

2990100

Report and Accounts 2001

TECHNOLOGIES TO SECURE A SAFER WORLD



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COMPANIES HOUSE 03/07/02
COMPANIES HOUSE 17/06/02

screen plc

Screen plc: The Group

screen plc

petards

petards

EMERGENCY SERVICES

Specialising in the development and support of integrated solutions for both UK and International Emergency Services. The company is an acknowledged leader in the field of mobile video evidence, automatic recognition, MIS and mobilisation systems, supported by a full systems integration service.

petards

VISION

Market leading developer of advanced security and surveillance solutions for both local & central government and commercial users. Petards Vision's innovative product range includes CCTV command & control systems, rapid deployment wireless CCTV and intelligent video processing systems.

joyce-loebl

joyce-loebl

TRANSPORT

Recognised for their innovative design and expertise in rugged, dependable electronics. Joyce-Loebl Transport supplies the International rail transport industry with passenger information electronic displays and on-board CCTV security systems.

joyce-loebl

DEFENCE

An established supplier to both the UK and European Military forces. Joyce-Loebl Defence has a reputation for designing and manufacturing robust, dependable products for complex and demanding environments. The Company specialises in electronic warfare, fighting vehicle electronics and rugged communications and IT systems.

pmi INTERNATIONAL

The group's international sales and distribution arm, managing a network of partners and representatives in over 40 different countries.

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Directors and Officers

Directors: Mr O Williams (Chairman)
Mr I C Taylor (Non-Executive, Deputy Chairman)
Mr C H Bergstedt (Chief Executive)
Mr J D A Shand (Finance Director)
Mr M J Williams (Executive)
Mr R C Hill (Executive)
Maj. Gen. T J Sullivan (Non-Executive)

Company Secretary: Mr J D A Shand

Registered Office: Stubbings Barn
Burchetts Green Lane
Burchetts Green
Maidenhead SL6 3QP

Company Number: 2990100

Auditors: Deloitte & Touche
Hill House
1 Little New Street
London EC4A 3TR

Bankers: Bank of Scotland
Buchan House
Parkway Court
Oxford Business Park
Oxford OX4 2JY

Solicitors: Brobeck Hale & Dorr
Park Gate
25 Milton Park
Oxford OX14 4SH

Nominated Advisor: Collins Stewart
9th Floor
88 Wood Street
London EC2V 7QR

Nominated Brokers: Collins Stewart
9th Floor
88 Wood Street
London
EC2V 7QR

Seymour Pierce Ellis
Talisman House
16 The Courtyard
Crawley
West Sussex RH10 6AS

Financial PR Advisor: Binns & Co. PR Ltd
16 St Helen's Place
London EC3A 6DF

Web site: www.screenplc.com

Chairman's Statement

During the period we also extended our reach into important additional application and industry areas and continued our drive into new international markets.

Introduction

I am very pleased to present our results for the financial year ended 31 December 2001, another period of considerable progress for the Group, one in which our revenues grew by some 180% and the Group generated a creditable operating profit.

Since writing to you at the half year stage and subsequently when seeking your approval in January 2002 for the fund raising in support of the working capital needs of the *Joyce-Loebl acquisition and the enlarged Group*, further significant advances has been made.

During the period we extended our reach into important additional application and industry areas and continued our drive into new international markets. In line with the trading statement of 30 January 2002, acquisitions have been completed and successfully integrated into the Group and the organisation rationalised and streamlined in order to realise benefits of scale.

The events of 11 September 2001 heightened the awareness of security needs worldwide adding impetus to our already growing markets. We consider we are well positioned to challenge for our share of the additional business arising from these changed circumstances.

The Directors continue to view the Group's prospects with great confidence.

Results

Group revenue for the year ended 31 December 2001, including acquisitions, almost trebled to £14.2m (2000: £5.1m) with continuing operations up £4.2m on 2000, as a result of investment in product development and market expansion. Acquisitions contributed £4.9m of turnover during 2001. UK revenues increased to £10.7m (2000: £4.1m) whilst non-UK revenues grew to £3.5m or 25% of total revenues (2000: £1.0m, 20%). Approximately 75 per cent of the Group's turnover came from the public sector, with sales derived from each of our four main markets: Emergency Services, Local and Central Government, Defence and Transport. Gross Profit increased by £4.2m to £6.4m, and the Gross Profit percentage improved to 45.1% (2000: 44.2%).

Operating Profit

Operating Profit (before goodwill) was in line with our earlier trading update at £1.0m and was £1.3m better than 2000 (2000: Operating Loss of £0.3m). Acquisitions contributed £1.2m towards Operating Profit, whilst ongoing operations (including central costs and goodwill) recorded a loss of £0.6m. Pre-tax Profit was £1.0m better than 2000 at £0.7m (2000: Pre-tax loss of £0.3m). Basic earnings per share increased by 2.4 pence to 1.6 pence per share (2000: loss per share of 0.8 pence, restated for the 10 for 1 share consolidation affected in February 2001). Basic earnings per share before goodwill amortisation improved by 2.9 pence to 2.5 pence per share (2000: loss per share of 0.4 pence).

Operating Cashflow continued to lag profits, as overseas tenders, although typically Government or World Bank funded, are sold on extended credit terms. Funding of £6.5m (net) was raised through two equity placings and this, together with a 7 year bank term loan of £1.2m, was used to complete three acquisitions, namely the Civil Systems Division of

BAE SYSTEMS in February, Pentyre Limited in July and Joyce-Loebl Group Limited in December, all in 2001, and to fund working capital requirements. Post year end a further £3.4m (gross) has been raised to complete the funding of the acquisition of Joyce-Loebl Limited and to provide for working capital for this acquired company and the enlarged Group. The March placing was managed by our new joint brokers, Collins Stewart, which substantially helped towards our twin objectives of introducing new investors to the stock, and increasing our institutional shareholding.

The Balance Sheet has been strengthened by £7.6m to £17.8m through the post tax profit earned together with the placings mentioned above. Total Net Assets of £3.5m were acquired with companies purchased during the year, with goodwill increasing by £3.0m, resulting from these acquisitions.

Your Board does not recommend the payment of a dividend, as in previous financial periods since the Company's flotation in 1997, because growth of the business continues to create working capital demands.

We now address our major UK markets through four businesses – Petards Emergency Services, Petards Vision, Joyce-Loebl Defence and Joyce-Loebl Transport with Petards International providing the increasingly important conduit for our sales abroad.

joyce-loebl TRANSPORT

Joyce-Loebl - Transport

The acquisition of Joyce-Loebl at the end of 2001 provided Screen with improved access to the transport sector.

Joyce-Loebl brings within its Rail Transport division a range of highly relevant and related products to our current security and surveillance focus in the shape of on-board CCTV surveillance systems (covert and overt) and on-board Passenger Information Display systems.

Success has come from both the UK market with deliveries to customers such as Bombardier Transportation as well as in the International arena with deliveries to ALSTOM Belgium. A healthy pipeline of opportunities is building right across UK and Europe, with orders this year to date, for both transport and defence totalling £5.6m.

Working with key suppliers of rolling stock to the rail industry such as Bombardier and ALSTOM, we believe the rail transport division is well positioned to take advantage of the increased demand for on board CCTV systems. These systems are increasingly being implemented to provide both passenger security as well as providing a surveillance record of people and events.

joyce-loebl DEFENCE

Joyce-Loebl - Defence

The Defence arm of Joyce-Loebl brings with it a significant recurring revenue base from supplying a number of core products and components to the UK MOD on a long term contract basis. We continue to develop and build key electronic components for both airborne and ground based military vehicles. Our manufacturing agreement with BAE SYSTEMS North America Inc (formerly Tracor Inc) provides us with a unique position to supply the MOD with chaff and flare dispensers for military aircraft. Our focus as one of only a few UK based TEMPEST (high security computers) suppliers has during 2001 won us an initial component of the Bowman project.

The current defence business of Joyce-Loebl provides a solid business base with the opportunity to develop this market for Screen's broader range of Security and Surveillance products.

Petards Emergency Services

The UK Petards Emergency Services business unit based in Leicester develops and promotes the Mobile Data, In-Car Video evidence and Command and Control systems sold to the Police and Fire market.

In the Police market the very successful ProVida product range (as seen on TV's "Police Camera Action" programme) continued to grow during the year. Significant expansion in our international sales division in Denmark has seen our number of international distributors increase and volume of business grow to the current position where 75% of our business into the police market is generated from outside of the UK. We believe that there are some 1 million police vehicles within our key target markets (excluding North America). Screen has supplied in excess of 5,000 systems of which approximately 1,000 are in the UK where we deal with the majority of police forces. New major orders were received including one in respect of the Carabinieri in Italy and others including Turkey with ongoing business flowing from our key markets including UK, Denmark, Hong Kong and Germany.

The ProVida product range has now been extended to include the intelligent video processing application Automatic Number Plate Recognition (ANPR). Following the initial UK orders for ProVida ANPR systems during 2001 we are now starting to build the international localised versions to satisfy the requirement of our 40+ country distribution network.

We believe we now have all the core building blocks necessary to deliver a fully integrated mobile environment for police vehicles significantly improving productivity of the police officer and we are European market leader for these product ranges, where there are significant major barriers to entry.

In the fire services market our offerings include the support and maintenance of central command and control systems providing recurring revenue streams, and new installations and upgrades for our despatching and MIS systems. Success in 2001 came from Sussex fire service with the replacement of a complete Command and Control system and the supply and installation of Mobile Data to Lancashire fire service.

Petards Vision

Under the direction of the Petards Vision business unit we continue to deliver advanced security and surveillance solutions, which now also include software applications for intelligent video processing of live and captured images.

The activities of Pentyre Limited, which we acquired in July 2001, have now been successfully merged with Petards Vision to form a single business unit and the efficiencies of scale are expected to flow in the second half of 2002.

The combined Petards Vision unit now enjoys an enhanced product range of advanced security and surveillance software applications. The product line has been rationalised and re-branded under the Advantage name to provide a structured family of products from small low-end video monitoring applications through to high-end fully-scalable network surveillance solutions, together with important supporting analytical and management information applications.

Our command and control applications continue to grow within both public sector and commercial markets throughout the UK. It is anticipated that many of our existing 400 user installations will wish to upgrade to the newer technology platforms now available through this enlarged Advantage product range during the course of the next 12 - 24 months.

In the IP-video market, our Advantage-IP (formerly Argus-IP) Digital video monitoring and recording product range is now being promoted through a number of major surveillance product distributors in the UK, and is attracting growing interest from overseas. The product has been enhanced to incorporate compatibility with third party IP digital camera devices including those for market leading products such as Axis, JVC, Baxall and Indigo Vision. Work is also underway to incorporate the core IP technology into our analogue video control system products to enable full integration of both digital IP-video and analogue control system environments that we believe will become of growing importance to our customers.

We achieved excellent growth during 2001 for our SWIFT range of wireless-operated mobile CCTV cameras with revenues from this product in the year more than double those achieved in 2000.

Demand for the product continues to be strong in the UK Local Authority and Police markets, with sales in the 1Q 2002 over 50% up on the same period last year, and have now also secured our first sale for deployment of SWIFT onto a Fire Brigade appliance. In addition, through our Petards International subsidiary we have also started to make the product available to our 40+ strong international distribution network.

Our focus on development during 2002 will be on enhancing and developing our core Video Processing and Image recognition applications.

Current Trading and Outlook

The year has started well with the first quarter trading in line with our expectations, and with orders and prospective orders continuing to look promising. We anticipate ongoing growth in all our key activities during 2002 and beyond. The two specific areas that we believe offer the greatest opportunity in the immediate short term include the International Police market for Mobile Data and Video Evidence products and the On Board CCTV market in the rail industry both in the UK and rest of Europe.

In the current security-conscious environment in which we live, we see ever-increasing demand for software products that can deal with image processing. Our focus on development during 2002 will, therefore, be on enhancing and developing our core Video Processing and Image recognition applications in both the Command & Control centre and Mobile space.

In addition we see significant cross selling opportunities starting to emerge from across the enlarged Group during 2002 from which we should benefit further in 2003.

The Board

The previously combined role of Chairman and Chief Executive was split with the appointment on 1 August 2001 of Claes Bergstedt as Chief Executive.

The structure of the Board changed further in February 2002 with the appointment of Ian Taylor as Deputy Chairman and Major General Tim Sullivan joining to assist us in planning our approach to the defence market as well as playing a full role in the overall development of the business. Charles Hughes stepped down from the Board at this time.

The Board believes it is important that the link between its interests and those of shareholders be reinforced. Accordingly, the Board has recently adopted a share ownership guideline for Directors, calling for them to own shares equal in value to three times their annual base remuneration within five years of the later of joining the Board or adoption of this guideline.

In connection with this new guideline, we intend to introduce arrangements that will enable us to provide equity in lieu of

salary, Directors' fees and bonus to those Screen Board Directors (executive and non-executive) who wish to be paid in this way. Where shares are held in an Employee Benefit Trust as part of these arrangements, they will be counted towards the share ownership guideline.

Long Term Incentive Plan

Once again the progress made by the Group would not have been possible without the continued enthusiastic support of our highly competent staff. We consider it important to retain key staff and to maintain the highest levels of motivation. To which end we will be seeking shareholders' approval of a long-term incentive plan or LTIP. In developing the terms of the LTIP we have consulted with the Association of British Insurers (ABI). The Directors consider that the terms of the LTIP are broadly in line with the ABI guidelines. In short, the LTIP will enable the Remuneration Committee to provide equity to Directors and senior management subject to satisfactorily achieving challenging performance targets. Currently the Remuneration Committee envisage that awards under the LTIP will be subject to a performance target based on growth in the Group's normalised earnings per share (EPS) exceeding the growth in the retail prices index by 60% over a fixed three year period commencing from the date of the award. For EPS growth of less than this, a sliding scale will determine the number of shares deliverable to participants although no shares will be delivered if real EPS growth is less than 30% over the performance period. A comparable scheme will be introduced for non-executive Directors.

Summary

We have a strong balance sheet, focussed businesses together with relevant products and services. In other words, the ingredients for a period of strong and sustained growth are in place. I look forward, therefore, to being able to report to you in due course that in 2002 our success continued apace.

OWEN WILLIAMS

Chairman
8 May 2002

Report of the Directors

The Directors submit their report and Group financial statements for the year ended 31 December 2001.

Principal activities

The Group is principally engaged in the development, provision and maintenance of advanced security and communication systems and related services.

Review of business

The consolidated profit and loss account is set out on page 13.

Further details of the Group's performance during the year and expected future developments are contained in the Chairman's Report.

A list of the principal subsidiaries of the Company is set out in note 30.

Dividend

The Directors do not recommend the payment of a dividend (2000 – nil).

Group research and development

The Group is committed to research and development activities in order to secure competitive advantage in the electronic communications products and services market.

Details of the additions to and amortisation of capitalised development expenditure are set out in note 12.

Directors and their interests

The Directors who served during the year and their beneficial interests in the shares of the Company were as follows:-

	Ordinary shares of 1p each 31.12.2001	Ordinary shares of 0.1p each 31.12.2000
Mr O Williams	6,598,439	65,984,394
Mr C H Bergstedt (Appointed 1 August 2001) *	-	-
Mr M J Williams	2,032,913	20,272,137
Mr R C Hill	50,864	332,654
Mr J D A Shand	1,600	5,000
Mr I C Taylor	9,455	37,000
Mr C E Hughes (Resigned 14 February 2002)	3,400	-

* The Director appointed held no shares of the Company at the date of his appointment.

On 21 February 2001 the Company's shares were consolidated whereby shareholders received one 1p ordinary share for every ten 0.1p ordinary shares held.

Mr Taylor had an interest in Hudson Venture Partners Limited, which held 4,750,000 ordinary 0.1p shares in Screen plc. This holding was sold on 23 February 2001, at open market value.

Mr T J Sullivan was appointed as a Director of Screen plc on 4 February 2002.

Directors' interest in share options

	Number of 1p options at 1.1.2001	Granted	Number of 1p options at 31.12.01	Weighted average exercise price (p)	Date from which earliest option exercisable	Latest date of exercise
Mr O Williams	-	300,000	300,000	107	1.1.03	27.2.11
Mr C H Bergstedt	-	-	-	-	-	-
Mr M J Williams	623,641	200,000	823,641	41	1.1.03	27.2.11
Mr R C Hill	800,000	-	800,000	15	1.9.00	15.5.06
Mr J D A Shand	-	200,000	200,000	107	1.1.03	27.2.11
Mr I C Taylor	-	400,000	400,000	105	29.4.03	21.2.11
Mr C E Hughes	-	200,000	200,000	105	29.4.03	21.2.11

The opening Directors' interest in share options has been restated for the 1 for 10 share consolidation.

The share price at 31 December 2001 was 62½ pence and the share price has ranged during the year from 48 pence to 137 pence.

There have been no changes in the share or option interests of the Directors who served during the year since the year end.

Substantial interests

The following interest in three percent or more of the issued share capital has been notified to the Company:

	Number of ordinary 1p shares
Manulife International Investment Management Limited	2,182,703

Creditors payment policy

It is the Company's policy to pay all of its creditors within a reasonable period from their due date, in accordance with commercial arrangements negotiated with those suppliers, but does not follow any specific code. The number of creditor days at the year end was 88 days (2000 - 87 days) for the Group, calculated in accordance with the requirements of the Companies Act 1985.

Post balance sheet events

A further 7,500,000 ordinary 1p shares were placed with institutions on 18 March 2002 for a total consideration of £3,000,000 before expenses, and a further 734,000 ordinary 1p shares were placed with institutions on 7 January 2002 for a total consideration of £404,000, before expenses.

Auditors

Deloitte & Touche were auditors throughout the year and a resolution for their reappointment will be proposed at the Annual General Meeting.

Corporate governance

The Board has reviewed the recommendations of the Combined Code. Although not required to, the Directors have decided to provide certain corporate governance disclosures in relation to Audit and Remuneration Committees.

The Audit Committee consists of the two non-executive Directors. It meets at least twice a year and is responsible for ensuring that the financial performance of the Group is properly reported on and monitored, and for meeting the auditors and reviewing their reports in relation to the financial statements and the audit.

The Remuneration Committee consists of the two non-executive Directors. It meets at least twice a year and reviews the performance of the executive Directors and sets the scale and structure of their remuneration having due regard to the interests of the shareholders. It also determines the allocation of share options to Directors and other employees.

The Board meets monthly to consider the operating and financial performance of the Group.

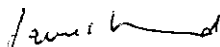
Directors' responsibilities for the financial statements

United Kingdom 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 the Group as at the end of the financial year 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 and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed; 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 which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for the system of internal financial control, for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

**Approved by the Board of Directors
and signed on behalf of the Board**



James Shand
Company Secretary

17 May 2002

Independent Auditors' Report

to the Members of Screen plc

We have audited the financial statements of Screen Plc for the year ended 31 December 2001 which comprise the consolidated profit and loss account, the consolidated balance sheet, the Company balance sheet, the consolidated cash flow statement, the statement of total recognised gains and losses, the reconciliation in movements in equity shareholders' funds and the related notes 1 to 30, which have been prepared on the basis of the accounting policies set out in note 1.

Respective responsibilities of Directors and auditors

As described in the statement of Directors' responsibilities in respect of the accounts, the Company's Directors are responsible for the preparation of the financial statements in accordance with United Kingdom law and accounting standards. Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and 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 if, in our opinion, the Directors' report is not consistent with the financial statements, if the Company has not kept proper accounting records or 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 Company and other members of the Group is not disclosed.

We read the Directors' report and the other information contained in the annual report, including the statement on corporate governance, for the above year as described in the contents section and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of audit opinion

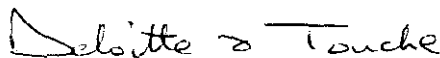
We conducted our audit in accordance with United Kingdom auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates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

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

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and the Group as at 31 December 2001 and of the profit of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche



Chartered Accountants and Registered Auditors

Hill House

1 Little New Street

London EC4A 3TR

17 May 2002

screen plc

Consolidated Profit and Loss Account

For the year ended 31 December 2001

	Note	Year ended 31 December 2001 £'000	Year ended 31 December 2000 £'000
Turnover	4		
Continuing operations		9,296	5,082
Acquisitions		4,954	-
		14,250	5,082
Cost of sales		(7,816)	(2,835)
		6,434	2,247
Gross profit			
Administrative expenses (after exceptional costs of £74,000)	8	(5,414)	(2,549)
Goodwill amortisation		(397)	(126)
Total administrative expenses		(5,811)	(2,675)
Operating profit/(loss)			
Continuing operations		(590)	(428)
Acquisitions		1,213	-
Total operating profit/(loss)	5	623	(428)
Net interest receivable	7	33	85
Profit/(loss) on ordinary activities before taxation		656	(343)
Taxation	9	-	-
Profit/(loss) on ordinary activities after taxation		656	(343)
Minority interest – equity	26	-	64
Profit/(loss) for the financial year	10, 21	656	(279)
Earnings/(loss) per share			
Basic	11	1.6p	(0.8)p
Diluted	11	1.5p	(0.8)p
Basic before goodwill amortisation	11	2.5p	(0.4)p

There is no difference between the profit on ordinary activities before taxation and the profit for the financial year stated above, and their historical cost equivalents.

Reconciliation of Operating Profit before Goodwill

For the year ended 31 December 2001


	Note	Year ended 31 December 2001 £'000	Year ended 31 December 2000 £'000
Operating profit/(loss) as above		623	(428)
Goodwill amortisation		397	126
Operating profit/(loss) before goodwill		1,020	(302)

Consolidated Balance Sheet

As at 31 December 2001

	Note	31 December 2001 £'000	31 December 2000 £'000
Fixed assets			
Intangible assets	12	10,847	6,834
Tangible assets	13	1,435	628
		12,282	7,462
Current assets			
Stocks	15	5,303	910
Debtors	16	9,332	2,584
Cash at bank and in hand	24	554	1,527
		15,189	5,021
Creditors: amounts falling due within one year	17	(7,609)	(2,280)
Net current assets		7,580	2,741
Total assets less current liabilities		19,862	10,203
Creditors: amounts falling due after more than one year	18	(2,093)	(64)
Net assets		17,769	10,139
Capital and reserves			
Called up share capital	20	472	379
Share premium account	21	19,225	12,743
Other reserves	21	423	-
Profit and loss account deficit	21	(2,351)	(2,925)
Equity shareholders' funds		17,769	10,197
Minority interest – equity	26	-	(58)
		17,769	10,139

The financial statements on pages 13 to 35 were approved by the Board of Directors on 17 May 2002 and were signed on its behalf by:



Owen Williams
 Director
 17 May 2002

Company Balance Sheet

As at 31 December 2001

	Note	31 December 2001 £'000	31 December 2000 £'000
Fixed assets			
Intangible assets	12	1,068	-
Tangible assets	13	141	59
Investments	14	9,603	2,890
		10,812	2,949
Current assets			
Stock	15	-	6
Debtors	16	8,704	5,830
Cash at bank and in hand		215	1,484
		8,919	7,320
Creditors: amounts falling due within one year	17	(1,399)	(500)
Net current assets		7,520	6,820
Total assets less current liabilities		18,332	9,769
Creditors: amounts falling due after more than one year	18	(1,959)	-
Net assets		16,373	9,769
Capital and reserves			
Called up share capital	20	472	379
Share premium account	21	19,225	12,743
Other reserves	21	423	-
Profit and loss account deficit	21	(3,747)	(3,353)
Equity shareholders' funds		16,373	9,769

The financial statements on pages 13 to 35 were approved by the Board of Directors on 17 May 2002 and were signed on its behalf by:


Owen Williams
 Director
 17 May 2002

Consolidated Cash Flow Statement

For the year ended 31 December 2001

	Note	Year ended 31 December 2001		Year ended 31 December 2000	
		£'000	£'000	£'000	£'000
Net cash outflow from operating activities	22		(2,206)		(1,024)
Returns on investments and servicing of finance					
Interest received		104		154	
Interest paid		(53)		(54)	
Finance lease interest paid		(18)		(15)	
Net cash inflow from returns on investments and servicing of finance			33		85
Taxation					
UK corporation tax			-		-
Capital expenditure					
Purchase of intangible fixed assets		(1,900)		(852)	
Purchase of tangible fixed assets		(396)		(322)	
Sale of tangible fixed assets		46		27	
Net cash outflow from capital expenditure			(2,250)		(1,147)
Acquisitions and disposals					
Purchase of businesses		(4,526)		(4,397)	
Overdraft acquired with subsidiary	25	(91)		35	
			(4,617)		(4,362)
Net cash outflow before financing			(9,040)		(6,448)
Financing					
Issue of shares		6,503		8,252	
Repayment of principal under finance leases	24	(166)		(103)	
Bank loan		1,202		-	
Net cash inflow from financing			7,539		8,149
(Decrease)/increase in cash in the year	23		(1,501)		1,701

Statement of Total Recognised Gains and Losses

For the year ended 31 December 2001

	Year ended 31 December 2001 £'000	Year ended 31 December 2000 £'000
Profit/(loss) for the financial year	656	(279)
Currency translation difference on foreign current net investments	(82)	100
Total recognised gains and losses relating to the year	<u>574</u>	<u>(179)</u>

Reconciliation of Movements in Equity Shareholders' Funds

For the year ended 31 December 2001

	Year ended 31 December 2001 £'000	Year ended 31 December 2000 £'000
Profit/(loss) for the financial year	656	(279)
Other recognised gains and losses for the year	(82)	100
New share issues	7,475	9,183
Expenses of share issues	(900)	(266)
Deferred equity consideration	423	-
Opening equity shareholders' funds	<u>10,197</u>	<u>1,459</u>
Closing equity shareholders' funds	<u>17,769</u>	<u>10,197</u>

Notes to the Financial Statements

For the year ended 31 December 2001

1. Accounting policies

The financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom and on the going concern basis. A summary of the more important Group accounting policies, which have been consistently applied, is set out below.

Accounting convention

The financial statements are prepared under the historical cost convention.

Basis of consolidation

The consolidated profit and loss account and balance sheet include the financial statements of the Company and its subsidiary undertakings made up to 31 December 2001. The results of subsidiaries sold or acquired are included in the consolidated profit and loss account up to, or from, the date control passes. Intra-group sales and profits are eliminated fully on consolidation.

On the acquisition of a subsidiary, all of the subsidiary's assets and liabilities that exist at the date of acquisition are recorded at their fair values reflecting their condition at that date. All changes to those assets and liabilities, and the resulting gains and losses that arise after the Group has gained control of the subsidiary are charged to the post acquisition profit and loss account.

Goodwill

Goodwill arising on consolidation represents the excess of the fair value of the consideration given over the fair value of the identifiable net assets acquired. Goodwill on acquisitions during the year is capitalised and amortised over a 20 year life. Where considered appropriate, goodwill arising on the acquisition of subsidiaries and associates prior to 31 December 1998 was written off immediately against reserves.

Depreciation and amortisation

Depreciation and amortisation is calculated to write off the cost of all intangible and tangible fixed assets over their expected useful lives. The rate generally applied is 25% straight line. The main categories of the Group's intangible and tangible assets are: Intellectual property, Software, Leasehold improvements, Plant and machinery, Motor vehicles, Computer equipment, Furniture and fittings.

Investments

Investments held as fixed assets are stated at cost less provisions for any impairment.

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.

Finance and operating leases

Costs in respect of operating leases are charged on a straight-line basis over the lease term.

Leasing agreements, which transfer to the Group substantially all the benefits and risks of ownership of an asset, are treated as if the asset had been purchased outright. The assets are included in fixed assets and the capital element of the leasing commitments is shown as obligations under finance leases.

The lease rentals are treated as consisting of capital and interest elements. The capital element is applied to reduce the outstanding obligations and the interest element is charged against profit so as to give a constant periodic rate of charge on the remaining balance outstanding at the end of each accounting period. Assets held under finance leases are depreciated over the shorter of the lease terms and the useful lives of equivalent owned assets.

Stocks and work-in-progress, excluding long-term contracts

Stocks and work-in-progress are stated at the lower of cost and net realisable value. In general, cost is determined on a first in, first out basis and includes transport and handling costs. Where necessary, provision is made for obsolete, slow moving and defective stocks.

Long-term contracts

Turnover on long-term contracts is recognised according to the stage reached in the contract by reference to the value of work completed. A prudent estimate of the profit attributable to work completed is recognised once the outcome of the contract can be assessed with reasonable certainty.

The amount by which turnover exceeds payments on account is shown under debtors as amounts recoverable on contracts. The costs on long-term contracts not yet taken to the profit and loss account less related foreseeable losses and payments on account are shown in stocks as work in progress.

Foreign exchange

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

The balance sheet assets and liabilities of foreign subsidiaries are translated into sterling at the closing rates of exchange, and the profit and loss account is translated at the average rate, with the differences arising from the translation of the opening net investment in subsidiaries at the closing rate and matched long-term foreign currency borrowings are taken direct to reserves.

Turnover

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

Pension costs

The Company does not operate a corporate pension scheme. Contributions to personal pension plans are charged to the profit and loss account when paid.

Deferred taxation

Deferred tax is provided for under the liability method using the 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.

2. Acquisitions

a) Civil Systems

The business assets, intellectual property and employees of Civil Systems were acquired on 2 February 2001 from BAE Systems plc for a total consideration of £1,119,000.

The business was purchased by Screen plc and transferred into a newly created 100% owned subsidiary, Petards Civil Systems Limited and has been accounted for using the acquisition method of accounting. Goodwill of £1,119,000 arose as a result of the acquisition, which has been capitalised on the balance sheet. The book and fair values of this acquisition were:-

	Book value £'000	Revaluation £'000	Fair value £'000
Tangible fixed assets	60	-	60
Stocks	476	(425)	51
Current liabilities	(111)	-	(111)
	<u>425</u>	<u>(425)</u>	<u>-</u>

There have been no reorganisation costs provided. The consideration comprised cash on completion of £1,119,000.

b) Pentyre Limited

The entire share capital of Pentyre Limited was acquired on 12 July 2001 by the parent company for a total consideration of £1,233,000. This acquisition has been accounted for using the acquisition method of accounting. Goodwill of £1,197,000 arose as a result of the acquisition, which has been capitalised on the balance sheet. The book values of this acquisition were:-

	Book value £'000
Tangible fixed assets	191
Stocks	1
Debtors	143
Overdraft	(91)
Current liabilities	(189)
Long term liabilities	(19)
	<u>36</u>

There have been no fair value adjustments or reorganisation costs provided. The consideration comprised cash on completion of £496,000 and 555,556 shares issued with a market value of £314,000, with a deferred consideration of £423,000 payable in shares in 2002 upon achievement of sales targets. For the period 1 June 2001 to 12 July 2001 Pentyre Limited generated a loss after tax of £98,000. For the year ended 31 May 2001 Pentyre Limited incurred a post tax loss of £223,000.

2. Acquisitions (continued)

c) Joyce-Loebl Group Limited

The entire share capital of Joyce-Loebl Group Limited was acquired on 21 December 2001 by the parent company for a consideration of £3,924,000 including the repayment of existing bank and other debt. This acquisition has been accounted for using the acquisition method of accounting. Goodwill of £422,000 arose as a result of the acquisition, which has been capitalised on the balance sheet. The book and fair values of this acquisition were:-

	Book value £'000	Revaluation £'000	Fair value £'000
Intangible assets	3,824	(3,824)	-
Tangible fixed assets	357	-	357
Stocks	3,577	-	3,577
Debtors	1,867	-	1,867
Cash	-	-	-
Bank overdraft and loans	(5,755)	5,755	-
Current liabilities	(2,280)	-	(2,280)
Long term liabilities	(19)	-	(19)
	<u>1,571</u>	<u>1,931</u>	<u>3,502</u>

There have been no reorganisation costs provided. The consideration comprised cash on completion of £3,174,000, of which £419,000 was paid after the year end, with a deferred consideration of £750,000 upon achievement of a minimum net asset value on completion, payable in January 2003.

	29 July to 21 December 2001 £'000	Year ended 28 July 2001 £'000
Turnover	2,803	8,167
Operating (loss)/profit	(859)	685
(Loss)/profit before taxation	(931)	444
Taxation credit/(charge)	146	(223)
(Loss)/profit after tax	<u>(785)</u>	<u>221</u>

There were no recognised gains or losses other than those included in the profit and loss account for these periods.

3. Analysis of results

	2001			2000	
	Continuing £'000	Acquisitions £'000	Total £'000	Continuing £'000	Total £'000
Turnover	9,296	4,954	14,250	5,082	5,082
Cost of sales	(5,143)	(2,673)	(7,816)	(2,835)	(2,835)
Gross profit	<u>4,153</u>	<u>2,281</u>	<u>6,434</u>	<u>2,247</u>	<u>2,247</u>
Administrative expenses	(4,743)	(1,068)	(5,811)	(2,675)	(2,675)
Operating profit/(loss)	<u>(590)</u>	<u>1,213</u>	<u>623</u>	<u>(428)</u>	<u>(428)</u>

4. Analysis of turnover, operating profit/(loss) and net assets

Turnover and profit/(loss) before taxation are attributable to the principal activities of the Group.

Geographical analysis by origin:

	Turnover		Operating profit/(loss)		Net assets	
	2001 £'000	2000 £'000	2001 £'000	2000 £'000	2001 £'000	2000 £'000
United Kingdom	10,734	4,055	(583)	(788)	15,865	8,990
Rest of Europe	3,516	1,027	1,206	360	1,904	1,149
	<u>14,250</u>	<u>5,082</u>	<u>623</u>	<u>(428)</u>	<u>17,769</u>	<u>10,139</u>

Geographical analysis of turnover by destination:

	2001 £'000	2000 £'000
United Kingdom	10,685	4,170
Rest of Europe	2,944	860
Rest of World	621	52
	<u>14,250</u>	<u>5,082</u>

5. Operating profit/(loss)

	2001 £'000	2000 £'000
Operating profit/(loss) is stated after charging/(crediting):		
Amounts amortised from capitalised development expenditure	330	177
Auditors' remuneration, audit fees	75	59
Auditors' remuneration, non audit services	26	82
Depreciation and amortisation:		
Intangible fixed assets, owned	453	164
Tangible fixed assets, owned	252	119
Tangible fixed assets, held under finance leases	73	69
Loss/(profit) on disposal of fixed assets	6	(4)
Operating leases:		
Hire of plant and machinery	57	11
Hire of other assets	38	92

6. Staff costs and Directors' emoluments

	2001 £'000	2000 £'000
Directors' emoluments		
Aggregate emoluments	935	355
Company contributions to personal pension schemes	32	18
	<u>967</u>	<u>373</u>

Directors' emoluments are stated exclusive of Employers National Insurance

Emoluments payable to the highest paid Director are as follows:

	2001 £'000	2000 £'000
Aggregate emoluments including pension	<u>392</u>	<u>106</u>

The number of Directors for whom contributions were made to money purchase schemes was four (2000 : three).

Staff costs during the year were as follows:

	2001 £'000	2000 £'000
Wages and salaries	4,817	2,123
Social security costs	476	208
Other pension costs	130	30
	<u>5,423</u>	<u>2,361</u>

£992,000 (2000:£335,000) of staff costs have been capitalised as part of development expenditure.

The average number of employees during the year (including executive Directors) was as follows:

	2001 Number	2000 Number
Direct labour	61	33
Development	36	16
Sales	27	12
Administration	29	17
	<u>153</u>	<u>78</u>

7. Net interest (receivable)/payable

	2001 £'000	2000 £'000
Interest payable		
Bank loan and overdrafts	53	54
Finance charges in respect of finance leases	18	15
	<u>71</u>	<u>69</u>
Other interest receivable and similar income	<u>(104)</u>	<u>(154)</u>
	<u>(33)</u>	<u>(85)</u>

8. Exceptional costs

	2001	2000
	£'000	£'000
Reorganisation costs	74	-

These costs relate to the reorganisation of the existing business units into the Petards Emergency Services and Petards Vision Divisions. There is a nil tax impact, and £25,000 of these costs were paid after the year end.

9. Taxation

	2001	2000
	£'000	£'000
Corporation tax	-	-

Due to trading losses brought forward, the Group has no current year tax charge.

10. Loss for the financial year – parent company

As permitted by Section 230 of the Companies Act 1985, the parent company's profit and loss account has not been included in these financial statements. The parent company's loss for the financial year was £394,000 (2000: £171,000).

11. Earnings per share

The basic earnings per share for the year ended 31 December 2001 is based on the profit for the year on ordinary activities after taxation of £656,000 (2000: loss £279,000) and on the weighted average number of ordinary 1p shares of 42,269,753 (2000 – 35,080,047, restated for the 1 for 10 share consolidation).

The basic earnings per share before goodwill amortisation was calculated on the basic earnings above, adjusted to add back £397,000 (2000 - £126,000), being the amortisation of goodwill in the year. The basic earnings per share before goodwill amortisation has been presented in order to reflect the earnings performance excluding the non-cash impact of goodwill amortisation.

The diluted earnings per share for the year ended 31 December 2001 is based on a profit on ordinary activities after taxation of £656,000 (2000: loss £279,000) and on an adjusted weighted average number of ordinary 1p shares of 43,830,298 (2000 – 37,016,569, restated for the 1 for 10 share consolidation). The difference between this weighted average number of shares and the weighted average number of shares used for the basic earnings per share relates to the share options.

12. Intangible fixed assets

Group	Goodwill £'000	Intellectual property £'000	Development expenditure £'000	Software £'000	Total £'000
Cost					
At 1 January 2001	5,697	53	1,635	163	7,548
Acquisitions	2,952	-	-	-	2,952
Additions	-	-	1,632	268	1,900
Exchange adjustment	(54)	-	(7)	-	(61)
At 31 December 2001	8,595	53	3,260	431	12,339
Amortisation					
At 1 January 2001	152	25	456	81	714
Charge for the year	397	13	330	43	783
Exchange adjustment	(5)	-	-	-	(5)
At 31 December 2001	544	38	786	124	1,492
Net book value					
At 31 December 2001	8,051	15	2,474	307	10,847
At 31 December 2000	5,545	28	1,179	82	6,834

Development expenditure represents development costs relating to specific products developed by subsidiary companies and is being written off over the estimated lives of each product.

In the opinion of the Directors the projected sales of these products support the decision to defer the costs and not treat them as a realised revenue loss.

Company	Goodwill £'000
Cost	
Acquisitions	1,119
At 31 December 2001	1,119
Depreciation	
Charge for the year	51
At 31 December 2001	51
Net book value	
At 31 December 2001	1,068
At 31 December 2000	-

13. Tangible fixed assets

	Leasehold improvements £'000	Plant and machinery £'000	Motor vehicles £'000	Computer equipment £'000	Furniture and fittings £'000	Total £'000
Group						
Cost						
At 1 January 2001	131	234	405	315	96	1,181
Acquisitions	227	1,265	267	103	230	2,092
Additions	50	117	112	250	49	578
Disposals	-	-	(160)	-	-	(160)
Exchange adjustment	-	-	(1)	-	(1)	(2)
At 31 December 2001	408	1,616	623	668	374	3,689
Depreciation						
At 1 January 2001	24	134	131	213	51	553
Acquisitions	88	1,064	187	1	144	1,484
Charge for the year	21	69	110	94	31	325
Disposals	-	-	(108)	-	-	(108)
At 31 December 2001	133	1,267	320	308	226	2,254
Net book value						
At 31 December 2001	275	349	303	360	148	1,435
At 31 December 2000	107	100	274	102	45	628

The net book value of tangible fixed assets includes an amount of £300,000 (2000: £238,000) in respect of assets held under finance leases. Depreciation charged on those assets during the year was £73,000 (2000: £69,000).

	Leasehold improvements £'000	Plant and machinery £'000	Motor vehicles £'000	Computer equipment £'000	Furniture and fittings £'000	Total £'000
Company						
Cost						
At 1 January 2001	4	11	65	28	3	111
Additions	3	-	49	62	8	122
Transfers	-	-	(40)	-	-	(40)
At 31 December 2001	7	11	74	90	11	193
Depreciation						
At 1 January 2001	1	8	27	13	3	52
Charge for the year	2	1	11	12	1	27
Transfers	-	-	(27)	-	-	(27)
At 31 December 2001	3	9	11	25	4	52
Net book value						
At 31 December 2001	4	2	63	65	7	141
At 31 December 2000	3	3	38	15	-	59

The net book value of tangible fixed assets includes an amount of £44,000 (2000: £10,000) in respect of assets held under finance leases. Depreciation charged on those assets during the year was £4,000 (2000: £3,000).

14. Investments

Investments in subsidiaries

	Share capital £'000	Loans £'000	Total £'000
Cost			
At 1 January 2001	2,975	606	3,581
Additional investment	6,713	-	6,713
At 31 December 2001	<u>9,688</u>	<u>606</u>	<u>10,294</u>
Provisions for impairment in value			
At 1 January 2001 and as of 31 December 2001	<u>183</u>	<u>508</u>	<u>691</u>
Net book value at 31 December 2001	<u>9,505</u>	<u>98</u>	<u>9,603</u>
Net book value at 31 December 2000	<u>2,792</u>	<u>98</u>	<u>2,890</u>

The additional investment represents payment for 100% of the share capital in Joyce-Loebl Limited, Petards Civil Systems Limited, and Pentyre Limited; the purchase of further shares and the minority interest in Petards Mobile Intelligence Limited.

A list of principal subsidiaries of the Company is set out in note 30.

Goodwill

The cumulative amount of goodwill resulting from acquisitions, prior to 31 December 1998 and the introduction of FRS 10, which has been written off to reserves, after deducting goodwill attributable to the businesses disposed of was £401,000 (2000: £401,000).

15. Stocks

	Group		Company	
	2001 £'000	2000 £'000	2001 £'000	2000 £'000
Raw materials	2,450	752	-	6
Work-in-progress	2,538	-	-	-
Finished goods and goods for resale	315	158	-	-
	<u>5,303</u>	<u>910</u>	<u>-</u>	<u>6</u>

In the opinion of the Directors, there is no material difference between the carrying value and the replacement cost of stocks and work-in-progress.

16. Debtors

Amounts falling due within one year:

	Group		Company	
	2001 £'000	2000 £'000	2001 £'000	2000 £'000
Trade debtors	7,276	1,854	-	4
Amounts owed by subsidiary undertakings	-	-	8,507	5,673
Amounts recoverable on contracts	1,091	416	-	-
Other debtors	480	112	90	21
Prepayments and accrued income	485	202	107	132
	<u>9,332</u>	<u>2,584</u>	<u>8,704</u>	<u>5,830</u>

17. Creditors: amounts falling due within one year

	Group		Company	
	2001 £'000	2000 £'000	2001 £'000	2000 £'000
Bank overdraft	646	94	-	-
Trade creditors	3,129	1,111	273	155
Amounts due to subsidiary undertakings	-	-	2	-
Amounts due to related parties	4	23	4	23
Taxation and social security	937	206	25	-
Other creditors	396	91	-	321
Finance leases	155	100	30	1
Accruals and deferred income	2,342	655	1,065	-
	<u>7,609</u>	<u>2,280</u>	<u>1,399</u>	<u>500</u>

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

	Group		Company	
	2001 £'000	2000 £'000	2001 £'000	2000 £'000
Finance leases	134	64	-	-
Bank loan	1,209	-	1,209	-
Other loans	750	-	750	-
	<u>2,093</u>	<u>64</u>	<u>1,959</u>	<u>-</u>

The bank loan and overdraft with the Bank of Scotland are secured by a fixed and floating charge over the assets of Screen plc Group.

18. Creditors: amounts falling due after more than one year (continued)

The finance leases are repayable as follows:

	Group		Company	
	2001 £'000	2000 £'000	2001 £'000	2000 £'000
In one year or less	155	100	30	1
Between one and two years	134	56	-	-
Between two and five years	-	8	-	-
	289	164	30	1

The bank loan is repayable as follows:

	Group		Company	
	2001 £'000	2000 £'000	2001 £'000	2000 £'000
Between one and two years	806	-	806	-
Between two and five years	403	-	403	-
	1,209	-	1,209	-

Interest on the bank loan is chargeable at 1 $\frac{3}{4}$ % over base rate.

The other loan is repayable as follows:

	Group		Company	
	2001 £'000	2000 £'000	2001 £'000	2000 £'000
Between one and two years	750	-	750	-
	750	-	750	-

The other loan relates to zero coupon unsecured loan notes, issued as deferred consideration for the acquisition of Joyce-Loebl Group Limited.

19. Operating leases

Group	Land and buildings		Other	
	2001 £'000	2000 £'000	2001 £'000	2000 £'000
Operating leases which expire :				
Within one year	49	-	17	-
In two to five years	281	83	215	8
In over five years	146	116	-	2
	476	199	232	10

20. Share capital

Authorised	2001 £'000	2000 £'000
400,000,000 ordinary shares of 0.1p each at 1 January 2001	400	400
Increases in authorised capital: –		
10,000,000 ordinary shares of 1p each authorised on 21 February 2001	100	-
10,000,000 ordinary shares of 1p each authorised on 18 June 2001	100	-
	600	400

On 21 February 2001 the Company's shares were consolidated whereby shareholders received one 1p ordinary share for every ten 0.1p ordinary shares held.

Allotted, called up and fully paid share capital

	No of shares	2001 Nominal capital £'000	No of shares	2000 Nominal capital £'000
Ordinary shares of 1p each (2000: 0.1p each)	47,177,300	472	378,749,517	379

During the year the Company issued shares as follows:

	No of shares	Nominal value £'000	Consideration £'000
23 February 2001	4,761,904	48	5,000
25 May 2001	70,615	1	16
2 June 2001	45,000	-	16
12 July 2001	555,556	5	314
30 December 2001	3,869,273	39	2,129
	9,302,348	93	7,475

The issue on 12 July 2001 was in relation to the acquisition of Pentyre Limited. All other share issues were for cash.

Share options and warrants

As at 31 December 2001 options under the Company's unapproved share option scheme were outstanding as follows:

No of shares	Subscription price per share (p)	Period of option	Date of Grant
253,641	30	14.2.00 to 13.2.04	14.2.97
105,000	15	1.1.01 to 30.11.05	1.12.98
800,000	15	1.1.01 to 16.5.06	17.5.99
400,000	15	1.9.00 to 16.5.06	17.5.99
270,000	10	1.1.01 to 12.5.06	12.5.99
165,000	30	1.1.04 to 30.11.06	1.12.99
11,077	30	18.5.01 to 17.5.07	18.5.00
417,713	110	1.2.03 to 29.1.11	29.1.01
1,027,287	105	1.1.03 to 27.2.08	27.2.01
3,449,718			

The options above that were in issue at 31 December 2000 have been restated for the one for ten share consolidation.

21. Reserves

	Other reserves	Share premium account	Profit and loss account
	£'000	£'000	£'000
Group			
At 1 January 2001	-	12,743	(2,925)
Profit for the financial year	-	-	656
Currency translation difference	-	-	(82)
Deferred equity consideration (note 2)	423	-	-
Arising on share issues	-	7,382	-
Share issue costs	-	(900)	-
At 31 December 2001	423	19,225	(2,351)
Company			
At 1 January 2001	-	12,743	(3,353)
Loss for the financial year	-	-	(394)
Deferred equity consideration (note 2)	423	-	-
Arising on share issues	-	7,382	-
Share issue costs	-	(900)	-
At 31 December 2001	423	19,225	(3,747)

22. Net cash outflow from operating activities

	2001 £'000	2000 £'000
Operating profit/(loss)	623	(428)
Amortisation of intangible fixed assets	783	341
Depreciation of tangible fixed assets	325	188
Loss/(profit) on sale of tangible fixed assets	6	(4)
Increase in stocks	(763)	(196)
Increase in debtors	(4,731)	(786)
Increase/(decrease) in creditors	1,551	(139)
Net cash outflow from operating activities	(2,206)	(1,024)

23. Reconciliation of net cash flow to movement in net cash/(debt)

	2001		2000	
	£'000	£'000	£'000	£'000
(Decrease)/increase in cash in the year	(1,501)		1,701	
Net cash (inflow)/outflow from debt	(1,036)		103	
Change in net debt resulting from cash flows		(2,537)		1,804
Loans and finance leases acquired with subsidiary		(109)		(6)
Other movements/non cash items:				
- new finance leases		(182)		(117)
- other loans		(750)		-
- other		(7)		-
Translation difference		(24)		-
Movement in net cash in the year		(3,609)		1,681
Net cash/(debt) at 1 January		1,269		(412)
Net (debt)/cash at 31 December		(2,340)		1,269

24. Analysis of net cash/(debt)

	At 1 January 2001	Cash flow	Acquisitions	Other non cash changes	Exchange movement	At 31 December 2001
	£'000	£'000	£'000	£'000	£'000	£'000
Cash at bank and in hand	1,527	(973)	-	-	-	554
Overdrafts	(94)	(528)	-	-	(24)	(646)
	1,433	(1,501)	-	-	(24)	(92)
Debt due after 1 year	-	(1,202)	-	(757)	-	(1,959)
Finance leases	(164)	166	(109)	(182)	-	(289)
		(1,036)				
Total	1,269	(2,537)	(109)	(939)	(24)	(2,340)

25. Acquisitions and disposals

Purchase of businesses

	Mobile Intelligence	Joyce-Loebl	Civil Systems	Pentyre	Total 2001	Total 2000
	£'000	£'000	£'000	£'000	£'000	£'000
Goodwill	214	422	1,119	1,197	2,952	5,462
Tangible fixed assets	-	357	60	191	608	62
Stock	-	3,577	51	1	3,629	200
Debtors	-	1,867	-	143	2,010	291
Overdraft	-	-	-	(91)	(91)	35
Current liabilities	-	(2,280)	(111)	(189)	(2,580)	(734)
Long term liabilities	-	(19)	-	(19)	(38)	(4)
Minority interest	(58)	-	-	-	(58)	-
	156	3,924	1,119	1,233	6,432	5,312
Total consideration, satisfied by cash	156	3,174	1,119	496	4,945	4,397
Shares issued	-	-	-	314	314	665
Deferred consideration	-	750	-	423	1,173	250
	156	3,924	1,119	1,233	6,432	5,312

The subsidiary undertakings acquired during the year contributed a net cash inflow of £348,000 towards the Group's movement in cash during the year. This resulted from a contribution of £953,000 to the Group's net operating cash inflow, payments of £4,000 in respect of net returns on investment and servicing of finance, with £590,000 utilised in investing activities and £11,000 utilised in financing activities. See note 2 for further information on the acquisitions during 2001.

26. Minority interests

	2001 £'000	2000 £'000
At 1 January	(58)	6
Acquisition of minority interests	58	-
Profit/(loss) for the year	-	(64)
At 31 December	-	(58)

The minority interest was acquired by the Company on 2 February 2001. At 31 December 2000, the minority interest represents a 10% interest in the ordinary share capital of Petards Mobile Intelligence Limited.

27. Provision for liabilities and charges

	Deferred taxation £'000
Balance at 1 January 2001	-
Profit and loss account charge	-
Balance at 31 December 2001	-

Deferred taxation

The amounts of deferred taxation provided and not provided

Group	Provided 2001 £'000	Provided 2000 £'000	Not provided 2001 £'000	Not provided 2000 £'000
	Capital allowances in excess of depreciation	1	-	(108)
Overseas intangible depreciation	579	116	-	-
Other timing differences	309	-	-	-
	889	116	(108)	(13)
Less losses	(889)	(116)	(181)	(506)
	-	-	(289)	(519)

No provision has been made for taxation that would arise in the event of overseas subsidiaries distributing the balance of their reserve as these amounts are retained for investment in the business.

28. Related party transactions

Related party	Nature of related party	Type of transaction	Value of transaction (net of VAT)		Amounts unpaid at the year end	
			2001 £'000	2000 £'000	2001 £'000	2000 £'000
Expertreview Limited	Company controlled by Mr O Williams	Provision of motor vehicles and mobile phones to two Directors, consultancy, property rental & accountancy services	39	55	4	5

The above are arm's length transactions.

There is no ultimate controlling party of Screen plc.

29. Post balance sheet events

A further 7,500,000 ordinary 1p shares were placed with institutions on 18 March 2002 for a total consideration of £3,000,000 before expenses, and a further 734,000 ordinary 1p shares were placed with institutions on 7 January 2002 for a total consideration of £404,000, before expenses.

30. Principal subsidiaries

A list of the principal subsidiaries, which are all 100% owned, is set out below:

Name of company	Country of operations and registration	Nature of business	Holding
Petards Vision Limited	England and Wales	Integrated Security Systems	Ordinary shares Preference shares
Petards Mobile Intelligence Limited	England and Wales	Mobile Data and in-car video	Ordinary shares
Petards Corporate Knowledge Limited (formerly Tranzline Limited)	England and Wales	Customer relationship management applications software	Ordinary shares
Petards Mobile Intelligence A/S	Denmark	Mobile Data and in-car video	Ordinary shares
Joyce-Loebl Limited	England and Wales	Transport & defence electronics	Ordinary shares
Joyce-Loebl Group Limited	England and Wales	Holding company	Ordinary shares
Joyce-Loebl Holdings Limited	England and Wales	Holding company	Ordinary shares
Pentyre Limited	England and Wales	Specialist software solutions	Ordinary shares
Petards Civil Systems Limited	England and Wales	Specialist system integration & design	Ordinary shares
Petards Datax Limited	England and Wales	CCTV design, installation and maintenance	Ordinary shares
Subsidiaries which have ceased trading			
Name of company	Country of operations and registration	Holding	
Petards International Limited	England and Wales	Ordinary shares	
Eurenco Limited	England and Wales	Ordinary shares	
J-L Instruments Limited	England and Wales	Ordinary shares	
Minisig Systems Limited	England and Wales	Ordinary shares	
Lux Control Systems Limited	England and Wales	Ordinary shares	
Lux Computer Systems Limited	England and Wales	Ordinary shares	
Executive Security Services Limited (Wentworth)	England and Wales	Ordinary shares	
Karline Security Systems plc (in liquidation)	England and Wales	Ordinary shares	
Tranzline Limited (formerly Petards Corporate Knowledge Limited)	England and Wales	Ordinary shares	
SecurScan Limited	England and Wales	Ordinary shares	

All the above subsidiaries have been included in the accounts.

Notice of Annual General Meeting

Notice is given that the 2002 Annual General Meeting of Screen plc (the "Company") will be held at: Brobeck, Hale & Dorr, 10 Noble Street, London, EC2V 7QJ on 17 June 2002 at 10:00 am for the following business:-

Ordinary Business

1. To receive the Report of the Directors and the audited financial statements of the Company for the year ended 31 December 2001.
2. To re-elect as a Director, Ian Taylor, a Director retiring by rotation.
3. To re-elect as a Director, Tim Sullivan, a Director appointed by the Board and whose appointment lasts until this meeting.
4. To re-elect as a Director, Claes Bergstedt, a Director appointed by the Board and whose appointment lasts until this meeting.
5. To re-appoint Deloitte & Touche as auditors.
6. To authorise the Directors to fix the auditors' remuneration.

Special Business

To consider and, if thought fit, pass the following resolutions which will be proposed as to resolutions number 7 and 8 as ordinary resolutions and as to resolution number 9 as a special resolution:

7. That the Screen Long-Term Incentive Plan and the Screen Employee Benefit Trust, the principal terms of which are summarised in the appendix to the notice of annual general meeting and copies of the rules and trust deed which have been produced to the meeting at which this resolution is proposed having been, for the purposes of identification, initialled by the Chairman of this meeting, be and are hereby approved; and the Directors be and are hereby authorised to make such minor modifications or amendments to the rules and the trust deed as they may consider necessary or desirable.
8. That the Directors of the Company be and are hereby generally and unconditionally authorised pursuant to Section 80 of the Companies Act 1985 (as amended) (the "Act") to exercise all the powers of the Company to allot relevant securities (as defined in Section 80(2) of the Act) of the Company provided that this authority shall be limited to the allotment of relevant securities of the Company up to a maximum aggregate nominal amount of £700,000.00 during the period commencing on the date of the passing of this resolution and expiring on the day fifteen months after the date of the passing of this resolution or, if earlier, on the conclusion of the next Annual General Meeting of the Company, and the Directors be and are hereby entitled as contemplated by Section 80(2) of the Act to make at any time prior to the expiry of such authority any offer or agreement which would or might require relevant securities of the Company to be allotted after the expiry of such authority and the Directors may allot relevant securities in pursuance of such an offer or agreement as if the authorities conferred hereby had not expired.
9. That subject to resolution 8 above being duly passed, the Directors of the Company be and are hereby empowered pursuant to Section 95 of the Act to allot equity securities (within the meaning of Section 94(2) of the Act) in the capital of the Company for cash pursuant to the authority conferred by resolution 8 above as if Section 89(1) of the Act did not apply to such allotment, provided that this power shall be limited to:
 - (a) the allotment of equity securities by way of a rights issue; and
 - (b) the allotment of equity securities (not by way of a rights issue) up to a maximum aggregate nominal amount of £89,234.

Provided that such power shall expire at the conclusion of the next Annual General Meeting of the Company or, if earlier, the expiration of fifteen months from the date of passing of this resolution, but so that the Company may make an offer or agreement prior to such expiry which would or might require equity securities to be allotted after the expiry of such power, and the Directors may allot equity securities in pursuance of that offer or agreement as if such power had not expired.

In this resolution, a "rights issue" means an offer of equity securities which is open to people who are registered holders of ordinary shares in the Company on a particular date, in proportion to their holding of ordinary shares. The offer will be subject to any limits, or restrictions, that the Directors think are necessary or appropriate to deal with:-

- (i) any fractions of shares to which people would be entitled; or
- (ii) legal or practical problems under the laws of any territory or the requirements of any regulatory body, or Stock Exchange, in any territory.

By Order of the Board

James Shand

Company Secretary

Registered Office: Stubbings Barn
Burchetts Green Lane
Burchetts Green
Maidenhead
Berkshire
SL6 3QP

Company Number: 2990100

17 May 2002

Notes:

1. A shareholder who can attend and vote may appoint one or more proxies to attend and, on a poll, vote instead of them. The proxy does not have to be a shareholder of Screen.
2. To appoint a proxy, the enclosed proxy form should be completed in accordance with the notes on the form and delivered to Screen's Registrars. You must do this so that the Registrars receive it by 10:00 am on 15 June 2002.
3. The following documents will be available for inspection at Stubbings Barn, Burchetts Green Lane, Burchetts Green, Berkshire, SL6 3QP during normal business hours on any weekday, excluding Saturdays and Public Holidays, from the date of this notice until the date of the Meeting and, on the date of the Meeting, at the place of the Meeting from 9:15 am until the conclusion of the Meeting:-
 - (a) the Service Contracts or Consultancy Agreements of the Executive Directors;
 - (b) the Register of Directors' Interests in Shares in Screen;
 - (c) the rules of the Screen Long-Term Incentive Plan; and
 - (d) the trust deed of the Screen Employee Benefit Trust.

Appendix: Summary of principal features of the Screen plc Long Term Incentive Plan

Introduction

The Screen plc Long Term Incentive Plan ("LTIP") will enable the Board of Directors to make performance related awards to executive Directors and senior management. The LTIP will be administered by the remuneration committee of the Board ("Remuneration Committee"). Rights under the LTIP will not be taken into account in calculating any pension entitlement.

The LTIP will comprise a body of rules governing awards to participants and will be established in conjunction with an employee benefit trust. The trust will be established in Guernsey with independent professional trustees. The beneficiaries of the trust (which may be used for purposes other than in connection with the LTIP) will be the employees and former employees (and their close relatives) of Screen plc and its subsidiaries. The trustees are prohibited from holding in excess of 5% of the Company's issued share capital at any time.

Neither the LTIP nor the trust is tax qualified or approved.

Eligible employees

All executive Directors and employees are eligible to receive awards under the LTIP. However, awards are discretionary and it is the intention that the Remuneration Committee will only grant awards to executive Directors and senior management.

Awards

The Remuneration Committee may make awards only, unless exceptional circumstances exist, during the period of 42 days commencing with the approval of the LTIP by shareholders or the period of 42 days immediately following the day on which the Company announces its results (for any period).

The LTIP has been constructed so as to constitute a "nil-cost option scheme". This means that an award is, in fact, an option over a fixed number of shares. The option exercise price will, however, be nominal. The LTIP has been constructed in this way so that the Remuneration Committee, if it so decides in relation to any participant, may ensure that the potential charge to employer's national insurance contributions can be met by the participant. It is the Remuneration Committee's current intention that the employer national insurance contributions will be met by all participants.

No award may be made to any individual if, as a result, the market value of the shares subject to the award, when aggregated with the market value of shares comprised in any award under the LTIP or any option granted under any discretionary share option scheme adopted by the Company during the immediately preceding period of 365 days, would exceed three times the individual's basic annual earnings (excluding bonus payments, the value of benefits in kind and pension contributions).

Performance conditions

All awards will be subject to challenging performance conditions. The proportion of each award in respect of which the participant may exercise his "option" (i.e. the extent to which an award may vest) will be dependent on the Company's performance over a fixed performance period being not less than three years. The performance condition will initially be based on the growth in the Company's normalised earnings per share ("EPS"). Awards will only vest in full if the percentage increase in the Company's normalised EPS over the performance period increases by at least 60% in excess of the growth in the retail prices index ("RPI") over the same period. Awards will vest as to 50% if the Company's normalised EPS increases over the performance period by at least 30% in excess of the RPI over the same period. Real normalised EPS growth between 30% and 60% will result in the award vesting in part on a straight line basis. No part of an award will vest if real growth in normalised EPS is less than 30% over the performance period.

Exercise of awards

Once an award has vested, it will be exercisable by the participant for a period of six months following satisfaction of the performance condition. Any awards (or part thereof) which are not exercised at the expiry of that period will lapse.

In addition, awards will lapse on cessation of employment other than in circumstances of the participant's death or cessation of employment due to injury, disability, redundancy, retirement, the company or business in which the participant is employed being sold out of the Screen Group or any other reason at the discretion of the Remuneration Committee. In these circumstances, the award may be exercised for a period of six months from the date on which employment ceased (one year in the case of death) without the need to satisfy the performance targets. The six month period may be extended at the discretion of the Remuneration Committee.

If any takeover offer for the Company becomes unconditional in all respects, the Remuneration Committee, having regard to the performance of the Company in comparison to the performance conditions to which the awards would otherwise be subject, will decide the extent to which unvested awards will vest.

Exercise price of awards

As mentioned above, the LTIP has been constructed as a nil-cost option scheme. As a result, the participant will be liable to pay £1.00 irrespective of the number of shares in respect of which the award is being exercised.

Limits on the number of shares under the LTIP

In any 10 year period the number of shares which may be issued pursuant to the LTIP will not, when aggregated with the number of shares which are issuable or have been issued under any of the Company's other employee share schemes in that period, exceed 10% of the Company's issued share capital from time to time. Any rights which have been released or have lapsed and rights which will be satisfied by the transfer of existing issued share capital will be excluded.

Adjustments

In the event of a capitalisation issue (other than a scrip dividend), rights issue or open offer, subdivision, consolidation, reduction or other variation of share capital or if the Company is subject to a demerger, the number of shares comprising an award may be adjusted in such manner as considered appropriate by the Remuneration Committee.

Alterations

The Board may amend the rules of the LTIP from time to time provided that the prior approval of shareholders is first obtained for amendments to the benefit of participants in relation to (i) eligibility, (ii) the limitations on the number of shares subject to the LTIP, (iii) the maximum entitlement of any one participant, (iv) the basis for determining a participant's entitlement, (v) the basis for adjustments to rights under the LTIP in the event of a capitalisation issue, rights issue or open offer, sub-division or consolidation or reduction of capital or any other variation of share capital, unless such alterations are minor amendments to benefit the administration of the LTIP, to take account of any change in legislation or to obtain or maintain favourable tax, exchange control or regulatory treatment for participants or for the Company or any member of its Group.