group.
- If the Group had been in existence in its present form, it would have had a combined turnover of £2.47 million for the year ended 31 December 1996 (1995: £1.78 million) and a combined pre-tax profit of approximately £389,000 (1995: £70,000).

Placing Statistics

Placing Price	3 pence
Pro forma earnings per share*	0.242 pence
Pro forma earnings multiple at the Placing Price*	12.40
Market capitalisation at the Placing Price	£5.772 million
Number of Ordinary Shares in issue immediately following the Placing	192,386,501
Number of Ordinary Shares subject to the Placing	60,500,000
Proceeds of the Placing receivable by the Company (net of estimated expenses)	£1.315 million
Proceeds of the Placing receivable by the Vendors	£250,000

*This is based on combined profit on ordinary activities after taxation, as indicated in Part III of this document, for the year ended 31 December 1996 and the number of shares in issue prior to the Placing, being 140,219,834.

Part I: Information on the Group

INTRODUCTION

The Company is a holding company which has three operating subsidiaries: Petards, Karline and Screen Security. The Group is engaged in the design and provision of a range of electronic security systems to central and local government and commercial customers principally in the United Kingdom. Screen Security has under development a technologically advanced mass market product which it is anticipated will provide the Group with significant potential for growth.

The electronic security systems market in the United Kingdom has grown considerably in the last five years and was forecast to be valued at £1.9 billion in 1996 (source: Market and Business Development Limited). If the Group had been in existence in its present form, it would have had a combined turnover of £2.47 million and a combined pre-tax profit of £389,000 for the year ended 31 December 1996. The comparable results for the year ended 31 December 1995 were £1.78 million and £70,000 respectively.

The Group has a management team experienced in introducing technology products and related services to the electronic security industry. The Directors believe that there is long term potential for the Group through the expansion of its operations by organic growth and acquisition.

The Directors recognise the need to provide the Group with a strong capital base from which future growth can be financed and are themselves subscribing for approximately £315,000 pursuant to the Placing, with a trust, of which Mr Jack, a Director, is a potential beneficiary, converting £250,000 of existing loan stock into Ordinary Shares at the Placing Price. Of the total gross proceeds of the Placing, £250,000 is being raised for the Vendors through the placing of existing Ordinary Shares. Approximately £1.315 million (after expenses) is being raised for the Company through the Placing. The proceeds of the Placing will be used to purchase the Preference Shares, to reduce the Group's borrowings and to provide working capital for the expansion and development of the Group. The Directors believe that a trading facility on AIM will also raise the profile of the Group, enhance its reputation with its customers and suppliers and assist the Directors in their plans for the expansion of the Group's business.

BUSINESS

Karline installs integrated security systems, Petards supplies the security industry with computer based command and control systems and Screen Security has under development security systems and services for residential and small commercial properties. Technological and marketing synergies exist between these businesses which are exploited for the benefit of the Group.

The present Group structure is detailed in Part IV of this document.

Karline

Karline, which was formed in October 1988, designs, installs and commissions a range of electronic security systems and products for customers in the United Kingdom. It also has service and maintenance contracts with its customers which are renewable on an annual basis. Its customers include central and local government and major retailers.

Karline has an experienced technical sales force and has over 300 customers throughout the United Kingdom. Its typical installation contract has a value of approximately £80,000.

Karline's workshop facilities enable it to carry out pre-assembly and testing of systems prior to installation. The workshop also provides a repair facility. A typical Karline project includes an installation site survey and system design in consultation with the customer. The design may incorporate a variety of products such as access control, perimeter detection devices and CCTV which may be linked together in a coherent network using fibre optic communications.

Karline had a turnover of £1.693 million and a pre-tax profit of £151,000 for the year ended 31 December 1996.

Petards

Petards was formed in 1992 as a start-up business to take advantage of opportunities available in the United Kingdom and the European electronic security markets. In October 1993, 3i Group plc provided development capital to Petards and became a minority shareholder.

Petards designs and sells a range of products, known under the registered brand name COBYT® (Control By Touch), for use in CCTV surveillance and alarm monitoring systems. These products are used by local authorities and police authorities in town and city centre surveillance schemes, and by other organisations such as hospitals, prisons and other large corporations.

COBYT® is an integrated, computerised command and control system incorporating graphic display and control facilities. The system comprises proprietary software, developed by the company, which interfaces with associated hardware used by Petards' customers. Many of Petards' customers require tailored solutions which are provided by interfacing Petards' systems with a variety of security devices such as CCTV, fire alarms and access control systems. Petards' in-house technical skills encompass software development, electronics, hardware design and data and video communications. Petards also provides related value-added services including commissioning, training, and on-going support.

Contract values for a typical town or city centre project range from £15,000 to over £100,000. The nature of the schemes in which the COBYT® system is employed, combined with the close working relationships Petards establishes with its users, often results in substantial follow-on business.

Petards introduced COBYT®, its touchscreen system for CCTV applications in the United Kingdom in 1992. A number of other companies operate in the field but Petards remains an established supplier of this type of product. Petards' system incorporates proprietary software and other interactive features which provide the operator of the system with an easy to follow set of procedures. The Directors consider that these aspects of Petards' system provide it with important competitive advantages.

Petards' strategy is to increase its share of the existing market sectors it serves, and to gain a presence in certain other specific application areas within industries which the Directors expect will have a long term requirement for its products. These include airports, hospitals, educational establishments, museums and exhibition centres.

Petards had a turnover of £836,000 and a pre-tax profit of £242,000 for the year ended 31 December 1996.

Screen Security

Screen Security's business commenced in 1994 as a start-up to develop a technologically advanced mass market security product.

Screen Security's system is being designed to replace conventional residential and commercial alarm systems and to provide more effective methods of detection and monitoring. It will typically comprise a control panel and several alarm sensors. Each sensor will contain a black and white or colour video camera which will have the capability to operate at low light levels, audio capability, infra-red motion detectors and a video motion detector. Signals from the sensors will be passed to and managed by the control unit which will compress the signals digitally for transmission to a remote monitoring station. Components for the Screen Security system will be obtained from third parties with whom supply arrangements are being established.

In 1995 intruder alarms generated 1.1 million calls to the police of which some 92 per cent were false. A system generating 7 false calls in a 12 month period will have police response withdrawn (source: ACPO Intruder Alarm Policy 1995). Many existing intruder detection systems installed for small businesses and residential users have the following limitations:

— they do not allow visual identification of the cause of the alarm;

— they provide only movement detection; and

— they do not facilitate the remote inspection of a protected property.

The Directors believe that Screen Security's system will overcome these limitations because it will incorporate sensor, communication and compression technologies and will operate in conjunction with Petards' command and control system. In 1996 there were estimated to be 2.3 million security systems installed in the United Kingdom (source: Market and Business Development Limited). The Directors believe that the many of these users could benefit from the installation of a Screen Security system.

The company has entered into an arrangement with an insurance company under which Screen Security's system will be marketed by them to high net worth individuals as well as commercial organisations and under which it is anticipated that a substantial part of Screen Security's output will be taken up.

MARKETS AND COMPETITION

The electronic security systems market in the United Kingdom has grown in the last five years. The market in 1996 was forecast to be valued at £1.9 billion (source: Market and Business Development Limited) which represented a growth of 59 per cent since 1992. Forecast growths for 1997 and 1998 are 11 per cent and 9 per cent respectively (source: Market and Business Development Limited). Principal reasons stated for the forecast growth include increased reported criminal activity, the requirements of insurance companies and the influence of police authorities. The market is segmented as follows:

Intruder Alarms

The United Kingdom market for intruder alarms was forecast to be valued at £910 million in 1996 representing approximately 48 per cent of the total market. The intruder alarm market is forecast to continue to grow.

CCTV

The market in the United Kingdom for CCTV was forecast to be valued at £475 million in 1996. The Directors believe that this segment offers significant potential for growth by its application in the intruder alarm segment which the Directors consider is fuelled by a perception in the commercial and publicly funded markets that CCTV technology is a cost-effective solution to a growing problem. This segment was forecast to represent approximately 25 per cent of the total market in 1996.

Access Control

The market in the United Kingdom for access control was forecast to be valued at £250 million in 1996. Access control is a means of controlling access in, out of and around buildings, aimed at reducing the threat from terrorism, theft and industrial espionage. This segment was forecast to represent approximately 13 per cent of the total market in 1996.

Integrated Systems

The market in the United Kingdom for integrated systems segment was forecast to be valued at £220 million in 1996. An integrated system is generally a combination of intruder alarms, CCTV and access control integrated into one overall system. This segment was forecast to account for approximately 12 per cent of the total market in 1996.

Central Monitoring Station

This is a growing segment of the security systems market due to reduced monitoring costs, new technology, and the risk of withdrawal of police response to conventional alarm systems. This segment was forecast to represent approximately 2 per cent of the total market in 1996.

The Group currently has a presence in each of the above segments of the market.

Karline's market is fragmented with a few substantial companies and a larger number of smaller companies. Competition for Petards' system arises from three areas: multinational companies which have their own products; companies which produce lower cost, non-touchscreen products; and a number of independent companies. The Directors are not aware of any company which offers all the features, functions and services which Screen Security's system plans to provide. However, they anticipate that competition for Screen Security's system will emerge from providers of access control systems and domestic alarm manufacturers or installers in due course.

FINANCIAL INFORMATION

The combined trading record of the Group, which has been extracted from the Pro Forma Financial Information set out in Part III of this document, is summarised below:

	Years ended 31 December		
	1994	*1995*	*1996*
	£'000	*£'000*	*£'000*
Turnover	1,360	1,782	2,472
Gross profit	467	767	1,119
Operating (loss)/profit	(215)	106	420
(Loss)/profit before tax	(240)	70	389

The year ended 31 December 1996 represented one of significant and satisfactory progress for both Karline and Petards, the two trading operations, as well as Screen Security.

Karline's turnover grew by 45 per cent over the previous twelve months resulting from its success in gaining larger security installation contracts and continuing focus on project management and margin improvement. During the year Karline gained its first major local authority CCTV contract and carried out the preparatory steps for ISO 9002, the quality accreditation.

Petards' turnover grew by 35 per cent over the previous year. Acceptance of Petards' command and control products increased resulting in additional sales into the local authority and police CCTV markets as well as HM Prison Service and commercial organisations. Petards, in particular, experienced a significant increase in its gross margins. The sales order book is strong.

Investment in the development of Screen Security's system continued satisfactorily. The system is developing to schedule and pre-marketing arrangements are being put in place.

FUTURE PROSPECTS

The Directors believe that, following the Placing, the Group will be in a strong position to pursue its development plans. The Directors consider that Europe, North America, South Africa and the Far East represent markets with potential for the Company's products and services. Petards' COBYT® system, for example, has already been sold for use in projects in Holland and Algeria.

The Directors expect that both Petards and Karline will achieve significant growth during the current financial year. The Company has a programme for further developing Screen Security's system to incorporate other technologies. Screen Security's system is expected to provide the Group with significant potential for organic growth over the medium term.

The Directors are aware of a number of opportunities, in what they consider to be a fragmented market, where companies offering complementary skills, products and/or geographic coverage could be acquired. It is the Directors' intention to pursue suitable acquisition targets in due course.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Directors

Owen Williams, *Chairman and Chief Executive*

Owen Williams, aged 60, joined IBM (UK) Limited in 1960 and was later appointed a director with responsibility for marketing in the UK and Europe. He served on Paris based OECD standard committees and earned the distinction of developing for IBM a message switching system which was later adopted as a standard by IBM and marketed worldwide. In 1987 Mr Williams left IBM to chair MBS Plc, a computer company which was listed on the London Stock Exchange. He left MBS Plc to pursue his other business interests when it was taken over in January 1991.

Terence Roffey, *Executive Director*
Terence Roffey, aged 40, trained and qualified as an installation engineer with Brocks Alarms Limited between 1972 and 1978 and joined Crusader Alarms Limited as a supervisor in 1978. In 1980 he joined Ambassador Security Group plc as a director and became its managing director in 1988. Ambassador Security Group plc joined the Official List in October 1990 and was acquired by East Midlands Electricity plc in July 1991. He left Ambassador Security Group plc in August 1995 to pursue his own commercial interests following the sale of the company to Secom plc. He joined the Company as a Director in January 1997 with responsibility for managing and developing the Group's service businesses.

Michael Williams, *Executive Director*
Michael Williams, aged 33, trained as a computer programmer after leaving school. In 1984 he joined IBM (UK) Limited as a customer support executive and held various positions with IBM (UK) in sales and marketing functions, dealing mainly with local government accounts. In 1991 he left IBM (UK) to join Sennen Computers Plc, a company specialising in the provision of application software to the hospitality industry, as its managing director. In 1993 Sennen Computers Plc was acquired by LK Global Limited and he joined Petards as a director. Michael Williams became Managing Director of Petards in October 1995. He is responsible for managing and developing the Group's products businesses. He is Owen Williams' son.

John Forrest, *Non-executive Director*
John Forrest, aged 53, was until 1996 chief executive and then deputy chairman of NTL Group Ltd which was formerly the engineering arm of the Independent Broadcasting Authority. He is Chairman of the Brewton Group Limited, a group of companies engaged in the supply, installation and rental of computer workstations, videoconference systems, and audio-visual presentation services; he is also a non-executive director of several companies in the information technology sector. He is a member of the UK Advisory Board of Stanford Research International. He is also Honorary Secretary of the Royal Academy of Engineering and acts as a consultant to the European Commission on Information Technology. Within the International Digital Video Broadcasting Project, which has set the technical standards for digital television broadcasting, he has been responsible for the aspects related to satellite and cable services.

John Jack, *Non-executive Director*
John Jack, aged 51, joined IBM (UK) Limited as a financial analyst in 1968. He was appointed Property Director for IBM (UK) Limited in 1984. In 1991, he led the management buyout of IBM (UK) Limited's property management division and is currently Chairman of this business. He is a Council member of the British Institute of Facility Management where he chairs the Measurement Steering Group, and a UK Board member of NACORE (International Association of Corporate Real Estate Executives) and a Fellow of the RSA (Royal Society for the encouragement of Arts, Manufactures & Commerce).

Christopher Smith, *Non-executive Director*
Christopher Smith, aged 52, is a chartered accountant and has been a non-executive director of Petards since 1993. After qualifying in 1967 he worked for Coopers & Lybrand. He set up his own consultancy in 1972 specialising in advising small and medium size companies. He has extensive commercial experience and is a board member of a number of other companies where he generally represents the interests of institutional providers of private equity.

Senior Management

Christopher Williams, *Financial Controller*
Christopher Williams, aged 35, trained and worked as a chartered accountant with Arthur Andersen between 1983 and 1988, qualifying in 1986. In 1988 he became managing director of Glencoe Outdoor Centre, a quasi-charitable organisation providing opportunities for disadvantaged young people. He established his own accountancy practice in October 1996 and assumed the role of financial controller for the Group in January 1997. He is Owen Williams' son.

David Cox, *Managing Director of Karline*
David Cox, aged 42, is the founder of Karline which he sold in 1995. Mr Cox has over fifteen years of experience in the security industry. He trained as an electronic engineer and has been primarily responsible for the growth and success of Karline where he has introduced innovative design solutions together with quality and project control disciplines.

Peter Morris, *Technical Director of Petards*
Peter Morris, aged 42, has a background in telecommunications, electronics and software development. In 1972, he joined Australian Telecommunications' telephone exchanges maintenance division. He moved to the United Kingdom and joined GEC Marconi in 1976 where he was a development engineer for the Battle Tank Gun Control System project. He subsequently joined the Contents Measuring division of Smiths Industries plc, becoming the senior manager for design, engineering and software. In 1988 he left Smiths Industries plc to form Falmor Design Solutions, a design partnership specialising in realtime control systems. A founder director of Petards, he is primarily responsible for the development of Petards' product range.

Stanley Fallon, *Production Director of Petards*
Stanley Fallon, aged 49, is an engineer who previously specialised in the design and development of high-integrity, high-reliability measurement and control systems for, amongst others, nuclear power stations and hazardous storage plants. Following many years of experience with Foster Transformers Limited and Smiths Industries plc, he set up Falmor Design Solutions with Peter Morris in 1988. In 1992 he joined Petards as a director and is currently responsible for Petard's hardware design and production activities.

David Oliver, *Sales Director of Petards*
David Oliver, aged 29, gained his early training in the computer industry as a mainframe computer engineer with IBM. In 1992 he left IBM to join Petards as Technical Sales Manager for its computer-based security control products. In October 1994 he was promoted to Sales Director and joined the board of directors of Petards. He has been primarily responsible for establishing Petards' products within the marketplace.

Ian Taylor, *Operations Manager of Karline*
Ian Taylor, aged 33, trained as an electrical and electronics engineer at Aylesbury College and served an apprenticeship at Royal Ordnance Plc where he gained experience in the calibration and maintenance of rocket motor technology. He joined Karline in 1990 and was appointed Operations Manager in January 1995. He has responsibility for managing Karline's installation and maintenance engineers.

Employees

As at 31 December 1996, Karline, Petards and Screen Security had 27 employees in aggregate.

Share Options and Warrants

The Directors believe that the commitment of employees to the continued success of the Group will be enhanced by increased employee share ownership, thereby enabling the staff to participate in the Company's future growth. An unapproved share option scheme, details of which are set out in Part IV of this document, has been adopted. Terence Roffey, Michael Williams and David Oliver have been granted options, under the share option scheme, over 13,469,480 Ordinary Shares in aggregate (representing 7.00 per cent of the issued share capital of the Company following the Placing), conditional upon Admission. Christopher Smith has been granted an option over 3,505,494 Ordinary Shares (representing 1.82 per cent of the issued share capital of the Company following the Placing). The Trustees of the Procord Limited Employee Trust, in which John Jack is a potential beneficiary, have been issued with warrants over 2,236,250 Ordinary Shares (representing 1.16 per cent of the issued share capital of the Company following the Placing). Further details of these arrangements are set out in Part IV of this document.

TERMS OF THE PLACING

A total of 60,500,000 Ordinary Shares are being placed, conditional, *inter alia*, on Admission, representing approximately 31.45 per cent of the Company's enlarged issued share capital following the Placing.

Ellis & Partners has agreed to place 31,666,667 Ordinary Shares, of which 8,333,333 Ordinary Shares are being placed on behalf of the Vendors, failing which it will itself subscribe for or purchase (as the case may be) such Ordinary Shares at the Placing Price. Further details regarding the Placing Agreement are set out in paragraph 16 of Part IV of this document.

Messrs Roffey and Forrest, who are Directors, and AIM Distribution Trust Plc have agreed to subscribe for, in aggregate, 20,500,000 Ordinary Shares at the Placing Price conditional on Admission. The trustees of the Procord Limited Employee Trust, of which Mr Jack, a Director, is a potential beneficiary, have agreed to convert, conditional on Admission, existing loan stock in the Company with a redemption value of £250,000 into 8,333,333 Ordinary Shares at the Placing Price. Further details of these arrangements are also set out in paragraph 16 of Part IV of this document.

It is expected that definitive title to the Placing Shares will be delivered either under CREST on 3 March 1997 where delivery is requested in uncertificated form, or by first class post by no later than 10 March 1997 where delivery is requested in certificated form.

All Directors and senior managers, as well as the trustees of the Procord Limited Employee Trust, have undertaken not to dispose of any Ordinary Shares in which they are interested (representing 71.78 per cent of the Ordinary Shares in issue immediately following the Placing) for a period of one year following Admission, save in certain specified circumstances.

RISK FACTORS

The Directors consider the following risk factors to be most relevant in considering an investment in the Company:

- The success of the Group has been, and will to a significant extent continue to be, dependent on the expertise and experience of some of the Directors and senior management.
- The markets in which the Group operates are highly competitive. The Group's competitors may in the future have greater financial, technical, marketing, sales and customer support services. These factors could adversely affect the Group's sales and margins in the future.
- The Group derives a significant proportion of its revenues from publicly funded schemes. Any future change in Government funding policy for such schemes may affect the Group's revenues.
- The Directors anticipate significant growth arising from the success of Screen Security's product which has not so far been marketed.
- The value of the Ordinary Shares may go down as well as up, and investors may therefore not get back their original investment.
- The Ordinary Shares will not be listed on the Official List of the London Stock Exchange and, although the Company's securities are to be traded on AIM, AIM is a new market designed primarily for emerging or smaller companies and its future success cannot be guaranteed. It is not clear how liquid trading on AIM will be and the Ordinary Shares may be, or become, illiquid.

The investment opportunity offered in this document may not be suitable for all recipients of this document. Investors are therefore strongly recommended to consult an investment adviser authorised under the Financial Services Act 1986 who specialises in investments of this kind before making their decision to invest.

CORPORATE GOVERNANCE

The Company holds monthly board meetings at which operating and financial reports are considered. The Board is responsible for formulating, reviewing and approving the Company's strategy, budgets, major items of capital expenditure, acquisitions and senior personnel appointments.

An Audit Committee has been established and consists of the three non-executive directors, the financial controller and the Chairman of the Company as Chairman of the Committee. It will meet at least twice each year and will be responsible for ensuring that the financial performance of the Group is properly reported on and monitored, and for meeting the auditors and reviewing the reports from the auditors relating to accounts and internal control systems.

A Remuneration Committee has been established and consists of the three non-executive directors and the Chairman of the Company as Chairman of the Committee. It will review the performance of executive directors and set the scale and structure of their remuneration having due regard to the interests of shareholders. The Remuneration Committee also recommends the allocation of share options to Directors and other employees.

DIVIDEND POLICY

The Directors plan to pursue a progressive dividend policy, subject to the need to retain earnings for the future growth of the Group's business. It is not the intention of the Directors to recommend the payment of a final dividend in respect of the year ended 31 December 1996. However, dependent on the Group's financial performance, it is the Directors' current intention to recommend the payment of a final dividend in respect of the year ending 31 December 1997. The Directors plan thereafter to recommend the payment of dividends (if appropriate) in or about May following the publication of the Company's report and financial statements for each financial year.

Grant Thornton
1 Westminster Way
Oxford
OX2 0PZ

The Directors
Screen PLC
Stubbings Barn
Burchetts Green Lane
Burchetts Green
Maidenhead SL6 3QP

The Partners
Smith & Williamson
No 1 Riding House Street
London W1A 3AS

18 February 1997

Dear Sirs

1. INTRODUCTION

1.1 We refer to the application for admission to trading on the Alternative Investment Market of the London Stock Exchange ("AIM") of the Ordinary Shares of Screen PLC ("Screen"). Screen was incorporated on 14 November 1994 and became a public limited company on 7 February 1997.

1.2 Screen is the parent company of Karline Security Systems PLC ("Karline"). On 10 January 1997 it acquired the remaining 40 per cent of the issued share capital of that company by means of a share for share exchange.

1.3 Screen became the parent company of Petards International Limited ("Petards") on 13 January 1997 when it acquired the entire issued ordinary share capital of that company by means of a share for share exchange.

1.4 Screen Security Limited ("Screen Security") was incorporated on 7 February 1997 and the business of Screen was transferred to it on 14 February 1997. Screen Security is wholly owned by Screen.

1.5 As a result of these acquisitions Screen became the holding company of the group ("the Group") comprising Screen, Petards, Karline and Screen Security. The Group carries out business in security systems.

1.6 We have examined the unaudited statutory accounts for the period from incorporation on 14 November 1994 to 30 November 1995 and the audited statutory accounts for the thirteen month period ended 31 December 1996 of Screen.

1.7 We have examined the audited statutory accounts for the year ended 31 October 1994, the fourteen months ended 31 December 1995 and the year ended 31 December 1996 of Karline.

1.8 We have also examined the audited statutory accounts for the three years ended 31 December 1996 of Petards.

1.9 The statutory accounts of Karline for the year ended 31 October 1994 and the fourteen months ended 31 December 1995 were audited by Seymour Taylor, Chartered Accountants, of 57 London Road, High Wycombe, Buckinghamshire HP11 1BS whose audit reports were unqualified.

1.10 The statutory accounts of Petards for the two years ended 31 December 1995 were audited by Fuller Spurling and Co, Chartered Accountants, of Guildford Place, 124 Guildford Street, Chertsey, Surrey KT10 9AH whose audit reports were unqualified.

1.11 The statutory accounts of Screen for the period from incorporation to 30 November 1995 were exempt from audit under section 249 (1) of the Companies Act 1985.

1.12 The statutory accounts for Karline and Petards for the year ended 31 December 1996 and Screen for the thirteen months ended 31 December 1996 were audited by Grant Thornton.

1.13 Our examination of the accounts has been carried out in accordance with the Auditing Guideline: Prospectuses and the reporting accountant.

1.14 The financial information set out in this report comprises sections dealing with Karline, Petards and Screen separately.

1.15 Section A of this report comprises financial information on Karline. An adjustment has been made to the statutory accounts of the company.

1.16 Section B of this report comprises financial information on Petards. No adjustments have been made to the statutory accounts of the company.

1.17 Section C of this report comprises financial information on Screen. No adjustments have been made to the statutory accounts of the company.

1.18 No audited financial information has been drawn up for any of the companies for any period subsequent to 31 December 1996.

1.19 The financial information set out below has been prepared under the accounting policies set out therein.

1.20 In our opinion the financial information set out in Section A gives, for the purposes of this prospectus, a true and fair view of the state of affairs of Karline at 31 October 1994 and 31 December 1995 and 1996 and of its results and cashflows for the periods then ended; the financial information set out in Section B gives, for the purpose of this prospectus, a true and fair view of the state of affairs of Petards at 31 December 1994, 1995 and 1996 and of its results and cashflows for the periods then ended and the financial information set out in Section C gives, for the purposes of this prospectus, a true and fair view of the state of affairs of Screen at 30 November 1995 and 31 December 1996 and of its results and cashflows for the periods then ended.

2. PROFIT AND LOSS ACCOUNTS

	Notes	*Year ended 31 October 1994 £'000*	*Period from 1 November 1994 to 31 December 1995 £'000*	*Year ended 31 December 1996 £'000*
Turnover		942	1,359	1,693
Cost of sales		(572)	(855)	(1,138)
Gross profit		370	504	555
Administrative expenses		(366)	(472)	(392)
Operating profit		4	32	163
Interest payable	5.3	(17)	(15)	(12)
(Loss)/profit on ordinary activities before taxation	5.2	(13)	17	151
Tax on (loss)/profit on ordinary activities	5.5	7	(22)	(49)
(Loss)/profit for the period	5.13	(6)	(5)	102

3. BALANCE SHEETS

	Notes	*At 31 October 1994 £'000*	*At 31 December 1995 £'000*	*At 31 December 1996 £'000*
Fixed assets				
Intangible assets	5.6	—	—	32
Tangible assets	5.7	120	129	135
		120	129	167
Current assets				
Stocks	5.8	93	90	105
Debtors	5.9	264	200	662
Cash at bank and in hand		4	50	5
		361	340	772
Creditors: amounts falling due within one year	5.10	(429)	(379)	(746)
Net current (liabilities)/assets		(68)	(39)	26
Total assets less current liabilities		52	90	193
Creditors: amounts falling due after more than one year	5.11	(19)	(27)	(18)
		33	63	175
Capital and Reserves				
Called up share capital	5.12	20	40	43
Share premium account	5.13	—	15	22
Profit and loss account	5.13	13	8	110
Shareholders' funds	5.14	33	63	175

4. CASH FLOW STATEMENT

	Notes	1994 £'000	1995 £'000	1996 £'000
Net cash inflow from operating activities	5.15	16	97	58
Returns on investments and servicing of finance				
Interest paid		(11)	(11)	(4)
Finance lease interest paid		(6)	(4)	(8)
Net cash outflow from returns on investments and servicing of finance		(17)	(15)	(12)
Taxation				
UK corporation tax paid		7	—	(22)
Investing activities				
Purchase of intangible fixed assets		—	—	(32)
Purchase of tangible fixed assets		(22)	(13)	(37)
Sale of tangible fixed assets		33	12	36
Net cash inflow/(outflow) from investing activities		11	(1)	(33)
Net cash inflow/(outflow) before financing		17	81	(9)
Financing				
Issue of shares		—	35	10
Repayment of borrowings		—	—	—
Capital element of finance lease rentals		(24)	(51)	(58)
Net cash (outflow) from financing	5.16	(24)	(16)	(48)
(Decrease)/increase in cash and cash equivalents	5.17	(7)	65	(57)

5. NOTES TO THE ACCOUNTS

5.1 Accounting Policies

5.1.1 ***Accounting convention***

These financial statements have been prepared in accordance with applicable accounting standards and under the historical cost convention.

5.1.2 ***Turnover***

Turnover is the total amount receivable by the company for goods supplied and services provided excluding VAT and trade discounts.

5.1.3 ***Depreciation***

Depreciation is calculated to write down the cost of all tangible fixed assets over their expected useful lives. The rates generally applicable are:

Improvements to premises	Over the lease term
Motor vehicles	25% Straight line
Computers	25% Reducing balance
Tools and equipment	25% Reducing balance
Office furniture and equipment	15% Reducing balance

5.1.4 ***Research and development***

Research and development expenditure is charged to profits in the period in which it is incurred. Development costs incurred on a specific project are capitalised when its technological feasibility is reasonably established and the commercial viability can be foreseen with reasonable certainty. Capitalisation of development expenditure ceases when the products derived from the project are completed and fully tested. Any expenditure carried forward is amortised on a straight line basis over three years or the estimated useful life, if shorter, of the related products generated from the project, commencing in the period the product is available for sale. All other development costs are written off in the year of expenditure.

5.1.5 ***Long-term contracts***

The attributable profit on long-term contracts is recognised once their outcome can be assessed with reasonable certainty. The profit recognised reflects the proportion of work completed to date on the project.

Costs associated with long-term contracts are included in stock to the extent that they cannot be matched with contract work accounted for as turnover. Long-term contract balances included in stock are stated at cost, after provision has been made for any foreseeable losses and the deduction of applicable payments on account.

Full provision is made for losses on all contracts in the year in which the loss is first foreseen.

5.1.6 ***Stocks and work in progress***

Stocks and work in progress are stated at the lower of cost and net realisable value. Cost includes all direct expenditure and an appropriate proportion of fixed and variable overheads.

5.1.7 ***Deferred taxation***

Deferred taxation is provided for under the liability method using the tax rates estimated to arise when the timing differences reverse and is accounted for to the extent that it is probable that a liability or asset will crystallise. Unprovided deferred tax is disclosed as a contingent liability.

5.1.8 ***Contributions to pension funds***

Defined contribution scheme

The pension costs charged against profits represent the amount of the contributions payable to the scheme in respect of the accounting period.

5.1.9 ***Leased assets***

Assets held under finance leases and hire purchase contracts are capitalised in the balance sheet and depreciated over their expected useful lives. The interest element of leasing payments represents a constant proportion of the capital balance outstanding and is charged to the profit and loss account over the period of the lease.

5.2 (Loss)/profit on ordinary activities before taxation

The (loss)/profit on ordinary activities is stated after:

	1994	*1995*	*1996*
	£'000	*£'000*	*£'000*
Depreciation and amortisation:			
Tangible fixed assets, owned	17	18	23
Tangible fixed assets, held under finance leases and hire purchase contracts	16	33	24
Auditors' remuneration	4	4	2

5.3 Interest payable and similar charges

	1994	*1995*	*1996*
	£'000	*£'000*	*£'000*
On bank loans and overdrafts:			
Repayable within 5 years, otherwise than by instalments	11	11	4
Finance charges in respect of finance leases	6	4	8
	17	15	12

5.4 Directors and employees

Staff costs during the year were as follows:

	1994 £'000	1995 £'000	1996 £'000
Wages and salaries	297	321	283
Social security costs	27	29	30
Other pension costs	—	—	7
	324	350	320

The average number of employees of the company during the year was 17 (1995: 13).

Remuneration in respect of directors was as follows:

	1994 £'000	1995 £'000	1996 £'000
Management remuneration	100	114	53
Payments to third parties for directors' services	—	—	19
	100	114	72

The emoluments of the directors, excluding pension contributions, were as follows:

	1995 £'000	1996 £'000
The highest paid director	54	46

The emoluments of the directors, excluding pension contributions, fell within the following ranges:

	1995 Number	1996 Number
Nil - £5,000	1	—
£10,001 - £15,000	1	—
£15,001 - £20,000	—	1
£45,001 - £50,000	1	1
£50,001 - £55,000	1	—

5.5 Taxation

The tax charge is based on the (loss)/profit for the year and represents:

	1994 £'000	1995 £'000	1996 £'000
UK Corporation tax at 33%	(7)	10	49
Adjustment in respect of prior periods	—	12	—
	(7)	22	49

5.6 Intangible fixed assets

	£'000
Cost	
At 1 January 1995	—
Additions	32
Net book amount at 31 December 1996	32

5.7 Tangible fixed assets

	Improvements to premises £'000	*Computers £'000*	*Furniture and equipment £'000*	*Motor vehicles £'000*	*Total £'000*
Cost					
At 1 November 1994	17	58	49	86	210
Additions	—	8	—	64	72
Disposals	—	—	—	(31)	(31)
At 31 December 1995	17	66	49	119	251
Additions	—	13	4	72	89
Disposals	—	—	(4)	(66)	(70)
At 31 December 1996	17	79	49	125	270
Depreciation					
At 1 November 1994	3	27	24	36	90
Provided	2	11	5	33	51
Disposals	—	—	—	(19)	(19)
At 31 December 1995	5	38	29	50	122
Provided	2	8	5	32	47
Disposals	—	—	(3)	(31)	(34)
At 31 December 1996	7	46	31	51	135
Net book value					
At 31 October 1994	14	31	25	50	120
At 31 December 1995	12	28	20	69	129
At 31 December 1996	10	33	18	74	135

The net book value of tangible fixed assets includes £60,612 (1995: £68,749) in respect of assets held under finance leases and hire purchase contracts.

5.8 Stocks

	1994 £'000	*1995 £'000*	*1996 £'000*
Finished goods and goods for resale	93	82	87
Short term work in progress	—	8	18
	93	90	105

5.9 Debtors

	1994 £'000	*1995 £'000*	*1996 £'000*
Trade debtors	200	163	492
Amounts recoverable on contracts	—	—	126
Other debtors	35	14	—
Prepayments	14	18	22
Loans to directors	15	5	22
	264	200	662

The maximum amount outstanding from the directors during the year was £22,219 and this has been repaid after the year ended 31 December 1996. No interest accrues on these loans.

5.10 Creditors: amounts falling due within one year

	1994	*1995*	*1996*
	£'000	*£'000*	*£'000*
Bank loan and overdraft	129	96	108
Trade creditors	144	148	392
Other creditors	77	—	—
Corporation tax	—	22	49
Social security and other taxes	15	21	43
Accruals and deferred income	49	63	122
Finance leases and hire purchase contracts	15	29	32
	429	379	746

The bank overdraft is secured by a fixed and floating charge over all of the company's assets.

5.11 Creditors: amounts falling due after more than one year

	1994	*1995*	*1996*
	£'000	*£'000*	*£'000*
Bank loan	1	—	—
Finance leases and hire purchase contracts	18	27	18
	19	27	18

Borrowings are repayable as follows:	*1994*	*1995*	*1996*
	£'000	*£'000*	*£'000*
Within one year:			
Bank and other borrowing	129	96	108
Finance leases	15	29	32
After one and within two years:			
Finance leases	16	24	14
Bank loan	1	—	—
After two and within five years:			
Finance leases	2	3	4
	163	152	158

5.12 Share capital

	1994	*1995*	*1996*
	£'000	*£'000*	*£'000*
Authorised			
50,000 ordinary shares of £1 each	50	50	50
Allotted, Issued and fully paid			
50,000 (1995: 40,000, 1994: 20,000) ordinary shares of £1 each	20	40	43

During 1995 20,000 ordinary shares of £1 each were issued fully paid for £35,000 to increase the capital base of the company. The difference between the consideration and the nominal value was transferred to the share premium account.

During 1996 10,000 ordinary shares of £1 each were issued at £1.75 per share of which only £1.00 has been called up and fully paid representing 75p premium and 25p nominal value.

5.13 Share premium account and reserves

	Share premium account £'000	Profit and loss account £'000
As at 1 November 1994	—	13
Issue of shares	15	—
Loss for the period	—	(5)
As at 31 December 1995	15	8
Issue of shares	7	—
Profit for the year	—	102
As at 31 December 1996	22	110

5.14 Reconciliation of movements in shareholders' funds

	1994 £'000	1995 £'000	1996 £'000
(Loss)/profit for the financial period	(6)	(5)	102
Issue of shares	—	35	10
(Decrease)/increase in shareholders' funds	(6)	30	112
Opening shareholders' funds	39	33	63
Closing shareholders' funds	33	63	175

5.15 Net cash inflow from operating activities

	1994 £'000	1995 £'000	1996 £'000
Operating profit	4	32	163
Depreciation	33	51	47
Profit on sale of tangible fixed assets	(4)	—	—
(Increase)/decrease in stocks	(8)	3	(15)
Decrease/(increase) in debtors	32	64	(462)
Increase/(decrease) in creditors	(41)	(53)	325
Net cash inflow from continuing operating activities	16	97	58

5.16 Analysis of changes in financing

	Share capital (including premium)			Loans and amounts due under finance leases		
	1994 £'000	1995 £'000	1996 £'000	1994 £'000	1995 £'000	1996 £'000
At 1 January	20	20	55	72	48	56
Net cash inflow/(outflow) from financing	—	35	10	(24)	(51)	(58)
Inception of finance leases	—	—	—	—	59	52
At 31 December	20	55	65	48	56	50

5.17 Analysis of changes in cash and cash equivalents

	1994 £'000	1995 £'000	1996 £'000
At 1 January	(104)	(111)	(46)
Net cash (outflow)/inflow	(7)	65	(57)
At 31 December	(111)	(46)	(103)

5.18 Analysis of cash and cash equivalents

Cash and cash equivalents comprise:

	1993	*1994*	*1995*	*1996*	***Change in*** *1994*	***Change in*** *1995*	***Change in*** *1996*
	£'000	*£'000*	*£'000*	*£'000*	*£'000*	*£'000*	*£'000*
Cash at bank and in hand	31	4	50	5	(27)	46	(45)
Bank overdrafts	(135)	(115)	(96)	(108)	20	19	(12)
	(104)	(111)	(46)	(103)	(7)	65	(57)

5.19 Capital commitments

The company had no capital commitments at 31 December 1996, 31 December 1995 or 31 October 1994.

5.20 Leasing commitments

Operating lease payments amounting to £36,954 (1995: £35,490) are due within one year. The leases to which these amounts relate are all for land and buildings and expire after five years (1995: after five years).

5.21 Contingent liabilities

There were no contingent liabilities at 31 December 1996, 31 December 1995 or 31 October 1994.

5.22 Pensions

Defined Contribution Scheme

The company operates a defined contribution pension scheme for the benefit of the directors. The assets of the scheme are administered by trustees in a fund independent from those of the company.

5.23 Post balance sheet events

On 10 January 1997, the company became a wholly owned subsidiary of Screen, a company which at 31 December 1996 held 60% of the shares in Karline.

5.24 Ultimate parent undertaking

The directors consider that the ultimate parent undertaking of this company is Screen, registered in England and Wales.

5.25 Related party transactions

Related party	*Nature of related party*	*Type of transaction*	*Value of transaction* £	*Due to related party at 31 December 1996* £
Petards	Common control	Purchases	52,242	(22,883)
Petards	Common control	Charge from Petards for introduction fee and training costs	57,500	(57,500)
Gearcell Plc	Controlled by O Williams (Director)	Loan from Gearcell Plc	20,000	—

Section B: Petards

6. PROFIT AND LOSS ACCOUNTS

	Notes	*Year ended 31 December 1994 £'000*	*Year ended 31 December 1995 £'000*	*Year ended 31 December 1996 £'000*
Turnover		381	617	836
Cost of sales		(294)	(282)	(272)
Gross profit		87	335	564
Administrative expenses		(310)	(253)	(303)
Operating (loss)/profit		(223)	82	261
Interest receivable and similar income		1	—	2
Interest payable and similar charges	9.4	(10)	(23)	(21)
(Loss)/profit on ordinary activities before taxation	9.2	(232)	59	242
Tax on profit/(loss) ordinary activities	9.5	—	—	—
(Loss)/profit for the period		(232)	59	242
Appropriations:				
Cumulative preference dividends not yet declared	9.15	—	—	(22)
Cumulative equity dividends not yet declared	9.15	—	—	(18)
(Loss)/profit for the period	9.13	(232)	59	202

7. BALANCE SHEET

	Notes	*At 31 December 1994 £'000*	*At 31 December 1995 £'000*	*At 31 December 1996 £'000*
Fixed assets				
Intangible assets	9.6	77	118	131
Tangible assets	9.7	99	58	69
		176	176	200
Current assets				
Stocks	9.8	32	35	37
Debtors	9.9	124	329	468
Cash at bank and in hand		32	—	7
		188	364	512
Creditors:				
amounts falling due within one year	9.10	(229)	(363)	(261)
Net current (liabilities)/assets		(41)	1	251
Total assets less current liabilities		135	177	451
Creditors:				
amounts falling due after more than one year	9.11	(118)	(93)	(125)
		17	84	326
Capital and reserves				
Called up share capital	9.12	215	215	215
Share premium	9.13	197	205	205
Profit and loss account	9.13	(395)	(336)	(94)
Shareholders' funds	9.14	17	84	326
Non-equity shareholders' funds		215	215	236
Equity shareholders' funds		(198)	(131)	90
		17	84	326

8. CASH FLOW STATEMENTS

	Notes	*1994* *£'000*	*1995* *£'000*	*1996* *£'000*
Net cash (outflow)/inflow from operating activities	9.16	(218)	(13)	132
Returns on investment and servicing of finance				
Interest received		1	—	2
Interest paid		(7)	(20)	(19)
Finance lease interest paid		(3)	(3)	(2)
Net cash outflow from returns on investments and service of finance		(9)	(23)	(19)
Investing activities				
Purchase of intangible fixed assets		(79)	(61)	(48)
Purchase of tangible fixed assets		(25)	(2)	(14)
Sale of tangible fixed assets		3	14	8
Net cash outflow from investing activities		(101)	(49)	(54)
Net cash (outflow)/inflow before financing		(328)	(85)	59
Financing				
Receipts from/repayment of borrowing		51	(3)	46
Issue of shares		122	8	—
Capital element of finance lease rentals		55	(14)	(21)
Net cash inflow/(outflow) from financing	9.17	228	(9)	25
(Decrease)/increase in cash and cash equivalents	9.18	(100)	(94)	84

9. NOTES TO THE ACCOUNTS

9.1 Accounting Policies

9.1.1 ***Accounting convention***

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards.

9.1.2 ***Turnover***

Turnover is the total amount receivable by the company for goods supplied and services provided, excluding VAT and trade discounts.

9.1.3 ***Depreciation***

Depreciation is calculated to write down the cost of all tangible fixed assets on a straight line basis over their expected useful lives. The rates generally applicable are:

Computer equipment	25%
Furniture and equipment	25%
Motor vehicles	25%
Leasehold improvements	Over the lease term

9.1.4 ***Stocks and work in progress***

Stocks and work in progress are valued at the lower of cost and net realisable value.

Cost includes all direct expenditure and certain overheads.

9.1.5 ***Leased assets***

Assets held under finance leases and hire purchase contracts are capitalised in the balance sheet and depreciated over their expected useful lives.

The interest element of leasing payments represents a constant proportion of the capital balance outstanding and is charged to the profit and loss account over the period of the lease.

All other leases are regarded as operating leases and the payments made under them are charged to the profit and loss account on a straight line basis over the lease term.

9.1.6 ***Research and development***

Research and development expenditure is written off as incurred except that development expenditure incurred on an individual project is carried forward when its technological feasibility is reasonably established and the commercial viability can be foreseen with reasonable assurance. Capitalisation of development expenditure ceases when the products derived from the project are completed and fully tested. Any expenditure carried forward is amortised on a straight line basis over four years or the estimated useful life, if shorter, of the related products generated from the project, commencing in the period the product is available for sale. Expenditure considered to be irrecoverable is written off immediately.

9.1.7 ***Long term contracts***

The attributable profit on long-term contracts is recognised once their outcome can be assessed with reasonable certainty. The profit recognised reflects the proportion of work completed to date on the project.

Costs associated with long-term contracts are included in stock to the extent that they cannot be matched with contract work accounted for as turnover. Long-term contract balances included in stocks are stated at cost, after provision has been made for any foreseeable losses and the deduction of applicable payments on account.

Full provision is made for losses on all contracts in the year in which the loss is first foreseen.

9.1.8 ***Deferred tax***

Deferred taxation is provided for under the liability method using the tax rates estimated to arise when the timing differences reverse and is accounted for to the extent that it is probable that a liability or asset will crystallise.

9.2 (Loss)/profit on ordinary activities before taxation

The (loss)/profit on ordinary activities is stated after:

	1994	*1995*	*1996*
	£'000	*£'000*	*£'000*
Depreciation:			
Tangible fixed assets, owned	16	15	15
Tangible fixed assets held under hire purchase or finance leases	9	14	9
Development expenditure amortised	2	20	35
Auditors' remuneration	2	4	2

9.3 Directors and employees

Staff costs during the period were as follows:

	1994	*1995*	*1996*
	£'000	*£'000*	*£'000*
Wages and salaries	262	196	129
Social security costs	25	19	12
	287	215	141

The average number of employees during the year was 7 (1995: 9, 1994: 9).

Remuneration in respect of the directors was as follows:

	1994	*1995*	*1996*
	£'000	*£'000*	*£'000*
Directors' fees	—	—	10
Payments to third parties	—	—	45
Management remuneration	181	150	83
Compensation for loss of office	12	—	—
	193	150	138

9.3 Directors and employees (continued)

The emoluments of the directors, excluding pension contributions, were as follows:

	1994 *£'000*	*1995* *£'000*	*1996* *£'000*
Chairman and highest paid director	50	35	33

The directors' emoluments, excluding pension contributions, fell within the following ranges:

	1994	*1995*	*1996*
£5,001 – £10,000	3	—	—
£10.001 – £15,000	—	1	2
£20,001 – £25,000	—	1	—
£25,001 – £30,000	—	3	3
£30,001 – £35,000	2	—	1
£35,001 – £40,000	—	1	—
£40,001 – £45,000	1	—	—
£50,001 – £55,000	1	—	—

9.4 Interest payable and similar charges

	1994 *£'000*	*1995* *£'000*	*1996* *£'000*
Bank loans, overdrafts and other loans repayable within five years:			
otherwise than by instalments	6	8	3
by instalments	1	11	16
Finance charges	3	4	2
	10	23	21

9.5 Taxation

There are taxation losses amounting to approximately £135,000 (1995: £325,000) available to carry forward against future profits of the same trade.

9.6 Intangible fixed assets

	Development expenditure *£'000*
Cost	
At 1 January 1995	79
Additions	61
At 31 December 1995	140
Additions	48
At 31 December 1996	188
Amortisation	
At 1 January 1995	2
Provided	20
At 31 December 1995	22
Provided	35
At 31 December 1996	57
Net book value	
At 31 December 1994	77
At 31 December 1995	118
At 31 December 1996	131

9.7 Tangible fixed assets

	Leasehold improvements £'000	*Computer equipment £'000*	*Furniture and equipment £'000*	*Motor vehicles £'000*	*Total £'000*
Cost					
At 1 January 1995	—	19	42	68	129
Additions	—	1	1	—	2
Disposals	—	—	(3)	(20)	(23)
At 31 December 1995	—	20	40	48	108
Additions	5	9	1	28	43
Disposals	—	—	—	(18)	(18)
At 31 December 1996	5	29	41	58	133
Depreciation					
At 1 January 1995	—	3	12	15	30
Provided	—	5	8	16	29
Disposals	—	—	—	(9)	(9)
At 31 December 1995	—	8	20	22	50
Provided	—	6	9	9	24
Disposals	—	—	—	(10)	(10)
At 31 December 1996	—	14	29	21	64
Net book value					
At 31 December 1994	—	16	30	53	99
At 31 December 1995	—	12	20	26	58
At 31 December 1996	5	15	12	37	69

The net book value of tangible fixed assets includes £37,377 (1995: £29,424, 1994: £43,342) in respect of assets held under finance leases and hire purchase contracts.

9.8 Stocks

	1994 £'000	*1995 £'000*	*1996 £'000*
Raw materials and consumables	21	24	30
Work in progress	11	11	7
	32	35	37

9.9 Debtors

	1994 £'000	*1995 £'000*	*1996 £'000*
Trade debtors	72	86	241
Other debtors	29	5	57
Loans to Director	—	—	13
Amounts recoverable on contracts	—	223	137
Prepayments	23	15	20
	124	329	468

The loan to director relates to monies owed to Petards by Expertreview Limited, a company controlled by Mr O Williams. The maximum amount outstanding during the year was £12,949 and this has been repaid after the balance sheet date.

9.10 Creditors: amounts falling due within one year

	1994 £'000	1995 £'000	1996 £'000
Bank loans and overdrafts	40	107	55
Trade creditors	102	147	127
Other creditors	16	27	11
Social security and other taxes	15	14	40
Accruals	42	51	14
Hire purchase and finance leases	14	17	14
	229	363	261

9.11 Creditors: amounts falling due after more than one year

	1994 £'000	1995 £'000	1996 £'000
Bank loan	96	88	111
Hire purchase and finance leases	22	5	14
	118	93	125

The bank loan and overdraft are secured by a fixed and floating charge over the company's assets.

The bank loans are repayable in equal monthly instalments of £2,546 and £1,977 until 4 November 1999 and 22 March 2000 respectively.

Borrowings are repayable as follows:	1994 £'000	1995 £'000	1996 £'000
Within one year:			
Bank loan and overdraft	40	107	56
Finance leases	14	17	14
One to two years:			
Bank loan	30	30	56
Finance leases	22	5	9
Two to five years:			
Bank loan	66	58	55
Finance leases	—	—	4
	172	217	194

9.12 Called up share capital

	1994 £	1995 £	1996 £
Authorised			
7,000 5p ordinary shares	350	350	350
286,115 £1 preference shares	286,115	286,115	286,115
3,797 5p "A" ordinary shares	190	190	190
	286,655	286,655	286,655
Allotted, issued and fully paid			
6,001 (1994: 5,734) 5p ordinary shares	287	300	300
214,609 £1 preference shares	214,609	214,609	214,609
2,847 5p "A" ordinary shares	142	142	142
	215,038	215,051	215,051

The preference shares are 10% Cumulative, Redeemable and rank first for dividends, commencing 1.1.96, payable half yearly. The "A" ordinary shares rank second for dividends calculated with reference to the profits after tax. The ordinary shares rank last for dividends for which declarations can commence 30.6.96 but not until any arrears of dividends on other classes of shares have been paid and certain other conditions met as set out in the Articles of Association.

On a winding up, the rights to capital and arrears of dividend are first Preference shares, second "A" Ordinary shares and third Ordinary shares. The balance of any capital after the initial distribution of paid up share capital and dividend arrears would be divided equally pro rata between the "A" Ordinary and Ordinary shares.

The Preference shares carry no voting rights whilst the "A" Ordinary and Ordinary shares have similar rights of one vote per share.

The holders of the "A" Ordinary shares may at any time convert the whole of their "A" Ordinary shares into a like number of Ordinary shares subject to certain provisions set out in the Articles of Association.

The preference shares must be redeemed at par in equal proportions of 35,764 Shares each half year commencing 30 June 1997 until 31 December 2000, or earlier at the option of the company.

9.13 Share premium account and reserves

	Share premium account £'000	*Profit and loss account £'000*
At 1 January 1994	147	(163)
(Loss) for year	—	(232)
Issue of shares	50	—
At 31 December 1994	197	(395)
Profit for year	—	59
Issue of shares	8	—
At 31 December 1995	205	(336)
Profit for year	—	202
Cumulative dividends not yet declared	—	40
At 31 December 1996	205	(94)

9.14 Reconciliation of movements in shareholders' funds

	1994 £'000	*1995 £'000*	*1996 £'000*
(Loss)/profit for period	(232)	59	242
Dividends	—	—	(40)
	(232)	59	202
Cumulative dividends not yet declared	—	—	40
Share premium	50	8	—
Issue of preference shares	72	—	—
(Decrease)/increase in shareholders' funds	(110)	67	242
Opening shareholders' funds	127	17	84
Closing shareholders' funds	17	84	326

9.15 Appropriations

The undeclared cumulative equity dividend of £18,262 represents the cumulative dividend payable to "A" Ordinary shareholders for the years ending 31 December 1995 and 1996 and is calculated by reference to 7.5% of profit before taxation adjusted as set out in the Articles of Association.

The undeclared cumulative preference dividend of £21,461 represents the cumulative dividend payable to preference shareholders for the year ended 31 December 1996 and is calculated at a rate of 10p per share as set out in the Articles of Association.

9.16 Net cash (outflow)/inflow from operating activities

	1994 £'000	*1995 £'000*	*1996 £'000*
Operating (loss)/profit	(223)	82	261
Depreciation	27	49	59
Increase in stocks	(11)	(3)	(2)
Increase in debtors	(115)	(205)	(139)
Increase/(decrease) in creditors	104	64	(47)
Net cash (outflow)/inflow from continuing operating activities	(218)	(13)	132

9.17 Analysis of changes in financing

	Share capital (including premium)			*Loans and amounts due under finance leases*		
	1994	*1995*	*1996*	*1994*	*1995*	*1996*
	£'000	*£'000*	*£'000*	*£'000*	*£'000*	*£'000*
At 1 January	290	412	420	48	157	140
Net cash inflow/(outflow) from financing	122	8	—	106	(17)	25
Inception of finance leases	—	—	—	3	—	29
At 31 December	412	420	420	157	140	194

9.18 Analysis of changes in cash and cash equivalents

	1994	*1995*	*1996*
	£'000	*£'000*	*£'000*
At 1 January	117	17	(77)
Net cash (outflow)/inflow	(100)	(94)	84
At 31 December	17	(77)	7

9.19 Analysis of cash and cash equivalents

Cash and cash equivalents comprise:

	1993	*1994*	*1995*	*1996*	*Change in 1994*	*Change in 1995*	*Change in 1996*
	£'000	*£'000*	*£'000*	*£'000*	*£'000*	*£'000*	*£'000*
Cash at bank and in hand	129	32	—	7	(97)	(32)	7
Bank overdrafts	(12)	(15)	(77)	—	(3)	(62)	77
	117	17	(77)	7	(100)	(94)	84

9.20 Operating leases

The company has the following commitments under operating leases:

	Land and Buildings		
	1994	*1995*	*1996*
	£'000	*£'000*	*£'000*
Within one year	12	—	—
One to five years	—	23	34
	12	23	34

9.21 Capital commitments

The company had no capital commitments at 31 December 1996, 31 December 1995 or 31 December 1994.

9.22 Contingent liabilities

There were no contingent liabilities at 31 December 1996, 31 December 1995 or 31 December 1994.

9.23 Post balance sheet events

On 13 January 1997 the company became a wholly owned subsidiary of Screen. On this date Screen became the ultimate parent undertaking.

9.24 Related party transactions

Related Party	*Nature of Related Party*	*Type of transaction*	*Value of transaction* £	*(Due to)/ due from related party at 31 December 1996* £
Mr O Williams	Director	Payment for use of personal motor vehicle	4,237	—
Karline	Common control	Sales	52,242	22,883
Screen PLC	Common control	Sales	45,355	38,188
Mr G Fallon	Son of S Fallon (Director)	Supplier of graphic design work	1,907	(225)
Karline	Common control	Charge to Karline for training costs and introduction fee	57,500	57,500

10. PROFIT AND LOSS ACCOUNT

	Notes	*Period from 14 November 1994 to 30 November 1995 £'000*	*Period ended 31 December 1996 £'000*
Administrative expenses and loss for the period	13.8	(3)	(4)

11. BALANCE SHEETS

	Notes	*At 30 November 1995 £'000*	*At 31 December 1996 £'000*
Fixed assets			
Intangible assets	13.3	21	104
Tangible assets		2	2
Investments	13.4	53	53
		76	159
Current assets			
Debtors	13.5	3	1
Cash at bank and in hand		1	—
		4	1
Creditors: amounts falling due within one year	13.6	(83)	(167)
Net current liabilities		(79)	(166)
Net liabilities		(3)	(7)
Capital and reserves			
Called up share capital	13.7	—	—
Profit and loss account	13.8	(3)	(7)
Shareholders' funds	13.9	(3)	(7)

12. CASHFLOW STATEMENT

	Notes	*Period from 14 November 1994 to 30 November 1995 £'000*	*Period ended 31 December 1996 £'000*
Net cash inflow from operating activities	13.10	77	69
Investing activities			
Purchase of intangible fixed assets		(21)	(83)
Purchase of tangible fixed assets		(2)	(1)
Purchase of investments		(53)	—
Net cash outflow from investing activities		(76)	(84)
Increase/(decrease) in cash and cash equivalents	13.11	1	(15)

13. NOTES TO THE ACCOUNTS

13.1 Accounting policies

13.1.1 ***Accounting convention***

The accounts are prepared under the historical cost convention.

13.1.2 ***Research and development***

Research and development expenditure is written off as incurred except that development expenditure incurred on an individual project is carried forward when its technological feasibility is reasonably established and the commercial viability can be foreseen with reasonable assurance. Capitalisation of development expenditure ceases when the products derived from the project are completed and fully tested. Any expenditure carried forward is amortised on a straight line basis over four years or the estimated useful life, if shorter, of the related products generated from the project, commencing in the period the product is available for sale. Expenditure considered to be irrecoverable is written off immediately.

13.1.3 ***Depreciation***

Depreciation is calculated to write off the cost of fixtures and fittings over their estimated useful lives at 25% per annum on a straight line basis.

13.1.4 ***Deferred taxation***

Deferred taxation is provided for under the liability method using the tax rates estimated to arise when the timing differences reverse and is accounted for to the extent that it is probable that a liability or asset will crystallise.

13.2 Directors and Employees

The average number of employees of the company during the period was 1 (1995:1). Included in capitalised development costs are salaries of £26,000 and social security of £2,652 for the company's employee. None of the directors received any remuneration.

13.3 Intangible Fixed Assets

	Development Expenditure £'000
Cost and net book value	—
Additions	21
At 30 November 1995	21
Additions	83
At 31 December 1996	104

13.4 Fixed Asset Investments

	Share in Group Undertakings £'000
Cost and net book amount at 31 December 1996 and 31 December 1995	53

At 31 December 1996 the company held 60% (1995: 75%) of the allotted ordinary share capital of Karline which is incorporated in England and Wales. The nature of the business is the installation of security systems.

13.5 Debtors

	1995 £'000	*1996 £'000*
Other debtors	3	1

13.6 Creditors: amounts falling due within one year

	1995 £'000	1996 £'000
Bank loans and overdrafts	—	14
Trade creditors	1	—
Amounts owed to related parties	80	149
Social security and other taxes	1	1
Other creditors	1	2
Accruals and deferred income	—	1
	83	167

The bank overdrafts are secured by a fixed and floating charge over all the company's assets.

13.7 Share capital

	1995 £	1996 £
Authorised 1,000 Ordinary £1 shares	1,000	1,000
Allotted, called up and fully paid, 2 ordinary £1 shares	2	2

13.8 Profit and Loss Account

	£'000
At 14 November 1994	—
Loss for the period	(3)
At 30 November 1995	(3)
Loss for the period	(4)
At 31 December 1996	(7)

13.9 Reconciliation of Movements in Shareholders' Funds

	1995 £'000	1996 £'000
Loss for the financial period	(3)	(4)
Shareholders' funds at 1 December	—	(3)
Shareholders' funds at 31 December	(3)	(7)

13.10 Net cash inflow from operating activities

	1995 £'000	1996 £'000
Operating Loss	(3)	(4)
Depreciation	—	1
Increase in creditors	83	70
(Increase)/decrease in debtors	(3)	2
Net cash inflow from operating activities	77	69

13.11 Analysis of changes in cash and cash equivalents

	1995 £'000	1996 £'000
At 1 December 1995	—	1
Net cash inflow/(outflow)	1	(15)
At 31 December 1996	1	(14)

13.12 Analysis of cash and cash equivalents

Cash and cash equivalents comprise:

	1995 *£'000*	*1996* *£'000*	*Changes in 1996* *£'000*
Cash at bank and in hand	1	—	(1)
Bank overdrafts	—	(14)	(14)
	1	(14)	(15)

13.13 Capital commitments

The company had no capital commitments at 31 December 1996 or 30 November 1995.

13.14 Contingent liabilities

There were no contingent liabilities at 31 December 1996 or 30 November 1995.

13.15 Related Parties

Gearcell Plc

Gearcell Plc, a company which is controlled by O Williams, loaned £31,000 to the Company during the period. The amount owing to Gearcell Plc at 31 December 1996 was £116,000.

Petards International Limited

Petards International Limited, a company which is controlled by O Williams, recharged development expenditure to the Company totalling £45,355 during the period. The amount owing to Petards International Limited at 31 December 1996 was £32,500.

Yours faithfully

Grant Thornton

Part III: Pro Forma Financial Information

In order to illustrate the results that would have been reported had the Group existed in its present form throughout the periods referred to below, a pro forma statement of the combined profit and loss accounts of the Group is set out below.

This pro forma financial information is based on the profit and loss accounts of Screen, Karline and Petards as set out in the Accountant's Report in Part II of this document. This information includes taxation on the basis of the correct charge for each year.

	Year ended 31 December 1994 £'000	*Year ended 31 December 1995 £'000*	*Year ended 31 December 1996 £'000*
Turnover	1,360	1,782	2,472
Cost of sales	(893)	(1,015)	(1,353)
Gross profit	467	767	1,119
Administrative expenses	(682)	(661)	(699)
Operating (loss)/profit	(215)	106	420
Interest payable and similar charges	(26)	(36)	(33)
Interest receivable	1	—	2
(Loss)/profit on ordinary activities before taxation	(240)	70	389
Taxation	5	(21)	(49)
(Loss)/profit on ordinary activities after taxation	(235)	49	340

Set out below, for illustrative purposes only, is a pro forma statement of net assets for the Group following the completion of the Placing.

	Screen PLC consolidated £'000	*Petards £'000*	*Adjustments £'000*	*(Notes)*	*Total £'000*
Fixed assets					
Tangible	137	131			268
Intangible	136	69			205
	273	200			473
Current assets					
Stocks	105	37			142
Debtors	660	468			1,128
Cash at bank	5	7	1,315	①	1,327
	770	512	1,315		2,597
Creditors: due within one year	(910)	(261)			(1,171)
Net current (liabilities)/assets	(140)	251	1,315		1,426
Total assets less current liabilities	133	451	1,315		1,899
Creditors: due outside one year	(18)	(125)			(143)
Minority interest	(74)	—	74	②	—
Net assets	41	326	1,389		1,756

1. Adjustment for proceeds of the Placing of £1,815,000 less the amount receivable by the Vendors of £250,000 and less estimated expenses of £250,000.
2. Adjustment for elimination of minority interest in Karline.
3. The figures for Screen plc and Petards have been extracted from the audited 31 December 1996 balance sheets.

Part IV: Additional Information

1. Responsibility

To the best of the Directors' and the Vendors' knowledge the information contained in this document is in accordance with the facts and makes no omission likely to affect the import of such information. All the Directors, whose names, functions and address are set out on page 4 of this document, and the Vendors, whose names appear on page 3 of this document, accept responsibility accordingly.

2. Corporate History

The Company was incorporated in England and Wales on 14 November 1994 as a private company limited by shares with the name Screen Limited under the Companies Act 1985 with company registration number 2990100. The Company was re-registered as a public limited company on 7 February 1997 pursuant to a special resolution passed on 6 February 1997. Its registered office is at Stubbings Barn, Burchetts Green Lane, Burchetts Green, Maidenhead, Berkshire SL6 3QP. The Company's principal activity is that of a holding company.

3. Subsidiaries

The subsidiary undertakings of the Company, which are wholly owned, are as follows:

Name	*Nature of Business*	*Date of Incorporation*	*Issued Share Capital*	*Direct Holding Company*
Karline Security Systems Plc	Installers of integrated security systems	3 October 1988	£50,000	Screen PLC
Petards International Limited	Suppliers of command and control systems	29 September 1988	£215,051	Screen PLC
Screen Security Limited	Developers of domestic and commercial alarm systems	27 December 1996	£1,000	Screen PLC

4. Share Capital

(a) At an Extraordinary General Meeting of the Company held on 10 January 1997 resolutions were passed:

- (i) to subdivide each of the then existing 1,000 ordinary shares of £1 each into 10,000 ordinary shares of 10p each;
- (ii) to increase the authorised share capital of the Company from £1,000 to £285,000 by the creation of 2,840,000 new ordinary shares of 10p each;
- (iii) to authorise the Directors, pursuant to Section 80 of the Act, to allot relevant securities in the Company up to an aggregate nominal value of £285,000;
- (iv) subject to the allotment of ordinary shares of 10p each as consideration for the acquisition of Karline (see paragraph 16 below) to capitalise the sum of £61,300 standing to the credit of the Company's share premium account by paying up in full 613,000 new ordinary shares of 10p each to be issued pro rata to existing shareholders.

(b) At a second Extraordinary General Meeting of the Company held on 10 January 1997 resolutions were passed:

- (i) to sub-divide each of the then existing 2,850,000 ordinary shares of 10p each into 285,000,000 Ordinary Shares of 0.1p each.
- (ii) empowering the Directors to allot equity securities (as defined in Section 94 of the Act) to be paid up in cash pursuant to the authority set out in sub-paragraph a(iii) above:
  - (1) up to a nominal value of £60,000 in connection with the Placing;
  - (2) other than pursuant to (1) above up to an aggregate nominal value of £19,500

  as if Section 89(1) of the Act did not apply to such allotments, such power to expire on the date 15 months after the passing of the resolution or at the next annual general meeting of the Company, whichever shall be the earlier;
- (iii) subject to the allotment of Ordinary Shares as consideration for the acquisition of Petards (see paragraph 16 below) to capitalise the sum of £56,169 standing to the credit of the Company's share premium account by paying up in full 56,169,072 new Ordinary Shares to be issued pro rata to existing shareholders.

(c) At an Extraordinary General Meeting of the Company held on 14 February 1997, resolutions were passed empowering the Directors to allot additional equity securities (as defined in Section 94 of the Act) to be paid up in cash pursuant to the authority set out in sub-paragraph (a)(iii) above up to an additional nominal aggregate value of £19,800 as if Section 89(1) of the Act did not apply to such allotment, such power to expire on the date 15 months after the passing of the resolution or at the next annual general meeting of the Company, whichever shall be the earlier.

(d) On 14 February 1997, the Company made a capitalisation issue of 4.5 Ordinary Shares for each 100 Ordinary Shares held capitalising £6,038 standing to the credit of the Company's share premium account in paying up in full 6,038,162 Ordinary Shares.

(e) As at the date of this document, and following the Placing, the Company's authorised and issued share capital is, and will be, as follows:

	As at 18 February 1997		*Following the Placing*	
	Nominal Value £	*Number of Ordinary Shares*	*Nominal Value* £	*Number of Ordinary Shares*
Authorised	285,000	285,000,000	285,000	285,000,000
Allotted and Fully Paid	140,219	140,219,834	192,387	192,386,501

(f) Save as disclosed in paragraph 6 below, no share or loan capital of any member of the Group is under option or agreed conditionally or unconditionally to be put under option.

5. Memorandum and Articles of Association

(a) The memorandum of association of the Company provides that the Company's objects are, *inter alia*, to carry on the business of a holding company. The objects of the Company are set out fully in Clause 4 of the memorandum of association. The liability of the members of the Company is limited.

(b) The articles of association of the Company (the "Articles") contain provisions, *inter alia*, to the following effect:

Transfers of Shares

All transfers of shares may be in any usual form or in any other form which the Directors may approve. The instrument of transfer must be signed by or on behalf of the transferor and, if the shares being transferred are not fully paid, by or on behalf of the transferee. The Directors may refuse to register any transfer of any share which is not fully paid to a person of whom they do not approve and they may refuse to register the transfer of any share on which the Company has a lien. They may also refuse to register a transfer of any share in favour of more than four persons jointly, a transfer which relates to shares of more than one class, a transfer in favour of an infant or a person in respect of whom a receiving order or adjudication order in bankruptcy has been made which remains undischarged or a person who is suffering from a mental disorder and a transfer which has not been lodged at the Company's registered office or such place as the Board may determine and which is not accompanied by the certificate for the shares to which it relates.

Save for the above, the Articles do not contain any restriction on the free transferability of fully paid shares.

Rights attaching to the Ordinary Shares

(i) *As to voting:*
Subject to any special terms as to voting upon which any shares may be issued or may for the time being be held (as to which there are none at present) on a show of hands every holder of an Ordinary Share present in person or by proxy (if an individual) or by duly authorised representative (if a corporation) shall have one vote, and on a poll every holder of an Ordinary Share shall have one vote for each Ordinary Share of which he is the holder.

(ii) *As to dividends:*
The profits of the Company available for distribution and resolved to be distributed shall be applied in the payment of dividends to the members in accordance with their respective rights and priorities. No dividend may exceed the amount recommended by the Directors.

(iii) *As to return of capital:*
Subject to any special rights for the time being attached to any class of shares, on a return of assets on liquidation or otherwise, the surplus assets remaining after payment of all the Company's liabilities shall be distributed in proportion to the amounts paid up or deemed to be paid up on the shares of the Company then in issue. The Ordinary Shares are not redeemable.

Modification of Class Rights and Changes in Share Capital
None of the rights privileges or conditions for the time being attached or belonging to any class of shares forming part of the issued capital for the time being of the Company shall be modified, varied or abrogated in any manner except with the consent in writing of the holders of three fourths in nominal value of the issued shares of the class or the sanction of an Extraordinary Resolution passed at a separate meeting of the members of that class and then only subject to the provisions of Section 127 of the Act. To any such separate meeting all the provisions of the Articles as to General Meetings shall *mutatis mutandis* apply but so that the necessary quorum (other than at an adjourned Meeting) shall be not less that two persons personally present and holding or representing, either by proxy or as the duly appointed representative of a corporation which is a member, at least one third of the capital paid up on the issued shares of the class and, at an adjourned meeting, one member holding shares of the class in question present in person or by proxy may demand a poll and shall be entitled on a poll to one vote for every such share held by him.

The Company may by Ordinary Resolution increase its share capital, cancel any unissued shares and diminish the amount of its share capital by the amount of the shares so cancelled, consolidate and divide all its shares into shares of larger amounts and, subject to the provisions of the Act, subdivide its shares into shares of smaller amounts. Subject to the provisions of the Act, the Company may by Special Resolution reduce its share capital, any capital redemption reserve and any share premium account in any way.

Purchase by the Company of its own Shares
Subject to the provisions of the Act and to the authority of the Company in general meeting the Company may purchase its own shares.

Unclaimed dividends
Any dividend unclaimed after a period of 12 years from the date it became due for payment shall, if the Directors so resolve, be forfeited and cease to remain owing by the Company.

Borrowing Powers
The Directors may exercise all the powers of the Company to borrow upon such terms and in such manner as they think fit and, subject to Section 80 of the Act, to grant any mortgage, charge or standard security over its undertaking, property and uncalled capital or any part thereof, and to issue debentures, debenture stock or other securities whether outright or as security for any debt, liability or obligation of the Company or of any third party provided that the aggregate principal amount for the time being remaining undischarged of all monies borrowed shall not at any time without the previous sanction of an Ordinary Resolution exceed an amount equal to four times the adjusted total of the share capital and consolidated reserves.

6. Directors' and Other Interests

(a) The interests (all of which are beneficial) of the Directors and (so far as is known to the Directors or could with reasonable diligence be ascertained by them) of persons connected with the Directors within the meaning of section 346 of the Act, in the share capital of the Company, as required to be notified to the Company pursuant to sections 324 and 328 of the Act or as required to be shown in the register maintained under section 325 of the Act are, and immediately following the Placing will be, as follows:

	Existing		*Following the Placing*	
Director	*Number of Ordinary Shares*	*Percentage of Issued Share Capital*	*Number of Ordinary Shares*	*Percentage of Issued Share Capital*
Owen Williams*	106,939,048	76.27	98,605,715	51.25
Terence Roffey	—	—	2,166,667	1.13
Michael Williams	3,707,137	2.64	3,707,137	1.93
John Jack	—	—	—	—
John Forrest	—	—	8,333,333	4.33
Christopher Smith	—	—	—	—

Note:
*Owen Williams' existing holding includes 48,732,007 Ordinary Shares registered in the name of his wife, Joan Williams, 7,564,176 Ordinary Shares held by him and his wife as joint trustees of the Gearcell Retirement Benefits Scheme and 5,617,995 Ordinary Shares registered in the name of Gearcell Plc, a company controlled by Mr and Mrs Williams. Mr and Mrs Williams are also beneficiaries of the Gearcell Retirement Benefits Scheme. The trustees of the Gearcell Retirement Benefits Scheme are selling 2,715,338 Ordinary Shares pursuant to the Placing. Gearcell Plc is selling its entire shareholding of 5,617,995 Ordinary Shares pursuant to the Placing.

(b) John Jack is a potential beneficiary of the Procord Limited Employee Trust, whose trustees will, following the Placing, be the registered holders of 8,333,333 Ordinary Shares, representing 4.33 per cent of the Company's enlarged issued share capital.

(c) The Directors and senior managers of the Group are interested in options over Ordinary Shares which remain outstanding as follows:

(i) On 17 January 1997 Christopher Smith was granted an option to subscribe for 3,354,542 Ordinary Shares at a subscription price of 2.236p per share. The option is exercisable at any time following the first anniversary of Admission. Following the capitalisation, on 14 February 1997, of £181,145 standing to the credit of the Company's share premium account in paying up in full 6,038,162 Ordinary Shares on a pro rata basis to existing shareholders, the number of Ordinary Shares over which Mr Smith has an option has been adjusted to 3,505,494.

(ii) On 14 February 1997 Terence Roffey was granted, conditional upon Admission, an option to subscribe for 10,516,488 Ordinary Shares at a subscription price of 3p per share pursuant to the Company's share option scheme described in paragraph 10 below.

(iii) On 14 February 1997 Michael Williams was granted, conditional on Admission, an option to subscribe for 2,236,414 Ordinary Shares at a subscription price of 3p per share pursuant to the Company's share option scheme described in paragraph 10 below.

(iv) On 14 February 1997 David Oliver was granted, conditional on Admission, an option to subscribe for 716,578 Ordinary Shares at a subscription price of 3p per share pursuant to the Company's share option scheme described in paragraph 10 below.

(d) The trustees of the Procord Limited Employee Trust, of which John Jack is a potential beneficiary, were issued, conditional upon Admission, with warrants over 2,236,250 Ordinary Shares at an exercise price of 2.981p on 27 January 1997 which are exercisable at any time prior to 31 January 2002.

(e) The Company and Screen Security rent certain premises from Gearcell Plc, a company controlled by Mr & Mrs Owen Williams, as further described in paragraph 15 below.

7. Substantial Shareholders

(a) Save as disclosed in paragraph 6 above, and in the table below, the Directors are not aware of any person who immediately following the Placing will be directly or indirectly interested in 3 per cent. or more of the Company's issued share capital:

Name	*No. of Ordinary Shares*	*Percentage of Ordinary Share capital following the Placing*
David Cox	12,787,062	6.65
3i Group plc	12,627,855	6.56
AIM Distribution Trust Plc	10,000,000	5.20
The trustees of the Procord Limited Employee Trust	8,333,333	4.33

(b) Save as disclosed in sub-paragraph 6(a) above, and insofar as the Company has the information, the Directors are not aware of any person or persons who either alone or, if connected, jointly at the date of this document or following completion of the Placing will (directly or indirectly) exercise or could exercise control over the Company.

8. Additional Information on the Board

Other directorships currently held by the Directors and held over the five years preceding the date of this document are as follows:

	Current Directorships	*Past Directorships*
Owen Williams	Expertreview Limited Gearcell Plc Hanover Wine Company Limited Karline Security Systems Plc Lepton Security Limited Peakfield Properties Limited Petards International Limited River Terrace Limited Screen Security Limited	Sennen Computers Plc

	Current Directorships	*Past Directorships*
Terence Roffey	Advantage Security Systems Plc Ambassador Alarms Limited Screen Security Limited	Ambassador Security Alarms Limited Ambassador Security Group PLC Ameco Security Limited Ameco Security Systems Limited Alarm Manufacturing and Electronics (Holdings) Limited Calsec Alarms Limited City Alarm Systems Limited E.M.S. Alarms Limited E.M.S. Security Limited Kwick Alarms Limited P.A. Alarms Limited
Michael Williams	Expertreview Limited Petards International Limited	Sennen Computers Plc
John Forrest	Brewton Group Limited Drake Automation Limited Egan International Limited Loughborough Sound Images plc Tricorder Technology plc	NTL Group Limited Peter Peregrinus Limited
John Jack	Jannaways Limited Procord Limited Procord Pension Trustees Limited The Built Environment Research Foundation	The Association of Facilities Managers The British Institute of Facilities Management Limited
Christopher Smith	Beechcroft PLC Howard Tenens Associates Limited Hurst, Parnell & Company Limited IBA Group Limited International Bureau of Aviation (Bermuda Registry) Limited Public Attitude Surveys Holdings Limited Public Attitude Surveys Limited Shafer Limited Southern Watch & Clock Supplies Limited Wrightson Wood Associates Limited XXCAL Limited 9 The Avenue Management Company Limited	Addington Business Centre Limited Andover Storage Limited BBS Property (Bristol) Limited Beechcroft Developments Limited Bracknell (123) Limited Caradon Rolinx Automotive Limited Drings of Bath Plc Elpido Limited Floridan Group Limited Frame Express Limited Frame It Limited Gillmann & Soame (Holdings) Limited Golden Valley Cars Limited Howard Tenens (Andover) Limited Howard Tenens (Basingstoke) Limited Howard Tenens (Boston) Limited Howard Tenens (Midlands) Limited Howard Tenens (Sutton Bridge) Limited Howard Tenens (Swindon) Limited HT Andover Limited HT Banbury Limited HT Basingstoke Limited HT Boston Limited HT Swindon Limited Manor Place Properties Limited Meridian Land Limited Meridian Project Management Limited Petards International Limited Qualdust Limited Radion Severn Limited Rainbow Technology Limited Southbridge Building Supplies Limited Southwest Connections Limited Tenens (Europe) Limited Tenens Limited Tenens Plastics Limited Tenens Retail Limited

Save as disclosed below none of the Directors has any unspent convictions, has been declared bankrupt, was a director of any company at the time of or within the 12 months preceding any receivership or liquidation of such company, and there have been no public criticisms of any of the Directors by any statutory or regulatory authority.

Christopher Smith was a non-executive director of Floridan Group Limited within the 12 months preceding its compulsory winding up on 23 May 1996, at which time it had a shortfall to creditors of approximately £3,800,000. He resigned as a director on 9 May 1996.

Mr Smith was also a non-executive director of TDI Holdings Limited which appointed a liquidator for the purposes of a creditors' voluntary winding up on 10 October 1986. Mr Smith had resigned as a director on 10 April 1986. The liquidator did not file his statement of receipts and payments under Section 192 Insolvency Act 1986 until 29 October 1992. It showed a shortfall to creditors of approximately £260,000.

Mr Smith had also been a director of various subsidiary companies of TDI Holdings Limited (TDI Pinnacle Limited, TDI Software Limited, TDI Systems Limited, TDI Engineering Limited and TDI Limited) within the 12 months' preceding their respective appointments of liquidators pursuant to creditors' voluntary windings up.

Mr Smith was also a director of the following companies which each entered into members' voluntary liquidation, with no amounts owing to creditors:

- Howard Tenens (Sutton Bridge) Limited
- S&M Properties (Bristol) Limited
- Howard Tenens (Swindon) Limited
- HT Banbury Limited

9. Directors' Service and Consultancy Agreements

(a) The Directors have entered into service agreements with members of the Group as follows:

(i) pursuant to a service agreement dated 14 February 1997 between the Company (1) and Terry Roffey (2), Terry Roffey has agreed to act as an executive director of the Company for a salary of £72,000 per annum. The agreement is terminable by either party giving to the other not less than 12 months' notice. The Company will pay a contribution equivalent to 10 per cent of Mr Roffey's gross earnings to a pension plan of Mr Roffey's choice and will subscribe on Mr Roffey's behalf to a medical benefits and a permanent health insurance scheme. The Company has also agreed to provide Mr Roffey with a company car commensurate (in the opinion of the Company) with his position;

(ii) pursuant to a service agreement dated 14 February 1997 between the Company (1) and Owen Williams (2), Owen Williams has agreed to act as an executive director of the Company for a salary of £60,000 per annum. The agreement is for a minimum period of one year, and is terminable by either party giving to the other not less than 12 months' notice expiring at any time on the last day of or after the end of the minimum period. The Company has also agreed to provide Mr Williams with a company car commensurate (in the opinion of the Company) with his position;

(iii) pursuant to a service agreement dated 14 February 1997 between the Company (1) and Michael Williams (2), Michael Williams has agreed to act as an executive director of the Company for a salary of £48,000 per annum. The agreement is for a minimum period of one year and is terminable by either party giving to the other not less than 12 months' notice expiring at any time on the last day of or after the end of the minimum period. The Company has agreed to pay a contribution equivalent to 10 per cent of Mr Williams' gross earnings to a pension plan of Mr Williams' choice and has also agreed to provide Mr Williams with a company car commensurate (in the opinion of the Company) with his position;

(iv) pursuant to a service agreement dated 14 February 1997 between Petards (1) and David Oliver (2), David Oliver has agreed to act as an executive director of Petards for a salary of £30,000 per annum. The agreement is for a minimum period of one year and is terminable by either party giving to the other not less than 3 months' notice expiring at any time on the last day of or after the end of the minimum period. Petards has agreed to provide Mr Oliver with a company car commensurate (in the opinion of the Company) with his position;

(v) pursuant to a service agreement dated 14 February 1997 between Petards (1) and Peter Morris (2), Peter Morris has agreed to act as an executive director of Petards for a salary of £30,000 per annum. The agreement is for a minimum period of one year and is terminable by either party giving to the other not less than 3 months' notice expiring at any time on the last day of or after the end of the minimum period. Petards has also agreed to provide Mr Morris with a company car commensurate (in the opinion of the Company) with his position;

(vi) pursuant to a service agreement dated 14 February 1997 between Petards (1) and Stanley Fallon (2), Stanley Fallon has agreed to act as an executive director of Petards for a salary of £28,000 per annum. The agreement is for a minimum period of one year and is terminable by either party giving to the other not less than 3 months' notice expiring at any time on the last day of or after the end of the minimum period. Petards has agreed to provide Mr Fallon with a company car commensurate (in the opinion of the Company) with his position;

(vii) pursuant to a service agreement dated 14 February 1997 between Karline (1) and David Cox (2), David Cox has agreed to act as an executive director of Karline for a salary of £36,000 per annum. The agreement is for a minimum period of one year and is terminable by either party giving to the other not less than 12 months' notice expiring at any time on the last day of or after the end of the minimum period. Karline has agreed to make a contribution of £12,000 per annum to a pension plan of Mr Cox's choice and has also agreed to provide Mr Cox with a company car commensurate (in the opinion of the Company) with his position;

(viii) pursuant to an agreement dated 14 February 1997 between the Company (1) and Christopher Smith (2), the Company continued Mr Smith's appointment as Non-executive Director of the Company for a fee of £200 per month;

(ix) pursuant to an agreement dated 14 February 1997 between the Company (1) and John Jack (2), the Company continued Mr Jack's appointment as Non-executive Director of the Company for a fee of £1,000 per month;

(x) pursuant to an agreement dated 14 February 1997 between the Company (1) and John Forrest (2), the Company continued Mr Forrest's appointment as Non-executive Director of the Company for a fee of £1,000 per month;

(xi) pursuant to an agreement dated 18 October 1996 between the Company (1), Christopher Smith and Felicity Smith (in partnership) ("the Partnership") (2) and Christopher Smith (3), the Partnership has agreed to provide the Company with Mr Smith's services as a consultant to provide his administrative, organisational, financial and managerial advice and assistance in respect of the business carried on by the Group for a fee of £12,600 per annum. If Mr Smith is required to devote more than one full working day in each calendar month to the affairs of the Group the Company will pay an additional fee of £1,200 per day to the Partnership. The agreement is terminable by the Company giving to the Partnership six months' notice. The agreement is terminable by the Partnership giving to the Company six months' notice, such notice not to be given until the first anniversary of Admission.

(b) The aggregate emoluments of the Directors including amounts paid from all Group companies (including benefits in kind) for the year ended 31 December 1996 amounted to £210,000.

(c) The aggregate emoluments of the Directors (including benefits in kind) under the arrangements in force at the date of this document for the financial year ending 31 December 1997 are estimated to be £242,000.

10. Share Option Scheme

On 14 February 1997 the Board passed a resolution adopting a share option scheme ("Unapproved Option Scheme"). The Unapproved Option Scheme has not been, and will not be, submitted to the Board of the Inland Revenue for approval pursuant to Schedule 9 of the Income and Corporation Taxes Act 1988.

(i) ***Introduction***

The Unapproved Option Scheme provides for the grant of non-income tax favoured options, over shares worth (measured at the date of grant) up to a maximum of five times an eligible employee's remuneration.

(ii) ***Administration***

The Directors are responsible for administering the Unapproved Option Scheme.

(iii) ***Eligibility and grant of options***

The Directors may grant options to acquire Ordinary Shares to any employees and directors of the Company and its subsidiaries. Options are granted free of charge, are non-transferable and non-pensionable.

(iv) ***Exercise price***

The exercise price per Ordinary Share is determined by the Directors but must be no less than its market value at the date of grant (or its nominal value, if higher).

(v) ***Exercise and lapse of options***

(a) *General position*

An option is normally exercisable between three and seven years from the date of grant.

(b) *Special circumstances*

Options will normally lapse on cessation of employment except in particular situations such as redundancy or where the Directors exercise their discretion in the participant's favour. Exercise is also permitted in special circumstances such as a takeover.

(c) *Exchange of options on a takeover*

In the event of a takeover, a participant may be permitted to exchange his options for options over shares in the acquiring company.

(vi) ***Scheme limits***

In any 10 year period, not more than 10 per cent of the Company's issued Ordinary Share capital may be issued or remain issuable, in respect of rights granted after the date of adoption of the Unapproved Option Scheme, under all Group employee share schemes.

(vii) ***Variations of Share Capital***

On certain variations of the Ordinary Share capital of the Company the Directors may, subject to the approval of the Company's auditors, adjust the exercise price and the number of Ordinary Shares comprised in subsisting options.

(viii) ***Amendment***

The Directors may make amendments to the Unapproved Option Scheme. However, the approval of the Company in general meeting is required to amend the provisions relating to eligibility, scheme limits, maximum individual participation, variations of share capital and the basis for determining a participant's entitlement to and the terms of the Ordinary Shares comprised in an option, except that shareholder approval is not required for minor amendments to benefit the administration of the Unapproved Option Scheme or for amendments to take account of a change in legislation or to obtain or maintain favourable tax, exchange control or regulatory treatment for future participants or for participating companies.

(ix) ***Termination***

The Unapproved Option Scheme will terminate ten years after it was adopted by the Company or earlier, if the Directors so determine.

11. United Kingdom Taxation

The statements below are intended only as a general guide to the United Kingdom tax position as at the date of this document for United Kingdom residents holding their shares as investments and are based on current legislation and practice. The statements may not apply to certain classes of shareholders such as dealers in securities. A shareholder who is in any doubt as to his tax position or who is subject to tax in a jurisdiction other than the United Kingdom should consult his professional adviser.

(a) ***Taxation of Capital Gains***

An individual shareholder who is either resident or ordinarily resident in the United Kingdom (whether or not domiciled there), may be liable to capital gains tax on any disposal of his shares in the Company.

A United Kingdom resident corporate shareholder may be liable to corporation tax on chargeable gains on any disposal of its shares in the Company.

A shareholder who is neither resident nor ordinarily resident in the United Kingdom will not normally be liable to United Kingdom tax on capital gains on any disposal of shares in the Company unless the shareholder carries on a trade, profession or vocation in the United Kingdom through a branch or agency and the shares are, or have been used, held or acquired for the purposes of such trade, profession or vocation, branch or agency.

(b) ***Taxation of income***

Under current law, the Company is not required to withhold tax at source when it pays a dividend but, save to the extent that it is in receipt of Franked Investment Income, it is generally required to account to the Inland Revenue for advance corporation tax ("ACT"), currently at a rate of one quarter of the cash dividend paid. Accordingly, the ACT related to a dividend is currently 20 per cent of the aggregate of the cash dividend and the amount of ACT.

Except where the Company pays a Foreign Income Dividend ("FID"), individual shareholders who are resident in the United Kingdom for tax purposes will be liable to income tax on the aggregate of the dividend received and a tax credit ("the gross dividend"). Dividend income will be treated as the top slice of an individual's income and will be liable to income tax (if at all) at either the lower rate (currently 20 per cent) or the higher rate (currently 40 per cent) depending on the individual's circumstances. The tax credit will be available to set against this liability. For shareholders who are liable to income tax only at the lower rate, or the basic rate, the tax credit will fully discharge the income tax liability in respect of the dividend. Shareholders who are liable to tax at the higher rate will have to account for tax on the difference between the higher rate and the lower rate, giving rise to a further liability to income tax of 20 per cent on the gross dividend. If the tax credit exceeds the shareholder's liability to United Kingdom income tax, the shareholder can claim repayment of the excess from the Inland Revenue.

A United Kingdom resident corporate shareholder will normally (subject to certain exceptions) not be liable to United Kingdom corporation tax on any dividend received. Any dividend received and the related tax credit will normally constitute franked investment income available to frank its own distributions (except in the case of a FID).

Special provisions apply to individuals who are not resident in the United Kingdom but who are Commonwealth citizens, nationals of the other member states of the European Economic Area, individuals resident in the Isle of Man, or the Channel Islands and certain other classes. Otherwise the ability of non-United Kingdom resident shareholders to claim the whole or any part of the tax credit related to a dividend paid by the Company will generally depend on the existence and terms of any double taxation agreement between the United Kingdom and their country of residence. Such shareholders may be subject to foreign taxation in respect of the dividend received from the Company under the law of their own country of residence. Such shareholders should consult their own tax advisers concerning their tax liabilities both in the United Kingdom, and their country of residence, on whether they can benefit from all or any part of any tax credit and whether a relief or credit may be claimed in the jurisdiction in which they are resident.

The above summary assumes that the Company will not elect for any of its dividends to be treated as FIDs. If the Company were to make such an election, any dividend thereupon designated as a FID will be treated as having borne income tax at the lower rate (so that lower and basic rate taxpayers would have no liability to tax thereon, and higher rate taxpayers would have a residual 20 per cent tax liability). However, such dividends would not carry any tax credit and accordingly, shareholders not liable to tax on dividends, would not be entitled to any repayment in respect of the FID.

(c) ***Stamp Duty and Stamp Duty Reserve Tax***

Except in relation to depositary receipt arrangements and clearance services where special rules apply, under current law, no stamp duty or SDRT will be payable on the issue of shares.

Any person who is in any doubt as to his taxation position, or is subject to taxation in a jurisdiction other than the United Kingdom, should consult an appropriate professional adviser without delay.

12. Working Capital

The Directors are of the opinion, having made due and careful enquiry and having regard to available facilities and the proceeds of the Placing, that the working capital available to the Company and the Group will, from Admission, be sufficient for their present requirements.

13. Litigation

There are no litigation or arbitration proceedings, active, pending or (so far as the Directors are aware) threatened against, or being brought by, the Company or any member of the Group which may have a significant effect on the Company's or the Group's financial position.

14. Indebtedness

At 31 January 1997 the aggregate indebtedness of the Group was as follows:

	£'000
Bank loans (secured)	161
Loan from Gearcell Plc* (unsecured)	136
Loan stock** (unsecured)	250
Hire purchase commitments	100
	647

*Gearcell Plc is a company controlled by Mr and Mrs Owen Williams.

**Held by the trustees of the Procord Limited Employee Trust, of which Mr Jack, a Director, is a potential beneficiary.

Save as aforesaid and apart from intra-group liabilities, no member of the Group had outstanding on that date any loan capital (whether outstanding or created, but unissued), including term loans, or any borrowings or indebtedness in the nature of borrowings including bank overdrafts or liabilities under acceptances (other than normal trade bills) or acceptance credits, mortgages, charges, hire purchase commitments, obligations under finance leases, or guarantees or other material contingent liabilities.

At the same date the aggregate of the cash balances of the Group was £24,000.

15. Premises

The Group operates from three separate premises as follows:

(a) Karline occupies Unit 4 Thame Park Business Park, Wenman Road, Thame, Oxfordshire under a full repairing and insuring lease from The Scottish Metropolitan Property Plc for a term of 10 years from 17 December 1992 at an annual rent of £36,954 subject to upwards only review with effect from 17 December 1997;

(b) Petards occupies Unit 10 Windmill Business Village, Sunbury-on-Thames under a full repairing and insuring underlease from Group Sonitrol Security Systems Limited for a term expiring on 27 June 2001 at an annual rent of £33,750;

(c) the Company and Screen Security rent Stubbings Barn, Burchetts Green Lane, Burchetts Green, Maidenhead under a tenancy agreement terminable on six months' notice at an annual rental of £5,000 from Gearcell Plc, a company controlled by Mr and Mrs Owen Williams.

16. Material Contracts

Members of the Group are party to the following contracts which are, or may be, material to the business of the Group:

(a) a share for share exchange agreement dated 10 January 1997 made between David Cox and the trustees of the Gearcell Retirement Benefits Scheme (of which Mr and Mrs Owen Williams are joint trustees and beneficiaries)(1) and the Company (2) pursuant to which the Company acquired the balance of the issued share capital of Karline not already owned by it in consideration for the issue of 226 ordinary shares of 10p each in the capital of the Company at an issue price (including a premium of £439.90 per share) of £440 per share;

(b) a share for share exchange agreement dated 13 January 1997 made between Peter Morris and Others (who included Owen Williams' wife, Joan, his son, Michael Williams, a Director of the Company, and Gearcell Plc, a company controlled by Mr and Mrs Owen Williams) (1) and the Company (2) pursuant to which the Company acquired the entire issued share capital of Petards International Limited (with the exception of 214,609 Preference Shares) in consideration for the issue of 16,590,000 Ordinary Shares at an issue price (including a premium of 1.6p per share) of 1.7p per share;

(c) an undertaking dated 13 January 1997 given by the Company to 3i Group plc pursuant to which the Company undertook either to procure the redemption of or to purchase the 214,609 Preference Shares in the capital of Petards upon the earlier of the Placing and Admission or completion of a sale of 90 per cent of the equity share capital of the Company;

(d) the Placing Agreement dated 18 February 1997 between Ellis & Partners (1), the Company (2), the Directors (3) and the Vendors (4) pursuant to which:

(i) Ellis & Partners has agreed (conditionally, *inter alia*, upon Admission taking place not later than 31 March 1997 or such later date as Ellis & Partners may agree) as agent for the Company to use its reasonable endeavours (aa) to procure subscribers for 23,333,334 Placing Shares at the Placing Price or, failing that, itself to subscribe for such Placing Shares at the Placing Price and (bb) to procure purchasers for the 8,333,333 Ordinary Shares to be sold on behalf of the Vendors at the Placing Price, or failing that, itself to purchase those shares at the Placing Price;

(ii) the Company has agreed:

(aa) to pay Ellis & Partners a fee of £15,000 and a commission of 3 per cent of the value of such Placing Shares at the Placing Price plus a further commission equal to 3 per cent of any other monies raised by the Company on or prior to Admission other than monies subscribed pursuant to the agreements summarised in paragraphs 16(i), (j) and (k) below;

(bb) to pay the costs, charges and expenses of and incidental to the Placing and Admission including the legal expenses of Ellis & Partners and printing and distribution costs, fees payable in connection with the registration of any documents, fees and expenses of the Registrars and the fees payable to the London Stock Exchange;

(iii) the Vendors have agreed to pay Ellis & Partners a commission of 3 per cent of the value at the Placing Price of the Ordinary Shares to be sold on their behalf.

The Placing Agreement contains warranties by the Company and the executive Directors as to the accuracy of the information contained in this document and other matters relating to the Company and its business, and an indemnity from the Company. Ellis & Partners is entitled to terminate the Placing Agreement prior to Admission in certain circumstances including in the event of a material breach of any of the warranties;

(e) a nominated adviser agreement dated 14 January 1997 whereby Smith & Williamson has agreed to act as Nominated Adviser to the Company for an initial period of twelve months and which is terminable thereafter on thirty days written notice. Smith & Williamson will receive a fee of £15,000 plus VAT per annum for its services. The Company has given Smith & Williamson an indemnity in respect of certain matters;

(f) an agreement dated 18 February 1997 between the Company (1), Ellis & Partners (2) and the Directors (3) pursuant to which Ellis & Partners has agreed to act as nominated broker to the Company. The appointment is for an initial period of one year and continues thereafter unless terminated on three months' notice by either party. The Company has agreed to pay Ellis & Partners a fee of £7,500 per annum for its services and has given Ellis & Partners indemnities in respect of certain matters;

(g) an agreement dated 21 November 1996 between the Company (1), and Kerburn Rose (2), pursuant to which Kerburn Rose will be paid, conditional upon the Placing and Admission, a fee of £54,419 plus VAT for advisory services in connection with the Placing and Admission;

(h) an agreement dated 14 February 1997 made between the Company (1) and Screen Security (2) pursuant to which the Company transferred its business to Screen Security in consideration of Screen Security assuming all the liabilities of that business;

(i) by a subscription letter with the Company dated 14 February 1997 John Forrest has irrevocably undertaken to subscribe for 8,333,333 Ordinary Shares at a subscription price of 3p for each share, conditional upon Admission;

(j) by a subscription letter with the Company dated 14 February 1997 Terence Roffey has irrevocably undertaken to subscribe for 2,166,667 Ordinary Shares at a subscription price of 3p for each share, conditional upon Admission;

(k) by a letter with the Company dated 14 February 1997 Caroline Ann Williams and David Anthony Collins, being the trustees of the Procord Limited Employee Trust (of which John Jack is a potential beneficiary), have agreed that the redemption monies on the £250,000 nominal loan stock of the Company, amounting to £250,000 and to be redeemed out of the proceeds of the Placing, shall immediately be applied in paying up 8,333,333 Ordinary Shares at a subscription price of 3p per share;

(l) by a subscription letter with the Company dated 14 February 1997, AIM Distribution Trust Plc has irrevocably undertaken to subscribe for 10,000,000 Ordinary Shares at a subscription price of 3p for each share, conditional upon Admission.

17. General

(a) The auditors of the Company are Grant Thornton of 1 Westminster Way, Oxford OX2 0PZ.

(b) The Nominated Adviser to the Company is Smith & Williamson of No.1 Riding House Street, London W1A 3AS, a sponsor registered with the London Stock Exchange and regulated by The Securities and Futures Authority Limited.

(c) The Nominated Broker to the Company is Ellis & Partners Limited of Talisman House, 16 The Courtyard, East Park, Crawley, Sussex RH10 6AS, a member of the London Stock Exchange and regulated by The Securities and Futures Authority Limited.

(d) Save as disclosed in this document, there are no significant investments under active consideration.

(e) The total proceeds of the Placing are expected to be applied as shown below:

	£
Purchase of the Preference Shares	236,000
Redemption of Loan Stock*	250,000
Repayment of loan from Gearcell Plc**	136,000
Funds raised for the Vendors	250,000
Working capital	693,000
Expenses of the issue	250,000
	1,815,000

*The trustees of the Procord Limited Employee Trust, of which Mr Jack, a Director, is a potential beneficiary, have agreed that the Company shall apply such monies in paying up 8,333,333 Ordinary Shares with a total value of £250,000 at the Placing Price – see paragraph 16 above.

**Gearcell Plc is a company controlled by Mr and Mrs Owen Williams.

(f) The Company's accounting reference date is 31 December.

(g) The Placing Price represents a premium over nominal value of 2.9p per Ordinary Share.

(h) Other than the intended application for Admission, the Ordinary Shares have not been admitted to dealings on any recognised investment exchange nor has any application for such admission been made, nor, except as stated below, are there intended to be any other arrangements for dealings in the Ordinary Shares.

(i) Grant Thornton accept responsibility for their report set out in Part II and for the Pro Forma Financial Information set out in Part III of this document and have given and not withdrawn their written consent to the inclusion of them herein in the form and context in which they appear.

(j) Save as disclosed in this document, the Directors are unaware of any exceptional factors which have influenced the Company's recent activities.

(k) Save as described herein there are no patents or other intellectual property rights, licences or particular contracts which are or may be of fundamental importance to the Company's business.

(l) Other than as disclosed in this document, there have been no significant recent trends concerning the development of the Company's business nor any significant acquisitions or disposals of assets since 31 December 1996.

(m) It is intended that keyman life assurance policies, at appropriate levels, will be taken out in respect of Owen Williams, Terence Roffey, Michael Williams and David Cox.

(n) The following persons have, or may have, promoted the Group, or its business, in the two years preceding the date of this document:

(i) Mr and Mrs Owen Williams of Stubbings Gate, Burchetts Green Lane, Burchetts Green, Maidenhead, Berks SL6 3QP;

(ii) Michael Williams of 12 Foxglove Close, Old Inchmery, Winkfield Row, Berkshire RG42 7NW;

(iii) David Cox of The Old Forge, Askett, Princes Risborough, Bucks HP27 9LT;

(iv) Peter Morris of 23 Effingham Road, Long Ditton, Surbiton, Surrey; and

(v) Stanley Fallon of 36 Beverley Road, Worcester Park, Surrey KT4 8LX.

None of the above have received any payments or benefits from any member of the Group otherwise than in the ordinary course of the Group's business for services provided, on an arm's length basis, to the Group or pursuant to the agreements summarised in paragraphs 16(a) and (b) above. All of the above are Directors of the Company or its subsidiaries, except Mrs Williams.

18. Availability of Prospectus

Copies of this prospectus, which is published on 18 February 1997, are available during normal business hours on any weekday (except Saturdays and public holidays) free of charge from the Company's registered office and at the offices of the Nominated Adviser and Nominated Broker and shall remain available for at least fourteen days after Admission.

Date: 18 February 1997

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