

Interphone Security Group Limited

Report and Financial Statements

31 March 2008

Registered No. 2261310

Directors

I Aziz
CC McGill
J J Synett
M D Watson

Secretary

J M Carr

Auditors

Ernst & Young LLP
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London SE1 2AF

Bankers

Bank of Scotland
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London EC2P 2EM

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Directors' report

The directors present their report and financial statements for the year ended 31 March 2008.

Results and dividends

The group profit for the year after taxation amounted to £1,397,864 (2007 – profit of £1,473,584). A dividend of £nil was paid during the year (2007 – £1,500,000). The directors do not recommend a final dividend on the ordinary shares.

Principal activity and review of the business

The principal activities of the group during the year continued to be that of the supply, installation and maintenance of international communication, CCTV surveillance security, door entry equipment and related systems on long term rental and outright sale, principally to the building industry, property management companies and local authorities.

The principal activity of the company was that of a holding company.

The group's key financial and other performance indicators during the year were as follows:

	2008	2007	Change
	£	£	%
Group turnover	6,839,488	7,249,416	-6%
Operating profit	1,273,081	1,556,683	-18%
Profit after tax	1,397,864	1,473,584	-1%
Shareholders funds	12,216,598	10,818,734	+12%
Average number of employees	57	56	

Group turnover decreased by 6% during the year and reflects an overall decrease in the value of sales orders taken and the rate of installation completions during the year. In consequence operating profit has also reduced by 18%. This reduction reflects, in part, a significant investment in the leasehold premises and a corresponding increase in depreciation.

The directors are satisfied with the group's performance for the year and its prospects. The group will continue to pursue its principal activity.

Financial instruments, liquidity and credit risks

The company's financial instruments, liquidity, cash flows and credit risks are managed on a group basis by the company's parent undertaking, Roadweald Limited. Full details of the policies are detailed in the financial statements of the parent undertaking

Directors

The directors who served during the year were those listed on page 1.

Directors' report

Directors' qualifying third party indemnity provision

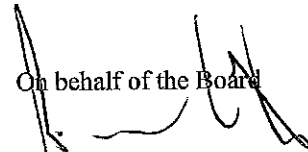
The company has granted an indemnity to one or more directors against liability in respect of proceedings brought by third parties, subject to conditions set out in the Companies Act 1985. Such qualifying third party indemnity provision remains in force as at the date of approving the directors' report.

Disclosure of information to the auditors

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow directors and the group's auditor, each director has taken all the steps that he/she is obliged to take as a director in order to make himself/herself aware of any relevant audit information and to establish that the auditor is aware of that information.

Auditors

A resolution to reappoint Ernst & Young LLP as auditors will be put to the members at the Annual General Meeting.

On behalf of the Board


Director

29 JAN 2009

Statement of directors' responsibilities

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to 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 these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK 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 company will continue in business.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and group and to 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.

Independent auditors' report

to the members of Interphone Security Group Limited

We have audited the group's and company's financial statements for the year ended 31 March 2008 which comprise the Group Profit and Loss Account, the Group Statement of Total Recognised Gains and Losses, the Group Balance Sheet, and the related notes 1 to 21. These financial statements have been prepared under the accounting policies set out therein.

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

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

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 whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, 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 other transactions 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 audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the 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.

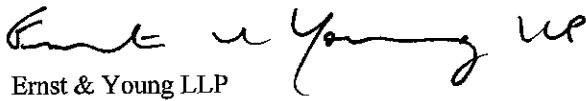
Independent auditors' report

to the members of Interphone Security Group Limited

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the group's and company's affairs as at 31 March 2008 and of the profit of the group for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985;
- the information given in the Directors' Report is consistent with the financial statements.



Ernst & Young LLP
Registered Auditor
London

30 January 2009

Group Profit and loss account

for the year ended 31 March 2008

	<i>Notes</i>	2008 £	2007 £
Turnover	2	6,839,488	7,249,416
Cost of sales		(2,762,669)	(3,159,754)
		<u>4,076,819</u>	<u>4,089,662</u>
Gross profit			
Administrative expenses		(2,809,495)	(2,539,531)
Other operating income		5,757	6,552
		<u>1,273,081</u>	<u>1,556,683</u>
Operating profit	3		
Interest receivable and similar income		58,971	83,526
Interest payable and similar charges	6	(53,872)	(51,875)
		<u>1,278,180</u>	<u>1,588,334</u>
Profit on ordinary activities before taxation			
Taxation	7	119,684	(114,750)
		<u>1,397,864</u>	<u>1,473,584</u>
Profit for the financial year		<u><u>1,397,864</u></u>	<u><u>1,473,584</u></u>

Statement of total recognised gains and losses

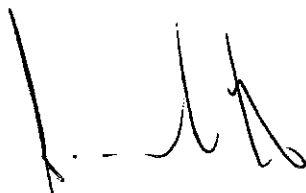
for the year ended 31 March 2008

There are no recognised gains or losses other than the profit of £1,397,864 attributable to the shareholders for the year ended 31 March 2008 (2007 – profit of £1,473,584).

Group balance sheet

at 31 March 2008

	Notes	2008 £	2007 £
Fixed assets			
Tangible assets	9	582,308	495,725
Current assets			
Stocks and work in progress	11	934,382	736,979
Debtors – due after more than one year	12	11,098,285	10,866,898
Debtors – due within one year	12	10,672,598	4,443,358
Cash at bank and in hand		13,260	2,450,147
		<u>22,718,525</u>	<u>18,497,382</u>
Creditors: amounts falling due within one year	13	(9,715,770)	(6,632,352)
		<u>13,056,627</u>	<u>11,865,030</u>
Net current assets		<u>13,056,627</u>	<u>11,865,030</u>
Total assets less current liabilities		<u>13,746,679</u>	<u>12,360,755</u>
Creditors: amounts falling due after more than one year	14	(15,021)	(15,021)
Provisions for liabilities			
Deferred taxation	15	(1,407,316)	(1,527,000)
		<u>12,216,598</u>	<u>10,818,734</u>
Capital and reserves			
Called up share capital	16	105,147	105,147
Share premium account	17	141,176	141,176
Capital reserve	17	495,733	495,733
Profit and loss account	17	11,474,542	10,076,678
		<u>12,216,598</u>	<u>10,818,734</u>
Shareholders' funds	17	<u>12,216,598</u>	<u>10,818,734</u>



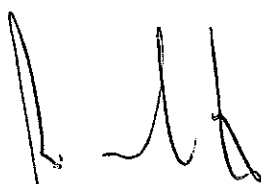
Director

29 JAN 2009

Balance sheet

at 31 March 2008

	Notes	2008 £	2007 £
Fixed assets			
Investments	10	4,560,750	4,560,750
Current assets			
Debtors	12	5,636,181	5,636,181
Cash at bank and in hand		38	38
		5,636,219	5,636,219
Creditors: amounts falling due within one year	13	(2,279,421)	(2,225,218)
Net current assets		3,356,798	3,411,001
Total assets less current liabilities		7,917,548	7,971,751
Creditors: amounts falling due after more than one year	14	(15,021)	(15,021)
		7,902,527	7,956,730
Capital and reserves			
Called up share capital	16	105,147	105,147
Share premium account	17	141,176	141,176
Revaluation reserve	17	4,064,250	4,064,250
Profit and loss account	17	3,591,954	3,646,157
Shareholders' funds	17	7,902,527	7,956,730



Director

29 JAN 2009

Notes to the financial statements

at 31 March 2008

1. Accounting policies

Accounting convention

The financial statements are prepared under the historical cost convention modified to include the revaluation of fixed asset investments, and in accordance with applicable accounting standards.

Basis of consolidation

The group financial statements consolidate the financial statements of Interphone Security Group Limited and its subsidiary undertakings drawn up to 31 March each year. No profit and loss account is presented for the company as permitted by section 230 of the Companies Act 1985.

Statement of cash flows

Under Financial Reporting Standard 1 the company is exempt from the requirement to prepare a cash flow statement on the grounds that it is a wholly owned subsidiary undertaking of a company producing publicly available group financial statements.

Fixed asset investments

The carrying values of fixed asset investments are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

Depreciation

Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost or valuation, less estimated residual value based on prices prevailing at the date of acquisition or revaluation, of each asset evenly over its expected useful life, as follows:

Leasehold additions	–	over the length of the lease
Computer equipment	–	5% on cost per annum
Fixtures, fittings and equipment	–	15% on cost per annum
Motor vehicles	–	25% on cost per annum

The carrying values of tangible fixed assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

Stocks

Stocks are stated at the lower of cost incurred in bringing each product to its present location and condition, and net realisable value as follows:

Stock	–	purchase cost on a first-in, first-out basis.
Work in progress	–	cost of direct materials and labour

Previously the valuation of work in progress included an apportionment of overheads.

Net realisable value is based on estimated selling price less any further costs expected to be incurred to completion and disposal.

Notes to the financial statements

at 31 March 2008

1. Accounting policies (continued)

Deferred taxation

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or right to pay less or to receive more, tax, with the following exception:

- Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on a discounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Income derived from finance leases

Equipment leased under finance leases in accordance with SSAP 21 is deemed to be sold at normal end user selling prices, and is included in turnover at the inception of the lease. Income from finance leases (after deducting the proportion attributable to maintenance) is recognised over the primary period of the lease so as to give a constant rate of return.

Income derived from maintenance services

Income derived from maintenance contracts is accrued on a straight line basis over the term of the contract. Other maintenance income is recognised on provision of the service.

Income derived from outright sales

Income derived from outright sales is recognised on delivery or completion of installation. Previously income had been recognised on an invoiced basis.

Operating leases

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

Pensions

The company operates a defined contribution pension scheme. Contributions are charged to the profit and loss account as they become payable in accordance with the rules of the scheme.

Provisions for liabilities

A provision is recognised when the group has a legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation.

Notes to the financial statements

at 31 March 2008

2. Turnover

Turnover, which is stated net of value added tax and is generated wholly in the United Kingdom, represents amounts invoiced to third parties in respect of the group's continuing activities as stated in the directors' report.

An analysis of turnover by class of business is given below:

	2008	2007
	£	£
Income from finance leases	4,765,258	4,332,949
Income from maintenance	363,352	335,603
Outright sales	1,575,456	2,427,571
Trade and sundry sales	135,422	153,293
	<u>6,839,488</u>	<u>7,249,416</u>

3. Operating profit

This is stated after charging:

	2008	2007
	£	£
Auditors' remuneration – audit services	40,000	35,000
– tax	4,386	28,000
	<u>44,386</u>	<u>63,000</u>
Depreciation of tangible fixed assets	141,866	102,909
Loss on sale of fixed assets	30,684	1,216
	<u>172,550</u>	<u>104,125</u>
Operating lease rentals - land and buildings	51,045	51,750
- Car leases	146,115	128,301
	<u>197,160</u>	<u>180,051</u>

Notes to the financial statements

at 31 March 2008

4. Directors' remuneration

	<i>2008</i>	<i>2007</i>
	<i>£</i>	<i>£</i>
Emoluments	290,350	308,804
Group contributions paid to defined contribution pension schemes	<u>20,000</u>	<u>26,577</u>
	<i>2008</i>	<i>2007</i>
	<i>No.</i>	<i>No.</i>
Members of money purchase pension schemes	<u>2</u>	<u>4</u>
The amounts in respect of the highest paid director are as follows:		
	<i>2008</i>	<i>2007</i>
	<i>£</i>	<i>£</i>
Emoluments	<u>169,583</u>	<u>165,000</u>
Group contributions paid to defined contribution pension schemes	<u>16,500</u>	<u>16,802</u>

Notes to the financial statements

at 31 March 2008

5. Staff costs

	2008	2007
	£	£
Wages and salaries	2,111,116	2,054,420
Social security costs	230,242	224,365
Other pension costs	88,134	110,425
	<u>2,429,492</u>	<u>2,389,210</u>

The average monthly number of employees during the year was as follows:

	2008	2007
	No.	No.
Sales	9	8
Engineering	24	24
Other	24	24
	<u>57</u>	<u>56</u>

6. Interest payable and similar charges

	2008	2007
	£	£
Preference dividends on non-equity shares	53,872	51,850
Interest payable on bank overdraft	—	25
	<u>53,872</u>	<u>51,875</u>

7. Tax

(a) Tax on Profit of ordinary activities

The tax charge is made up as follows:

	2008	2007
	£	£
<i>Current tax:</i>		
UK corporation tax on the profit for the year	—	—
Total current tax (note 7(b))	<u>—</u>	<u>—</u>
<i>Deferred tax:</i>		
Origination and reversal of timing differences (note 15)	(119,684)	114,750
Total tax charge for year	<u>(119,684)</u>	<u>114,750</u>

Notes to the financial statements

at 31 March 2008

7. Tax

(b) Factors affecting the current tax charge for the year:

The tax assessed for the year is [higher/lower] than the standard rate of corporation tax in the UK of 30% (2007 – 30%).

	2008	2007
	£	£
Profit on ordinary activities before tax	1,278,180	1,588,334
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2007 – 30%)	380,879	476,500
<i>Effects of:</i>		
Non taxable income	–	(41,609)
Expenses not deductible for tax purposes	30,325	58,309
Depreciation in excess of capital allowances	230,822	12,315
Capital allowances in advance of depreciation	–	(140,381)
Utilisation of tax losses	–	(40,813)
Adjustments to tax charge in respect of previous years	–	–
Other short term timing differences	8,970	6,506
Group relief claimed before payment	(667,158)	(346,382)
Preference dividend	16,162	15,555
Current tax for the year (note 7(a))	–	–

8. Dividends

	2008	2007
	£	£
Ordinary dividends on equity shares	–	1,500,000
Preference dividends on non-equity shares	53,872	51,850
	53,872	1,551,850

Notes to the financial statements

at 31 March 2008

9. Tangible fixed assets

<i>Group</i>	<i>Leasehold additions</i>	<i>Computer equipment</i>	<i>Fixtures, fittings and equipment</i>	<i>Motor vehicles</i>	<i>Total</i>
	£	£	£	£	£
Cost or valuation:					
At 31 March 2007	146,157	683,707	231,336	49,912	1,111,112
Additions	187,673	79,158	5,501	–	272,332
Disposals	(34,870)	–	–	(24,058)	(58,928)
At 31 March 2008	298,960	762,865	236,837	25,854	1,324,516
Depreciation:					
At 31 March 2007	111,287	296,975	172,691	37,434	618,387
Provided during the year	–	123,849	11,552	6,465	141,866
Disposals	–	–	–	(18,045)	(18,045)
At 31 March 2008	111,287	420,824	184,243	25,854	742,208
Net book value:					
At 31 March 2008	187,673	342,041	52,594	–	582,308
At 31 March 2007	34,870	389,732	58,645	12,478	495,725

10. Investments

<i>Company</i>	<i>100 % investment in subsidiary undertakings</i>
	£
Cost:	
At 31 March 2007 and 31 March 2008	4,560,750
<i>Subsidiary undertakings</i>	<i>Nature of business</i>
Interphone Limited	The supply, installation and maintenance of internal communication, door entry equipment and related systems on long term rental and outright purchase
Interphone (Sentrymatic) Limited	The supply, installation and maintenance of internal communication, door entry equipment and related systems on long term rental and outright purchase
Interphone (SM) Limited	Non trading
Interphone (Digital) Limited	Non trading
Interphone (Birmingham) Limited	Non trading
Interphone (Ibex) Limited	Non trading
Interphone (CCTV) Limited	Non trading

Notes to the financial statements

at 31 March 2008

11. Stocks

	<i>Group</i>		<i>Company</i>	
	2008	2007	2008	2007
	£	£	£	£
Raw materials and consumables	574,985	463,331	–	–
Work in progress	359,397	273,648	–	–
	<u>934,382</u>	<u>736,979</u>	<u>–</u>	<u>–</u>

12. Debtors

	<i>Group</i>		<i>Company</i>	
	2008	2007	2008	2007
	£	£	£	£
Trade debtors	1,456,275	1,753,434	–	–
Amounts owed by group undertakings	8,246,610	1,767,046	5,636,181	5,636,181
Other debtors	89,392	82,876	–	–
Prepayments	51,790	81,578	–	–
Net investments in finance leases due within one year	828,531	758,424	–	–
Debtors: amounts falling due within one year	<u>10,672,598</u>	<u>4,443,358</u>	<u>5,636,181</u>	<u>5,636,181</u>
Net investment in finance leases - due after more than one year	11,098,285	10,866,898	–	–
	<u>21,770,883</u>	<u>15,310,256</u>	<u>5,636,181</u>	<u>5,636,181</u>

13. Creditors: amounts falling due within one year

	<i>Group</i>		<i>Company</i>	
	2008	2007	2008	2007
	£	£	£	£
Trade creditors	482,702	697,501	–	–
Amounts owed to group undertakings	4,729,526	2,123,432	2,221,304	2,167,432
Corporation tax	1,999	1,999	–	–
Other taxes and social security costs	731,912	701,175	–	–
Accruals and deferred income	3,715,759	3,108,245	58,117	57,786
	<u>9,715,770</u>	<u>6,632,352</u>	<u>2,279,421</u>	<u>2,225,218</u>

Notes to the financial statements

at 31 March 2008

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

	<i>Group</i>		<i>Company</i>	
	<i>2008</i>	<i>2007</i>	<i>2008</i>	<i>2007</i>
	£	£	£	£
Preference shares	15,021	15,021	15,021	15,021

The preference shares are non-voting and entitle the holder to a dividend of £3.3287 per share per annum as from 1 July 2000 (increased by RPI) and have equivalent rights to ordinary shares as to return of capital

15. Provisions for liabilities

Deferred taxation provided in the financial statements is as follows:

<i>Group</i>	<i>Provided</i>	
	<i>2008</i>	<i>2007</i>
	£	£
Capital allowances in advance of depreciation	1,799,316	1,922,000
Tax losses	—	—
Undiscounted provision for deferred tax	1,799,316	1,922,000
Discount	(392,000)	(395,000)
Discounted provision for deferred tax	1,407,316	1,527,000
<i>Group</i>	<i>2008</i>	<i>2007</i>
	£	£
At 31 March 2007	1,527,000	1,412,250
Deferred tax charge in profit and loss account for the year (note 7(a))	(119,684)	114,750
At 31 March 2008	1,407,316	1,527,000

16. Authorised and issued share capital

<i>Authorised, allotted, called up and fully paid</i>	<i>2008</i>		<i>2007</i>	
	<i>No.</i>	£	<i>No.</i>	£
Ordinary shares of £1 each	105,147	105,147	105,147	105,147

Notes to the financial statements

at 31 March 2008

17. Reconciliation of shareholders' funds and movements on reserves

Group

	<i>Share capital</i> £	<i>Share premium account</i> £	<i>Capital reserve</i> £	<i>Profit and loss account</i> £	<i>Total</i> £
At 31 March 2006	105,147	141,176	495,733	10,103,094	10,845,150
Profit for the year	–	–	–	1,473,584	1,473,584
Dividend paid	–	–	–	(1,500,000)	(1,500,000)
At 31 March 2007	105,147	141,176	495,733	10,076,678	10,818,734
Profit for the year	–	–	–	1,397,864	1,434,152
At 31 March 2008	105,147	141,176	495,733	11,474,542	12,270,470

Company

	<i>Share capital</i> £	<i>Share premium account</i> £	<i>Revaluation reserve</i> £	<i>Profit and loss account</i> £	<i>Total share- holders' funds</i> £
At 31 March 2006	105,147	141,176	4,064,250	5,202,030	9,512,603
Loss for the year	–	–	–	(55,873)	(55,673)
Dividend paid	–	–	–	(1,500,000)	(1,500,000)
At 31 March 2007	105,147	141,176	4,064,250	3,646,157	7,956,930
Loss for the year	–	–	–	(54,203)	(331)
At 31 March 2008	105,147	141,176	4,064,250	3,591,954	7,956,599

18. Pensions

The group operates defined contribution pension schemes. The assets of the schemes are held separately from those of the group in independently administered funds. All contributions were paid during the year.

Notes to the financial statements

at 31 March 2008

19. Other financial commitments

At 31 March 2008 the group had annual commitments under non-cancellable operating leases as set out below:

	2008		2007	
	<i>Land and buildings</i>	<i>Other</i>	<i>Land and buildings</i>	<i>Other</i>
	£	£	£	£
Operating leases which expire:				
Within one year	–	18,783	–	17,339
Between two and five years	–	263,710	–	172,536
Over five years	51,045	–	51,750	–
	<u>51,045</u>	<u>282,493</u>	<u>51,750</u>	<u>189,875</u>

20. Related party transactions

The company has taken advantage of the exemptions available under FRS 8 not to disclose transactions with group companies, where consolidated financial statements are publicly available. No other transactions which require disclosure by FRS8 took place during the year.

21. Ultimate parent undertaking and controlling party

The immediate parent undertaking of Interphone Security Group Limited is Roadweald Limited, which is the group for which consolidated financial statements are drawn up. Copies of the consolidated financial statements are available from the registered office of Roadweald Limited, 4th Floor, Leconfield House, Curzon Street, London, W1J 5JA. The ultimate parent undertaking is Amora limited. The controlling party is the Tchenguiz Family Trust.