CROMA GROUP PLC

REPORT AND FINANCIAL STATEMENTS

30 JUNE 2009

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COMPANY INFORMATION

Directors	A N Hewson MA FCA CF (Non – executive Chairman) S J F Morley (Group Chief Executive) G M McGill BA CA (Finance Director) J W Sullivan (Technical Director)
Secretary	G M McGill BA CA
Registered office	Emerald House East Street Epsom Surrey KT17 1HS
Registered number	3184978
Legal form	Public Limited Company
Country of incorporation of parent company and legal domicile	United Kingdom
Nominated advisers and brokers	Brewin Dolphin 7 Drumsheugh Gardens Edinburgh EH3 7QH
Registered auditors	BDO LLP One Victoria Street Bristol BS1 6AA
Solicitors	Shepherd + Wedderburn LLP 1 Exchange Crescent Conference Square Edinburgh EH3 8UL
Registrars	Neville Registrars Limited Neville House 18 Laurel Lane Halesowen West Midlands B63 3DA
Bankers	Barclays Bank plc National Westminster Bank plc HBOS plc Close Invoice Finance Limited

CHAIRMAN'S STATEMENT
FOR THE YEAR ENDED 30 JUNE 2009

I have pleasure in announcing the results of the Group for the year ended 30 June 2009.

Financials

2009 represents another year of progress for the business, being the first year that the Group has reported a pre and post tax profit for the period, reflecting the continued trading profit from its continuing operations and no impairment charges or losses on discontinued activities as in 2008.

Whilst turnover fell slightly to £6.52m (2008 - £7.11m), and gross profit was £1.95m (2008 - £2.43m), profit from operations before finance charges was a healthy £246,897 as opposed to a loss, after an impairment charge of £445,486, in 2008 of £263,758. Our net finance costs were £235,186, roughly in line with the prior year net cost of £230,564, but the profit before tax was positive at £11,711 against a loss in 2008 of £494,322.

After a tax refund received in the year, the profit for the year was £52,902 against a prior year loss, including £174,767 on discontinued operations, of £669,089. The Board believes that the Group is now well placed to take advantage of the numerous opportunities available to it, having addressed the various problems in the subsidiary businesses over the last two years.

The Company announced in May of this year that it had been granted High Court Approval in respect of the reduction in share capital to 0.1pence per ordinary share and the cancellation of the deferred shares and the share premium account. This paves the way for the business to set about dealing with the structure of its capital in a more efficient manner, as well as in due course, the consideration by the Board of the payment of dividends.

Business Review

The three key business areas of the Group, avionics (RDDS), access security and installation systems (Photobase), and asset protection including man guarding and key holding (Vigilant), all showed their strengths during the period.

Many of the valuable contracts in the RDDS business were not fully delivered until after the end of the year with a resultant deferral of some of the profit and all of associated cash inflows until the current period. The level of demand for the services of this proprietary software-based provider of solutions to the aerospace business remains strong, and the ability of the Group to retain this business which we have developed in-house allows us to invest in its future with confidence.

During the year, management responsibility for the Photobase software-based access security systems business was taken on by the RDDS subsidiary as the two businesses have considerable crossover target markets. Therefore, the coming year should benefit from the joint marketing of these product and services offerings to our current client base, the majority of which are major governmental organisations including the UK prisons service, the UK police services, the UK armed forces and businesses linked to the defence sector.

The Group has been able to strengthen its long term contracted revenue base over the period, announcing strategic supply arrangements with Agusta Helicopters and the Ministry of Defence (for defence establishment guarding), some of which roll out to 2013. Whilst some client attrition is inevitable in what has been a tough year for many businesses globally, recent contract wins suggest to us that security is a non-discretionary category of expenditure upon which most of our clients are prepared to maintain spend, if not increase it.

Financing arrangements

The period has been challenging, financially, in many respects, both for the Croma businesses and more generally. The banking market in the UK has gone through a change in nature and character the like of which many of us have not seen before, and this has had a marked effect on the ability of the Group to raise even ordinary working capital for its businesses. As a result, the Board took the view that quasi-bond style financing was more reliable, even if the convertible element of some of this form of borrowing may have proved expensive to equity holders.

Having reviewed the position at the half year the decision was taken by the Board to carry out a High Court sanctioned reduction in the nominal value of each ordinary share from 5 pence to 0.1 pence, in line with many other businesses. This, along with the ability now to pay dividends out of future retained earnings, gives the Board the opportunity to review all of its current financing arrangements. We are actively considering the possibility of a modest issue of additional equity to repay a tranche of the Group's outstanding loan capital.

All that said, we are also in the comfortable position as a Group of having relationships with experienced and supportive banking and finance houses able to support our level of activity by traditional methods, given the quality of our client list.

Outlook

I anticipate that the Group, with increasing order books and strong working capital management, will be cash generative going forward. The Group now also has the potential to expand where the right opportunity comes along, and has restored flexibility to use equity to finance that expansion.

Nick Hewson
Non-executive Chairman
06 November 2009

Nick Hewson MA FCA CF – aged 51, Non-executive Chairman

Nick has been on the Board of a number of listed companies since 1986, more recently in a non-executive capacity. Nick has concentrated on grooming and growing smaller businesses in the public and private arenas, and has a particular interest in low carbon and carbon reduction initiatives in business. He has been an investor in Croma since the very early days of the Group's corporate life.

Sebastian Morley - aged 40, Group Chief Executive Officer

Sebastian Morley joined the Board of the Group on the acquisition of Vigilant Security (Scotland) Limited in February 2006. Subsequently he was appointed as group Managing Director to specifically assist in the day to day operations of subsidiary companies. Sebastian established Vigilant in 2001 and has been instrumental in the development of the company. Prior to this he worked with organisations relating to the surveillance and security sector. Sebastian was educated at Eton and attended the Royal Military Academy at Sandhurst and was subsequently commissioned in the Black Watch with the rank of Captain. He has also undertaken a period of duty with the United Kingdom Special Forces where he held the rank of Major.

Gerald McGill BA CA aged 36, Finance Director

Gerald is a graduate of Heriot Watt University (1993) and qualified as a Chartered Accountant in 1996. He is also a partner in a firm of Chartered Accountants, Farries, Kirk and McVean, based in Dumfries. He has been involved in advising Vigilant Security (Scotland) Ltd since they commenced to trade and advises many small and medium size enterprises in growing and developing their business.

James Sullivan aged 39, Technical Director

Appointed to the Board in December 2008, Australian born James is a degree qualified Engineer and a Commercial Pilot with 20 years experience in the defence electronics sector. He has been involved in the development and testing of a variety of projects ranging from unmanned aircraft to airborne surveillance systems. James has spent the last 6 years with Croma subsidiary RDDS having been appointed as Managing Director in late 2004. James brings with him a wealth of insight into the technical aspects of Croma operations and has a long history of managing development projects for the UK MOD, European and North American defence contractors.

The directors submit their report and the audited financial statements of Croma Group PLC and its subsidiary undertakings for the year ended 30 June 2009.

Principal activity
The Group's principal activities are avionics (RDDS), access control solutions (Photobase) and asset protection solutions (Vigilant) to a wide range of UK government agencies including police, military, local authorities and the prisons service as well as large overseas businesses supplying the defence industry.

Review of the year and future developments
A review of the Group's activities, the development of its business, a business review and an indication of likely future developments may be found in the Chairman's statement on pages 2 to 3. The directors review the business continually, and in so doing review the activities of each business segment, as these fairly represent the performance of the underlying trading entities. Note 3 of the financial statements shows the performance of the group analysed between segments. The Directors review the gross profit margin achieved by each subsidiary as a key indicator of the performance of that company.

Vigilant Security, despite a drop in turnover has increased its profitability after tax due to efficiencies within the admin function. Gross profit margin has dropped slightly from 22.4% in 2008 to 21.2% in 2009. The Board are taking steps to improve the margin in the current period. The net asset position has also improved due to the profitability of this company in the period.

There has been a reduction in profit at the RDDS subsidiary, with a drop in gross profit margin to 47% (2008 – 64%). However, the Directors are confident that margin has been improved over the last few months and the order book for this company remains strong. The Board often consider the size of the order book within RDDS as an appropriate measure of its success and it continues to have orders and contracts for a year ahead throughout the year, with which the Board are satisfied. Net assets remain strong at £605,025, a small improvement on the previous year.

The Board have carried out substantial changes to the Photobase subsidiary to reduce operating costs by moving it under the management of the RDDS business and cutting unprofitable areas and reducing overheads. This has improved the gross profit margin to 75% from 67% in 2008 due to the company focussing on its maintenance work and the Directors are confident that the move to RDDS will allow this part of the business to grow. While the company still has a substantial net deficit of liabilities over assets, there has been a small improvement this year.

While the consolidated profit after tax reported is the best ever achieved, the Board have utilised additional borrowing facilities to allow the businesses sufficient working capital to achieve these improved results. In addition to the utilisation of overdraft and invoice discounting facilities the Group took a short term £150,000 non convertible loan during the year. The cost cutting process within the Group company has now been concluded to minimise the costs of operation.

No significant events have occurred since the balance sheet date.

Results and dividends
The profit of the Group for the year, after taxation, was £52,902 (2008: Loss £669,089). The directors do not recommend the payment of a dividend.

Risks and uncertainties
The Group operates in a competitive environment affected by factors such as demand from customers for our goods and services and the activities of competitor companies offering similar goods and services. The management within the Group regularly identify and assess the impact of risks to their businesses. For each

Risks and uncertainties (continued)
risk the likelihood and consequence are identified, management controls and frequency of monitoring are confirmed and results reported.

The board considers that some of the principle risks to achieving its objectives are (a) the economic environment, (b) loss of key personnel or failure to retain staff, and (c) business interruption.

(a) The board monitor the markets that we trade in to ensure that the goods and services that we provide remain competitive, while not compromising on quality. We continue to seek to add new business in a competitive environment, acknowledging that some existing customers may reduce their spend and maintain close relationships with customers to minimise this risk. Where appropriate, the sector in which our customers operate is monitored to ensure that we do not become overly reliant on a small number of customers or a particular trade sector within our customer base. Financial risk is discussed in Note 1 to the financial statements.
(b) If we fail to attract and develop the personnel with the correct skills then we fail to continue to grow the business. This risk is minimised by giving appropriate training and development plans to personnel.
(c) If we fail to respond to or recover from a major incident that disrupts our business the future of our business will be jeopardised. To minimise this we have board management able to work remotely and have off site back up of many key IT operations.

In addition, the group must assess the financial risks associated with the business in terms of cashflow, credit risk and financial instruments. The group has to have adequate plans in place to mitigate these risks, and in so doing has utilised invoice discounting arrangements for much of its sales ledger. Much of the Group's borrowing requirement is in the form of convertible debt, and the board considers closely the cashflow of the Group at monthly board meetings to minimise the risks associated with this form of debt instrument. This is discussed in note 1 to the financial statements. The Group also operates in different areas within the sector across its subsidiaries and thus reduces the general financial and business risk around the Group. Liquidity risk is discussed further in Note 1 to the financial statements.

Directors
The directors who have held office since 1st July 2008 are as follows:

Executive:	**Non-executive**
S Morley	A N Hewson
G M McGill	
J W Sullivan (appointed 1st November 2008)	

The directors in office at 30 June 2009 had the following beneficial interest in the shares of the Company:

	Ordinary Shares of 0.1p each (formerly 5p each)		**Options to acquire shares**	
	30 June 2009	**30 June 2008**	**30 June 2009**	**30 June 2008**
Executive directors:				
S Morley	18,528,634	17,703,634	-	2,500,000
G M McGill	750,000	500,000	-	-
J W Sullivan	-	-	-	-
Non-executive director:				
A N Hewson	3,854,342	3,604,632	-	1,000,000

Directors (continued)
The additions to each shareholding above represents open market purchases by the Directors. There have been no additions or disposals since 30 June 2009. Both S Morley and A N Hewson waived their right to receive share options previously awarded to them. They waived their entitlements prior to the vesting date of these options.

Details in respect of the experience of the executive and non-executive directors are given on page 4.

Substantial shareholdings
Apart from the interests of the directors referred to above, the Company has received the following notifications of holdings of more than 3 percent of the ordinary share capital of the Company as at 30 June 2009.

Pershing Nominees Limited	7.84%
HSBC Global Custody Nominees (UK) Limited	5.64%
TD Waterhouse Nominees (Europe) Limited	4.64%
Chase Nominees Limited	4.50%
LR Nominees Limited	4.02%
JIM Nominees Limited	3.10%
HSBC Global Custody Nominees (UK) Limited	3.02%

Payment policy
The Group applies a policy of agreeing payment terms with each of their main suppliers and the Group aims to abide by these terms, subject to satisfactory performance by suppliers.

Creditor days at 30 June 2009 were 50 days (2008-70 days).

Research and development
Research and development expenditure, including the element of wages relating to research and development, amounted to £296,542 (2008: £260,698).

Auditors
Since the year end BDO Stoy Hayward LLP have changed their name to BDO LLP. A resolution to re-appoint BDO LLP as auditors to the Company will be put to the members at the Annual General Meeting.

Statement of disclosure to auditor
Each of the persons who are a director at the date of approval of this report confirms that:
(a) So far as the directors are aware, there is no relevant audit information of which the company's auditors are unaware, and

(b) They have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

By order of the board

G M McGill
Secretary
06 November 2009

Financial aspects of corporate governance
The Company has adopted a framework for corporate governance which it believes is suitable for a company of its size with reference to the key points within the Principles of Good Governance and Code of Best Practice, ("the Combined Code") prepared by the Committee on Corporate Governance, published in June 1998, although the board consider the costs of full compliance with the code to outweigh the benefits it would provide to a business the size of Croma Group.

The Board
As at the date of approval of these financial statements, the board consisted of four members, one of whom is a Non-Executive Director.
The board meets throughout the year and all major decisions are taken by the full board. The Group's day to day operations are managed by the executive directors. All directors have access to the Company Secretary and any director needing independent professional advice in the furtherance of his duties may obtain this advice at the expense of the Company.

Corporate governance committees
The Board meets regularly, normally monthly, and covers audit and remuneration committee matters as they arise from time to time.

Audit committee matters;
The Board meets as an audit committee to review the published financial information, the effectiveness of external audit and internal financial controls.

The terms of reference of the Audit Committee are to assist themselves as Directors in discharging their individual and collective legal responsibilities for ensuring that:

- the Group's financial and accounting systems provide accurate and up-to-date information on its current financial position;
- the Group's published financial statements represent a true and fair reflection of this position; and
- the external audit, which the law requires in order to provide independent confirmation that these legal responsibilities are being met, is conducted in a thorough, efficient and effective manner.

The external auditors attend the audit committee meeting and as such it provides them with a direct line of communication to the Directors.

Remuneration Committee matters;
The terms of reference of the Board meeting as the remuneration committee are:

- recommend to the board a framework for rewarding senior management, including executive directors, bearing in mind the need to attract and retain individuals of the highest calibre and with the appropriate experience to make a significant contribution to the Group; and
- ensure that the elements of the remuneration package are competitive and help in underpinning the performance-driven culture of the Group.

Internal control
The board is responsible for maintaining an appropriate system of internal controls to safeguard shareholders' investment and Group assets.

The directors monitor the operation of internal controls. The objective of the system is to safeguard Group assets, ensure proper accounting records are maintained and that the financial information used within the business and for publication is reliable. Any such system of internal control can only provide reasonable but not absolute assurance against material misstatement or loss.

Internal financial control procedures undertaken by the board include:

§ review of monthly financial reports and monitoring performance;
§ prior approval of all significant expenditure including all major investment decisions; and
§ review and debate of treasury policy.

The board in the context of the Group’s overall strategy undertakes risk assessment and the review of internal controls. The review covers the key business, operational, compliance and financial risks facing the Group. In arriving at its judgement of what risks the Group faces, the board has considered the Group’s operations in the light of the following:

§ the nature and extent of risks which it regards as acceptable for the Group to bear within its overall business objective;
§ the threat of such a risk becoming a reality;
§ the Group’s ability to reduce the incidence and impact of risk on its performance; and
§ the cost and benefits to the Group of operating the relevant controls.

The board has reviewed the operation and effectiveness of the Group's system of internal control for the financial year and the period up to the date of approval of these financial statements. During the previous year our review found some significant but ultimately not material inaccuracies in the Photobase division in the description of sales invoices, the dates of them, the dates they were submitted to the invoice discounter, and the accounting treatment of them. None of the irregularities resulted in loss of customers, and there were no other consequences of a material nature following communications on the matter with the provider of invoice discount finance. The Board have now concluded the rectification of the systems within this subsidiary company, and are satisfied as to the robust nature of the systems now in place.

Relations with shareholders
Communication with shareholders is given a high priority by the board and the directors are available to enter into dialogue with shareholders. All shareholders are encouraged to attend and vote at the annual general meeting during which the board is available to discuss issues affecting the Company.

Going concern
As explained fully in the accounting policies on pages 17 to 26, the directors have a reasonable and proper expectation that the Group has and will continue to have adequate resources to continue to adopt the going concern basis in preparing these financial statements. The directors base this expectation on conversations which have taken place between the Group and its bankers notably the providers of invoice discounting finance across the Group. While the withdrawal of these facilities would impact on the Group’s ability to continue as a going concern, the board are confident, having made due and careful enquiry, of the continued availability of invoice discount finance up to the renewal dates in 2009 and 2010 for all the relevant facilities and the continuation of these facilities as they fall due for renewal. In addition to invoice discounting facilities, one of the subsidiary businesses maintains an overdraft facility to meet the needs of the business. It is not anticipated that there will be any difficulties in continuing this facility when it falls due for renewal in April 2010.

STATEMENT OF DIRECTORS' RESPONSIBILITIES
FOR THE YEAR ENDED 30 JUNE 2009

Directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and the company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and company and of the profit or loss of the group for that period. The directors are also required to prepare financial statements in accordance with the rules of the London Stock Exchange for companies trading securities on the Alternative Investment Market.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs as adopted by the European Union, and for the company financial statements state whether applicable UK Generally accepted accounting practice have been followed subject to any material departures disclosed and explained in the financial statements;
- 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 adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the requirements of the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Website publication

The directors are responsible for ensuring the annual report and the financial statements are made available on a website. Financial statements are published on the company's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the company's website is the responsibility of the directors. The directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF CROMA GROUP PLC FOR THE YEAR ENDED 30 JUNE 2009

We have audited the financial statements of Croma Group PLC for the year ended 30 June 2009 which comprise the consolidated income statement, the consolidated statement of financial position, the company balance sheet, the consolidated cashflow statement, the consolidated statement of changes in equity and the related notes. The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with sections 495 and 496 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the statement of directors' responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's and the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the group's and the parent company's affairs as at 30 June 2009 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company's financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS (continued)
FOR THE YEAR ENDED 30 JUNE 2009

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

James Brown (senior statutory auditor)
For and on behalf of BDO LLP, statutory auditor

Bristol

United Kingdom
06 November 2009

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 30 JUNE 2009

	Notes	2009 £	2008 £
Revenue	**1,3**	6,519,436	7,108,051
Cost of sales	**4**	(4,566,041)	(4,674,306)
Gross profit		1,953,395	2,433,745
Goodwill impairment	**2,13**	-	(445,486)
Other administrative expenses	**4**	(1,706,498)	(2,252,017)
Administrative expenses	**4,5,13**	(1,706,498)	(2,697,503)
Profit/(loss) from operations	**2,3**	246,897	(263,758)
Financial income	**6**	2,231	4,635
Financial expenses	**6**	(237,417)	(235,199)
Profit before taxation		11,711	(494,322)
Taxation credit	**10**	41,191	-
Profit/(loss) from continuing operations		52,902	(494,322)
Loss from discontinued operations net of tax	**9**	-	(174,767)
Profit/(loss) for the year attributable to equity shareholders		52,902	(669,089)
Profit/(loss) per share for profit/(loss) attributable to equity shareholders			
Continuing operations			
Profit/(loss) per share – basic		0.03p	(0.29p)
Profit/(loss) per share - diluted		0.03p	(0.29p)
Discontinued operations			
Profit/(loss) per share – basic		-	(0.10p)
Profit/(loss) per share - diluted		-	(0.10p)
Profit/(loss) per share – basic	**11**	0.03p	(0.39p)
Profit/(loss) per share - diluted	**11**	0.03p	(0.39p)

The notes on pages 17 to 47 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2009

2009

	Share Capital	Share Premium	Retained earnings	Other Reserve - A	Other Reserve - B	Total equity
	£	£	£	£	£	£
At 1 July 2008	**9,161,453**	**1,388,522**	**(9,578,219)**	**304,101**	**188,081**	**1,463,938**
Changes in equity for year	**-**					
Profit for the year	**-**	**-**	52,902	**-**	**-**	52,902
Total recognised income and expense for the year	**-**	**-**	**52,902**	**-**	**-**	**52,902**
Capital reduction and re-organisation	(8,984,069)	(1,388,522)	10,372,591	-	-	-
Share option credit	-	**-**	**-**	(53,452)	-	(53,452)
Balance at 30 June 2009	**177,384**	**-**	**847,274**	**250,649**	**188,081**	**1,463,388**

2008

	Share Capital	Share Premium	Retained earnings	Other Reserve - A	Other Reserve - B	Total equity
	£	£	£	£	£	£
At 1 July 2007	**8,441,413**	**1,388,522**	**(8,909,130)**	**202,795**	**160,186**	**1,283,786**
Loss for the year	-	-	(669,089)	-	-	**(669,089)**
Total recognised income and expense for the year	-	-	**(669,089)**	-	-	**(669,089)**
Share issue	720,040	-	-	-	-	**720,040**
Share option charge	-	-	-	101,306	-	**101,306**
Equity element of convertible loans	-	-	-	-	27,895	**27,895**
Balance at 30 June 2008	**9,161,453**	**1,388,522**	**(9,578,219)**	**304,101**	**188,081**	**1,463,938**

Refer to Note 21 for further analysis of movements in reserves in the current and previous years.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2009: COMPANY NUMBER 3184978

	Notes	2009 £	2009 £	2008 £	2008 £
Assets					
Non-current assets					
Property, plant and equipment	**14**		180,653		234,560
Goodwill	**13**		2,148,650		2,148,650
Total non-current assets			2,329,303		2,383,210
Current assets					
Inventories	**15**	282,035		299,319	
Trade and other receivables	**16**	1,720,618		1,484,404	
Cash		3,674		62,375	
Total current assets			2,006,327		1,846,098
Total assets			4,335,630		4,229,308
Liabilities					
Non-current liabilities					
Convertible loan notes	**18**	(1,339,120)		(1,295,848)	
Provisions	**20**	(15,000)		-	
Deferred tax	**20**	(2,828)		(2,828)	
Total non current liabilities			(1,356,948)		(1,298,676)
Current Liabilities					
Trade and other payables	**17**	(353,926)		(212,281)	
Tax	**17**	(241,325)		(446,556)	
Accruals and deferred income	**17**	(358,660)		(498,850)	
Bank overdrafts and loans	**17**	(561,383)		(309,007)	
Total current liabilities			(1,515,294)		(1,466,694)
Total liabilities			2,872,242		2,765,370
Total net assets			1,463,388		1,463,938
Capital and reserves attributable to equity holders of the company					
Share capital	**21**		177,384		9,161,453
Share premium	**22**		-		1,388,522
Retained earnings	**22**		847,274		(9,578,219)
Other reserves	**22**		438,730		492,182
Total equity			1,463,388		1,463,938

These financial statements were approved and authorised for issue by the board of directors on 06 November 2009 and signed on their behalf by

G M McGill,
Director

The notes on pages 17 to 47 form part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 JUNE 2009

	Notes	2009 £	2008 £
Cashflows from operating activities			
Profit/(loss) before taxation		11,711	(669,089)
Adjustments for:			
Depreciation		44,499	37,412
Impairment of goodwill		-	445,486
Loss/(gain) on sale of property, plant and equipment		8,077	(1,325)
Amounts relating to share based payments		(53,452)	101,306
Onerous lease provision		15,000	-
Financial income		(2,231)	(4,635)
Financial expenses		237,417	235,199
Cashflows from operating activities before changes in working capital and provisions;		261,021	144,354
(Increase)/decrease in inventories		17,284	11,893
(Increase)/decrease in trade and other receivables		(236,215)	(57,076)
Decrease in trade and other payables		(191,187)	(536,828)
Cash generated from operations		(149,097)	(437,657)
Interest received		2,231	4,635
Interest paid		(194,145)	(137,441)
Income taxes		28,603	(20,721)
Net cashflows used in operating activities		(312,408)	(591,184)
Cash flows from investing activities			
Purchase of property, plant and equipment		(52,817)	(83,347)
Proceeds on disposal of property, plant and equipment		54,148	3,809
Net cash used in investing activities		(311,077)	(79,538)
Cash flows from financing activities			
Issue of loan notes		150,000	420,000
Repayment of borrowings		(40,722)	(50,024)
Issue of share capital – cash issue		-	400,000
Net cash from financing activities		109,278	769,976
Net (decrease)/increase in cash and cash equivalents	**26**	(201,799)	99,254
Cash and cash equivalents at beginning of year	**26**	(205,910)	(305,164)
Cash and cash equivalents at end of year	**26**	(407,709)	(205,910)

The notes on pages 17 to 47 form part of these financial statements.

1. Accounting Policies

Basis of preparation
The Group financial statements have been prepared and approved by the directors in accordance with International Financial Reporting Standards (IFRSs), International Accounting Standards and Interpretations (collectively IFRS) issued by the International Accounting Standards Board (IASB) as adopted by the European Union ("adopted IFRSs"). The Company has elected to prepare its parent company financial statements in accordance with UK GAAP; these are presented on pages 48 to 55.

Going concern
The Group's activities are funded by a combination of long term equity capital, convertible and non convertible loan notes, and short term invoice discounting and bank overdraft facilities. The day to day operations are funded by cash generated from trading and primarily invoice discounting facilities.

Whilst there are inevitable pressures from the current general economic climate, the Board remains positive about the growth available within its main trading operations. This growth, which is substantially based on new contracts has been factored into the Board's profit and cash flow projections, as have reasonably possible changes from the current economic climate. These projections suggest that the Group will meet its obligations as they fall due with the use of existing uncommitted invoice discounting facilities. As these facilities fall due for review in the coming year based on the informal discussions the Board has had with these finance providers, as referred to in the Chairman's statement, we have an expectation that these facilities will continue to be available to the Group for the foreseeable future.

The Board have also commenced consideration of their options in respect of the convertible loan notes whose 5 year maturity schedule commences in June 2011. The Board maintain a close working relationship with the holders of these loans and expect to discuss maturity options with the holders shortly having discussed and worked on a number of options to offer to them on approaching the maturity dates.

The financial statements do not reflect the adjustments that would be necessary were the trading performance of the Group to deteriorate and/or the funding available from invoice discounting were not available.

Basis of consolidation

Where the company has the power, either directly or indirectly, to govern the financial and operating policies of another entity or business so as to obtain benefits from its activities, it is classified as a subsidiary. The consolidated financial statements present the results of the company and its subsidiaries ("the group") as if they formed a single entity. Inter-company transactions and balances between group companies are therefore eliminated in full.

1. Accounting policies (continued)

Revenue and profit recognition
The income of the Group is derived from a number of sources. These sources are service based as well as for the sale of goods. Following the principles of IAS 18 'Revenue', the policies for income recognition in respect of each of the different sources of income are such that income is recognised to the extent that the group has obtained the right to consideration through its performance or delivery of a service as well as the sale of a product. Certain forms of income require a contractual obligation to be entered into between the Group and the customer

- Security personnel services are recognised in the month in which the work is carried out for the client.
- Keyholding income is recognised in equal instalments over the period of the contract.
- Sale of goods are recognised at the point that they are delivered to client's premises on signature of a goods received note unless they are internally manufactured and deemed significant enough to be accounted for under the principles of long term contract accounting in which case revenue and an appropriate element of profit is recognised in line with the stage of completion (ascertained on a straight line basis between commencing work on the contract and delivery). The majority of RDDS's revenue is contract related.
- The fair value of any revenues associated with the sale of software licences is recognised on delivery of the product to the customer.
- Work in progress is recognised based on identifiable projects and the value of the materials purchased and labour time recognised based on the percentage stage of completion to date.
- Maintenance fees are recognised over the term of the contract. Where a maintenance fee is not itemised in the contract but is still provided as part of the contractual arrangement, an apportionment is taken as the maintenance amount, based upon its fair value. The value of this amount is held as deferred income under 'Accruals and deferred income' in the balance sheet.

1. Accounting policies (continued)

Goodwill

Goodwill represents the excess of the cost of a business combination over the interest in the fair value of identifiable assets, liabilities and contingent liabilities acquired. Cost comprises the fair value of assets given, liabilities assumed and equity instruments issued, plus any direct costs of acquisition.

Goodwill is capitalised as an intangible asset with any impairment in carrying value being charged to the consolidated income statement. Where the fair value of identifiable assets, liabilities and contingent liabilities exceed the fair value of consideration paid, the excess is credited in full to the consolidated income statement on the acquisition date.

Impairment tests on goodwill and other intangible assets with indefinite useful economic lives are undertaken annually at the financial year end. Other non-financial assets are subject to impairment tests whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Where the carrying value of an asset exceeds its recoverable amount (i.e. the higher of value in use and fair value less costs to sell), the asset is written down accordingly.

Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is carried out on the asset's cash-generating unit (i.e. the lowest group of assets in which the asset belongs for which there are separately identifiable cash flows). Goodwill is allocated on initial recognition to each of the group's cash-generating units that are expected to benefit from the synergies of the combination giving rise to the goodwill.

Impairment charges are included in the administrative expenses line item in the consolidated income statement, except to the extent they reverse gains previously recognised in the consolidated statement of recognised income and expense. An impairment loss recognised for goodwill is not reversed.

Business combinations

The consolidated financial statements incorporate the results of business combinations using the purchase method. In the consolidated balance sheet, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the consolidated income statement from the date on which control is obtained.

Internally-generated intangible assets - research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred. An internally-generated intangible asset arising from the Group's development activity is recognised only if all of the conditions of IAS38 are met.

Internally-generated intangible assets are amortised on a straight-line basis over their useful lives. Where no internally-generated intangible asset can be recognised, development expenditure is recognised as an expense in the period in which it is incurred.

1. Accounting policies (continued)

Segment reporting

All activities originate in the UK. The group has 3 operating subsidiaries, Vigilant Security (Scotland) Limited, (‘Vigilant’), R & D Design Services Limited (‘RDDS’) and Photobase Limited (‘Photobase’). As each subsidiary is engaged in a different marketplace and have their own profiles of risk and rewards the directors consider that these 3 companies best represent the material business segments of the Group. These segments also reflect the internal reporting structure within the group. Vigilant provides security services to customers. The revenue of RDDS predominately consists of the sale of goods to its customers. While RDDS has some revenue for the provision of related services to the goods that it sells, this is not considered a material business segment in its own right. Photobase revenue mostly consists of the provision of maintenance, hardware and software to its customers.

Property, plant and equipment

Property, plant and equipment are stated at costs less depreciation. Depreciation is provided on all property, plant and equipment at rates calculated to write off the cost of each asset less its estimated residual value evenly over its estimated useful life, as follows:

Freehold property	-	4%	on cost
Plant and equipment	-	25%	on cost
Computer equipment	-	15%	on cost
Office equipment	-	15%	on cost
Motor vehicles	-	25%	on cost

Inventories

Inventories are valued at the lower of cost and net realisable value. Cost is based on the cost of purchase on a first in first out basis together with costs in bringing it to its present condition and location. Work in progress and finished goods include attributable overheads. Net realisable value is based on estimated selling price less additional costs to completion and disposal.

Dividends

Dividends are recognised when they become legally payable. In the case of interim dividends to equity shareholders, this is when interim dividends are paid. In the case of final dividends, this is when approved by the shareholders at the AGM.

Deferred taxation

Deferred tax assets and liabilities are recognised where the carrying amount of an asset or liability in the balance sheet differs from its tax base, except for differences arising on:

- the initial recognition of goodwill;
- the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting or taxable profit; and
- investments in subsidiaries and jointly controlled entities where the group is able to control the timing of the reversal of the difference and it is probable that the difference will not reverse in the foreseeable future.

Recognition of deferred tax assets is restricted to those instances where it is probable that taxable profit will be available against which the difference can be utilised.

The amount of the asset or liability is determined using tax rates that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the deferred tax liabilities/(assets) are settled/(recovered).

1. Accounting policies (continued)

Deferred taxation (continued)
Deferred tax assets and liabilities are offset when the group has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority on either:

- the same taxable group company; or
- different group entities which intend either to settle current tax assets and liabilities on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax assets or liabilities are expected to be settled or recovered.

Operating leases
Operating leases are those leases that do not give rights approximating to ownership. Rentals payable under operating leases are charged to the income statement on a straight line basis over the term of the lease.

Financial Instruments
Financial assets and financial liabilities are initially recognised in the group's statement of financial position when the group becomes a party to the contractual provisions of the instrument at their fair value and thereafter at amortised cost.

Share capital
Financial instruments issued by the Group are treated as equity only to the extent that they do not meet the definition of a financial liability. The Group's ordinary shares are classified as equity instruments.

Finance cost
Finance costs of debt are recognised in the income statement over the term of such instruments at a constant periodic rate on the carrying amount.

Financial assets
Trade receivables are recorded at their amortised cost less any provision for doubtful receivables. Trade receivables due in more than one year are discounted to their present value. Impairment provisions are recognised when there is objective evidence (such as significant financial difficulties on the part of the counterparty or default or significant delay in payment) that the group will be unable to collect all of the amounts due under the terms receivable the amount of such provision being the difference between the net carrying amount and the present value of the future expected cashflows associated with the impaired receivable. For trade receivables which are reported net, such provisions are reported in a separate allowance account with the loss being recognised within administrative expenses in the income statement. On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision.

These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (e.g. trade receivables), but also incorporate other types of contractual monetary asset. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment. The provision at 30th June 2009 across the Group was £61,340 (2008- £71,260). The effect of discounting on these financial instruments is not considered to be material. Trade receivables are analysed at Note 16.

Impairment provisions are recognised when there is objective evidence (such as significant financial difficulties on the part of the counterpart or default or significant delay in payment) that the group will be unable to collect all of the amounts due under the terms receivable, the amount of such a provision being the difference between the net carrying amount and the present value of the future expected cash flows associated with the impaired receivable. For trade receivables, which are reported net, such provisions are recorded in a separate allowance account with the loss being recognised within administrative expenses in the income statement. On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision.

1. Accounting policies (continued)
From time to time, the Group elects to renegotiate the terms of trade receivables due from customers with which it has previously had a good trading history. Such renegotiations will lead to changes in the timing of payments rather than changes to the amounts owed and, in consequence, the new expected cash flows are discounted at the original effective interest rate. The Group's loans and receivables comprise trade and other receivables and cash and cash equivalents in the balance sheet. We deem cash equivalents to be deposits that we hold with a maturity of under 3 months. Cash and cash equivalents includes cash in hand, deposits held at call with banks with an original maturity of less than 3 months, and bank overdrafts. Bank overdrafts are shown within loans and borrowings in current liabilities on the balance sheet.

Financial Liabilities

(a) Bank borrowings are initially recognised at fair value net of any transaction costs directly attributable to the issue of the instrument. Such interest bearing liabilities are subsequently measured at amortised cost using the effective interest rate method, which ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried in the balance sheet. Interest expense in this context includes initial transaction costs and premia payable on redemptions, as well as any interest or coupon payable while the liability is outstanding.

(b) Trade payables and other short-term monetary liabilities, are initially recognised at their amortised cost.

(c) The proceeds received on issue of the Group's convertible debt are allocated into their liability and equity components. The amount initially attributed to the debt component equals the discounted cash flows using a market rate of interest that would be payable on a similar debt instrument that does not include an option to convert. Subsequently, the debt component is accounted for as a financial liability measured at amortised cost.
The difference between the fair value of the convertible debt instrument as a whole and the amount allocated to the debt component is credited direct to equity and is not subsequently re-measured. On conversion, the debt and equity elements are credited to share capital and share premium as appropriate.
The interest expense of the liability component is calculated by applying the effective interest rate to the liability component of the instrument. The difference between this amount and the interest paid is added to the carrying amount of the convertible loan note.

Issue costs are apportioned between the liability and equity components of the convertible loan notes based on their relative carrying amounts at the date of issue. The proportion relating to the equity component is charged directly to equity.

(d) All other financial instruments issued by the Group are treated as equity only to the extent that they do not meet the definition of a financial liability. The Group's ordinary shares are classified as equity instruments.
The Group considers its capital to comprise its ordinary share capital, deferred share capital, share premium, share option (IFRS2 reserve) and accumulated retained earnings.

Share options
Where share options are awarded to employees, the fair value of the options as measured at the date of grant is charged to the income statement over the vesting period. Non market vesting conditions are taken into account by adjusting the number of options of equity instruments that are expected to vest at each balance sheet date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Market vesting conditions are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether the market vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition. Share options are equity and not a financial liability.

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification is also charged to the income statement over the remaining vesting period.

1. Accounting policies (continued)

Financial risks

The group is exposed through its operations to the following financial risks:

- Credit risk
- Fair value or cash flow interest rate risk
- Foreign exchange risk
- Other market price risk
- Liquidity risk

In common with all other businesses, the group is exposed to risks that arise from its use of financial instruments. This note describes the group's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements.

There have been no substantive changes in the group's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous periods unless otherwise stated in this note.

Financial Instruments

The principal financial instruments used by the Group, from which financial instrument risk arises, are as follows: Further details are provided in notes 16,17, 18 and 19.

Financial assets at amortised cost	**2009**	**2008**
	£	**£**
Trade receivables	1,380,946	1,437,941
Cash at bank	3,674	62,375
Total	1,384,620	1,500,316

Financial liabilities at amortised cost	**2009**	**2008**
	£	**£**
Trade payables	273,972	185,634
Bank overdrafts	74,748	-
Bank loans	-	40,722
Convertible loan notes	1,339,120	1,295,848
Non convertible loan notes	150,000	-
Invoice discounting	336,634	268,285
Total	2,174,474	1,790,489

General objectives, policies and processes

The Board has overall responsibility for the determination of the Group's financial risk management objectives and policies and pays close attention to its responsibilities in this regard. The Board meets regularly and discusses the effectiveness of the risk management processes and ways in which they can be improved upon. The Board also receives monthly reports from the Group finance director through which it reviews the effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets.

The overall objective of the Board is to set policies that seek to reduce financial risk as far as possible without unduly affecting the Group's competitiveness and flexibility. Further details regarding these policies are set out below:

1. Accounting policies (continued)

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or a counterparty to a financial instrument fails to meet its contractual obligations. The Group is mainly exposed to credit risk from credit sales. It is group policy, implemented locally, to assess the credit risk of new customers before entering contracts. Such credit ratings are taken into account by local business practices. Credit risk also arises from cash and cash equivalents and deposits with banks and financial institutions. The Group has banking arrangements with several long established banks and financial institutions. The Group does not enter into derivatives to manage credit risk, although in certain isolated cases may take steps to mitigate such risks if it is sufficiently concentrated.

The maximum credit risk exposure at 30 June 2009 is represented by the balance of cash at bank and trade and other receivables at that date. The Group has a small percentage of bad debt which is not material. The bad debt charge within the Group for the year to 30 June 2009 was £5,598 (2008 - £19,966). See note 16 for analysis.

Liquidity risk

Liquidity risk arises from the Group's management of working capital and the finance charges and principal repayments on its debt instruments. It is the risk that the Group will encounter difficulty in meeting its financial obligations as they fall due. The Group's policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities when they become due. To achieve this aim, it seeks to maintain cash balances (or agreed facilities) to meet expected requirements for a period of at least 45 days. The Board receives rolling 12-month cash flow projections on a monthly basis as well as information regarding cash. At the balance sheet date, these projections indicated that the group expected to have sufficient liquid resources to meet its obligations under all reasonably expected circumstances.

The liquidity risk of each group entity is reviewed centrally by the group board. The budgets are set locally and agreed by the board in advance, enabling the group's cash requirements to be anticipated. Where facilities of group entities need to be increased, approval must be sought from the Group Finance Director. Where the amount of the facility is above a certain level agreement of the Board is needed.

Foreign exchange and market risk

The Group does not have any marketable instruments and therefore is not affected by market price risk. The Group neither sells nor purchases a significant value of items in foreign currencies, and takes appropriate measures to mitigate currency risk when it does.

Capital management

The group manages capital so as to safeguard its ability to continue as a going concern with the aim of strengthening its capital base so as in due course to provide returns to shareholders. The board are satisfied with the percentage this year, although the long term aim is to reduce debt to a level that dividend payments can be made which in the Board's view is a level of debt below 50% of equity. The proportions are;

	2009	**2008**
	£	**£**
Total debt		
Bank overdrafts, invoice discounting and loans	561,383	309,007
Convertible loans	1,339,120	1,295,848
Total	**1,900,503**	**1,604,855**
Equity	**1,463,388**	**1,463,938**
Debt to equity percentage	130%	110%

1. Accounting policies (continued)

Standards issued by the International Accounting Standards Board (IASB) not effective for the current year and not adopted by the Group.

The following standards and interpretations have been issued by the IASB. They become effective after the current year and have not been early adopted by the group:

International Financial Reporting Standards (IFRS)		Effective date - periods commencing	To be adopted by the group during years
Amendment to IFRS 2	Share-based Payment: Vesting Conditions and Cancellations This amendment clarifies that vesting conditions are service conditions and performance conditions only, and specifies that all cancellations should receive the same accounting treatment. The amendment was endorsed by the EU on 16 December 2008.	01.01.2009	30.06.2010
IFRS 3 -revised	Business Combinations This standard may result in significant changes to apply to acquisition accounting, including treatment of acquisition costs and recognition of intangible assets acquired. The standard will not require a restatement of previous business combinations. The standard was endorsed by the EU on 3 June 2009.	01.07.2009	30.06.2010
Amendment to IAS 27	Consolidated and Separate Financial Statements This amendment relates to acquisitions of subsidiaries achieved in stages and disposals of interests. The amendment does not require the restatement of previous transactions, and must be adopted at the same time as IFRS 3 Revised. The amendment was endorsed by the EU on 3 June 2009.	01.07.2009	30.06.2010
Amendments to IAS 1- revised	Presentation of Financial Statements: A Revised Presentation The amendment affects the presentation of owner changes in equity and of comprehensive income. This does not impact recognition or measurement of assets and liabilities. The amendment was endorsed by the EU on 17 December 2008.	01.01.2009	30.06.2010
Amendment to IAS 23	Borrowing Costs The amendment removes the option of immediately recognising as an expense borrowing costs that relate to assets that take a substantial period of time to get ready for use or sale. The amendment was endorsed by the EU on 10 December 2008.	01.01.2009	30.06.2010
Improvements to IFRSs	This clarifies the requirements of IFRSs and eliminates inconsistencies between the standards. The amendment was endorsed by the EU on 23 January 2009.	01.01.2009	30.06.2010
Improvements to IFRSs (2010)	The improvements in this Amendment clarify the requirements of IFRSs and eliminate inconsistencies within and between Standards. The amendment is still to be endorsed by the EU.	01.01.2010	30.06.2011
Amendments to IFRS 2 Group Cash-settled Share-based Payment Transactions	This amendment clarifies that, where a parent (or another group entity) has an obligation to make a cash-settled share-based payment to another group entity's employees or suppliers, the entity receiving the goods or services should account for the transaction as equity-settled. The Amendment also moves the IFRIC 11 requirements in respect of equity-settled share-based payment transactions among group entities and the clarification of the scope of IFRS 2 contained within IFRIC 8 into IFRS 2 itself. The amendment is still to be endorsed by the EU.	01.01.2010	30.06.2011
Amendment to IAS 32 Classification of Rights Issues	This amendment addresses the accounting for rights issues (rights, options or warrants) that are denominated in a currency other than the functional currency of the issuer. Previously such rights issues were accounted for as derivative liabilities. However, the Amendment requires that, provided the entity offers the rights, options or warrants pro rata to all of its existing owners of the same class of its own non-derivative equity instruments, such rights issues are classified as equity regardless of the currency in which the exercise price is denominated. The amendment is still to be endorsed by the EU.	01.02.2010	30.06.2011
IFRIC 9 and IAS 39	This Amendment clarifies the treatment of embedded derivatives in host contracts that are reclassified out of fair value through profit or loss following the changes introduced by the Amendments to IAS 39 and IFRS 7: Reclassification of Financial Instruments. The amendment is still to be endorsed by the EU.	30.06.09	30.06.11

1. Accounting policies (continued)

Standards issued by the International Accounting Standards Board (IASB) not effective for the current year and not adopted by the Group (continued).

International Financial Reporting Interpretations Committee (IFRIC)

IFRIC 17	Distribution of Non-Cash Assets to Owners IFRIC 17 clarifies the accounting treatment when dividends are paid to a company's owners other than by cash. IFRIC 17 is still to be endorsed by the EU.	01.07.2009	30.06.2010
IFRIC 18	Transfer of Assets from Customers Transfers of assets from customers received on or after 1 July 2009 The interpretation clarifies the treatment of agreements in which an entity receives from a customer an item of property, plant and equipment (or cash which must be used only to acquire or construct an item of property, plant and equipment) that the entity must then use either to connect the customer to a network or to provide the customer with ongoing access to a supply of goods or services. The interpretation clarifies whether and when an asset should be recognised, and how it should be measured. It also clarifies how revenue arising from such a transaction should be recognised.	01.07.2009	30.06.2010

The impact on the future adoption of these standards in the group's financial statements is not expected to be material. Additionally, the proposed amendments to IAS32, IFRS1 and IFRIC15 are not expected to have any impact on the group's financial statements.

Hedge accounting

Hedge accounting is applied to financial assets and financial liabilities only where all of the following criteria are met:

- At the inception of the hedge there is formal designation and documentation of the hedging relationship and the group's risk management objective and strategy for undertaking the hedge.
- For cash flow hedges, the hedged item in a forecast transaction is highly probable and presents an exposure to variations in cash flows that could ultimately affect profit or loss.
- The cumulative change in the fair value of the hedging instrument is expected to be between 80-125% of the cumulative change in the fair value or cash flows of the hedged item attributable to the risk hedged (i.e. it is expected to be highly effective).
- The effectiveness of the hedge can be reliably measured. The hedge remains highly effective on each date it is tested. The Group has chosen to test the effectiveness of its hedges on a quarterly basis.

The Group does not hold in the current or previous financial years any assets or liabilities that meet the criteria above or has issued derivative instruments for speculative purposes.

2 Critical accounting estimates and judgements

The Group makes certain estimates and assumptions regarding the future. Estimates and judgements are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Estimates and assumptions

(a) Impairment of goodwill. Determining whether goodwill is impaired requires an estimation of the value in use of the cash generating units to which the goodwill has been allocated. The value in use calculation requires the entity to estimate the future cashflows expected to arise from the cash generating unit and a suitable discount rate in order to calculate the present value. The carrying amount of goodwill at the balance sheet date was £2,148,650. Details relating to the allocation of goodwill to cash generating units and impairment calculations in 2008 are given in note 13 below.

(b) Share based payment. The value of share based payments is discussed fully in Note 21 below.

(c) Business segments. The reasons for the analysis of business segments is discussed in Note 3 below.

(d) Discount factor attached to convertible loan notes. This is based on the non convertible rates applicable to non convertible loan notes in similar sized companies with similar risk profiles.

3 Segmental Reporting

All activities originate in the UK. The group has 3 operating subsidiaries, Vigilant Security (Scotland) Limited, ('Vigilant'), R & D Design Services Limited ('RDDS') and Photobase Limited ('Photobase'). As each subsidiary is engaged in a different marketplace and have their own profiles of risk and rewards the directors consider that these 3 companies best represent the material business segments of the Group. These segments also reflect the internal reporting structure within the group. Vigilant provides security services to customers. The revenue of RDDS predominately consists of the sale of goods to its customers. While RDDS has some revenue for the provision of related services to the goods that it sells, this is not considered a material business segment in its own right. Photobase revenue mostly consists of the provision of maintenance, and in this year to a lesser extent to hardware and software to its customers.

2009 Business segments	Vigilant	RDDS	Photobase	Group operations	Group elimination	Total
	£	£	£	£	£	£
Income Statement;						
Turnover – Provision of services	4,270,771	-	218,140	265,782	(233,082)	4,521,611
Turnover – Sale of goods	-	1,997,825	-	-	-	1,997,825
Operating Profit/(Loss)	225,254	6,987	(34,597)	284,936	(235,683)	246,897
Finance income	536	1,185	-	510		2,231
Finance expense	(52,262)	-	(1,113)	(184,042)	-	(237,417)
Profit/(loss) before tax	173,528	8,172	(35,710)	101,404	(235,683)	11,711
Income tax credit/(expense)	(6,029)	-	47,220	-	-	41,191
Profit/(loss) for the year after tax	167,499	8,172	11,511	101,404	(235,684)	52,902
Balance sheet;						
Assets	1,071,600	1,137,331	39,219	2,677,075	(589,595)	4,335,630
Liabilities	(665,914)	(519,067)	(647,647)	(1,638,639)	599,024	(2,872,242)
Net assets	405,686	618,264	(608,428)	1,038,437	9,429	1,463,388
Net debt;						
Cash & cash equivalents	(89,588)	-	-	-	-	(89,588)
Invoice discounting	(236,935)	(77,998)	(21,701)	-	-	(336,634)
Loan notes	-	-	-	(1,489,120)	-	(1,489,120)
Total Net Debt	(326,523)	(77,998)	(21,701)	(1,489,120)	-	(1,915,342)
Fixed asset movements;						
Capital additions	35,126	17,691	-	-	-	52,817
Depreciation	21,492	19,527	3,480	-	-	44,499

3 Segmental Reporting (cont.d)

2008 Business segments	Vigilant	RDDS	Photobase	Discontinued activity	Group operations	Group elimination	Total
	£	£	£	£	£	£	£
Income Statement;							
Turnover – Provision of services	4,527,986	-	248,799	-	307,500	(494,811)	4,589,474
Turnover – sale of goods		1,989,614	341,652	187,311	-	-	2,518,577
Operating Profit/(Loss)	147,328	447,772	(308,603)	(167,066)	(1,272,583)	889,394	(263,758)
Finance income	2,571	-	-	79	1,985	-	4,635
Finance expense	(97,141)	(3,261)	(15,929)	(7,779)	(111,089)	-	(235,199)
Profit/(loss) before tax	52,758	444,511	(324,532)	(174,766)	(1,381,687)	889,394	(494,322)
Income tax expense	-	-	-	-	-	-	-
Profit/(loss) for the year after tax	52,758	444,511	(324,532)	(174,766)	(1,381,687)	889,394	(494,322)
Balance sheet;							
Assets	1,101,212	1,012,401	30,838	-	2,385,546	(300,689)	4,229,308
Liabilities	863,025	402,309	650,775	174,766	1,395,059	(720,564)	2,765,370
Net assets	238,187	610,092	(619,937)	(174,766)	990,487	419,875	1,463,938
Net debt;							
Cash & cash equivalents	28,345	(31,008)	2,782	-	21,533	-	21,652
Invoice discounting	(254,611)	54,782	(68,455)	-	-	-	(268,284)
Loan notes	-	-	-	-	(1,295,848)	-	(1,295,848)
Total Net Debt	(226,266)	23,774	(65,673)	-	(1,274,315)	-	(1,542,480)
Fixed asset movements;							
Capital additions	39,210	44,137	-	-	-	-	83,347
Depreciation	25,224	10,473	1,715	-	-	-	37,412
Impairment loss	-	-	-	-	445,486	-	445,486

In 2009 there were 2 customers in the RDDS operation that account for 52% and 16% of the annual sales figure stated above (2008: 48% and 16% respectively).

4 Expenses by nature

	2009 £	2008 £
Auditors' remuneration:		
Audit of parent company and consolidated financial statements	10,000	10,000
Audit of company's subsidiaries pursuant to legislation	23,500	25,000
Audit of parent company and consolidated financial statements in relation to previous years	14,000	20,000
Audit of company's subsidiaries pursuant to legislation in relation to previous years	7,500	22,000
Review of interim statements	9,500	15,000
Tax compliance	3,500	5,000
Other assurance services	14,500	-
Other services	150	1,750
Research and development	3,508	260,698
Amount of inventory expensed as cost of sales	913,956	694,799
Operating lease expense	49,410	49,031
Exchange differences	5,945	1,491
Depreciation	44,499	37,412
(Profit)/loss on disposal of property, plant and equipment	8,077	(1,325)

5 Share option credit/charge

The remaining share options that had not been forfeited or expired were waived during the year prior to their vesting date. This gave rise to a credit of £53,452, credited to administrative expenses (2008 - charge £101,306). See also note 21.

6 Finance income and expense

	2009 £	2008 £
Finance Income		
Interest received on bank deposit accounts	2,231	4,635
Finance Expense		
Interest paid on bank overdraft	5,658	9,050
Interest paid on factoring arrangements	48,761	49,833
Loan note interest on convertible loans	182,255	176,316
Loan note interest on non convertible loans	743	-
	237,417	235,199

As explained in note 18, the convertible loan notes issued in 2006, 2007 and 2008 have been calculated as a compound financial instrument under IAS32. As a result there has been an interest charge in the year of £43,272 (2008 - £27,895) to equalise the equity element of the loan credited to reserves, and there will be a similar charge each year until the maturity or conversion of the loan.

7 Staff costs

	2009	2008
The average monthly number of persons (including directors) employed during the period was:		
Management and administration	14	22
Service and product provision	206	186
	220	208

	2009 £	2008 £
Staff costs (for the above persons):		
Wages and salaries	3,811,764	4,803,603
Share based payment (credit)/expense (note 21)	(53,452)	101,306
Social security costs	344,358	482,635
	4,102,670	5,387,544

8 Directors' and key management personnel remuneration

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the financial and operating activities of Croma Group, including the directors of the group and of the subsidiary companies. All the remuneration is either paid by the Company or has been paid by a subsidiary company.

	Salary	Estimated value of benefits	Fees	Total 2009 Note- A	Share based payment/ (credit)	Total 2009 Note –B
	£	£	£	£	£	£
Executive directors:						
S J F Morley	37,339	-	-	37,339	(15,272)	22,067
G M McGill	-	-	50,000	50,000	-	50,000
J W Sullivan	118,285	-	-	118,285	-	118,285
Non-executive directors:						
A N Hewson	-	-	36,000	36,000	(38,180)	(2,180)
Croma Group Total	155,624	-	86,000	241,624	(53,452)	188,172
Subsidiary company						
P Williamson	52,871	-	-	52,871	-	52,871
2009 Total	208,495	-	86,000	294,495	(53,452)	241,043
2008 Total	369,766	-	82,167	451,933	101,306	553,239

The total remuneration excluding share based payments is presented above in Total 2009 – Note A to comply with the requirements of Companies Act 2006 and the total remuneration including share based payments is presented above in Total 2009 – Note B to comply with the requirements of IAS24.

The Company and its subsidiaries do not operate a company pension scheme and the directors are responsible for their own pension arrangements. A stakeholder pension scheme is available to all employees.
Details of options granted to directors under the Unapproved Share Option Scheme are given at note 21.
The fee shown as paid to G McGill is in fact paid to Farries, Kirk & McVean, Chartered Accountants, a firm in which he is a partner, who provide the group with a finance function including his services as a director and company secretary.

9 Discontinued operations

In December 2007, one of the group companies, Croma Defence Systems Limited, was put into liquidation. The company suffered from recurring losses and with no hope of recovery the Board decided to appoint an administrator in November 2007.

The post-tax loss on discontinued operations was determined as follows:

	2009 £	2008 £
Net assets disposed (excluding cash):		
Property, plant and equipment	-	-
Trade and other receivables	-	-
Other financial assets	-	-
Bank loan and overdraft	-	-
Trade and other payables	-	174,767
Other financial liabilities	-	-
Pre-tax loss on disposal of discontinued operation	-	(174,767)
Related tax expense	-	-
The net cash inflow comprises:	-	-
Cashflows from operating activities	-	(174,767)
Cashflows from investing activities		
Proceeds from disposal of property, plant and equipment	-	-
Cashflows from financing activities	-	-
Result of discontinued operations	**2009**	**2008**
Revenue	-	187,311
Expense other than finance costs	-	354,378
Finance costs	-	7,700
Loss from discontinued operations before tax	-	(174,767)
Tax expense	-	-
Loss from selling discontinued operations after tax	-	(174,767)
Loss for the year	-	(174,767)
Basic loss per share (pence)	-	(0.10p)
Diluted loss per share (pence)	-	(0.10p)

10 Taxation

	2009	2008
	£	£
Taxation	(41,191)	-

A credit of corporation tax was recognised in the year which is analysed below. At 30 June 2009 the Group had corporation tax losses of approximately £1,600,000 (2008: £1,600,000) to set against profits of the same trade, subject to agreement by HM Revenue & Customs.
The Group has an un-provided deferred tax asset of approximately £448,000 (2008: £448,000) which will be recognised when the requirements of IAS 12 'Income Taxes' have been met. However, the requirements for recognition have not been met.

	2009	2008
	£	£
Domestic current year tax		
UK corporation tax	-	-
Adjustments for prior periods	(41,191)	-
Deferred tax		
Deferred tax adjustments	-	-
	(41,191)	-

Factors affecting the tax charge for the year

	2009	2008
Profit/(loss) before taxation	11,711	(669,089)
Profit/(loss) multiplied by the standard rate of taxation of 28% (2008:29%)	3,279	(197,381)
Effects of:		
Impairment not deductable for tax purposes	-	137,630
Disallowed expenditure	6,308	29,615
Non recognition of losses	5,144	42,063
Utilisation of losses brought forward	72,073	(11,927)
Income not taxable for tax purposes	(86,238)	-
Capital allowances in excess of depreciation	(2,924)	-
Depreciation in excess of capital allowances	2,358	-
Adjustment to tax charge for previous periods	(41,191)	-
Total tax credit	(41,191)	-

11 Earnings per share

The calculation of the basic profit/(loss) per share is based on the profit/(loss) attributable to ordinary shareholders divided by the average number of shares in issue during the year. As the Group has incurred a loss, there is no dilutive impact on earnings per share calculations. The calculation of diluted profit/(loss) per share is based on the basic profit/(loss) per share adjusted to allow for the issue of shares and the post tax effect of dividends and interest on the assumed conversion of all other dilutive options and other potential ordinary shares.

	2009	**2009**	**2009**	**2008**	**2008**	**2008**
	£	**£**	**£**	**£**	**£**	**£**
	Continuing operations	Discontinued operations	Total operations	Continuing operations	Discontinued Operations	Total operations
Numerator						
Profit/(loss) for the year	52,902	-	52,902	(494,322)	(174,767)	(669,089)
Profit/(loss) used in basic EPS	52,902	-	52,902	(494,322)	(174,767)	(669,089)
Denominator						
Weighted average number of shares used in basic EPS	177,383,964	-	177,383,964	171,180,961	171,180,961	171,180,961
Effects of:						
- convertible debt	28,400,000	-	28,400,000	28,400,000	28,400,000	28,400,000
- employee share options	-	-	-	17,380,650	17,380,650	17,380,650
Weighted average number of shares used in diluted EPS	205,783,964	-	205,783,964	216,961,611	216,961,611	216,961,611

There were no share options outstanding at the year end (2008:17,380,650 ordinary shares), and if the convertible loans were converted into ordinary shares at 5 pence per share (the last conversion rate) the number of shares issued from the exercise of the loan conversion would be 28,400,000 (2008:28,400,000). However, the above figures for 2009 and 2008 have not been adjusted for such conversion as the effects would be anti-dilutive.

12 Dividends

The directors do not recommend payment of a dividend (2008: £nil).

13 Goodwill – Group

	Goodwill £
Cost	
At 30 June 2007	5,386,829
At 30 June 2008	5,386,829
At 30 June 2009	5,386,829
Impairment	
At 30 June 2007	2,792,693
Impairment	445,486
At 30 June 2008	3,238,179
At 30 June 2009	3,238,179
Net book value	
At 30 June 2007	2,594,136
At 30 June 2008	2,148,650
At 30 June 2009	2,148,650

The directors calculated the 2008 impairment as the difference between the carrying value and the net present value of cashflows anticipated to be generated from each of the group's cash generating units, being each of its subsidiaries, on a value in use basis.
Information relating to the impairment:

	Growth Rate	Discount factor	No. of years of period of forecast	Carrying Value 2009 £	Carrying Value 2008 £
Vigilant Security (Scotland) Limited	10%	15%	2	1,396,390	1,396,390
Photobase Limited	0%	26%	2	0	0
R&D Design Services Limited	6%	15%	2	752,260	752,260
Total				2,148,650	2,148,650

Growth rates anticipated in the first 12 months are based on recent business levels and reflect an appropriate level of tender wins. For Vigilant the growth rate is based on growth in turnover that has already been achieved through contract wins, along with an expectation of further wins. Growth in turnover from 2006 to 2007 was 64% and from 2007 to 2008 was 44%, so this forecast is in the view of the board achievable. For RDDS the growth rate of 6% represents turnover already added through contract wins along with an expectation of further ones.

The management have projected the cash flows forming the basis of the projected turnover and profitability for a 5 year periods of these 2 companies and these cashflows have been approved by the group board of directors.

A discount of 15% has been applied to Vigilant Security (Scotland) Limited, representing the relatively stable nature of the business model, its past performance and anticipated wins. A discount rate of 15% has been applied to R& D Design Services Limited, again representing the stable nature of the business.

In 2008 the remaining carrying value of Photobase Limited was written off due to recurring losses. While the company is recovering, this impairment cannot be reversed.

The net present value of the value in use cashflows that are forecast to be generated for Vigilant and RDDS exceed the carrying value of goodwill, by £340,860 and £758,721 respectively.

The discount factors are based on a risk weighted cost of capital, considering each entity's risks. Factors that have been considered in calculating the risk include trading record, experience of management, customer profiles, and credit risk, such as debtor payment terms and how they are complied with.

If the discount rates were increased by 25% to 18.75% for both entities, it is estimated that the recoverable amount of goodwill would be still exceed carrying value by £83,146 for Vigilant and £564,287for RDDS.

14 Property, plant and equipment

	Freehold Property	Plant and equipment	Fixtures, fittings and equipment	Motor vehicles	Total
	£	£	£	£	£
Cost					
At 1 July 2007	111,220	85,628	224,312	83,258	504,418
Additions	-	53,980	10,677	18,690	83,347
Disposals	-	(43,652)	(121,628)	(18,775)	(184,055)
At 30 June 2008	111,220	95,956	113,361	83,173	403,710
Additions	-	9,640	5,797	37,380	52,817
Disposals	(55,185)	-	-	(30,141)	(85,326)
At 30 June 2009	56,035	105,596	119,158	90,412	371,201
Depreciation					
At 1 July 2007	494	62,036	203,272	47,507	313,309
Charge for the year	3,500	9,147	9,990	14,775	37,412
On disposals	-	(43,652)	(121,628)	(16,291)	(181,571)
At 30 June 2008	3,994	27,531	91,634	45,991	169,150
Charge for the year	2,584	13,140	14,742	14,033	44,499
On disposals	(1,375)	-	-	(21,726)	(23,101)
At 30 June 2009	5,203	40,671	106,376	38,298	190,548
Carrying value at 1 July 2007	110,726	23,592	21,040	35,751	191,109
Carrying value at 30 June 2008	107,226	68,425	21,727	37,182	234,560
Carrying value at 30 June 2009	50,832	64,925	12,782	52,114	180,653

Bank borrowings were secured on the Group's freehold land and buildings, until the disposal of the property at Leuchars, when the security was released.

15 Inventories

	2009	2008
	£	£
Raw materials and consumables	279,512	290,480
Work in progress	2,523	8,839
	282,035	299,319

There is no material difference between the replacement cost of inventory and its carrying value.

16 Trade and other receivables

	2009	2008
	£	£
Trade receivables	1,442,286	1,509,201
Allowance for doubtful debts	(61,340)	(71,260)
Amounts recoverable on contracts	286,928	-
Other receivables	30,419	3,870
Prepayments	22,325	42,592
Total financial assets other than cash and cash equivalents classified as loans and loan receivables	1,720,618	1,484,404

Owing to the short term nature of the trade receivables, their fair value is the same as the book value. An allowance for impairment is made where there is an identified event which, based on previous experience, is evidence of a reduction in the recoverability of the outstanding amount. Receivables past due dates (other than those thought not to be recoverable) are immaterial within the group due to the varied nature of credit terms and the close monitoring of these terms by the Group Board. The Group provides in full for any debts it believes have become non recoverable. The figures shown below show the specific provision for doubtful receivables.

Allowance for doubtful receivables	2009	2008
	£	£
Balance at beginning of year	71,260	61,073
Utilisation of provision	(9,920)	-
Increase in provision	-	10,187
Balance at end of year	61,340	71,260

Only a small amount of the receivables operate outside the Group's credit insurance terms. Therefore, the level of credit risk is, in the view of the board, low. The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable set out above. No interest is charged on receivables within agreed credit terms. Thereafter, interest may be charged. There are only immaterial debts due in excess of credit terms. The directors of the Group and the subsidiaries review debt collection rates at each board meeting and close attention is paid to collection of debt.
At the year end, in relation to contracts in progress, aggregate costs were £129,000 (2008: £26,000) and recognised profits to date were £158,000 (2008:£32,000). No amounts were received in advance (2008 - £20,000) or held as retentions (2008- £0).

Sensitivity analysis

	2009	2008
Current average debtor days	81	77
	£	£
Effect on working capital if debtor days increased by 10%	144,229	149,996
Effect on working capital if debtor days increased by 25%	360,571	374,989

There has been an increase in debtor days during this year, mainly due to one particular customer of R&D Design Services. The relationship with this customer is good, and the board are satisfied as to their credit worthiness. Elsewhere, the board wish to maintain the disciplines that have been maintained over the last few years. With the availability of invoice discounting facilities it is anticipated that the Group could continue to trade with the impact on cashflow of an increase of 10% of debtor days. However, an increase of 25% would affect this ability. In the opinion of the board, such a large increase is unlikely.

There are two customers of RDDS whose turnover each exceeds 10% of the total annual turnover (2008 - 2 customers). There are no customers at either Photobase or Vigilant whose turnover exceeds 10% (2008 – nil).

17 Trade and other payables

	2009	2008
	£	£
Trade payables	297,997	185,634
Other payables	55,929	26,647
Corporation tax	12,537	25,125
Other taxes and social security	228,788	421,431
Accruals and deferred income	358,660	498,850
Total financial liabilities, excluding loans and borrowing classified as financial liability measured at amortised cost	953,911	1,157,687
Interest bearing loans and borrowings due within 1 year		
Bank overdrafts	74,749	-
Bank loans	-	40,722
Non – convertible loan notes	150,000	-
Invoice discounting facilities	336,634	268,285
	561,383	309,007

The group's overdraft facilities are unsecured.

Amounts advanced through the invoice discounting facilities are secured on the related trade receivable.

The bank loan was secured over the freehold property in Leuchars, Fife, until the property was disposed of and the loan repaid in January 2009.

18 Non current liabilities

	2009	2008
	£	£
Convertible loan notes	1,339,120	1,295,848
	1,339,120	1,295,848

The Company has in issue;

- An instrument creating £1,000,000, 8% Convertible Unsecured Loan Notes, of which £1,000,000 have been drawn down at 30 June 2009. (2008 - £1,000,000).
- An instrument creating £1,000,000 7% Convertible Unsecured Loan Notes, of which £120,000 has been drawn down at 30 June 2009. (2008 - £120,000).
- An instrument creating £1,000,000 10% Convertible Unsecured Loan notes, of which £300,000 has been drawn down at 30 June 2009. (2008 - £300,000).

The Notes are convertible at any time, up to 5 years from date of issue into Ordinary Shares at the option of the Noteholder. The number of Ordinary Shares to which the Noteholder is entitled is determined by the principal value of the Notes so converted (expressed in pence) divided by the conversion price.

The Notes are convertible at the option of the Company in the event that the average mid market price of the Ordinary Shares, at the close of trading on the six business days preceding the Company giving notice to the Noteholder, reaches 150% of the conversion price in respect of the 8% and 7% coupon instruments, and 100% in respect of the 10% coupon instruments.

On the 5 year anniversary any of the Notes not previously repaid or converted or repurchased by the Company shall be repaid at par, together with accrued interest (less any applicable taxes).

The equity element of the convertible loan note is £188,081(2008 - £188,081) which has been classified as equity.

	2009	2008
	£	£
Nominal value of the convertible loan note	1,420,000	1,420,000
Less: Equity component (note 22)	(188,081)	(188,081)
Interest accrual	107,201	63,929
Liability Component	1,339,120	1,295,848

Loan notes at 30 June 2009 amounted to £1,339,120 which was not significantly different to the fair value.

19 Interest rate and liquidity risk

Interest rate sensitivity
All financing is via fixed rate loan notes, non convertible loan notes accruing interest at a variable rate, a bank loan, bank overdraft and invoice discounting. Typically, the invoice discounting facilities across the Group allow a drawdown of 85% of the value of an invoice on issue to a customer. A discount charge applies to the value of transactions processed through the facility as well as an interest rate charge on advances until invoices are settled by customers.
The sensitivity analysis has been based on the average exposure to floating rate debt during the year.

Liquidity and interest rate risk tables.
The following table details the Group's remaining contracted maturity for its financial liabilities. The tables have been drawn up based on the undiscounted contractual maturities of the financial liabilities.

2009	Weighted average effective interest rate	Less than 1 month or on demand	1 –12 months	1 – 3 years	3 – 4 years	4 – 5 years	More than 5 years	Total
	%	£	£	£	£	£	£	£
Fixed rate								
Trade and other payables	0	353,926	-	-	-	-	-	353,926
Convertible loan notes	8.4	-	-	750,000	670,000	-	-	1,420,000
Floating rate								
Invoice discounting facility	7	336,634	-	-	-	-	-	336,634
Non-convertible loan notes	4.5	-	150,000	-	-	-	-	150,000
Overdraft	7	74,748	-	-	-	-	-	74,748
Total		765,308	150,000	750,000	670,000	-	-	2,335,308

2008	Weighted average effective interest rate	Less than 1 month or on demand	1 – 12 months	1 – 3 years	3 – 4 years	4 – 5 years	More than 5 years	Total
	%	£	£	£	£	£	£	£
Fixed rate								
Trade and other payables	0	212,281	-	-	-	-	-	212,281
Convertible loan notes	8.4	-	-	-	750,000	670,000	-	1,420,000
Floating rate								
Invoice discounting facility	7	268,285	-	-	-	-	-	268,285
Bank loan	7	40,722	-	-	-	-	-	40,722
Total		521,288	-	-	750,000	670,000	-	1,941,288

Book and fair value of debt maturity	Book Value 2009 £	Fair Value 2009 £	Book Value 2008 £	Fair Value 2008 £
Non-Current				
Convertible Loan Notes	1,420,000	1,420,000	1,420,000	1,420,000
Current				
Bank Loan	-	-	40,722	40,722
Invoice discounting	336,634	336,634	268,285	268,285
Bank Overdraft	74,748	74,748	-	-
Non convertible loan notes	150,000	150,000	-	-

20 Provision for liabilities

	2009 £	2008 £
Onerous lease provision	15,000	-
Deferred tax provision	2,828	2,828
	17,828	2,828

Since Photobase Limited re-located to share the premises at Margate with R&D Design Services Limited, the premises formerly occupied by this company have been sub-let at a rent lower than the rent being paid to the landlord. As such the lease on these premises has been classed as onerous, to the extent of the difference between the rent received from the sub-tenant and the amount paid to the landlord for the remainder of the lease. The provision has not been discounted due to immateriality.

The deferred tax balance relates to accelerated capital allowances.

Contingent Liability
The Group has held discussions with the former owners of Photobase Limited relating to the amount of secondary consideration due to them as a result of the acquisition by Croma Group PLC of Photobase Limited in December 2005.

The agreement between the parties specified that secondary consideration would be payable on a multiple of the excess of profit in the period 1st December 2005 to 30th November 2007 compared to the profit achieved in the year to 30th November 2005. The consideration would be paid 50% by way of loan notes issued by Croma and 50% by way of ordinary shares.

It is the opinion of the board that due to the losses incurred by Photobase Limited since it was acquired by Croma Group that no secondary consideration is due and no amount should therefore be provided in these financial statements. In reaching this conclusion, the board have considered and fully taken into account expenses that have been deducted in the financial statements of Photobase Limited, which are disallowable under the agreement signed in December 2005.

21 Share capital

	2009 £	2008 £
Authorised:		
270,000,000 (2008: 270,000,000) ordinary shares of 0.1 pence each	270,000	13,500,000
(2008 – shares of 5 pence each)		
58,450,780 deferred shares of 0.5 pence each	292,254	292,254
Allotted, called up and fully paid:		
177,383,964 (2008: 177,383,964) ordinary shares of 0.1 pence (2008 - 5 pence) each	177,384	8,869,199
58,450,780 deferred shares of 0.5 pence each	-	292,254
	177,384	9,161,453

Deferred shares of 0.5 pence each		
58,450,780 deferred shares Cancelled on 24th June 2009	-	292,254

Ordinary shares of 0.1 pence (2008 - 5 pence) each Issued and fully paid	2009 Number	2009 £	2008 Number	2008 £
At beginning of year	177,383,964	8,869,199	162,983,164	8,149,159
Cash share issue	-	-	8,000,000	400,000
Conversion of Loan Note	-	-	6,400,800	320,040
Capital Reduction		(8,691,815)	-	-
At 30 June 2009	177,383,964	177,384	177,383,964	8,869,199

The value of the nominal share capital of the company was reduced to 0.1pence on 24th June 2009. This was after a special resolution was passed at an Extraordinary General Meeting of the company and with High Court approval. In addition the deferred share capital and share premium were cancelled. The amount of the reduction was credited to the profit and loss reserve and is now classed as distributable.

Rights attaching to shares

The holders of the ordinary shares of 0.1 pence (2008: 5 pence) each are entitled to receive dividends and a return of capital on liquidation as well as attend and vote at a general meeting of the company.

The deferred shareholders were not entitled to receive any dividends nor were they entitled to repayment of capital on liquidation. In addition, they were also not entitled to receive notice of, attend or vote at a general meeting of the Company unless the business of the meeting includes consideration of any resolution altering or abrogating any of the rights attaching to the deferred shares.

21 Share Capital: continued

Share options

At 30 June 2009, the Company had the following share options in issue which were given as part of directors' remuneration.

	Option granted	Number of shares outstanding at 1st July 2008	Shares granted during the year	Shares forfeited/ expired/waived during the year	Shares outstanding at 30 June 2009	Option Price	Reason for option Period ending
F J French	04/12/2003	2,088,390	-	2,088,390	-	5.5 pence	Expired
F J French	28/01/2005	2,000,000	-	2,000,000	-	8.25 pence	Expired
F J French	02/02/2006	4,000,000	-	4,000,000	-	8.25 pence	Expired
D J Bretel	04/12/2003	1,192,260	-	1,192,260	-	5.5 pence	Expired
D J Bretel	28/01/2005	1,000,000	-	1,000,000	-	8.25 pence	Expired
D J Bretel	02/02/2006	2,100,000	-	2,100,000	-	8.25 pence	Expired
K Wheeler	02/02/2006	500,000	-	500,000	-	8.25 pence	Forfeited
S Morley	01/04/2007	2,500,000	-	2,500,000	-	6.5 pence	Waived
A N Hewson	01/04/2007	1,000,000	-	1,000,000	-	6.5 pence	Waived
G Thompson	01/04/2007	1,000,000	-	1,000,000	-	6.5 pence	Forfeited
Weighted average exercise price		7.28	-	-	-		

The vesting requirements of the options were that the holder of the options must remain in the employment of Croma Group PLC for 2 years from the date of the option being granted. The options relating to Messrs Wheeler and Thompson have been forfeited anyway due to their resignations from the company, and Messrs Morley and Hewson have waived their rights to the share options granted to them prior to the vesting date as the options were found to not qualify under HMRC rules as qualifying share options.

The fair value of the share options was estimated at the date of grant using the Black Scholes model, which does not produce a materially different result to the binomial method, taking into account the terms and conditions upon which they were granted.
The following table lists the inputs to the model used for the valuations of share options granted in 2007 and as no share options have been granted since no further information is presented.

	2007
Range of exercise prices of options outstanding at end of period	4.6-4.75
Weighted average share price (pence)	6.5
Weighted average exercise price (pence)	6.50
Option life	5
Risk free interest rate %	5.2-4.3
Dividend yield	0
Expected volatility %	50

The expected volatility was based on historic volatility and reflects the assumption that the historical volatility is indicative of future trends, which may not necessarily be the actual outcome. No other features of the options were incorporated into the measurement of fair value, and non-market conditions have not been included in calculating the fair value. The amount credited to the income statement for share options was £53,452 (2008 – charge £101,306).
As explained at note 5, the remaining share options were waived prior to their vesting dates by the directors to whom they had been awarded. This gave rise to a credit from the share option reserve which was credited to the income statement within administrative expenses.

22 Reserves

GROUP	Ordinary shares	Deferred shares	Share premium	Retained earnings	Other -A	Other – B	Shareholders' funds
	£	£	£	£	£	£	£
At 1 July 2007	**8,149,159**	**292,254**	**1,388,522**	**(8,909,130)**	**202,795**	**160,186**	**1,283,786**
Loss for the year	-	-	-	(669,089)	-	-	(669,089)
Share option charge	-	-	-	-	101,306	-	101,306
Equity element of convertible loan notes issued	-	-	-	-	-	27,895	27,895
Share capital issued in year	720,040	-	-	-	-	-	720,040
At 30 June 2008	**8,869,199**	**292,254**	**1,388,522**	**(9,578,219)**	**304,101**	**188,081**	**1,463,938**
Profit for the year	-	-	-	52,902	-	-	52,902
Share option credit	-	-	-	-	(53,452)	-	(53,452)
Share capital reduction	(8,691,815)	(292,254)	(1,388,522)	10,372,591	-	-	-
At 30 June 2009	**177,384**	**-**	**-**	**847,274**	**250,649**	**188,081**	**1,463,388**

22 Reserves (continued)

The following describes the nature and purpose of each reserve within owners' equity

Reserve	Description and purpose
Other – A (IFRS2)	Amount of recognised equity in share options granted.
Other - B	Amount of proceeds on issue of convertible debt relating to the equity component (ie option to convert the debt into share capital).
Share premium	Amount subscribed for share capital in excess of nominal value.
Retained earnings	Cumulative net gains and losses recognised in the consolidated income statement.
Ordinary Shares	Amount subscribed for share capital at nominal value.
Deferred Shares	Amount subscribed for share capital at nominal value.

23 Related party transactions

Identity of related parties
The parent company has a controlling related party relationship with its subsidiary companies.
The Group has a related party relationship with its directors and executive officers.

Directors of the Group and their immediate relatives control approximately 12.5% of the voting shares.

	2009 £	2008 £
The Group has been charged fees by the following related parties:		
In relation to subsidiary companies		
BMC Limited - a company in which A N Hewson had a 10% interest in until 1st February 2008.	52,459	173,000
Balance outstanding at year end.	-	11,818
BMC Limited provided management services to the group, and in particular to Photobase Limited until 30th November 2008.		
Professional services provided by Farries, Kirk & McVean, (in which G M McGill is a partner) to Vigilant Security (Scotland) Limited for management accounts and payroll bureau services.	11,000	9,850
Balance outstanding at year end	1,650	1,100
In relation to the parent company		
Professional services provided by Farries, Kirk & McVean, (in which G M McGill is a partner) and which has been accounted for as Director's remuneration. This is also disclosed as Director's remuneration in note 8	50,000	29,169
Balance outstanding at Year End	12,501	8,334

The Directors are considering acquiring shares in the company at prevailing market value by way of a placing of shares to a total of £130,000.

23 Related party transactions (cont.d)

During the period the Group obtained a non convertible loan finance facility of £200,000 from Westminster Gardens Holdings Limited, of which £150,000 had been drawn down by the year end. Last year the Group obtained convertible loan finance in the year from this company totalling £100,000, and it acquired a further £200,000 in convertible loan notes from another bond holder in the secondary market. A N Hewson is a director of Westminster Gardens Holdings Limited, but holds no beneficial interest.

The transactions between the Group, its subsidiary companies and related parties are on normal commercial terms. No guarantees exist between any of these parties.

The following loans to directors subsisted during the year ended 30th June 2008;

	2009	2008
	£	£
S Morley		
Balance outstanding at start of year	-	17,868
Balance outstanding at end of year	-	0
Maximum balance outstanding during year	-	17,868
P Williamson (as Director of Vigilant Security (Scotland) Limited)		
Balance outstanding at start of year	-	13,797
Balance outstanding at end of year	-	0
Maximum balance outstanding during year	-	13,797

No interest was payable in respect of the above.

The following open market share purchases by directors occurred during the year ended 30 June 2009:

	Shares acquired
S Morley	825,000
A N Hewson	249,710
G McGill	250,000

S Morley and A N Hewson forfeited options to acquire 1,000,000 and 2,500,000 shares respectively during the year.

24 Post balance sheet events

The Directors are considering acquiring shares in the company at prevailing market value by way of a placing of shares to a total of £130,000.

25 Operating lease commitments

The Group had annual commitments under non-cancellable operating leases. Photobase Limited has an annual lease rental commitment on the premises it leases at £23,750 per annum, having concluded a rent review due in April 2009 and the expiry of the lease in April 2014. R&D Design Services Limited has an annual lease rental commitment on the premises that it leases at £25,000 per annum, with an expiry in 2013. There are no formal renewal clauses within either lease.

Other operating lease commitments relate to lease of office equipment at Vigilant Security (Scotland) Limited.

	Land & buildings		**Other**	
	2009	**2008**	**2009**	**2008**
	£	**£**	**£**	**£**
Operating Lease which expires				
-within one year	48,750	47,000	660	2,031
-in one to two years	48,750	47,000	660	660
-in two to three years	48,750	47,000	660	660
-in three to four years	48,750	47,000	660	660
-in four to five years	48,750	47,000	660	660
-in over five years	-	63,500	-	660
	243,750	298,500	3,300	5,331

26 Notes supporting the cash flow statement

Cash and cash equivalents for purposes of the cash flow statement comprises:

	2009	2008
	£	£
Cash at bank and in hand	3,674	62,375
Invoice discounting	(336,634)	(268,285)
Bank overdraft	(74,749)	-
Total	**(407,709)**	**(205,910)**

Significant non cash transactions are as follows

	2009	2008
	£	£
Financing activities;		
Conversion of loan note and other liabilities to share capital	-	320,040
Total	**-**	**320,040**

CROMA GROUP PLC

COMPANY BALANCE SHEET: COMPANY NUMBER 3184978
AS AT 30 JUNE 2009

	Notes	2009 £	2009 £	2008 £	2008 £
Fixed assets					
Investments	**C**		2,148,650		2,148,650
Current assets					
Debtors	**D**	516,113		215,367	
Cash at bank and in hand		12,312		21,529	
		528,425		236,896	
Creditors: Amounts falling due within one year	**E**	(299,518)		(99,211)	
Net current assets			228,907		137,685
Total assets less current liabilities			2,377,557		2,286,335
Creditors: Amounts falling due after more than 1 year	**F**		(1,339,120)		(1,295,848)
			1,038,437		990,487
Share capital and reserves					
Share capital	**G**		177,384		9,161,453
Share premium account	**I**		-		1,388,522
Other reserves	**I**		438,730		492,182
Profit and loss account	**I**		422,323		(10,051,670)
Shareholders' funds	**I**		1,038,437		990,487

The financial statements were approved by the Board of Directors and authorised for issue on 06 November 2009. They were signed on its behalf by

G M McGill
Director

The accompanying notes on pages 49 to 55 are an integral part of this Balance Sheet

A. Significant accounting policies

Basis of accounting

The separate financial statements of the Company are presented as required by the Companies Act 2006. They have been prepared under the historical cost convention and in accordance with United Kingdom Accounting Standards and law.

The principal accounting policies are summarised below. They have all been applied consistently throughout the year and the preceding year.

Going concern

These financial statements have been drawn up on the going concern basis. The company had a profit for the year of £101,404 (2008 – loss £1,381,687). The company is funded by cash generated by its subsidiaries and funding lines in those businesses. As explained in the basis of preparation of the consolidated accounts the Directors consider that the Group, including the company, will be able to meet its obligations as they fall due for the foreseeable future and accordingly have adopted the going concern basis of preparation for the consolidated and company financial statements. Although the invoice discounting facilities are not committed, the directors' informal discussions with the facility providers indicates that these facilities will be available for a period of at least 12 months from the approval of these financial statements.

The Board have also commenced consideration of their options in respect of the convertible loan notes whose 5 year maturity schedule commences in June 2011. The Board maintain a close working relationship with the holders of these loans and expect to discuss maturity options with the holders shortly having discussed and worked on a number of options to offer to them on approaching the maturity dates.

The financial statements do not reflect the adjustments that would be necessary were the trading performance of the company's subsidiaries to deteriorate and/or the funding available from invoice discounting were not available.

Investments

Fixed asset investments in subsidiaries and associates are shown at cost less provision for impairment.

Financial instruments

Financial assets and financial liabilities are recognised on the Company's balance sheet when the Company becomes a party to the contractual provision of the instrument.

Financial liabilities and equity

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The proceeds received on issue of the Company's convertible debt are allocated into their liability and equity components and presented separately in the balance sheet.

The amount initially attributed to the debt component equals the discounted cashflows using a market rate of interest that would be payable on a similar debt instrument that did not include an option to convert.

The difference between the net proceeds of the convertible debt and the amount allocated to the debt component is credited direct to equity and is not subsequently re-measured. On conversion, the debt and equity elements are credited to share capital and share premium as appropriate.

Transaction costs that relate to the issue of the instrument are allocated to the liability and equity components of the instrument in proportion to the allocation of proceeds.

Share based payment

Where share options are awarded to employees, the fair value of the options as measured at the date of grant is charged to the income statement over the vesting period. Non market vesting conditions are taken into account by adjusting the number of options of equity instruments that are expected to vest at each balance sheet date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Market vesting conditions are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether the market vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition.

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification is also charged to the income statement over the remaining vesting period.

Deferred taxation

UK corporation tax is provided at amounts expected to be paid or recovered using the applicable tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date. Timing differences are differences between the Company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on a non-discounted basis at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

B. Profit attributable to ordinary shareholders

The Company has taken advantage of the exemption under Section 408 of the Companies Act 2006 from presenting its own profit and loss account. The profit dealt within the financial statements of the Company was £101,306 (2008: loss £1,381,687).

C. Fixed assets investments

	Shares in subsidiary undertakings £
Cost	
At 1 July 2008	5,813,613
At 30 June 2009	5,813,613
Provision for impairment	
At 1 July 2008	3,664,963
At 30 June 2008	3,664,963
Net book value	
At 30 June 2009	2,148,650
At 30 June 2008	2,148,650

At 30 June 2008 the Company held the entire issued share capital of the following principal subsidiary undertakings, which are incorporated in Great Britain.

	Nature of business
R&D Design Services Limited (RDDS)	Design and manufacture of security & surveillance equipment
Vigilant Security (Scotland) Limited	Asset protection and security training
Photobase Limited	Biometric entry systems

D. Debtors

	2009 £	2008 £
Amounts due from subsidiary undertakings	473,254	191,520
Other debtors	28,992	10,079
Prepayments	13,867	13,768
	516,113	215,367

E. Creditors: Amounts falling due within 1 year

	2009 £	2008 £
Trade creditors	70,132	34,692
Other creditors	10,855	-
Other taxes and social security	5,513	5,296
Accruals and deferred income	63,018	59,223
Non convertible loan notes	150,000	-
	299,518	99,211

F. Creditors: Amounts falling due after more than 1 year

	2009 £	2008 £
Convertible loan notes	1,339,120	1,295,848

The Company has in issue;

- An instrument creating £1,000,000, 8% Convertible Unsecured Loan Notes, of which £1,000,000 have been drawn down at 30 June 2009. (2008 - £1,000,000).
- An instrument creating £1,000,000 7% Convertible Unsecured Loan Notes, of which £120,000 has been drawn down at 30 June 2009. (2008 - £120,000).
- An instrument creating £1,000,000 10% Convertible Unsecured Loan notes, of which £300,000 has been drawn down at 30 June 2009. (2008 - £300,000).

The Notes are convertible at any time, up to 5 years from date of issue into Ordinary Shares at the option of the Noteholder. The number of Ordinary Shares to which the Noteholder is entitled is determined by the principal value of the Notes so converted (expressed in pence) divided by the conversion price.

The Notes are convertible at the option of the Company in the event that the average mid market price of the Ordinary Shares, at the close of trading on the six business days preceding the Company giving notice to the Noteholder, reaches 150% of the conversion price in respect of the 8% and 7% coupon instruments, and 100% in respect of the 10% coupon instruments

On the 5 year anniversary any of the Notes not previously repaid or converted or repurchased by the Company shall be repaid at par, together with accrued interest (less any applicable taxes).

The equity element of the convertible loan note is £188,081 (2008 - £188,081), which has been classified as equity.

G. Share capital

	2009 £	2008 £
Authorised:		
270,000,000 (2008: 270,000,000) ordinary shares of 0.1 pence each (2008 – 5 pence each)	270,000	13,500,000
58,450,780 deferred shares of 0.5 pence each	-	292,254
Allotted, called up and fully paid:		
177,383,964 (2008: 177,383,964) ordinary shares of 0.1 pence (2008 - 5 pence) each	177,384	8,869,199
58,450,780 deferred shares of 0.5 pence each	-	292,254
	177,384	9,161,453
Deferred shares of 0.5 pence each		
58,450,780 deferred shares Cancelled on 27th June 2009	-	292,254

Ordinary shares of 5 pence each	**Number**	**Value (£)**
At 1 July 2008	177,383,964	8,869,199
Capital reduction	-	(8,691,815)
At 30 June 2009	177,383,964	177,384

The value of the nominal share capital of the company was reduced to 0.1pence on 24th June 2009. This was after a special resolution was passed at an Extraordinary General Meeting of the company and with High Court approval. In addition the share premium and deferred share capital were cancelled. The amount of the deduction is now classified as distributable.
Details relating to share options are provided in note 21.

H. Related party transactions

Identity of related parties
The parent company has a controlling related party relationship with its subsidiary companies.
The Group has a related party relationship with its directors and executive officers.

Directors of the Company and their immediate relatives control approximately 12.5% of the voting shares.

	2009	2008
	£	£
Professional services provided by Farries, Kirk & McVean, (in which G M McGill) is a partner and which has been accounted for as Directors remuneration. This is also disclosed as part of Directors remuneration in note 8.	50,000	29,169
Balance outstanding at Year End	12,501	8,334

During the period the Group obtained a non convertible loan finance facility of £200,000 from Westminster Gardens Holdings Limited, of which £150,000 had been drawn down by the year end. Last year the Group obtained convertible loan finance in the year from this company totalling £100,000 and it acquired a further £200,000 in convertible loan notes from another bond holder in the secondary market. A N Hewson is a director of Westminster Gardens Holdings Limited, but holds no beneficial interest.

The transactions between the Company, its subsidiary companies and related parties are on normal commercial terms. No guarantees exist between any of these parties.

During the year the company provided administrative services to subsidiary undertakings totalling £240,000 (2008 - £307,500). The directors have decided not to provide against the balance owed by Photobase Limited which stood at £397,657 at the year end (2008 – £258,002) in case this cannot be paid. They are confident that this subsidiary will be profitable in the coming year and the balance will begin to be repaid. R& D Design Services Limited owed the company £175,109 (2008 - £206,817). The company owed Vigilant Security (Scotland) Limited £99,512 (2008 - £13,639).

The Directors are considering acquiring shares in the company at prevailing market value by way of a placing of shares to a total of £130,000.

The following open market share purchases by directors occurred during the year ended 30 June 2009:

S Morley	825,000
A N Hewson	249,710
G McGill	250,000

S Morley and A N Hewson forfeited options to acquire 1,000,000 and 2,500,000 shares respectively during the year.

I. Reserves	Ordinary shares	Deferred shares	Share premium	Retained earnings	Other – A	Other – B	Shareholders' funds
	£	£	£	£	£	£	£
At 1 July 2007	**8,149,159**	**292,254**	**1,388,522**	**(8,669,983)**	**202,795**	**160,186**	**1,522,933**
Loss for the year (as restated)	-	-	-	(1,381,687)	-	-	(1,381,687)
Share capital issued in year	720,040	-	-	-	-	-	720,040
Equity element of convertible loan notes issued	-	-	-	-	-	27,895	27,895
Share option charge	-	-	-	-	101,306	-	101,306
At 30 June 2008	**8,869,199**	**292,254**	**1,388,522**	**(10,051,670)**	**304,101**	**188,081**	**990,487**
Profit for the year	-	-	-	101,402	-	-	101,402
Share option credit	-	-	-	-	(53,452)	-	(53,452)
Equity element of convertible loan notes issued	-	-	-	-	-		-
Capital reduction	(8,691,815)	(292,254)	(1,388,522)	10,372,591	-	-	-
At 30 June 2009	**177,384**	**-**	**-**	**422,323**	**250,649**	**188,081**	**1,038,437**

Other reserve – A (FRS20) is the amount of recognised equity in share options granted.

Other reserve - B (FRS25) is the amount of proceeds on issue of convertible debt relating to the equity component (ie option to convert the debt into share capital).