

QUADNETICS GROUP PLC

Company Number: 1740011

Annual Report 2005



Front cover and opposite:
Synectics' advanced software control and digital
recording solutions provide robust and reliable CCTV
surveillance solutions for cities around the world.
Recent installations include those for the City of
London Police and Camden Borough Council.

ANNUAL REPORT AND ACCOUNTS FOR THE YEAR ENDED 31 MAY 2005

CONTENTS	PAGE
The Chairman's Statement	2
The Chief Executive's Report	4
Directors and Advisers	6
Report of the Directors	8
Consolidated Profit & Loss Account	14
Consolidated Balance Sheet	15
Company Balance Sheet	16
Consolidated Cash Flow Statement	17
Statement of Total Recognised Gains and Losses	18
Reconciliation of Movements in Shareholders' Funds	18
Independent Auditors' Report	19
Notes to the Financial Statements	20
Principal Subsidiaries	33
Notice of Meeting	34
Business and Customers	36
Quadnetics in Focus	Back

THE Chairman's Statement

DAVID COGHLAN CHAIRMAN

Highlights

- Sales £26.8 million (2003/4: £18.1 million)
- Profit before tax £2.3 million
(2003/4: £1.9 million)
- Underlying profit before tax £2.7 million
(2003/4: £2.3 million)
- Underlying earnings per share 20.0p
(2003/4: 21.2p)
- Proposed final dividend 3p per share, making
4p for the year

During the year Quadnetics Group:

- More than doubled sales of its Synectics proprietary security systems and software
- Established a presence in the large and rapidly growing North American digital security systems market
- Re-organised and expanded the capabilities of its UK transport CCTV business.

Results

In the year to 31 May 2005, Quadnetics Group produced sales of £26.8 million (2003/4: £18.1 million) on which it earned a profit before tax, and amortisation of goodwill of £2.7 million (2003/4: £2.3 million, before exceptional costs of £0.2 million). Profit before tax was £2.3 million (2003/4: £1.9 million). Whilst these increases are pleasing, the comparison is somewhat flattered by inclusion of the first full year of contribution from Look CCTV, acquired in February 2004.

Underlying earnings per share were 20.0p (2003/4: 21.2p). The Board is recommending payment of a final dividend of 3p per share, bringing the total dividend for the year to 4p per share (2003/4: 3p).

The most noteworthy achievement in the financial year was Synectics' success in winning a number of significant digital CCTV control system contracts in both the UK and North America. These were won against worldwide competition from major companies on the basis of being the best technical systems solution available.

Synectics' sales for the year more than doubled to £7.7 million (2003/4: £3.6 million), on which it earned very healthy operating margins. Further growth in

the North American market will be aided by the acquisition in May 2005 of the trade and net assets of AlphaPoint LLC which, as Synectic Systems Inc., has now become the company's North American sales and service base.

The potential of Synectics to achieve a significant global presence in the market for digital CCTV systems and control software is becoming increasingly clear, and success in this goal is the Group's key priority.

As set out in our interim statement, demand for public space CCTV security systems in the UK was below the level of recent years, in part because of the longer sales cycles associated with revised government funding processes. Activity levels at Quadrant Video Systems, our UK security integration subsidiary, picked up in the second half as predicted but not sufficiently to make up for the earlier shortfalls. While still earning strong margins, Quadrant Video's results for 2004/5 overall were below those of the previous year. There is now evidence of renewed commitment to CCTV security from the public sector and we expect a return to growth in the current year.

Look CCTV strengthened its leading position in the bus CCTV market during the year, and made a strong contribution to Group earnings. The company moved to larger premises and is being re-organised to form the core of the Group's wider on-vehicle transport CCTV activities, which the Board sees as an important area for future market growth and a key opportunity for Quadnetics as a whole.

Coex, the Group's specialist manufacturer of CCTV systems for the marine, and oil and gas markets, performed satisfactorily, although with a result below break-even as

Right: York Station, one of 12 mainline railway stations with advanced CCTV surveillance equipment installed by Quadrant Video Systems.

investment was made in people and systems. The Board is particularly pleased with progress towards our objective of enabling step-function growth at Coex through both widening the range of equipment and software, including those from Synectics, its supplies in a given project, and increasing the size and scope of projects it participates in. We expect to be able to report on significant tangible progress in this area in the current year.

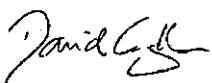
Board

Last month the Company announced that Peter Rae was stepping down from the role of Chairman due to increased business commitments elsewhere, but would continue as a non-executive director for up to a year. Peter had been Chairman since 1998, and I would like to record our sincere thanks for his numerous and important contributions in leading the Board over that time.

Outlook

During the past few years, the Group has made real progress towards positioning itself as a serious player in its chosen sectors of the growing worldwide electronic security market. We see this as a very attractive market for both the short and long term.

Our core activity, digital CCTV security control systems, is currently competing in a young, technology-led, relatively fragmented business, with all the attendant challenges and opportunities that implies. That said, we are fully anticipating that the current year will produce good progress in the Group's financial results.



David Coghlan

Chairman

26 September 2005

THE Chief Executive's Report

RUSS SINGLETON CHIEF EXECUTIVE

Introduction

The financial year just completed was once again a very challenging and successful period for Quadnetics. Overall, Group sales in the year increased by 48% to £26.8 million, producing a 14% increase in profit (before tax, exceptional items and amortisation of goodwill) to £2.7 million, representing a return on sales of approximately 10%. Net cash at the year end was £3.6 million.

The businesses we acquired in February 2004, Look CCTV and Coex, extended our reach into the transport, marine, and petrochemical markets, together contributing £8.8 million of sales and £1.0 million of operating profit (before central costs) in their first full year. Quadrant Video Systems and Synectic Systems, our original businesses, produced combined sales growing by 25% and operating profits (before central costs) by 32% compared with 2003/4.

Our broad strategy is to focus on attractive niche vertical market segments and differentiate ourselves within them by developing or applying best of breed products and technology backed by best of class services. We plan to accelerate the process further in future.

Review

Synectics achieved most of its key objectives and increased sales to £7.7 million at healthy operating margins, delivering profits significantly ahead of budget. Over US\$5 million of sales were to North American casino groups, who have adopted Synergy-based digital recording platforms in a number of their properties. Synectics

also delivered its largest analogue switching and control system into North America - a 500+ channel Synergy-controlled video matrix for a novel internet highway traffic monitoring scheme that delivers video streams across IP networks for emergency services and government agencies around Washington DC.

In May this year, to capitalise on the opportunities opening up in the North American CCTV and security markets, we acquired the trade and net assets of AlphaPoint LLC, based in California. This business has now become Synectic Systems, Inc. A senior member of the UK management team has relocated to the US for a 12 month period to assist the sales, marketing and product development processes. Within this new US subsidiary, we are creating a sales, service and support base from which the Group can properly address the important casino, transportation and Department of Homeland Defense markets in North America.

In other export areas Synectics' sales are also growing, particularly in the Middle East and South Africa where our proprietary software is becoming an increasingly important source of revenue.

In the UK, the City of London Police selected Synergy and Time Lapse Later software for their high security digital CCTV network recording requirements under a £1.1 million contract. This landmark installation should provide a useful endorsement of Synectics' technology for other police and high security applications.

Quadrant Video Systems had a difficult year with contract awards coming through slower and later than anticipated during H1. This coupled

Synectics has continued to make considerable progress, especially in the North American market where it has won a number of digital security systems contracts against worldwide competition from major companies.

In the UK there has been evidence of renewed commitment to CCTV security from the public sector as well as wider opportunities for on-vehicle transport CCTV going forward. In the current year we expect a return to growth from these areas of the business, and overall good progress in the Group's financial results.

& Review of Last Year

with margin pressures in the market reduced both sales levels and profits. A new sales team was established at the beginning of the year with a remit to target specific market segments outside of the Local Authorities and during H2 this began to produce new opportunities. A dedicated sales and marketing effort to generate recurring revenue through sales of longer term maintenance and service contracts has increased the margins in this area. New CRM and MIS software has been installed to improve customer service and contract management by providing more accurate and up to date data and on-site project history. Overall sales were £10.8 million, generating a reduced but still creditable operating margin of 10%. Importantly, profits in H2 were almost 50% higher than in H1.

Look CCTV moved into new, larger premises and increased sales to £6.2 million, producing healthy margins. A new Managing Director has been appointed from within the company and Look is currently being reorganised within its ISO 9000 and Link-Up approvals to enable it to address other transport-related CCTV and security opportunities. Whilst operating margins during the year were excellent, the absolute level of profits was behind expectations, due in part to lengthy negotiations on two important contracts totalling £4.7 million, which have subsequently been received. Additionally, the impact of the demise of Transbus increased costs and slowed completions. Alexander Dennis Limited acquired the assets of Transbus and is now the largest bus bodybuilder in the UK. Look has been appointed as their preferred on-bus CCTV supplier in an exclusive 3 year deal.

Sales at **Coex**, our hazardous area CCTV specialists in the oil, gas and marine market, were below the levels anticipated at the beginning of the year.

Increasing stainless steel raw material costs, which are essential in these environments, also initially impacted margins, producing a loss in H1. Key components were re-designed incorporating Synectics' technology open protocols for wider acceptance in the market. Coex expects to receive a patent for its newly-developed explosion rated dome camera housing, known as **DROME**, that is currently undergoing certification at SIRA. Production has been rationalised, certain lines have been cut and a batch process adopted to reduce costs and improve quality and lead-times. The new manufacturing process requires simpler production methods which further reduce costs but, crucially, also produces higher quality finished goods through the inclusion of electro polishing to external surfaces.

Coex's sales in H2 were at anticipated levels and the order book has built up strongly, with several large-scale opportunities on the blocks for significant multiple year opportunities with both new and existing clients.

Markets for the applications that require explosion rated equipment, such as oil and gas exploration, shipping and processing industries, are generally expanding. The certification required to operate in these areas creates significant barriers to entry and Coex's approvals in this field are valuable assets. Coex is one of a very small number of companies world-wide operating in these areas.

Organisation and Outlook

Since moving onto AIM in 2002, we have developed a winning strategy that has established Quadnetics Group plc as a profitable, successful and growing business, gaining an enviable reputation as a leader in the design, integration and

control of advanced CCTV and networked video security systems.

I am delighted that Glenn Robinson, previously Business Development Director at Synectics and responsible for the current digital product set, and David Orme, previously Chief Operating Officer of Bell Group plc, have been appointed to the Group Board in the roles of Group Technical and Business Development Director and Group Operations Director respectively. We now have the additional resources required and the right blend of talents and experience to continue to grow our business through development and consolidation opportunities in both our existing areas of operation and in attractive niche or vertical markets both in the UK and overseas.

Thanks to everyone

We have an ambitious goal of becoming the UK's leading CCTV security group. Our companies have some of the best systems and technology available, and our software and services are being adopted in an increasing number of markets. However it is the quality of our people that makes the difference and I would like to take the opportunity to thank all of our people across the enlarged Group for their hard work, dedication and commitment to delivering first class service to our customers and to taking the Group forwards.



Russ Singleton
Chief Executive

26 September 2005

Directors and Advisers

Directors

DJ Coghlan* (Chairman)
PM Rae* (Non-executive Director)
SW Coggins* (Non-executive Director) (appointed 1 January 2005)
RC Singleton (Chief Executive)
NC Poultney (Finance Director)
DM Orme (Group Operations Director) (appointed 5 August 2005)
G Robinson (Group Technical & Business Development Director)
(appointed 5 August 2005)

** member of Audit and Remuneration Committees*

Secretary and Registered Office

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Quadnetics Group plc
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Studley
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Tel: 01527 850080
e-mail: secretary@quadnetics.com

Bankers

Barclays Bank PLC
15 Colmore Row
Birmingham B3 2EP

Stockbrokers

Brewin Dolphin Securities Limited
34 Lisbon Street
Leeds LS1 4LX

Auditors

PKF (UK) LLP
Farringdon Place
20 Farringdon Road
London EC1M 3AP

Registrars and Transfer Office

Capita Registrars
Bourne House
34 Beckenham Road
Beckenham
Kent BR3 4TU

Corporate Communications

Abchurch Communications Limited
100 Cannon Street
London EC4N 6EU

Right: National Express, the UK's leading coach services operator, has set a company-wide standard for digital CCTV on its coaches. Based on Look CCTV products, the mobile CCTV systems are designed to increase driver and passenger safety, as well as reassuring passengers that their luggage in transit is safe.

Report of the Directors

FOR THE YEAR ENDED 31 MAY 2005

The Directors present their report together with the audited financial statements for the year ended 31 May 2005.

Principal activities

The principal activity of the Group during the year was the provision of advanced CCTV and networked video systems and related services.

Review of business and future developments

The consolidated profit and loss account for the year is set out on page 14.

A review of the Group's activities during the year and its prospects for the future are contained in the Chairman's Statement on pages 2 and 3 and the Chief Executive's Report on pages 4 and 5.

Group results and dividend

The consolidated profit after tax for the year was £2,217,000 (2004: £1,420,000).

The Directors recommend the payment of a final dividend of 3p per share (2004: 3p per share), totalling £351,000 on 7 December 2005 to shareholders registered on 11 November 2005. The full year dividend charge of 4p per share (2004: 3p per share) amounts to £467,000 (2004: £346,000).

The retained profit for the year of £1,750,000 (2004: £1,074,000) has been transferred to reserves.

Share Capital

On 29 November 2004 and 29 April 2005, 30,000 Ordinary Shares and 50,000 Ordinary Shares respectively were issued as a result of share options being exercised. On 27 May 2005, 99,579 Ordinary Shares were issued as part consideration for the acquisition of the trade and net assets of AlphaPoint LLC.

Further details are set out in note 18.

Acquisitions

On 27 May 2005, the Group acquired the trade and net assets of AlphaPoint LLC, a specialist provider of digital surveillance technology in North America, for a total consideration of up to \$3.3 million, made up of \$0.7 million in cash at completion, \$0.2 million in Ordinary Shares of the Company, plus a further \$0.4 million in Ordinary Shares and \$2 million in cash dependent on the profits of the business over the next four years. No material transactions arose in this business between 27 May and 31 May 2005, and accordingly no profit or loss or cashflows have been reflected in these financial statements.

Further details are set out in note 28.

Research and development expenditure

The Group has continued to invest in research and development of both software and hardware products for CCTV applications during the year incurring costs of £0.4 million (2004: £0.3 million) which have been written off to the profit and loss account.

Directors

The Directors of the Company who served during the year ended 31 May 2005 were PM Rae, DJ Coghlan, SW Coggins (appointed 1 January 2005), RC Singleton and NC Poultney. On 5 August 2005, subsequent to the year end, DM Orme and G Robinson were appointed as directors.

In accordance with the Articles of Association of the Company, DJ Coghlan and RC Singleton retire by rotation at the Annual General Meeting and, being eligible, offer themselves for re-election at the Annual General Meeting.

In accordance with the Articles of Association of the Company, SW Coggins, DM Orme and G Robinson, who were appointed since the last Annual General Meeting, will retire from the Board and, being eligible, offer themselves for re-election at the Annual General Meeting.

Substantial shareholdings

The Company has been notified that on 8 September 2005 the following shareholders, other than Directors, had interests amounting to in excess of 3% of the issued Ordinary share capital of the Company:

	NUMBER OF SHARES
Quadnetics Group Employee Share Scheme	780,000
Nortrust Nominees Limited	630,691
Britel Fund Trustees Limited	595,339
Schroder Investment Management Limited	525,000
JM Finn Nominees Limited	498,979
Giltspur Nominees Limited	441,402
Royal Mail Trustees Limited	404,661
AJ Myers	400,000

Directors' interests in the Company

The Directors' interests in the Company's Ordinary share capital at 31 May 2005 which were unchanged at 8 September 2005 and which were all beneficial, are shown in the table below:

	31 MAY 2005 NUMBER OF SHARES	31 MAY 2004 NUMBER OF SHARES
DJ Coghlan	1,930,875	1,930,875
RC Singleton	327,300	537,750
PM Rae	35,000	35,000
SW Coggins	3,500	–
NC Poultney	–	–
DM Orme (appointed 5 August 2005)	–	–
G Robinson (appointed 5 August 2005)	55,801	141,800

The interests of the Directors in the Company's share schemes are included in the Remuneration Report on pages 11 and 12.

Employees

The Group's policy is to consult and discuss current developments within the Group with employees and to take account of their views in making decisions likely to affect their interests.

The Group makes every effort to recruit and continue the employment, training and promotion of those persons who are or become disabled.

Policy on the payment of suppliers

The Company's policy during the year was to pay suppliers in accordance with agreed terms and this policy will continue for the year ended 31 May 2006.

For the year ended 31 May 2005 the Company settled outstanding invoices on average within 32 days.

Auditors

On 23 May 2005, PKF transferred their business to PKF (UK) LLP, a limited liability partnership. Under section 26(5) of the Companies Act 1989, the company consented to extend the audit appointment to PKF (UK) LLP from 23 May 2005. Accordingly, the audit report has been signed in the name of PKF (UK) LLP and a resolution for the reappointment of PKF (UK) LLP will be proposed at the forthcoming Annual General Meeting.

Authorities to buy the Company's own shares, allot shares and disapply statutory pre-emption rights

The following resolutions will be proposed at the Annual General Meeting:

- 1) an Ordinary Resolution to authorise the Directors to allot Ordinary shares of up to £880,227 in nominal value. In accordance with guidelines issued by the Association of British Insurers, this figure comprises one third of the issued Ordinary share capital, plus the maximum nominal value of the shares which the Directors could be required to allot if the holders of share options exercise their rights to have shares allotted to them. The Directors have no present intention of exercising the authority, except in connection with the Company's share option schemes.
- 2) a Special Resolution to enable the Company to purchase its own shares up to a maximum of 1,248,627 shares, representing 10% of the current issued Ordinary share capital. The Directors have no present intention to exercise such powers and would only do so if satisfied that it would be in the interests of shareholders to do so.
- 3) a Special Resolution to renew the existing disapplication of the pre-emption provisions of Section 89(1) of the Companies Act 1985 so as to give the Directors power to allot shares, firstly in relation to rights issues, and secondly in relation to the issue of Ordinary shares for cash up to a maximum aggregate nominal value of £124,862.

Statement of Directors' responsibilities

The Directors are required by UK company law to prepare financial statements for each financial year that 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 year.

The Directors confirm that suitable accounting policies have been used and applied consistently and reasonable and prudent judgements and estimates have been made in the preparation of the financial statements for the year ended 31 May 2005. The Directors also confirm that applicable accounting standards have been followed and that the financial statements have been prepared on the going concern basis.

The Directors are responsible for ensuring that proper accounting records are maintained which disclose, with reasonable accuracy, the financial position of the Company and the Group and which enable them to ensure that the financial statements comply with the Companies Act 1985. They are responsible for taking reasonable steps to safeguard the assets of the Company and the Group, and to prevent and detect fraud and other irregularities. They are also responsible for ensuring that the Directors' Report and other information are prepared in accordance with UK company law.

The Auditors' responsibilities are stated in their report on page 19.

Going concern

After making appropriate enquiries the Directors have reasonable expectations that the Company and Group have adequate resources to continue in operational existence for the foreseeable future. For this reason the Directors continue to adopt the going concern basis in preparing the financial statements.

Corporate Governance

Although not required to do so by the AIM rules the Directors have decided to provide the following corporate governance and directors' remuneration disclosures.

The Board

The Board currently consists of 4 executive and 3 non-executive directors. It meets at least six times a year, and relevant information is distributed to directors in advance of these meetings. The Directors have access to all information and, if required, external advice at the expense of the Company, and access to the Company Secretary. The Board has adopted a schedule of matters specifically reserved to itself for decision. In relation to non reserved matters it is assisted by a number of committees with delegated authority.

The Board attaches a high priority to communication with shareholders. The Group's annual and half yearly reports are sent to all shareholders. The Group liaises regularly with major shareholders and there is an opportunity for individual shareholders to question the Chairman at the Annual General Meeting. The Company's website (www.quadnetics.com) provides financial and business information about the Group, including copies of its most recent annual and interim reports.

The Board includes non-executive directors, who bring strong judgement and considerable knowledge and experience to the Board's deliberations. They do not participate in the Company's share option scheme and their service is non pensionable.

All directors are subject to re-election every three years. Accordingly DJ Coghlan and RC Singleton retire by rotation at the Annual General Meeting and, being eligible, offer themselves for re-election at that meeting.

A brief biography of the directors is given below:

David Coghlan (age 50) has degrees in Law and in Finance from the University of New South Wales in Sydney and an MBA from Wharton in Philadelphia. He was formerly a partner at strategy consultants Bain & Company and is currently chairman of Evans & Sutherland Computer Corporation (listed on NASDAQ) and a director of several other companies.

Steve Coggins (age 56) is currently chairman of Silicon Graphics, Europe and Middle Eastern region, and has more than 30 years of experience in the IT sector having previously held senior management positions with Fujitsu and IBM.

David Orme (age 41) has a degree in Management Studies from Leeds University and has worked in a variety of roles within the security services industry over the last 20 years. Most recently, prior to joining the Company, he was Chief Operating Officer of Bell Group plc, a successful quoted electronic security systems supplier.

Nigel Poultney (age 48) has a degree in business studies from Aston University, and qualified as a Chartered Accountant with Deloitte, Haskins and Sells in 1981. He joined Quadnetics Group in 1991, having previously worked for Dairy Crest and the RTZ group.

Peter Rae (age 49) is a graduate of Cambridge University, and formerly Chief Executive of S.W. Wood plc (now Wyndeham Press plc). He has current interests in a wide range of engineering and other businesses.

Glenn Robinson (age 39) has a degree in industrial mathematics from Loughborough University and qualified as a Chartered Accountant in 1992. He joined the Group as Finance Director of Quadrant Video Systems plc in 1997 and most recently, as a director of Synectic Systems Limited, has been responsible for the development and delivery of the Company's large-scale digital security systems in the UK and Canada.

Russ Singleton (age 46) is a Chartered Engineer and has a degree in Electrical and Electronic Engineering from Leeds Metropolitan University. He became Group Chief Executive on 26 March 2002. Prior to this he had been Managing Director of Quadnetics' Security Division comprising Quadrant Video Systems plc, which he joined in 1984, and Synectic Systems Limited.

The Audit Committee

The Audit Committee comprises PM Rae, DJ Coghlan and SW Coggins, who are all non-executive directors, and provides a forum for reporting by the Group's external auditors. It meets at least annually, without executive directors being present, and reviews the scope and results of the external audit.

Internal control

The Board of Directors has overall responsibility for the Group's system of internal control and for reviewing its effectiveness. The purpose of the system of internal control is to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable, but not absolute, assurance against material misstatement or loss.

The Directors have established an organisational structure with clear operating procedures, lines of responsibility and delegated authority. In particular there are clear procedures for capital investment appraisal and approval and financial reporting within a comprehensive financial planning and accounting framework.

The Board has reviewed the need for an internal audit function and concluded that such a function is not currently appropriate given the size of the Group.

Remuneration Report

The Company's Remuneration Committee comprises PM Rae, DJ Coghlan and SW Coggins, who are all non-executive directors and have no personal or financial interests in the matters to be decided. The objective of the Committee's policy is to attract, retain and motivate high calibre individuals as executive directors with a competitive package of basic salary, incentives and rewards, including share options, which are linked to individual performance, the overall performance of the Group and the interests of shareholders. The Committee is also responsible for agreeing the remuneration of the managing directors of the principal subsidiaries and awarding share options to other employees.

a) Remuneration

	SALARY AND FEES £'000	BONUSES* £'000	BENEFITS £'000	SUBTOTAL £'000	PENSION CONTRIBUTIONS £'000	YEAR TO 31 MAY 2005 TOTAL £'000	YEAR TO 31 MAY 2004 TOTAL £'000
Executive Directors							
NC Poultney	90	25	13	128	6	134	91
RC Singleton	135	35	27	197	14	211	160
Non-executive Directors							
DJ Coghlan	75	–	–	75	–	75	50
PM Rae	25	–	–	25	–	25	25
SW Coggins (appointed 1 January 2005)	10	–	–	10	–	10	–
JM Cangardel (resigned 31 March 2004)	–	–	–	–	–	–	8
NJ Taylor (resigned 31 March 2004)	–	–	–	–	–	–	8
Total	335	60	40	435	20	455	342

*Bonuses were paid or accrued in 2004/5 for specific achievement of agreed personal and corporate objectives.

Pension contributions shown above reflect pension payments into money purchase schemes for NC Poultney and RC Singleton. There were no other pension payments or accrued pension benefits arising under money purchase schemes in respect of directors.

Comparative figures for the year ending 31 May 2004 include pension contributions of £5,000 and £12,000 made for NC Poultney and RC Singleton respectively.

b) Share schemes

The Directors did not have any interests in the Company's share option schemes during the year and no new options were granted to, or exercised by, any directors between 1 June 2005 and 8 September 2005.

The following directors hold an interest in the Company's shares through participation in the Quadnetics Group Employee Share Scheme, which was established in June 2005, as set out below and in note 30.

	NUMBER OF SHARES
RC Singleton	300,000
NC Poultney	160,000
DM Orme	160,000
G Robinson	160,000

Under the provisions of the Share Scheme the shares are held for the benefit of the executive directors on terms similar to a share option scheme whereby the value of the appreciation in the Company's share price above £2.41 accrues to the relevant director provided that the Company meets certain performance thresholds linked to the FTSE AIM All Share Total Return Index.

The mid market price of the Company's shares at the beginning and end of the financial year were as follows:

	ORDINARY SHARES OF 20p EACH
At 1 June 2004	278p
At 31 May 2005	248p

The maximum and minimum share prices during the year were as follows:

	ORDINARY SHARES OF 20p EACH
Maximum	385p
Minimum	230p

c) Service contracts

There are no Directors' service contracts with notice periods in excess of one year. The service contracts of the Directors who are eligible for re-election at the Annual General Meeting are as follows:

	NOTICE PERIOD
RC Singleton	Twelve months
DJ Coghlan	One month
SW Coggins	Six months
DM Orme	Twelve months
G Robinson	Twelve months

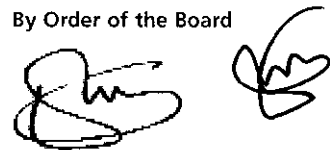
Post balance sheet event

On 23 September 2005 the Company announced that the terms of an offer to be made by Brewin Dolphin Securities Limited on behalf of the Company for the entire issued and to be issued ordinary share capital of Protec plc ("Protec") had been agreed. The offer has been recommended by the board of Protec.

The offer will be made on the basis of 1 Ordinary share of 20p each in the Company for every 43 ordinary shares of 1p each in the capital of Protec.

Further details are set out in note 30.

By Order of the Board



NC Poultney
Secretary

26 September 2005

Quadnetics Group plc
Registered Number: 1740011

Opposite right: At the very forefront of explosion proof CCTV and communications systems, Coex designs, engineers and installs an extensive range of high-quality CCTV products for hazardous, marine and extreme environment applications around the world. These include the huge and fast growing Ras Laffan Industrial City, located at the centre of the Arabian Gulf on Qatar's north gas field.

Consolidated Profit & Loss Account

FOR THE YEAR ENDED 31 MAY 2005

	NOTES	BEFORE GOODWILL AMORTISATION £'000	GOODWILL AMORTISATION £'000	2005 TOTAL £'000	2004 TOTAL £'000
Turnover	2	26,761	–	26,761	18,079
Cost of sales		(18,107)	–	(18,107)	(11,570)
Gross profit		8,654	–	8,654	6,509
Net operating expenses	3	(6,132)	(396)	(6,528)	(4,637)
Operating profit	4	2,522	(396)	2,126	1,872
Net interest receivable	7	139	–	139	42
Profit on ordinary activities before taxation		2,661	(396)	2,265	1,914
Tax charge on ordinary activities:					
Tax charge on results for the year	8			(350)	(494)
Exceptional tax credit	8			302	–
				(48)	(494)
Profit on ordinary activities after taxation				2,217	1,420
Dividends	9			(467)	(346)
Retained profit for the year					
– transferred to reserves	20			1,750	1,074
Basic earnings per ordinary share	10			19.2p	16.4p
Diluted earnings per ordinary share	10			19.1p	16.3p
Underlying earnings per ordinary share	10			20.0p	21.2p

All activities are continuing.

In 2004 net operating expenses included exceptional costs of £240,000 and amortisation of goodwill amounting to £174,000.

Consolidated Balance Sheet

31 MAY 2005

	NOTES	2005 £'000	2004 £'000
Fixed assets			
Intangible assets	11	9,183	7,721
Tangible assets	12	1,280	956
		10,463	8,677
Current assets			
Stocks	14	3,040	2,710
Debtors	15	9,896	7,945
Cash at bank and in hand		3,562	4,711
		16,498	15,366
Creditors: amounts falling due within one year	16	(7,878)	(7,767)
Net current assets		8,620	7,599
Total assets less current liabilities		19,083	16,276
Creditors: amounts falling due after more than one year	16	(3)	(375)
Provisions for liabilities and charges	17	(1,102)	(83)
Net assets		17,978	15,818
Capital and reserves			
Called up share capital	18	2,341	2,305
Share premium account	20	12,622	12,248
Other reserves	20	715	715
Profit and loss account	20	2,300	550
Equity shareholders' funds		17,978	15,818

The financial statements on pages 14 to 32 were approved by the Board of Directors on 26 September 2005 and were signed on its behalf by:



RC Singleton
Director




NC Poultney
Director

Company Balance Sheet

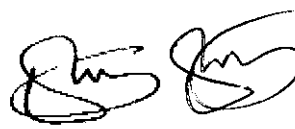
31 MAY 2005

	NOTES	2005 £'000	2004 £'000
Fixed assets			
Intangible assets	11	5,298	–
Tangible assets	12	205	84
Investments	13	6,465	14,647
		<u>11,968</u>	<u>14,731</u>
Current assets			
Stocks	14	574	–
Debtors	15	6,455	3,714
Cash at bank and in hand		430	1,277
		<u>7,459</u>	<u>4,991</u>
Creditors: amounts falling due within one year	16	<u>(2,087)</u>	<u>(1,624)</u>
Net current assets		<u>5,372</u>	<u>3,367</u>
Total assets less current liabilities		<u>17,340</u>	<u>18,098</u>
Creditors: amounts falling due after more than one year	16	<u>(204)</u>	<u>(1,830)</u>
Provisions for liabilities and charges	17	<u>(5)</u>	<u>(3)</u>
Net assets		<u>17,131</u>	<u>16,265</u>
Capital and reserves			
Called up share capital	18	2,341	2,305
Share premium account	20	12,622	12,248
Other reserves	20	715	715
Profit and loss account	20	1,453	997
Equity shareholders' funds		<u>17,131</u>	<u>16,265</u>

The financial statements on pages 14 to 32 were approved by the Board of Directors on 26 September 2005 and were signed on its behalf by:


RC Singleton
Director




NC Poultney
Director

Consolidated Cash Flow Statement

FOR THE YEAR ENDED 31 MAY 2005

	NOTES	2005 £'000	2004 £'000
Net cash inflow from operating activities	25	1,939	4
Returns on investments and servicing of finance	26	107	42
Taxation		(1,398)	(13)
Net capital expenditure and financial investment	26	(497)	(331)
Acquisitions	26	(867)	(6,409)
Equity dividends paid		(462)	(150)
Cash outflow before use of liquid resources and financing		(1,178)	(6,857)
Management of liquid resources	26	2,500	(2,500)
Financing	26	29	8,192
Increase/(decrease) in cash		1,351	(1,165)

Reconciliation of Net Cash Flow to Movements in Net Funds

For the year ended 31 May 2005

	2005 £'000	2004 £'000
Increase/(decrease) in cash in the year	1,351	(1,165)
(Decrease)/increase in bank deposits	(2,500)	2,500
Decrease in debt and lease financing	63	35
Change in net funds resulting from cash flows	(1,086)	1,370
Acquisitions	-	(410)
Movement in net funds in the year	(1,086)	960
Opening net funds	4,286	3,326
Closing net funds	27 3,200	4,286

Total Recognised Gains and Losses and Movements in Shareholders' Funds

FOR THE YEAR ENDED 31 MAY 2005

Statement of Total Recognised Gains and Losses

For the year ended 31 May 2005

	2005 £'000	2004 £'000
Total gains recognised since the last annual report:		
Consolidated profit after taxation	2,217	1,420

Reconciliation of Movements in Shareholders' Funds

For the year ended 31 May 2005

	2005 £'000	2004 £'000
Total recognised gains in the year	2,217	1,420
Dividends	(467)	(346)
	1,750	1,074
Issue of shares	410	9,287
Net movement in shareholders' funds	2,160	10,361
Opening shareholders' funds	15,818	5,457
Closing shareholders' funds	17,978	15,818

Independent Auditors' Report

TO THE MEMBERS OF QUADNETICS GROUP plc

We have audited the financial statements of Quadnetics Group plc for the year ended 31 May 2005 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 of Movements in Shareholders' Funds and the related notes. 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 law and United Kingdom Accounting Standards 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 United Kingdom Auditing Standards.

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

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

Basis of audit opinion

We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the 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 and Group'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.

Opinion

In our opinion the financial statements give a true and fair view of the state of the Group's and the Company's affairs as at 31 May 2005 and of the Group's profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

PKF (UK) LLP

PKF (UK) LLP
Registered Auditors

London, UK
26 September 2005

Notes to the Financial Statements

FOR THE YEAR ENDED 31 MAY 2005

1 Principal accounting policies

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

a) Basis of accounting

The financial statements are prepared in accordance with the historical cost convention.

b) Basis of consolidation

The consolidated financial statements include those of the Company and all its subsidiaries on an acquisition accounting basis. The results of subsidiaries acquired or disposed of during the year are included in the consolidated profit and loss account and consolidated cash flow statement from the date of their acquisition or up to the date of their disposal.

c) Turnover

Turnover, which excludes value added tax and trade discounts, represents the invoiced value of goods and services supplied during the year and includes the proportion of the sales value of long-term contracts relevant to their state of completion. Income receivable from maintenance contracts invoiced in advance is recognised in turnover on a straight line basis over the contract term. Income from maintenance contracts which relates to periods subsequent to the year end is included in creditors as deferred income.

d) Long-term contracts

Long-term contract balances are stated at cost, net of amounts transferred to cost of sales in respect of work recorded as turnover, after deducting foreseeable losses and payments on account not matched with turnover. Turnover and profits attributable to long-term contracts are included in the profit and loss account as the contracts proceed in proportions relevant to their state of completion. Amounts recoverable on contracts, which are included in debtors, are stated at the net sales value of the work done less amounts received or receivable as progress payments on account. Excess progress payments are included in creditors as payments on account.

e) Intangible fixed assets

Intangible fixed assets comprise goodwill which represents the excess of the purchase price over the fair value of the net assets purchased at the date of acquisition. Goodwill arising on acquisitions prior to 31 May 1998 was written off directly against reserves, and will be charged to the profit and loss account on the subsequent disposal of the related businesses. Goodwill on consolidation arising after this date is capitalised as a fixed asset and amortised on a straight line basis over its estimated useful life of up to 20 years.

f) Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation.

Depreciation is calculated so as to write off the cost of fixed assets, less their estimated residual values, on a straight line basis over the expected useful economic lives of the assets concerned, commencing on the first day of the month after being brought into use. The principal annual rates used for this purpose are:

Freehold buildings	2%
Plant, equipment, motor vehicles and other assets	10% - 33%

Leasehold buildings and improvements are written off over 50 years or, if shorter, the period of the lease. Freehold land is not depreciated.

g) Leased assets

Assets acquired under finance leases, including hire purchase agreements where applicable, are capitalised and depreciated in accordance with the Group's depreciation policy or over the term of the lease if shorter. The capital element of future lease payments is included in the balance sheet as obligations under finance leases.

Payments under operating leases are charged wholly to the profit and loss account in the year in which they are incurred.

h) Stocks and work in progress

Stocks and work in progress are stated at the lower of cost and net realisable value. In the case of manufactured products, cost includes all direct expenditure and production overheads based on the normal level of activity. Where necessary, provision is made for obsolete, slow moving and defective stocks.

i) Research and development expenditure

Research and development expenditure is written off to the profit and loss account as incurred.

j) Deferred taxation

Deferred tax is provided in full on timing differences which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements. Deferred tax assets are recognised to the extent that it is more likely than not that they will be recovered. Deferred tax balances are not discounted.

k) Pension costs

The Group operates various pension schemes, all of which are of a money purchase type. Contributions to these schemes are charged to the profit and loss account as incurred.

l) Foreign currency

Transactions denominated in foreign currency are translated into sterling at the exchange rates prevailing at the date of the transaction. Monetary assets and liabilities in foreign currencies are re-translated into sterling at rates of exchange ruling at the end of the financial year or, if appropriate, at the forward contract rate. Exchange differences arising on these transactions are taken to the profit and loss account in the year in which they arise. The results of overseas subsidiaries are translated at the average rate of exchange and their assets and liabilities are translated at rates ruling at the balance sheet date. Exchange differences arising on these translations are taken directly to reserves.

2 Analysis of turnover and net assets

The Directors consider that the Group has only one class of business. All sales and profit before tax originated in the United Kingdom.

Analysis of Group turnover by geographical area

	TURNOVER BY DESTINATION	
	2005 £'000	2004 £'000
United Kingdom	22,198	17,201
North America	3,049	28
Rest of the World	1,514	850
	26,761	18,079

Analysis of Group net assets by geographical area

	NET ASSETS	
	2005 £'000	2004 £'000
United Kingdom	17,199	15,818
North America	779	–
	17,978	15,818

3 Net operating expenses

	2005 £'000	2004 £'000
Distribution costs	222	121
Administrative expenses:		
Before exceptional items and goodwill amortisation	5,910	4,102
Goodwill amortisation	396	174
Exceptional items	–	240
	6,306	4,516
	6,528	4,637

Exceptional administrative expenses in the year ended 31 May 2004 relate to bad debts incurred with subsidiaries of the Mayflower Corporation plc which went into receivership in March 2004.

4 Operating profit

Operating profit is stated after charging:

	2005 £'000	2004 £'000
Auditors' remuneration		
– audit fees	71	55
– other fees	51	23
Amortisation of intangible assets	396	174
Depreciation of fixed assets held under finance leases	24	29
Depreciation of other fixed assets	217	105
Research and development expenditure	364	251
Rental payments under operating leases		
– plant, machinery and vehicles	321	289
– other	114	88

Amounts paid to the auditors for other services and not expensed through the profit and loss account amounted to £3,000 (2004: £49,000).

5 Directors' remuneration

Directors' remuneration is shown on pages 11 and 12 of the Directors' Report.

6 Employee information

The average number of persons (including executive directors) employed by the Group during the year was:

Class of business	2005 NUMBER	2004 NUMBER
CCTV security systems and services	167	125
Head Office	4	3
	171	128

Staff costs (for the above persons)

	2005 £'000	2004 £'000
Wages and salaries	4,752	3,564
Social security costs	588	444
Pension costs	114	103
	5,454	4,111

7 Net interest receivable

	2005 £'000	2004 £'000
Interest payable on bank loans and overdrafts	(5)	(5)
Interest payable on unsecured loan notes	(18)	(3)
Interest payable on finance lease arrangements	(3)	(5)
Other interest payable	(4)	(5)
	(30)	(18)
Interest receivable and similar income	169	60
	139	42

8 Tax charge on ordinary activities

	2005 £'000	2004 £'000
Current taxation		
UK corporation tax on profits for the year	594	573
Deferred taxation	(244)	(79)
	350	494
Exceptional tax credit	(302)	–
	48	494
Comprising:		
Current taxation:		
UK corporation tax on profits for the year	594	573
Exceptional tax credit in respect of previous years	(302)	–
Total current tax	292	573
Deferred taxation:		
Origination and reversal of timing differences	(244)	(79)
	48	494

The exceptional tax credit arises as a result of tax relief on share options exercised.

The corporation tax assessed for the year is lower than the standard rate of corporation tax in the UK of 30%. The differences are explained below:

Profit on ordinary activities before tax	2,265	1,914
Tax on profit on ordinary activities before tax at standard rate of 30%	680	574
Effects of:		
Expenses not deductible for tax purposes and other timing differences	13	6
Additional relief for qualifying research and development expenditure	(5)	(9)
Relief for share options exercised	(36)	–
Small companies relief	(3)	(5)
Goodwill amortisation not qualifying for tax relief	119	52
Utilisation of tax losses	(174)	(45)
Adjustment in respect of previous years	(302)	–
Current taxation for the year	292	573

The Group has tax losses available to be carried forward for offset against the future taxable profits of certain group companies amounting to approximately £1.1 million (2004: £1.4 million). These tax losses will reduce the corporation tax payable in future years until the companies concerned achieve sufficient taxable profits to utilise the losses. A deferred tax asset in respect of these losses, amounting to £0.3 million, has been recognised in the year.

In addition to the above, the Group has capital losses of approximately £17 million (2004: £17 million) available for offset against future taxable gains. No deferred tax asset in respect of these losses, which would amount to £5 million, has been recognised in these financial statements as there is insufficient evidence that the asset will be recovered against future capital gains.

9 Dividends

	2005 £'000	2004 £'000
Interim dividend paid of 1.0p per share (2004: nil)	116	–
Proposed final dividend of 3.0p per share (2004: 3.0p per share)	351	346
	467	346

10 Earnings per ordinary share

	2005 p PER SHARE	2004 p PER SHARE
Basic earnings per ordinary share	19.2	16.4
Diluted earnings per ordinary share	19.1	16.3
Underlying earnings per ordinary share	20.0	21.2

The calculation of basic earnings per ordinary share is based on the profit after taxation for the year of £2,217,000 (2004: £1,420,000) and on 11,546,335 shares, being the weighted average number of shares in issue and ranking for dividend during the year (2004: 8,633,489).

The calculation of diluted earnings per ordinary share is based on the profit after taxation for the year of £2,217,000 (2004: £1,420,000) and on 11,590,130 shares, being the weighted average number of shares that would be in issue after conversion of all the dilutive potential ordinary shares into ordinary shares (2004: 8,694,400).

	PROFIT AFTER TAX £'000	WEIGHTED AVERAGE NUMBER OF ORDINARY SHARES	EARNINGS PER ORDINARY SHARE p PER SHARE
Year ended 31 May 2005			
Basic earnings per ordinary share	2,217	11,546,335	19.2
Dilutive potential ordinary shares arising from share options	–	43,795	(0.1)
Diluted earnings per ordinary share	2,217	11,590,130	19.1
Year ended 31 May 2004			
Basic earnings per ordinary share	1,420	8,633,489	16.4
Dilutive potential ordinary shares arising from share options	–	60,911	(0.1)
Diluted earnings per ordinary share	1,420	8,694,400	16.3

The calculation of underlying earnings per ordinary share, which the Directors consider gives a useful additional indication of the underlying performance of the Group, is based on the profit after taxation for the year, but before deducting exceptional items and amortisation of goodwill, of £2,311,000 (2004: £1,834,000) and on 11,546,335 shares, being the weighted average number of shares in issue and ranking for dividend during the year (2004: 8,633,489) as set out below:

	PROFIT AFTER TAX £'000	WEIGHTED AVERAGE NUMBER OF ORDINARY SHARES	EARNINGS PER ORDINARY SHARE p PER SHARE
Year ended 31 May 2005			
Basic earnings per ordinary share	2,217	11,546,335	19.2
Exceptional items	(302)	–	(2.6)
Goodwill amortisation	396	–	3.4
Underlying earnings per ordinary share	2,311	11,546,335	20.0
Year ended 31 May 2004			
Basic earnings per ordinary share	1,420	8,633,489	16.4
Exceptional items	240	–	2.8
Goodwill amortisation	174	–	2.0
Underlying earnings per ordinary share	1,834	8,633,489	21.2

11 Intangible fixed assets

	GROUP £'000	COMPANY £'000
Cost:		
At 1 June 2004	7,925	–
Intra-Group transfer	–	5,627
Addition	1,858	–
At 31 May 2005	9,783	5,627
Amortisation:		
At 1 June 2004	204	–
Intra-Group transfer	–	282
Charge for the year	396	47
At 31 May 2005	600	329
Net book value:		
At 31 May 2005	9,183	5,298
At 31 May 2004	7,721	–

The intra-group transfer of goodwill to the Company arose on the hive-up of the trade and net assets of Look CCTV Limited to Quadnetics Group plc on 31 March 2005. The addition to goodwill in the year arose on the acquisition of the trade and net assets of AlphaPoint LLC by Synectic Systems, Inc (see note 28).

Goodwill is amortised over its estimated useful life of 20 years.

12 Tangible fixed assets

Group	FREEHOLD LAND AND BUILDINGS £'000	SHORT LEASEHOLD IMPROVEMENTS £'000	OTHER ASSETS £'000	TOTAL £'000
Cost:				
At 1 June 2004	347	147	2,239	2,733
Acquisitions	–	–	84	84
Additions	286	–	264	550
Disposals	–	–	(106)	(106)
At 31 May 2005	633	147	2,481	3,261
Depreciation:				
At 1 June 2004	49	147	1,581	1,777
Acquisitions	–	–	23	23
Charge for the year	7	–	234	241
Disposals	–	–	(60)	(60)
At 31 May 2005	56	147	1,778	1,981
Net book value:				
At 31 May 2005	577	–	703	1,280
At 31 May 2004	298	–	658	956

12 Tangible fixed assets (continued)

Other assets comprise plant, equipment and motor vehicles, and include assets held under finance leases with a net book value of £13,000 (2004: £75,000).

Company	OTHER ASSETS £'000
Cost:	
At 1 June 2004	89
Intra-Group transfer	260
Additions	14
Disposals	(3)
At 31 May 2005	360
Depreciation:	
At 1 June 2004	5
Intra-Group transfer	119
Charge for the year	34
Disposals	(3)
At 31 May 2005	155
Net book value:	
At 31 May 2005	205
At 31 May 2004	84

13 Investments

Company	TOTAL £'000
Cost at 1 June 2004	14,647
Impairment of investments in the year	(8,182)
At 31 May 2005	6,465

The Company has written down its investments in Look Closed Circuit TV Limited and SJC120 Limited by £6.8 million and £1.3 million respectively, following the distribution of those companies reserves by way of dividends of £6.6 million and £1.4 million.

At 31 May 2005 the Company held the following shareholdings in its subsidiaries which had been active during the year:

Subsidiary and activity	CLASS OF SHARE	PERCENTAGE HELD AT 31 MAY 2005
Quadrant Video Systems plc <i>Design, installation and maintenance of CCTV security systems</i>	Ordinary shares	100%
Synectic Systems Limited <i>Design and manufacture of video systems control products and integrated digital CCTV systems</i>	Ordinary shares	100%
Coex Limited <i>Specialist manufacturer of CCTV equipment and systems for extreme or hazardous environments</i>	Ordinary shares	100%
Look CCTV Limited* <i>Development and supply of CCTV systems for bus manufacturers and operators</i>	Ordinary shares	100%
Synectic Systems, Inc** <i>Design and supply of video systems control products and integrated digital CCTV systems</i>	Common stock	100%

*On 31 March 2005 the net assets and undertaking of Look CCTV Limited were transferred to Quadnetics Group plc. Look CCTV Limited then became dormant.

**Synectic Systems, Inc, was incorporated in Delaware, USA in March 2005 to acquire the trade and net assets of AlphaPoint LLC on 27 May 2005.

14 Stocks

	GROUP		COMPANY	
	2005 £'000	2004 £'000	2005 £'000	2004 £'000
Raw materials and consumables	1,450	1,126	574	–
Work in progress	81	308	–	–
Finished goods for resale	1,509	1,122	–	–
	3,040	2,556	574	–
Long-term contract balances	–	154	–	–
	3,040	2,710	574	–

Long-term contract balances comprise:

	GROUP		COMPANY	
	2005 £'000	2004 £'000	2005 £'000	2004 £'000
Net costs incurred	–	165	–	–
Applicable payments on account	–	(11)	–	–
	–	154	–	–

15 Debtors

	GROUP		COMPANY	
	2005 £'000	2004 £'000	2005 £'000	2004 £'000
Trade debtors	4,917	5,648	1,173	–
Amounts recoverable on contracts	4,064	1,776	–	–
Corporation tax recoverable	13	–	–	–
Deferred taxation	323	79	298	–
Other debtors	162	26	36	37
Amounts due from subsidiaries	–	–	4,386	3,462
Prepayments and accrued income	316	249	74	48
Amounts falling due within one year	9,795	7,778	5,967	3,547
Amounts falling due after more than one year				
Other debtors	101	167	101	167
Amounts due from subsidiaries	–	–	387	–
	9,896	7,945	6,455	3,714

Deferred taxation

	GROUP		COMPANY	
	2005 £'000	2004 £'000	2005 £'000	2004 £'000
At 1 June 2004	79	–	–	–
Credit to profit and loss account	244	79	298	–
At 31 May 2005	323	79	298	–

The deferred taxation balances comprise:

	GROUP		COMPANY	
	2005 £'000	2004 £'000	2005 £'000	2004 £'000
Fixed asset timing differences	(25)	30	(40)	–
Other timing differences	15	7	5	–
Tax losses	333	42	333	–
	323	79	298	–

16 Creditors

	GROUP		COMPANY	
	2005 £'000	2004 £'000	2005 £'000	2004 £'000
Amounts falling due within one year				
Unsecured loan notes	350	–	350	–
Payments on account	45	437	–	–
Trade creditors	5,267	3,590	785	80
Amounts owed to subsidiaries	–	–	247	582
Corporation tax	–	1,093	–	–
Other taxation and social security	367	702	121	15
Other creditors	145	21	134	–
Obligations under finance leases	9	50	–	–
Accruals and deferred income	1,344	1,082	99	155
Deferred consideration	–	446	–	446
Dividend payable	351	346	351	346
	7,878	7,767	2,087	1,624

	GROUP		COMPANY	
	2005 £'000	2004 £'000	2005 £'000	2004 £'000
Amounts falling due after more than one year				
Unsecured loan notes	–	350	–	350
Obligations under finance leases	3	25	–	–
Amounts owed to subsidiaries	–	–	204	1,480
	3	375	204	1,830

	GROUP		COMPANY	
	2005 £'000	2004 £'000	2005 £'000	2004 £'000
Borrowings				
Unsecured loan notes	350	350	350	350
Obligations under finance leases	12	75	–	–
	362	425	350	350

Total borrowings are repayable as follows:

	GROUP		COMPANY	
	2005 £'000	2004 £'000	2005 £'000	2004 £'000
Borrowings repayable in:				
One year	359	50	350	–
One to two years	3	375	–	350
	362	425	350	350

Finance leases bear interest at fixed rates between 11% and 12% and are secured on the assets concerned.

Unsecured loan notes which were issued as part consideration for the acquisition of Look, were repaid on 26 August 2005 and were subject to interest at a fixed rate of 4% per annum.

17 Provisions for liabilities and charges

	DEFERRED CONSIDERATION £'000	WARRANTY £'000	PROPERTY £'000	TOTAL £'000
Group				
At 1 June 2004	–	80	3	83
Deferred contingent consideration on acquisition	1,097	–	–	1,097
Utilised in year	–	–	(1)	(1)
(Credit)/charge to profit and loss account	–	(80)	3	(77)
At 31 May 2005	1,097	–	5	1,102

17 Provisions for liabilities and charges (continued)

	WARRANTY £'000	PROPERTY £'000	TOTAL £'000
Company			
At 1 June 2004	–	3	3
Intra-Group transfer	80	–	80
Utilised in year	–	(1)	(1)
(Credit)/charge to profit and loss account	(80)	3	(77)
At 31 May 2005	–	5	5

It is anticipated that the provision carried forward at 31 May 2005 for the future costs of empty leasehold properties will be utilised within three years. The provision for deferred contingent consideration for the trade and net assets of AlphaPoint LLC will be utilised within five years.

18 Called up share capital

The number of authorised, allotted, called up and fully paid shares is as follows:

	NUMBER	2005 £'000	NUMBER	2004 £'000
Ordinary shares of 20p each				
Authorised	13,135,952	2,627	13,135,952	2,627
Allotted, called up and fully paid	11,706,270	2,341	11,526,691	2,305

The following changes in the issued share capital arose during the year:

- 1) On 29 November 2004, 30,000 Ordinary Shares were issued as a result of share options being exercised.
- 2) On 29 April 2005, 50,000 Ordinary Shares were issued as a result of share options being exercised.
- 3) On 27 May 2005, 99,579 Ordinary Shares were issued as part consideration for the acquisition of the trade and net assets of AlphaPoint LLC (see note 28).

The impact on share capital and the share premium account was as follows:

	NUMBER OF SHARES	SHARE PRICE	SHARE CAPITAL £'000	SHARE PREMIUM £'000	TOTAL £'000
Exercise of share options	30,000	82.5p	6	19	25
Exercise of share options	50,000	135.0p	10	57	67
Cash inflow			16	76	92
Part consideration for acquisition	99,579	319.1p	20	298	318
			36	374	410

Subsequent to the year end 780,000 shares were allotted to the Quadnetics Group Employee Share Scheme (see note 30).

19 Options over shares of Quadnetics Group plc

The following movements on options outstanding under the Company's share option schemes arose during the year:

	COMPANY SHARE OPTION SCHEME	EMI SHARE OPTION SCHEME	TOTAL
Outstanding options at 1 June 2004	30,000	293,333	323,333
Granted during the year	–	10,715	10,715
Exercised during the year	(30,000)	(50,000)	(80,000)
Lapsed during the year	–	(15,000)	(15,000)
Outstanding options at 31 May 2005	–	239,048	239,048

Outstanding options at 31 May 2005 are exercisable as follows:

DATE GRANTED	EXERCISE DATES	OPTION PRICE	NUMBER OF OPTIONS
11 April 2003	11 April 2005 – 10 April 2013	135p	15,000
5 March 2004	5 March 2006 – 4 March 2014	300p	213,333
30 September 2004	30 September 2006 – 29 September 2014	280p	10,715
Outstanding options at 31 May 2005			239,048

20 Reserves

The movements on reserves during the year were as follows:

	SHARE PREMIUM ACCOUNT £'000	OTHER RESERVES £'000	PROFIT AND LOSS ACCOUNT £'000	TOTAL £'000
Group				
At 1 June 2004	12,248	715	550	13,513
Premium on shares issued during the year	374	–	–	374
Retained profit for the year	–	–	1,750	1,750
At 31 May 2005	12,622	715	2,300	15,637

	SHARE PREMIUM ACCOUNT £'000	OTHER RESERVES £'000	PROFIT AND LOSS ACCOUNT £'000	TOTAL £'000
Company				
At 1 June 2004	12,248	715	997	13,960
Premium on shares issued during the year	374	–	–	374
Retained profit for the year	–	–	456	456
At 31 May 2005	12,622	715	1,453	14,790

Cumulative goodwill written off directly to the profit and loss account at 31 May 2005 was £593,000 (2004: £593,000).

The consolidated result attributable to the shareholders of Quadnetics Group plc for the year includes a profit before dividends of £923,000 (2004: £1,057,000) which has been dealt with in the financial statements of the Company. Quadnetics Group plc has taken advantage of the legal dispensation allowing it not to publish a separate profit and loss account.

21 Contingent liabilities

The Company has agreed, in some instances jointly with subsidiary companies, to guarantee borrowings, annual operating lease rentals and performance bonds amounting to £0.1 million at 31 May 2005 (2004: £0.3 million).

22 Related party transactions

- 1) Interest free loans of £100,602, which were made by the Company in 2002 to MG Boddy, G Robinson and GC Wragg, when they were all directors of Group subsidiary companies, were outstanding at 31 May 2005. The loans are repayable on the earlier of 26 March 2012 or the sale of Quadnetics' shares acquired in February 2003 as consideration for the purchase by the Company of a minority interest in the Group. £66,557 was repaid during the year ended 31 May 2005. The comparative balance outstanding at 31 May 2004 was £167,159 after repayment of £7,749 in the year then ended.
- 2) At 31 May 2005, AJ Myers, a director of Look CCTV Limited, held £349,650 of unsecured loan notes in the Company which were acquired in 2004 as part consideration for Look. These notes were subsequently repaid on 26 August 2005. Interest of £15,781 (2004: £nil) was paid during the year at a fixed rate of 4% per annum and at 31 May 2005 the amount of interest accrued was £2,330 (2004: £3,096).
- 3) Sales in the year of £183,018 (2004: £nil) were made to Trafficland, Inc, of which DJ Coghlan is a director and shareholder.
- 4) Sales in the year of £289,000 (2004: £48,000) were made to Coex Services Asia Pte Ltd, in which the Group has an investment of £8,000 but does not exercise any influence.

23 Capital commitments

At the year end capital commitments not provided for in these financial statements amounted to £5,000 (2004: £5,000).

24 Operating lease commitments

The Group and Company are committed to making operating lease payments during the next year as follows:

Group	LAND AND BUILDINGS £'000	OTHER £'000	2005 TOTAL £'000	LAND AND BUILDINGS £'000	OTHER £'000	2004 TOTAL £'000
Operating leases which expire:						
Within one year	67	32	99	60	41	101
Within two to five years	24	287	311	5	225	230
In excess of five years	18	–	18	33	–	33
	109	319	428	98	266	364

Company	LAND AND BUILDINGS £'000	OTHER £'000	2005 TOTAL £'000	LAND AND BUILDINGS £'000	OTHER £'000	2004 TOTAL £'000
Operating leases which expire:						
Within one year	5	2	7	–	–	–
Within two to five years	–	27	27	5	–	5
In excess of five years	18	–	18	–	–	–
	23	29	52	5	–	5

25 Reconciliation of operating profit to operating cash flows

	2005 £'000	2004 £'000
Operating profit	2,126	1,872
Depreciation and amortisation	637	308
Profit on sale of fixed assets	(7)	(11)
Increase in stocks	(320)	(137)
Increase in debtors	(1,469)	(1,389)
Increase/(decrease) in creditors and provisions	972	(639)
Net cash inflow from operating activities	1,939	4

26 Analysis of cash flows

Returns from investments and servicing of finance

	2005 £'000	2004 £'000
Interest received	137	60
Interest paid	(30)	(18)
Net cash inflow from investments and servicing of finance	107	42

Capital expenditure and financial investment

	2005 £'000	2004 £'000
Purchase of tangible fixed assets	(550)	(349)
Sale of tangible fixed assets	53	18
Net cash outflow for capital expenditure and financial investment	(497)	(331)

Acquisitions

	2005 £'000	2004 £'000
Acquisitions (see note 28)	(421)	(6,409)
Deferred consideration on acquisitions made in 2004	(446)	–
Net cash outflow on acquisitions	(867)	(6,409)

Management of liquid resources

	2005 £'000	2004 £'000
Transfer from/(to) bank deposits	2,500	(2,500)

At 31 May 2004 the Group held bank deposits of £2.5 million which matured on 4 June 2004 and therefore are defined as liquid resources.

26 Analysis of cash flows (continued)

Financing

	2005 £'000	2004 £'000
Issue of shares, net of expenses	92	8,227
Payment of principal under finance leases	(63)	(35)
Net cash inflow/(outflow) from financing	29	8,192

27 Analysis of net funds

	1 JUNE 2004 £'000	CASH FLOW £'000	31 MAY 2005 £'000
Cash	4,711	(1,149)	3,562
Finance leases	(75)	63	(12)
Unsecured loan notes	(350)	–	(350)
Total net funds	4,286	(1,086)	3,200

28 Acquisitions

On 27 May 2005, Synectic Systems, Inc, a newly created subsidiary incorporated in Delaware, USA, acquired the trade and net assets of AlphaPoint LLC on the following terms:

	GUARANTEED CONSIDERATION \$'000	CONTINGENT CONSIDERATION \$'000	TOTAL CONSIDERATION \$'000	TOTAL CONSIDERATION £'000
Initial cash consideration paid on completion	728	–	728	397
Ordinary shares in the Company issued at completion:				
33,194 Guaranteed shares	200	–	200	106
66,385 Top-up shares	–	400	400	212
99,579				
Deferred cash consideration – maximum payable	–	2,000	2,000	1,097
Maximum total consideration	928	2,400	3,328	1,812

The Top-up shares, which are held in escrow by the Bank of New York, are dependent on the business reporting cumulative earnings before interest, tax, depreciation and amortisation ('EBITDA') in excess of \$1.1 million in the first three years. Should there be a shortfall then the equivalent value of shares will be surrendered on a dollar for dollar basis.

Deferred cash consideration is calculated at 22.5% of the amount by which EBITDA exceeds \$1.1 million in aggregate in the four years following the acquisition, up to a maximum of \$2 million. Payments are made annually once the \$1.1 million threshold has been exceeded.

The consideration and assets acquired are made up as follows:

	£'000
Cash paid on completion	397
Ordinary shares issued	318
Deferred consideration	1,097
	1,812
Acquisition expenses	119
Total cost of acquisition	1,931

Net assets acquired, at book value and fair value:

	£'000
Fixed assets	61
Stocks	10
Debtors	193
Creditors	(231)
Bank and cash balances	40
	73
Goodwill	1,858
	1,931
Cash outflow on acquisitions during the year was made up as follows:	
Initial consideration paid in cash	397
Acquisition expenses paid in year	64
	461
Less bank and cash balances acquired	(40)
	421

During the 12 months ended 31 December 2004 AlphaPoint LLC earned a profit before tax of £0.2 million, and in the subsequent 5 month period up until the date of acquisition made a loss before tax of £0.2 million.

29 Derivatives and other financial instruments

The Group's financial instruments, other than derivatives, comprise bank and cash balances, borrowings, and various items such as trade debtors and trade creditors which arise directly from its operations.

The Group does not trade in financial instruments and has taken advantage of the exemption to exclude short-term debtors and creditors from the disclosures relating to financial instruments.

During the year the Group made sales to customers in the USA and made purchases from suppliers in Canada which are invoiced in the currencies of the customers/suppliers concerned. The Group's policy is to manage the currency risks involved in these transactions through the use of derivatives (principally forward currency contracts). At 31 May 2005 the Group had commitments in respect of forward currency contracts for the sale of US\$2.6 million (2004: £nil) maturing within the next year. The fair value of these forward currency contracts is not considered to be materially different to the value determined in the contracts.

At 31 May 2005 and 31 May 2004, after taking into account the effects of the forward currency contracts the Group had no material currency exposure.

At the year end, the Group had net funds of £3,200,000 (2004: £4,286,000) comprising £3,020,000 (2004: £4,315,000) short term bank deposits and £542,000 (2004: £396,000) held in current accounts, offset by £12,000 (2004: £75,000) of finance leases and £350,000 (2004: £350,000) of unsecured loan notes. The bank deposits bore interest of 4.5% (2004: 4.0 to 4.1%), the current accounts do not bear interest. Details of the applicable interest rates and maturity profile of the Group's debt are shown in note 16. The Group's funds did not, at the year ends, carry any significant interest rate risk.

In addition to the Group's debt, the earliest date of payment of the Group's other financial liability is within one to two years. This financial liability, which is included in provisions as contingent consideration, bears no interest.

The level of the Group's bank overdraft facilities is reviewed annually and at 31 May 2005 the Group had undrawn facilities of up to £1.5 million.

30 Post balance sheet events

- 1) On 17 June and 23 June 2005, 620,000 ordinary shares in the Company and 160,000 ordinary shares in the Company respectively were allotted to the Quadnetics Group Employee Share Scheme.

Under the provisions of the scheme, these shares ('the Scheme Shares') are held for the benefit of nominated employees or executive directors on terms, similar to a share option scheme, whereby the value of appreciation in the Company's share price over a minimum three-year period accrues to the relevant employee or director, provided the Company meets certain performance thresholds linked to the FTSE AIM All Share Total Return Index.

The Scheme Shares were allotted at £2.41 each, being the closing mid-market price of the Company's Ordinary Shares on the last practicable day prior to allotment. The substantial majority of the funding for subscription for the Scheme Shares was provided as an interest-free loan by the Company to Synectics Group Limited, a wholly owned subsidiary of the Company and trustee to the scheme, and it is intended that this loan will ultimately be repaid following sale of the Scheme Shares in the market once the three-year qualification requirements and performance criteria have been met. Dividends on the Scheme Shares have been waived.

- 2) On 23 September 2005 the Company announced that the terms of an offer to be made by Brewin Dolphin Securities Limited on behalf of the Company for the entire issued and to be issued ordinary share capital of Protec plc ("Protec") had been agreed. The offer has been recommended by the board of Protec. The offer will be made on the basis of 1 Ordinary share of 20p each in the Company for every 43 ordinary shares of 1p each in the capital of Protec. The offer values the entire issued and to be issued share capital of Protec at approximately £9.9 million and each Protec share at 6.16 pence based on the closing price of 265 pence per Quadnetics share on 22 September 2005. Irrevocable undertakings to accept, or procure acceptance of, the offer representing approximately 62.15 per cent of Protec's existing issued ordinary share capital have been received by Quadnetics.

Principal Subsidiaries

Quadrant Video Systems plc

Design, installation and maintenance of CCTV security systems
Video Centre
3A Attenborough Lane
Chilwell
Nottingham NG9 5JN
Tel: 0115 925 2521
www.quadrantcctv.com

Synectic Systems Limited

Design and manufacture of video systems control products and integrated digital CCTV systems
3 Acorn Business Park
Woodseats Close
Sheffield S8 0TB
Tel: 0114 255 2509
www.synectics.co.uk

Synectic Systems, Inc

Design and supply of video systems control products and integrated digital CCTV systems
4180 Via Real, Suite A
Carpinteria
California 93013
USA
Tel: 00 1 805 745 1920
www.synecticsusa.com

Look CCTV

Development and supply of CCTV systems for bus manufacturers and operators
Unit 4
Wyrefields
Poulton-le-Fylde
Lancashire FY6 8JX
Tel: 01253 891222
www.lookcctv.com

Following the transfer of the trade and net assets of Look CCTV Limited to Quadnetics Group plc on 31 March 2005, the business of Look CCTV now trades as a division of Quadnetics Group plc.

Coex Limited

Specialist manufacturer of CCTV equipment and systems for extreme or hazardous environments
The Flarepath
Elsham Wold
Brigg
North Lincolnshire DN20 0SP
Tel: 01652 688908
www.coex.ltd.uk

Notice of Meeting

Notice is hereby given that the twenty-second Annual General Meeting of Quadnetics Group plc will be held at the offices of Brewin Dolphin Securities Limited, 5 Giltspur Street, London EC1A 9BD on 29 November 2005 at 10.00 am for the following purposes:

Ordinary Business

To consider and, if thought fit, to pass the following Resolutions as Ordinary Resolutions:

1. Resolution No. 1 - To receive and adopt the Directors' Report and Audited Accounts for the year ended 31 May 2005.
2. Resolution No. 2 - To declare a final dividend of 3.0p per Ordinary Share.
3. Resolution No. 3 - To re-elect as a Director RC Singleton who, being eligible, submits himself for re-election.
4. Resolution No. 4 - To re-elect as a Director DJ Coghlan who, being eligible, submits himself for re-election.
5. Resolution No. 5 - To re-elect as a Director SW Coggins who was appointed since the last Annual General Meeting and who, being eligible, submits himself for re-election.
6. Resolution No. 6 - To re-elect as a Director DM Orme who was appointed since the last Annual General Meeting and who, being eligible, submits himself for re-election.
7. Resolution No. 7 - To re-elect as a Director G Robinson who was appointed since the last Annual General Meeting and who, being eligible, submits himself for re-election.
8. Resolution No. 8 - To re-appoint PKF (UK) LLP as Auditors to hold office until the conclusion of the next Annual General Meeting and to authorise the Directors to set their remuneration.
9. Resolution No. 9 - That, in substitution for the existing general authorities granted at the last Annual General Meeting of the Company, but in addition to all specific authorities granted at any Extraordinary General Meeting of the Company, in accordance with Section 80 of the Companies Act 1985 ("the Act"), the Directors be and are hereby generally and unconditionally authorised to exercise all powers of the Company to allot relevant securities (as defined in Section 80 of the Act) up to an aggregate nominal amount of £880,227 provided that this authority (unless previously revoked or renewed) shall expire on the earlier date of 28 February 2007 and the conclusion of the next Annual General Meeting of the Company after the passing of this resolution save that the Company may before such expiry make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the Directors may allot relevant securities in pursuance of such offer or agreement as if the authority conferred hereby had not expired.
10. Resolution No. 10 - To receive, adopt and approve the Directors' Remuneration Report for the year ended 31 May 2005.

Special Business

To consider and, if thought fit, to pass the following Resolutions as Special Resolutions:

11. Resolution No. 11 - That, the Company be and is hereby generally and unconditionally authorised pursuant to section 166 of the Act to make one or more market purchases (as defined in Section 163(3) of the Act) of its Ordinary Shares of 20p each on such terms and in such manner as the Directors shall determine, provided that:
 - (1) The maximum number of Ordinary Shares hereby authorised to be acquired is 1,248,627 (representing 10% of the present issued Ordinary Share Capital of the Company);
 - (2) The minimum price which may be paid for such shares is 20p per share (exclusive of all expenses);
 - (3) The maximum price which may be paid for such shares is, in respect of a share contracted to be purchased on any day, an amount (exclusive of expenses) equal to 5 per cent above the average middle market quotations for an Ordinary Share of the Company as derived from the Daily Official List of the London Stock Exchange on the five dealing days immediately preceding the day on which the share is contracted to be purchased;
 - (4) The power hereby granted shall expire on the conclusion of the next Annual General Meeting of the Company after the passing of this Resolution or, if earlier, on 28 February 2007; and
 - (5) The Company may make a contract to purchase its Ordinary Shares under the authority hereby granted prior to the expiry of such authority which will or may be executed wholly or partly after the expiry of such authority, and may make a purchase of its Ordinary Shares in pursuance of such contract.

12. Resolution No. 12 - That:

- (1) Conditionally upon the passing of Resolution No. 9 and in substitution for all existing powers, in accordance with Section 95 of the Act, the Directors be and are hereby given power to allot equity securities pursuant to the authorities conferred by Resolution No. 9 as if sub-section (1) of Section 89 of the Act did not apply to any such allotment PROVIDED THAT:
 - a) the power hereby granted shall be limited to the allotment of equity securities in connection with or pursuant to an offer by way of rights issue in favour of the existing holders of Ordinary Shares in the capital of the Company and other persons entitled to participate therein in proportion (as nearly as may be) to such holders' holdings of such shares (or, as appropriate, to the numbers of shares which such other persons are for these purposes deemed to hold) subject only to such exclusions or other arrangements as the Directors may deem necessary or expedient to deal with fractional entitlements or legal problems under the laws of any territory or the requirements of any recognised regulatory body or stock exchange;
 - b) the power hereby granted shall be limited to the allotment (otherwise than pursuant to sub-paragraph (a) of this proviso) of equity securities up to an aggregate nominal amount of £124,862;
 - c) the power hereby granted shall expire on the conclusion of the next Annual General Meeting of the Company after the passing of this Resolution or, if earlier on 28 February 2007; and
 - d) the power hereby granted shall apply in relation to a sale of shares which is an allotment of equity securities by virtue of section 94 (3A) of the Act as if the words "pursuant to the authorities conferred by Resolution No. 9" in the first paragraph of this Resolution 12 were omitted.
- (2) The said power shall allow and enable the Directors to make an offer or agreement before the expiry of that power which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of such an offer or agreement as if the power conferred hereby had not expired.
- (3) Words and expressions defined in or for the purposes of Part IV of the Act shall bear the same meaning herein.

By Order of the Board

NC Poultney

Secretary

26 September 2005

North Court House

Morton Bagot, Studley

Warwickshire B80 7EL

Notes:

1. To have the right to attend or vote at the meeting (and also for the purpose of calculating how many votes a person entitled to attend or vote may cast), a person must be entered on the register of members of the Company by no later than 10.00 am on 27 November 2005 being 48 hours before the time fixed for the meeting. Changes to entries on the register after this time will be disregarded in determining the rights of any person to attend or vote at the meeting.
2. A member entitled to attend and vote at the meeting is entitled to appoint a proxy or proxies to attend and vote on a poll instead of him. A proxy need not also be a member. Members submitting a proxy are not precluded from attending the meeting and voting if they wish to do so. To be effective, proxy forms and the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power or authority, must be received at the office of the Registrars of the Company not less than 48 hours before the time fixed for the meeting. A proxy form is enclosed.
3. Copies of the Directors' service agreements together with the register of Directors' shareholdings and other interests are available for inspection at the Registered Office of the Company during normal working business hours on each business day and will also be available for inspection on the day of the Annual General Meeting at the place of the meeting for 15 minutes prior to and during the continuance of the meeting.
4. In the case of joint holders, the vote of the senior holder shall be accepted to the exclusion of the other joint holders, whether in person or by proxy. For this purpose, seniority shall be determined by the order the names of the holders are entered in the Company's register of members in respect of the relevant joint holdings.

Business and Customers

The client list of Quadnetics' Group companies is as varied as it is long.

Large or small, simple or complex, Quadrant Video Systems (QVS) has the expertise, experience and resources to address all matters of electronic security, for any kind of organisation. Problem solving is QVS's speciality, be it a question of security or process control surveillance, or access control. This, coupled with QVS's distinct ability to understand a client's needs and foster long-term relationships, ensures that time after time, satisfied customers keep returning to QVS.

Synectic Systems' CCTV control and digital recording equipment is installed and specified throughout a diverse and prestigious client base. Featuring security industry award-winning products, many with unrivalled performance, Synectics' equipment and systems span the world, supporting a broad range of customer applications.

Look CCTV is the UK's leading supplier of CCTV systems for buses and coaches with most major UK bus operators and builders on its customer list.

Coex specialises in the manufacture of CCTV systems to meet the specific demands for robust, corrosion-free, high quality products for use in hazardous areas or extreme environments with 80% of sales going to overseas applications.

Opposite, top left:

Dubai in the United Arab Emirates has expanded its city centre CCTV system, investing in Synectics camera matrix switching and control equipment.

Opposite, top right:

Coex has supplied specialist explosion resistant CCTV systems for the ongoing development of the Ras Laffan LNG production facility in Qatar.

Opposite, bottom:

Quadrant Video Systems has helped GNER deliver a more secure railway, with CCTV upgrade installations across 12 of its mainline railway stations.

Quadnetics In Focus

Coex

Established in 1985, Coex is a world leader in the field of visual communication systems, with an extensive track record in fulfilling a crucial role in safety and surveillance. Coex manufacture an extensive range of high-quality CCTV products for hazardous, marine and extreme environment applications. The company designs, engineers and installs CCTV systems for surveillance applications including the monitoring of industrial processes, hazardous area offshore oil and gas rig monitoring, marine CCTV and port surveillance.

Quadrant Video Systems

All customers are individual, with problems and demands that are unique to their own field of business. Aided by heavy investment in developing and fine-tuning its key operational aspects of project management, support structure and ongoing customer care, Quadrant Video Systems' dedicated team of specifiers, technical sales engineers and designers have an industry acknowledged reputation for providing customers with a host of first-class, tailor-made fixed and mobile vehicle security surveillance, and access control solutions.

Synectics

Synectics has an enviable reputation as a highly innovative and market-leading manufacturer of advanced CCTV systems equipment. With numerous industry awards for its range of state-of-the-art surveillance solutions, its products have become the standard across many market sectors, and can be found at the heart of systems within town and city centres, transportation, gaming, logistics handling and retail.

Synectics' range of powerful CCTV surveillance equipment provides customers with a host of analogue, digital and IP surveillance control and recording solutions, providing a major technological weapon to effectively protect people, property and stock.

Look CCTV

Look CCTV specialises in the supply of CCTV systems for buses and coaches and has consistently led the market through its product innovation. Look pioneered the use of ruggedised digital recording systems for buses and coaches, designed to produce high-quality digital imaging with long recording times, and was the first company to develop a vandal-resistant polycarbonate dome to protect on board CCTV cameras.

Look has now developed wireless technology to enable bus operators to capture all the images from a bus CCTV system, download CCTV diagnostics, check camera views, GPS data and records of low bridge alarms within seconds as a bus enters the garage.

For more information about Quadnetics Group please contact us at:

North Court House, Morton Bagot, Studley, Warwickshire, B80 7EL, England

Tel: 01527 850080 Fax: 01527 850081 e-mail: info@quadnetics.com

or visit our website: www.quadnetics.com

Registered Number: 1740011

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