

SABREWATCH LIMITED
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2004



FILER KNAPPER
Chartered Accountants & Registered Auditors
10 Bridge Street
Christchurch
Dorset
BH23 1EF

**REGISTRAR
OF COMPANIES**

SABREWATCH LIMITED

FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2004

CONTENTS	PAGES
Company information	1
Directors' report	2 to 3
Auditors' Report	4
Consolidated profit and loss account	5
Consolidated statement of total recognised gains and losses	6
Consolidated balance sheet	7
Company balance sheet	8
Consolidated cash flow statement	9 to 10
Notes to the accounts	11 to 21

SABREWATCH LIMITED**COMPANY INFORMATION****YEAR ENDED 31 MARCH 2004****Company number** 1804778

Directors

L Lucas Esq	- Director
M Steers Esq	- Director
Lady Greenbury	- Non-executive Director
Mrs J Earl	- Non-executive Director (appointed 14 June 2004)

Secretary Mrs J Earl (appointed 1 September 2003)

Registered office

10 Bridge Street
Christchurch
Dorset
BH23 1EF

Auditors

Filer Knapper
10 Bridge Street
Christchurch
Dorset
BH23 1EF

Bankers

Lloyds TSB Bank Plc
1-3 London Road
East Grinstead
West Sussex
RH19 1AH

Solicitors

Payne Hicks Beach
10 New Square
Lincolns Inn
London
WC2A 3QG

SABREWATCH LIMITED**DIRECTORS' REPORT****YEAR ENDED 31 MARCH 2004**

The directors present their annual report on the affairs of the group, together with the audited financial statements for the year ended 31 March 2004.

Directors' responsibilities

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

- select suitable accounting policies, as described on page 11, and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and group and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Principal activity

The principal activity of the group continues to be the provision of security services.

Business review

The directors report a satisfactory year.

Results and dividends

The audited accounts for the year ended 31 March 2004 are set out on pages 5 to 21. The directors paid a final dividend of £3,300,000.

Fixed assets

In the opinion of the directors, there is no significant difference between the present market value of the company's properties and the amounts at which they are stated in the accounts, as set out in note 10.

SABREWATCH LIMITED
DIRECTORS' REPORT (CONTINUED)
YEAR ENDED 31 MARCH 2004

Directors and their interests

The directors of the company during the year and their interests in the ordinary shares of the company as recorded in the register of directors' interests were as follows:

	31 March 2004	1 April 2003
L Lucas Esq	11,312	11,312
M Steers Esq	744	744
Lady Greenbury	-	-
Mrs J Earl (appointed 14 June 2004)	-	-

Repurchase of own shares

On 11 July 2003, the company repurchased 2,828 (19%) of its own ordinary shares, with a nominal value of £2,828, for a total consideration of £1,323,020.

Charitable and political contributions

During the year the group made charitable contributions of £475. No political contributions were made.

Disabled employees

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

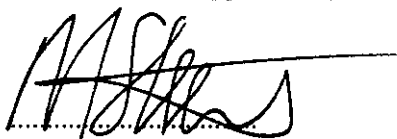
Employee consultation

The group places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them.

Auditors

The auditors, Filer Knapper, are deemed to be reappointed in accordance with section 386 of the Companies Act 1985 by virtue of an elective resolution.

This report was approved by the Board of Directors on1/9/04.....



M STEERS ESQ
 Director

SABREWATCH LIMITED**INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS****YEAR ENDED 31 MARCH 2004**

We have audited the financial statements of Sabrewatch Limited for the year ended 31 March 2004 which comprise the profit and loss account, the statement of total recognised gains and losses, the balance sheet, the cash flow statement, and the related notes. These financial statements have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets and the accounting policies set out therein.

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

Respective responsibilities of directors and auditors

As described in the statement of directors' responsibilities, the directors are responsible for the preparation of financial statements in accordance with applicable law and United Kingdom Accounting Standards.

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

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

We read the directors' report and consider the implications for our report if we become aware of any apparent misstatements within it.

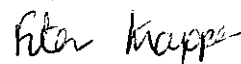
Basis of opinion

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

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

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's and the group's affairs as at 31 March 2004 and of the group's profit for the year then ended, and have been properly prepared in accordance with the Companies Act 1985.



FILER KNAPPER
Chartered Accountants
& Registered Auditors

10 Bridge Street
Christchurch
Dorset
BH23 1EF

13 September 2004

SABREWATCH LIMITED

CONSOLIDATED PROFIT AND LOSS ACCOUNT

YEAR ENDED 31 MARCH 2004

	Note	2004 £	2003 £ Restated
Turnover	2	35,315,742	34,064,540
Cost of sales		(30,904,199)	(29,284,445)
Gross profit		4,411,543	4,780,095
Administrative expenses		(1,814,414)	(3,071,582)
Other operating income		26,260	35,000
Operating profit		2,623,389	1,743,513
Investment income	3	163,754	183,469
Interest payable	4	(272)	(101)
Profit on ordinary activities before taxation	5	2,786,871	1,926,881
Tax on profit on ordinary activities	8	(861,162)	(487,605)
Profit on ordinary activities after taxation		1,925,709	1,439,276
Dividends	9	(3,300,000)	-
Retained (loss)/profit for the year		(1,374,291)	1,439,276

There were no acquisitions or discontinued activities during either year.

Movements in reserves are shown in the notes to the financial statements.

The notes on pages 11 to 21 form an integral part of these financial statements.

SABREWATCH LIMITED**CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES****YEAR ENDED 31 MARCH 2004**


	2004 £	2003 £ Restated
(Loss)/profit for the financial year	(1,374,291)	1,439,276
(Loss)/profit on foreign currency translation	(11,289)	37,202
	<hr/>	<hr/>
Total (losses)/gains for the year	(1,385,580)	1,476,478
Prior year adjustment (see note 12)	162,800	-
	<hr/>	<hr/>
Total (losses)/gains recognised since the last annual report	(1,222,780)	1,476,478
	<hr/>	<hr/>

The notes on pages 11 to 21 form an integral part of these financial statements.

SABREWATCH LIMITED
CONSOLIDATED BALANCE SHEET
31 MARCH 2004

	Note	2004 £	2003 £ Restated
Fixed assets			
Tangible assets	10	3,081,484	3,094,961
		<hr/>	<hr/>
Current assets			
Stock	12	325,614	162,800
Debtors	13	5,598,958	5,580,796
Cash at bank and in hand		4,570,419	8,068,240
		<hr/>	<hr/>
		10,494,991	13,811,836
Creditors: amounts falling due within one year	14	(4,113,017)	(4,726,010)
		<hr/>	<hr/>
Net current assets		6,381,974	9,085,826
		<hr/>	<hr/>
Total assets less current liabilities		9,463,458	12,180,787
Provision for liabilities and charges	15	(16,788)	(25,517)
		<hr/>	<hr/>
Net assets		9,446,670	12,155,270
		<hr/>	<hr/>
Capital and reserves			
Called up share capital	16	12,056	14,884
Share premium reserve	17	98,236	98,236
Capital redemption reserve	17	2,828	-
Revaluation reserve	17	361,516	361,516
Profit and loss account	17	8,972,034	11,680,634
		<hr/>	<hr/>
Total shareholders' funds	18	9,446,670	12,155,270
		<hr/>	<hr/>

The financial statements on pages 5 to 21 were approved by the Board of Directors on1/9/04.....
and signed on its behalf by:


.....
L LUCAS ESQ
Director

The notes on pages 11 to 21 form an integral part of these financial statements.

SABREWATCH LIMITED

COMPANY BALANCE SHEET

31 MARCH 2004

	Note	2004 £	2003 £ Restated
Fixed assets			
Tangible assets	10	3,077,938	3,089,232
Investments	11	200	200
		<hr/>	<hr/>
		3,078,138	3,089,432
		<hr/>	<hr/>
Current assets			
Stock	12	325,614	162,800
Debtors	13	5,236,349	5,469,063
Cash at bank and in hand		4,173,919	7,403,522
		<hr/>	<hr/>
		9,735,882	13,035,385
		<hr/>	<hr/>
Creditors: amounts falling due within one year	14	(4,064,040)	(4,463,142)
		<hr/>	<hr/>
Net current assets		5,671,842	8,572,243
		<hr/>	<hr/>
Total assets less current liabilities		8,749,980	11,661,675
		<hr/>	<hr/>
Provision for liabilities and charges	15	(16,750)	(25,426)
		<hr/>	<hr/>
Net assets		8,733,230	11,636,249
		<hr/>	<hr/>
Capital and reserves			
Called up share capital	16	12,056	14,884
Share premium reserve	17	98,236	98,236
Capital redemption reserve	17	2,828	-
Revaluation reserve	17	361,516	361,516
Profit and loss account	17	8,258,594	11,161,613
		<hr/>	<hr/>
Total shareholders' funds		8,733,230	11,636,249
		<hr/>	<hr/>

The financial statements on pages 5 to 21 were approved by the Board of Directors on1/9/04.....
and signed on its behalf by:


.....
L LUCAS ESQ
Director

The notes on pages 11 to 21 form an integral part of these financial statements.

SABREWATCH LIMITED

CONSOLIDATED CASH FLOW STATEMENT

YEAR ENDED 31 MARCH 2004

	Note	2004 £	2003 £ Restated
Reconciliation of operating profit to operating cash flows			
Operating profit		2,623,389	1,743,513
Depreciation charges		146,105	150,145
Loss on sale of tangible fixed assets		27,148	8,106
Increase in stock		(162,814)	(162,800)
Increase in debtors		(18,160)	(974,061)
(Decrease)/increase in creditors		(802,801)	300,682
		<hr/>	<hr/>
Net cash inflow from operating activities		1,812,867	1,065,585
		<hr/>	<hr/>

CASH FLOW STATEMENT

Net cash inflow from operating activities		1,812,867	1,065,585
Returns on investments and servicing of finance	19	163,482	183,368
Taxation	19	(748,230)	(382,261)
Capital expenditure and financial investment	19	(159,851)	(131,680)
Financing	19	(1,323,020)	-
Equity dividends paid		(3,300,000)	-
		<hr/>	<hr/>
(Decrease)/increase in cash in year		(3,554,752)	735,012
		<hr/>	<hr/>

ANALYSIS AND RECONCILIATION OF NET FUNDS

	1 April 2003 £	Cash Flow £	Exchange movement £	31 March 2004 £
Cash at bank and in hand	8,068,240	(3,486,532)	(11,289)	4,570,419
Overdrafts	-	(68,220)	-	(68,220)
	<hr/>	<hr/>	<hr/>	<hr/>
Net funds	8,068,240	(3,554,752)	(11,289)	4,502,199
	<hr/>	<hr/>	<hr/>	<hr/>

SABREWATCH LIMITED**CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)****YEAR ENDED 31 MARCH 2004**

	2004 £	2003 £
(Decrease)/increase in cash in the year	(3,554,752)	735,012
Change in net funds resulting from cash flows	(3,554,752)	735,012
(Loss)/profit on foreign currency translation	(11,289)	37,202
Movement in net funds in year	(3,566,041)	772,214
Net funds at 31 March 2003	8,068,240	7,296,026
Net funds at 31 March 2004	4,502,199	8,068,240

SABREWATCH LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2004

1. Statement of accounting policies

The principal accounting policies are summarised below. They have all been applied consistently throughout both the current and the preceding year, with the exception of the policy for uniforms which has changed in the year.

Basis of accounting

The accounts have been prepared under the historical cost convention, modified to include the revaluation of certain fixed assets, and in accordance with applicable accounting standards. In accordance with Section 230 of the Companies Act 1985, a separate profit and loss account of Sabrewatch Limited is not presented.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of Sabrewatch Limited and its subsidiary undertakings drawn up to 31 March each year.

Turnover

Turnover represents amounts invoiced during the year, net of trade discounts and VAT.

Tangible fixed assets

Tangible fixed assets are stated at cost or valuation, net of depreciation and provision for permanent diminution in value. Depreciation is provided on all tangible fixed assets, at rates calculated to write off the cost, or valuation less estimated residual value, of each asset over its expected useful life as follows:-

Computer equipment	33% on straight line
Plant, machinery, fixtures and fittings	50% on straight line basis & 15% on reducing balance
Motor vehicles	25% on reducing balance

Freehold properties

It is the group's practice to maintain these assets in a continual state of sound repair and to extend and make improvements thereto from time to time and accordingly the directors consider that the lives of these assets are so long and residual values, based on prices prevailing at the time of acquisition or at the time of revaluation to market value, are so high that their depreciation is insignificant. Any permanent diminution in the value of such properties is charged to the profit and loss account as appropriate. Where an impairment review shows a change in the useful economic life of the properties, depreciation is provided for on a straight line basis over the remaining useful economic life.

Investments

Fixed asset investments are shown at cost less provision for permanent diminution in value.

Stock

Uniforms are supplied to each guard, and replaced when necessary to ensure uniforms are maintained at the highest standard. The style of uniforms was changed and the new uniforms phased in over the two years ending March 2004. The directors now consider it appropriate to show the value of the new uniforms in the balance sheet, rather than the previous policy of writing the cost of the uniform off to the profit and loss account in the year of purchase. This is a change of accounting policy and a prior year adjustment has been made to comparative figures accordingly.

SABREWATCH LIMITED**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****YEAR ENDED 31 MARCH 2004****1. Statement of accounting policies (continued)****Taxation**

Corporation tax payable is provided on taxable profits at the current rate.

Full provision is made for deferred taxation using the liability method to take account of timing differences between the incidence of income and expenditure for taxation and accounting purposes.

Pension costs

For defined contribution schemes, the amount charged to the profit and loss account in respect of pension costs represents the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

Foreign currency

Transactions denominated in foreign currencies are translated into sterling at the rates ruling at the dates of the transactions or contract rates. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the rate ruling at that date. These translation differences are dealt with in the profit and loss account.

Balance sheets of foreign subsidiaries and related foreign currency borrowings are translated into sterling at the closing rates of exchange and profit and loss accounts are translated at the average rates of exchange for the year. Differences arising on translation, as shown on the Statement of Total Recognised Gains and Losses, are taken directly to reserves.

Leases

Rentals payable under operating leases are charged to the profit and loss account on a straight-line basis over the lease term.

SABREWATCH LIMITED**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****YEAR ENDED 31 MARCH 2004****2. Turnover**

The analysis of turnover by geographical origin was:

	2004 £	2003 £
United Kingdom	34,366,059	33,236,667
Ireland	949,683	827,873
	<u>35,315,742</u>	<u>34,064,540</u>

3. Investment income

	2004 £	2003 £
Interest receivable and similar income	163,754	183,469
	<u>163,754</u>	<u>183,469</u>

4. Interest payable and similar charges

	2004 £	2003 £
Bank interest	272	101
	<u>272</u>	<u>101</u>

SABREWATCH LIMITED**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****YEAR ENDED 31 MARCH 2004****5. Profit on ordinary activities before taxation**

Profit on ordinary activities before taxation is stated after charging:

	2004	2003
	£	£
Depreciation and amounts written off tangible fixed assets	173,253	158,251
Auditors' remuneration - audit	31,678	26,613
- non audit	8,000	10,600
Foreign exchange gain	(516)	(7,206)
	<u> </u>	<u> </u>

6. Staff Costs

The average monthly number of employees (including directors) was:

	2004	2003
	Number	Number
Administration	65	67
Security guards	1,700	1,683
	<u> </u>	<u> </u>
	1,765	1,750
	<u> </u>	<u> </u>

	2004	2003
	£	£
Their aggregate remuneration (including directors) comprised:		
Wages and salaries	27,729,137	27,776,905
Social security costs	2,555,156	2,389,849
Pension costs	76,650	69,196
	<u> </u>	<u> </u>
	30,360,943	30,235,950
	<u> </u>	<u> </u>

SABREWATCH LIMITED**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****YEAR ENDED 31 MARCH 2004****7. Directors' remuneration**

The remuneration of the directors was as follows:

	2004 £	2003 £
Emoluments including benefits in kind	300,506	1,494,110
Company contributions to money purchase pension scheme:		
Current directors	59,400	58,320
	<u>359,906</u>	<u>1,552,430</u>

Pensions

The number of directors who were members of pension schemes was as follows:

	Number	Number
Money purchase schemes	2	2

Highest-paid director

The above amounts for remuneration include the following in respect of the highest paid director:

	2004 £	2003 £
Emoluments	181,133	1,187,955
Company contributions to money purchase schemes	29,700	29,160
	<u>210,833</u>	<u>1,217,115</u>

8. Tax on profit on ordinary activities

	2004 £	2003 £
The tax charge comprises:		
Corporation tax at 30% (2003: 30%)	857,892	496,218
Under provision in previous years	4,769	-
Deferred taxation (see note 15)	(8,729)	(16,436)
Overseas taxation	7,230	7,823
	<u>861,162</u>	<u>487,605</u>

9. Dividends

	2004 £	2003 £
Ordinary dividends paid	3,300,000	-

SABREWATCH LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2004

10. Tangible fixed assets

	Freehold Properties £	Plant & Machinery £	Computer Equipment £	Motor Vehicles £	Total £
The Group Cost or Valuation					
1 April 2003	2,800,685	2,385,384	373,151	287,311	5,846,531
Additions	-	31,515	15,888	197,988	245,391
Disposals	-	-	-	(170,742)	(170,742)
31 March 2004	2,800,685	2,416,899	389,039	314,557	5,921,180
Depreciation					
1 April 2003	309,349	2,010,848	369,842	61,531	2,751,570
Charge for year	-	81,838	2,741	61,601	146,180
Disposals	-	-	-	(58,054)	(58,054)
31 March 2004	309,349	2,092,686	372,583	65,078	2,839,696
Net book value					
31 March 2004	2,491,336	324,213	16,456	249,479	3,081,484
31 March 2003	2,491,336	374,536	3,309	225,780	3,094,961
The Company Cost or Valuation					
1 April 2003	2,800,685	2,385,384	373,151	279,883	5,839,103
Additions	-	31,515	15,888	197,988	245,391
Disposals	-	-	-	(170,742)	(170,742)
31 March 2004	2,800,685	2,416,899	389,039	307,129	5,913,752
Depreciation					
1 April 2003	309,349	2,010,848	369,842	59,832	2,749,871
Charge for year	-	81,838	2,741	59,418	143,997
Disposals	-	-	-	(58,054)	(58,054)
31 March 2004	309,349	2,092,686	372,583	61,196	2,835,814
Net book value					
31 March 2004	2,491,336	324,213	16,456	245,933	3,077,938
31 March 2003	2,491,336	374,536	3,309	220,051	3,089,232

SABREWATCH LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2004

10. Tangible fixed assets (continued)

During the year ended 31 March 1998, a number of the group's properties were professionally valued on an open market value basis, at £2,500,000 (original cost £2,138,484) giving rise to a revaluation surplus of £361,516 which was credited to the revaluation reserve in the balance sheet. A further property was professionally valued on an open market value basis, at £275,000 (original cost £402,577) giving rise to a revaluation deficit of £127,577 which was charged to the profit and loss account in the year ended 31 March 1999.

The transitional rules of FRS 15 have been adopted for the group's freehold property, which permit the retention of the carrying values at the previously revalued amounts where applicable. The properties will not be subject to revaluation. Impairment tests are carried out as and when required by FRS 11. The directors are not aware of any material change in the value of the properties.

The cost of depreciable assets included in land and buildings at 31 March 2004 was £309,349.

11. Fixed asset investment

Investment in subsidiary undertakings	2004 £
Cost	
1 April 2003 and 31 March 2004	200

At 31 March 2004, the company owned all of the ordinary share capital of Sabrewatch (Ireland) Limited, a subsidiary company incorporated in Ireland. The subsidiary is engaged in the provision of security services in Ireland, and is included in the consolidated accounts.

At 31 March 2004, the company owned all of the ordinary share capital of Sabrewatch Processing Limited, a subsidiary company incorporated in England and Wales. The subsidiary is engaged in the provision of processing services, and is included in the consolidated accounts.

12. Stock

	The Group		The Company	
	2004	2003	2004	2003
	£	£	£	£
		Restated		Restated
Stock of uniforms	325,614	162,800	325,614	162,800

Prior year adjustment

The directors have introduced a new style uniform over the two years ending 31 March 2004. The cost of this uniform supplied to guards and held in stock has been recognised in the balance sheet in 2004. In previous years, the uniform cost was written to the profit and loss account when incurred. This is a change of accounting policy, and as such, a prior year adjustment for stock of £162,800, in 2003, has been made as follows:

	The Group	The Company
	2003	2003
	£	£
Stock of uniforms at 1 April 2003 as previously stated	-	-
Prior year adjustment	162,800	162,800
Stock of uniforms at 1 April 2003 as restated	162,800	162,800

SABREWATCH LIMITED**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****YEAR ENDED 31 MARCH 2004****13. Debtors: amounts falling due within one year**

	The Group		The Company	
	2004	2003	2004	2003
	£	£	£	£
Trade debtors	5,422,629	5,425,135	5,160,618	5,184,685
Amount owed by subsidiary undertaking	-	-	-	251,375
Prepayments and accrued income	176,329	155,661	75,731	33,003
	<u>5,598,958</u>	<u>5,580,796</u>	<u>5,236,349</u>	<u>5,469,063</u>

14. Creditors: amounts falling due within one year

	The Group		The Company	
	2004	2003	2004	2003
	£	£	£	£
Bank overdraft	68,220	-	68,220	-
Trade creditors	162,863	158,986	101,162	97,152
Taxation and social security	2,160,096	3,007,156	2,072,140	2,929,351
Amounts due to subsidiary undertakings	-	-	189,038	-
Other creditors	1,401,656	1,361,274	1,376,930	1,301,868
Corporation tax	320,182	198,594	256,550	134,771
	<u>4,113,017</u>	<u>4,726,010</u>	<u>4,064,040</u>	<u>4,463,142</u>

15. Provision for liabilities and charges
Deferred Tax (accelerated capital allowances)

	The Group		The Company	
	2004	2003	2004	2003
	£	£	£	£
1 April 2003	25,517	41,953	25,426	42,116
Profit and loss account	(8,729)	(16,436)	(8,676)	(16,690)
	<u>16,788</u>	<u>25,517</u>	<u>16,750</u>	<u>25,426</u>

No deferred tax has been provided on the revaluation of the group's properties as it is not intended to dispose of the properties concerned in the foreseeable future.

The potential liability and provision are based on a corporation tax rate of 30% (2003 : 30%).

SABREWATCH LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2004

16. Called up share capital

	2004 £	2003 £
Authorised		
100,000 ordinary shares of £1 each	100,000	100,000
	<u> </u>	<u> </u>
Allotted, called up and fully paid		
12,056 ordinary shares of £1 each	12,056	14,884
	<u> </u>	<u> </u>

The company repurchased 2,828 of the allotted ordinary share capital on 11 July 2003 (note 17).

17. Reserves

The Group

	Revaluation Reserve £	Profit & Loss Account £	Share Premium Account £	Capital Redemption Reserve £
1 April 2003 as previously stated	361,516	11,517,834	98,236	-
Prior year adjustment	-	162,800	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
1 April 2003 restated	361,516	11,680,634	98,236	-
Profit on foreign currency translation	-	(11,289)	-	-
Retained loss for the year	-	(1,374,291)	-	-
Purchase of own equity shares (note 16)	-	(1,323,020)	-	2,828
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
At 31 March 2004	361,516	8,972,034	98,236	2,828
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

The Company

	Revaluation Reserve £	Profit & Loss Account £	Share Premium Account £	Capital Redemption Reserve £
1 April 2003	361,516	10,998,813	98,236	-
Prior year adjustment	-	162,800	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
1 April 2003 restated	361,516	11,161,613	98,236	-
Profit on foreign currency translation	-	-	-	-
Retained loss for the year	-	(1,579,999)	-	-
Purchase of own equity shares (note 16)	-	(1,323,020)	-	2,828
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
At 31 March 2004	361,516	8,258,594	98,236	2,828
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

SABREWATCH LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2004

17. Reserves (continued)

Revaluation Reserve

The revaluation reserve arose in the year ended 31 March 1998 when a number of freehold properties were professionally valued on an open market value basis at £2,500,000 (original cost £2,138,484), see note 10.

Profit and Loss Reserve

The parent company has not included its own profit and loss account in these financial statements. £(1,579,999) of the group loss for the year is dealt with in the accounts of the parent undertaking (2003: £1,251,052 profit).

Capital Redemption Reserve

The capital redemption reserve arose when the company repurchased 2,828 shares with a nominal value of £1 each on 11 July 2003.

18. Reconciliation of movements in group shareholders' funds

	2004 £	2003 £ Restated
(Loss)/profit for the financial year (2003: as previously stated)	(1,374,291)	1,276,476
Other recognised gains and losses relating to the year	(11,289)	37,202
Prior year adjustment (note 12)	-	162,800
	<hr/>	<hr/>
Net addition to shareholders' funds (2003: as restated)	(1,385,580)	1,476,478
Purchase of equity shares	(1,323,020)	-
Opening shareholders' funds (as previously stated)	11,992,470	10,678,792
Prior year adjustment (note 12)	162,800	-
	<hr/>	<hr/>
Closing shareholders' funds (2003: as restated)	9,446,670	12,155,270
	<hr/>	<hr/>

SABREWATCH LIMITED**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****YEAR ENDED 31 MARCH 2004****19. Analysis of cash flow**

	2004 £	2003 £
Returns on investments and servicing of finance		
Interest received	163,754	183,469
Interest paid	(272)	(101)
	<hr/>	<hr/>
Net cash inflow	163,482	183,368
	<hr/>	<hr/>
Taxation		
UK corporation tax paid	(743,133)	(371,656)
Overseas tax paid	(5,097)	(10,605)
	<hr/>	<hr/>
Net cash outflow	(748,230)	(382,261)
	<hr/>	<hr/>
Capital expenditure and financial investment		
Purchase of tangible fixed assets	(245,391)	(182,289)
Sale of tangible fixed assets	85,540	50,609
	<hr/>	<hr/>
Net cash outflow	(159,851)	(131,680)
	<hr/>	<hr/>
Financing		
Purchase of own equity shares	(2,828)	-
Premium on purchase of own equity shares	(1,320,192)	-
	<hr/>	<hr/>
Net cash outflow	(1,323,020)	-
	<hr/>	<hr/>

20. Pension contribution

The group operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the group in an independently administered fund. The pension cost charge represents contributions payable by the group to the fund and amounted to £76,650 (2003 : £68,923). At the balance sheet date, all contributions due had been fully paid to the pension scheme.

21. Capital commitments

The group was committed to capital expenditure to replace software of £90,000 at the 31 March 2004.

22. Ultimate controlling party

The ultimate controlling party of the group is L Lucas Esq, Managing Director.