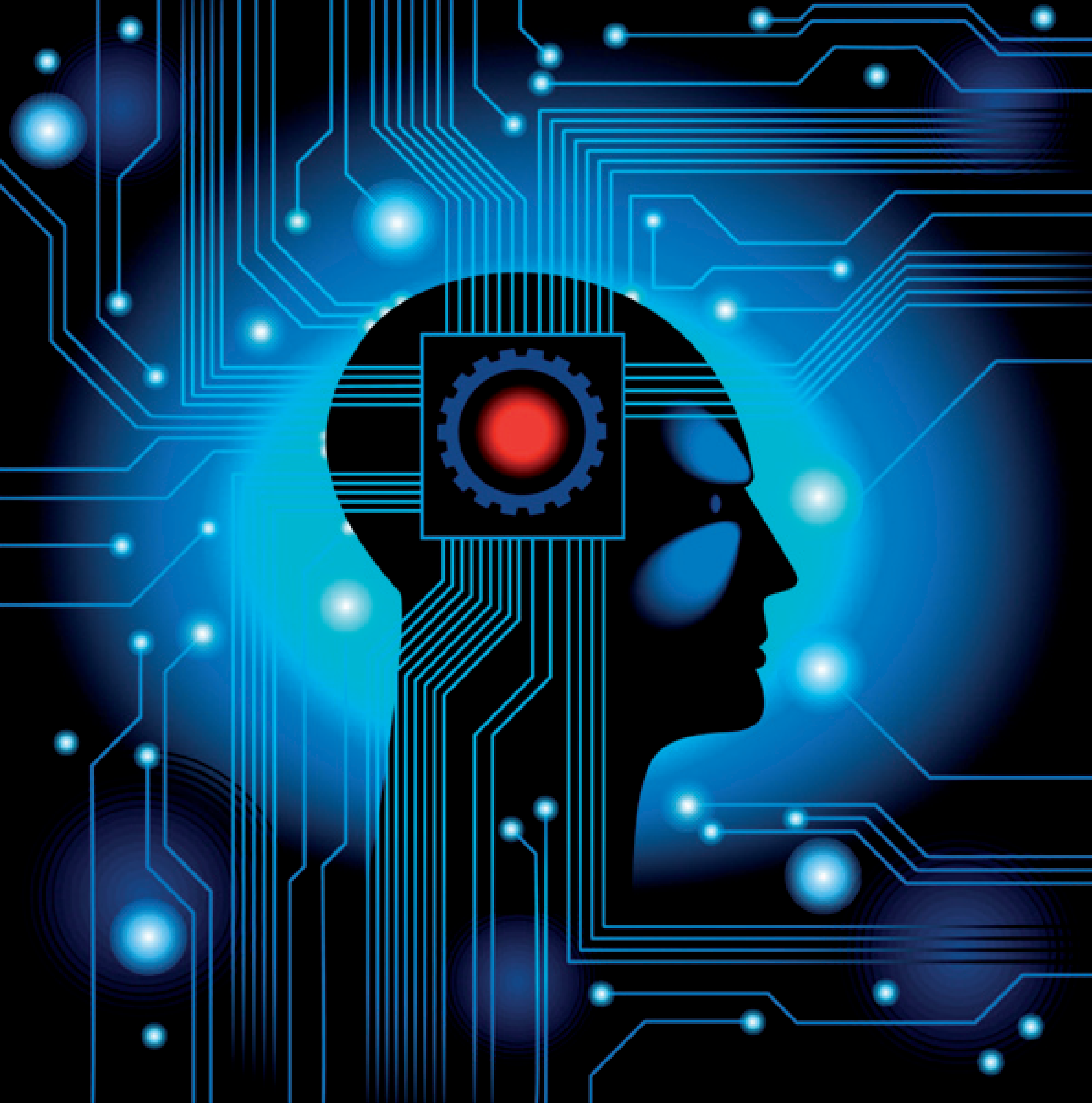

Security Research Group plc

Annual Report and Accounts 2013

The intelligence to protect

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Security Research Group at a Glance

Quality is never an accident.
It is always the result of high intention, sincere effort, intelligent direction and skilful execution.

SB NLJD Range Lightweight, powerful detection of concealed electronics (up to 10W)

The Specialist Electronics Division is the principal business of Security Research Group plc. It has been a market leader in the design, development and manufacture of innovative audio surveillance, technical counter surveillance and security products for over 35 years under the Audiotel brand.

World's first NLJD archway for protection of Intellectual Property

Completing a £50 million UK Armed Forces' contract, on time and within budget, for the design and supply of a product which has a world beating performance and reflects the Division's exceptional level of skill, expertise and commitment.

IEDs often contain electronic components

The continuing focus for the Specialist Electronics Division is to track ever-changing threats globally, to identify, through continuous Research and Development, appropriate countermeasures and to provide market leading solutions that stay one step ahead of the field.

The Property Information Services Division supplies a comprehensive range of residential and commercial property information reports to legal and conveyancing professionals in England and Wales.

The Packaging Solutions Division provides flexible packaging solutions to a variety of industry sectors, including the food and pharmaceutical markets.

Financial Performance Summary

	2013 £'000	2012 £'000
Specialist electronics	**6,765**	11,635
Property information services	**152**	744
Packaging solutions	**302**	273
Head office	**(616)**	(660)
Operating profit	**6,603**	11,992
Underlying earnings per share	**23.24p**	35.75p
Basic earnings per share	**15.89p**	19.76p

Chairman's Statement

£18.3m

Over two years

Sum paid back to shareholders through share tender offers

£5.4m

Net cash held at year end

23.24p

Underlying earnings per share

Another year of strong turnover and excellent profit figures have been achieved, although slightly down on last year. This year's turnover at £29,363,893 and last year's at £37,272,645 were substantially better than historical levels.

Profit before tax and exceptional items for the year was £6,682,042 compared with a profit before tax and exceptional items of £12,070,793 in the prior year. The substantial level of profits earned during the period is due to the application of engineering, manufacturing and sales techniques in supplying world beating products.

Shareholders will no doubt have welcomed the £15,191,577 returned to them through two share buy backs in the year which, together with £3,083,155 returned to them in the previous year, equates to £18,274,732, amounting to 94p per share based on the 19.4 million shares currently in issue. £5.4 million cash was retained at the year end.

A two year MOD contract came to an end with all equipment delivered, approved and accepted by this exacting customer. Product deployment in December 2012 was a satisfying end to two years of dedicated work. However, changes in operational requirements for overseas forces, the impending withdrawal of ISAF forces from Afghanistan and the change in tactics employed by insurgents have resulted in a substantial reduction in the deployment of our innovative and unique detector at present.

The Specialist Electronics Division has now been able to concentrate its resource and effort on developing new products and markets, and to place emphasis on a global sales drive. Reference is made in the financial statements to a number of innovative devices having unique selling points. These products are predominantly for use in non-conflict situations and are being marketed in the UK and in a number of other selected countries.

At the annual Distributor Conference held in Corby in April 2013, attended by more than 30 Distributors from across the globe, these products were launched and enthusiastically received.

Property Information Services (PSG) and Packaging Solutions (Moore & Buckle) both had a profitable year.

We are grateful to the outstanding commitment and loyalty of our employees who have been substantially responsible for the excellent achievements.

The Specialist Electronics Division is our main focus as it redevelops and re-energises its core marketplace supported by a dynamic marketing strategy. The positive response it is receiving from potential customers can be attributed to the rapid and cooperative dovetailing of the sales and engineering teams. We look forward to reporting to shareholders the results of these initiatives in due course.

Jonathan Mervis, Chairman **23 July 2013**

CEO's Update

£29.4m

Consolidated group revenue

£6.6m

Operating profit before exceptional items

52.2%

Gross Margin

Specialist Electronics

The past year has seen changes to the Senior Management Team in the Specialist Electronics Division.

Damian Rowbotham, previously Finance Director for ComfortDelGro's UK & Ireland businesses, joined us in April 2012 as the Managing Director of Audiotel International. In addition, Barney Hubble who was critical to the success of the recent MOD contract, was appointed to the board as Business Development Director during the year.

Julie Brown (Resources Director) retired after 17 years dedicated service to Audiotel and in recent months Debbie Braybrook (Finance Director) has moved on to pastures new as part of a major re-organisation of the team.

We now have a stronger, more broadly experienced and focussed sales team moving forward, which under the direction of the new Senior Management Team, will bring the recently launched products to the global marketplace in the current year.

During the MOD contract we operated from two separate premises in Corby, but have recently merged all our operations in one centre. This provides a fully modern, well equipped factory and office complex ready to take on the new challenges that will be presented in the years to come.

The end of the MOD contract has seen serious downsizing of the production team and I would like to take the opportunity to thank all those staff who were employed with us for their dedicated service during the last two years.

Property Information Services

The PSG team based in Barnsley, South Yorkshire, have performed well under the supervision of Andrea Glover (Managing Director) in a very challenging marketplace.

The PSG Franchisee Network continues to promote and market a comprehensive selection of legal reports and services under the online PSG Connect banner. The unique combination of a truly national supplier with a 'local' service is the envy of its competitors.

Packaging Solutions

The small Moore & Buckle team based in St Helens have remained stable and continue to perform profitably in a niche marketplace.

Bernie Connor, Chief Executive **23 July 2013**

Specialist Electronics

£6.8m

Operating profit

35

Distributors representing Audiotel worldwide

1,089

No. of individual electronic components that make up an SB4

Overview

2013 was a year of two distinct parts for the Specialist Electronics Division. The first part was all about delivery when the entire Division, and in particular the production and technical teams, rose to the challenge of successfully delivering the MOD contract, on time and on budget. The second part was focused on raising the company and brand profile, achieved through sales and marketing activity and a raft of new product releases. The rebranding activity and product innovation were very well received by our distribution network and customer base. Turnover for the year was £23,566,245 compared with £31,281,262 in the prior year. The operating profit before exceptional items for the year was £6,765,220 compared with an operating profit before exceptional items of £11,635,491 in the prior year.

Product and Technical Leadership

The conclusion of the MOD contract during the year allowed the technical team to focus their expertise on new product development. The results have been especially pleasing with our latest releases being not only world beating in terms of performance, but also unique in their application. Our NLJD Archway for electronics detection, a world first, has attracted a great deal of interest, most significantly in Asia and Eastern Europe. Our new portable Meeting Guard, released earlier this year, provides 24/7 real-time protection from eavesdropping, with remote monitoring if required, and once again is a unique proposition generating a great deal of interest. We have a clear roadmap for technical development with a range of innovative products in the pipeline, which we are extremely excited about, and we continue to invest in focused research to help preserve technical leadership in our field.

Manufacturing Excellence

Quality remains at the heart of our business and our global reputation has certainly been strengthened through our work with the UK Government. Following contract completion, the production team numbers were reduced, but fortunately we were able to retain the most skilled and flexible staff for the business going forward. Our capability has been substantially enhanced over the last few years, with both facilities and skills markedly better. We now boast the flexibility to be able to manufacture both highly complex low volume electronic products and high volume batches as required.

Sales Development

One of our recent goals was to raise the division's profile globally. This activity commenced in earnest with a rebranding exercise, new marketing collateral and importantly a refreshed website. These were successfully launched to our global network of distributors in April 2013, together with our latest products and technical roadmap. The distribution network has been energised by the speed and quality of product development activity and also welcomed our increased dynamism in supporting their sales efforts.

Specialist Electronics New Products

Enhanced SB Range of NLJDs

Effectively locating concealed electronic devices.

The new Superbroom (SB) range is our latest advance in lightweight powerful Non-Linear Junction Detector (NLJD) technology.

A versatile device which incorporates the best elements from our 35 years of developing NLJDs. SB is available in a range of output powers, 2W, 4W and 10W. An Explosive Ordnance Disposal (EOD) variant is also available, which incorporates a metal detector for increased target detection and discrimination.

Archway

Detecting concealed items.

The Archway is the future in Intellectual Property theft protection. Specifically designed using the advanced technology of Non-Linear Junction Detection, it is able to detect concealed devices even if they are turned off.

Suitable for detecting a wide range of electronic components and devices including mobile phones, SIM cards, USB memory sticks, listening and recording devices or cameras.

The Archway can be used as a conventional security-style archway or, for a more discreet approach, it can be supplied as a single panel. The versatility of the Archway makes it an essential part of your security.

Meeting Guard

Meeting room protection.

The Meeting Guard provides a flexible solution for keeping meeting rooms, office and public areas safe from eavesdropping. Providing real-time protection from active devices as well as transmission from store and forward devices.

The Meeting Guard benefits from a compact and portable design that allows it to be deployed easily with no additional infrastructure and minimal training.

Property Information Services

Review

Turnover for the Property Information Services division for the year was £4,234,208 compared with £4,576,410 in the previous year. The operating profit before exceptional items for the year was £152,244 compared with an operating profit before exceptional items of £743,503 for the previous year. A goodwill impairment charge of £1,416,694 was incurred in the year which, in addition to the £3,537,539 incurred in the previous year, reflects the fact that housing transactions are unlikely to return to historic levels for some considerable time.

Property Search Group and its network of franchisees continue to work in harmony, presenting a nationwide brand revered and respected by the legal community. There have been substantial improvements to the online ordering platform that consistently scores top marks with PSG's clients when compared to other platforms supplied by its competitors. In addition, internal IT systems across the network have been updated to provide seamless, end-to-end delivery of products that have improved service to clients, decreased administration tasks, added additional quality controls and increased efficiency.

Packaging Solutions

Review

Moore & Buckle remained a stable, consistent performer in a very specialist marketplace.

Turnover for the year was £1,563,440 compared with £1,414,973 in the previous year. The operating profit before exceptional items for the year was £301,947 compared with an operating profit before exceptional items of £272,725 in the previous year. A goodwill impairment charge of £287,058 was incurred in the year which, in addition to £600,000 incurred in the previous year, reflects a harsher business climate for this sector of the marketplace.

Corporate Governance
&
Financial Statements

directors, secretary and advisors

directors

Jonathan Philip Mervis
Chairman

John Arthur Warwick FCA
Finance Director

Tweedie McGarth Brown CBE
Deputy Chairman

Bernard Cavan Connor
Chief Executive

John David Gawain Holme FCA
Non-executive Director

All of whose business address is
133 Ebury Street, London SW1W 9QU

registered office

133 Ebury Street
London SW1W 9QU

company secretary

John Arthur Warwick FCA

auditors

Milsted Langdon LLP
Chartered Accountants
Winchester House
Deane Gate Avenue
Taunton
Somerset TA1 2UH

registrars

Capita Registrars
The Registry
34 Beckenham Road
Beckenham
Kent BR3 4TU

nominated advisor and broker

W H Ireland Limited
24 Martin Lane
London EC4R 0DR

solicitors to the company

Irwin Mitchell LLP
2 Wellington Place
Leeds LS1 4BZ

principal bankers

Lloyds TSB Bank plc
Corporate Markets
1st Floor
25 Gresham Street
London EC2V 7HN

The directors present herewith their annual report and the audited financial statements for the year ended 31 March 2013.

principal activities

The principal activities of the Group are those of the manufacture and sale of specialist electronic equipment, the sale and operation of property search franchises together with the provision of other property information services, and the manufacture of flexible packaging products.

business review

The business review forms part of the directors' report. The principal activities of the Group, the business review and future developments are all described in the chairman's statement, the CEO's update and divisional reports.

results

The Group's consolidated income statement for the year is set out on page 15 of the financial statements.

principal risks and uncertainties facing the Group

As far as our specialist electronics business is concerned turnover is generated from a mix of small and large orders. The timing of the order placement and delivery of larger orders is inherently difficult to predict, potentially causing material fluctuations in actual results compared with expectations.

If the current situation in the property market changes it could affect the results of our property information business either beneficially or detrimentally.

Our packaging solutions business depends on small orders and could be affected by any change in the economic environment.

dividends

The directors do not recommend payment of a dividend having already returned over £15m to shareholders during the year.

research and development

Audiotel International Limited continues its policy of investment in research and development in order to retain a competitive position in its market.

purchase of own shares

Purchase of own shares during the year is referred to in the chairman's statement and note 22 of the financial statements.

directors and their interests

The directors of the Company during the financial year were:

J P Mervis
J A Warwick
T M Brown
B C Connor
J D G Holme

contracts for directors' services and emoluments

The principal terms of the contracts entered into by directors for the provision of their services are summarised below:

	Effective date of contract	Current annual remuneration £	Notice period	Director's position
J P Mervis	5 January 2006 as subsequently amended	120,000	12 months	Chairman
J A Warwick	5 January 2006 as subsequently amended	120,000	12 months	Finance Director
T M Brown	10 January 2005 as subsequently amended	20,000	3 months	Deputy Chairman
B C Connor	13 March 2012	150,000	12 months	Chief Executive
J D G Holme	4 April 2008 as subsequently amended	20,000	1 month	Non-executive Director

Mr B C Connor is entitled to an annual performance bonus if Group operating profit targets are achieved.

substantial shareholders

On 18 July 2013 the Company's register of shareholders showed the following interests in 3% or more of the Company's issued share capital:

	20p ordinary shares	%
Hawk Investment Holdings Limited	3,558,329	18.32
J P Mervis	2,795,945	14.39
Artemis Investment Management Limited	1,830,902	9.42
Groundlinks Limited	1,437,882	7.40
Seraffina Holdings Limited	1,367,734	7.04
Retro Grand Limited	1,247,319	6.42
J R Davie	611,714	3.15

directors' shareholdings

On 18 July 2013 the directors had the following interests in the Company's issued share capital:

	20p ordinary shares	%
J P Mervis	2,795,945	14.39
B C Connor	449,657	2.31
J D G Holme	261,329	1.35
J A Warwick	255,132	1.31
T M Brown	206,837	1.06

payment of creditors

The Group's policy in relation to all of its suppliers is to agree payment terms with individual suppliers in advance, and ensure that these suppliers are aware of those terms and abide by such terms.

The Group's payment days as at 31 March 2013 for trade creditors were 40 days (2012: 48 days).

the environment

The Group regards compliance with relevant environmental laws and the adoption of responsible standards as integral to its business operation. It is also committed to introducing measures to limit any adverse effects its business may have on the environment and will promote continuous improvement in accordance with the best available techniques.

financial risk management

The principal financial risks to which the Group is exposed relate to liquidity and credit. The policies and strategies for managing these risks are summarised as follows:

(a) liquidity risk

The Group actively maintains sufficient funds for current operations and planned expansions.

(b) credit risk

Credit risk refers to the risk that a counterparty will default on contractual obligations resulting in a financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties as a means of mitigating financial risks from defaults. Nevertheless risk has increased due to the current economic circumstances.

The Group's principal financial assets are bank balances, cash and trade receivables. The Group has no significant concentration of credit risk with exposure spread over a large number of customers. Credit risk is managed by monitoring the aggregate amount and duration of exposure to any one customer depending upon their credit rating. The amounts presented in the statement of financial position are net of allowances for doubtful debts, estimated by the Group's management, based on prior experience and their assessment of the current economic environment.

directors' indemnities

The Group has taken out third party indemnity insurance for the benefit of the directors during the year which remains in force at the date of this report.

directors' responsibilities

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

The directors are required under company legislation to prepare financial statements for each financial year. Under that law the directors have elected to prepare the Group and Company financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. 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 the Group's profit or loss for that year. In preparing these financial statements, 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 applicable IFRSs as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Group will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group and to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors have reasonable expectations that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the financial statements.

The directors are responsible for ensuring that the annual report includes information required by the AIM Rules.

The maintenance and integrity of the corporate and financial information on the Group's website is the responsibility of the directors. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The Board's statement on corporate governance is set out on page 13.

auditors

A resolution proposing that Milsted Langdon LLP be re-appointed as auditors of the Company will be put to the Annual General Meeting.

There is no relevant audit information of which the Company's auditors are unaware, and the directors have taken all the steps that they ought to have taken 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

John Warwick

Company Secretary

23 July 2013

Being a Company whose shares are admitted to AIM, the Company is not a listed company and therefore is not required to comply with the UK Corporate Governance Code. The Board has however adopted the following:

board committees

The Board has two sub-committees, the Audit Committee and the Remuneration Committee, both of which include the Finance Director.

audit committee

The Audit Committee is chaired by J D G Holme FCA, with its other member being J A Warwick FCA. Any director may attend by invitation. The external auditors may be invited to attend the meetings and have direct access to members of the Committee. The Audit Committee may examine any matters relating to the financial affairs of the Group including reviews of the annual and interim financial statements, announcements, internal control procedures and accounting policies.

remuneration committee

The Remuneration Committee, which is chaired by J D G Holme FCA, reviews the performance of the executive directors, considers and approves all Board and senior executive appointments, remuneration and benefits including share options and service contracts. J A Warwick FCA is the other member of the Committee.

internal financial control

The directors are responsible for the Group's system of internal financial control. A system can only provide reasonable and not absolute assurance regarding:

- the safeguarding of assets against unauthorised use or disposition;
- the minimisation of risk of material loss whilst in pursuit of the Group's business objectives; and
- the maintenance of proper accounting records and the reliability of financial information within the business or for publication.

Due to the size of the Group, a key control procedure during the year was the close day-to-day supervision by the executive directors.

auditor independence

The Audit Committee reviews the services provided by the external auditors at least on an annual basis. This review includes consideration of the confirmation of independence which the external auditors provide to the Company on an annual basis and of the services which they provide to the Group, in order to ensure that their independence is not compromised.

relations with shareholders

The directors seek to ensure that all shareholders are kept informed about the Group and its activities. A comprehensive annual report and financial statements and an interim report are sent to shareholders and there is frequent dialogue with institutional investors. The Annual General Meeting provides shareholders with the opportunity to meet and question directors. Details of the resolutions to be proposed at the Annual General Meeting, to be held on 29 August 2013, are set out in the notice of Annual General Meeting which is attached to this report.

going concern

The directors consider, after making appropriate enquiries, that the Company and Group have adequate resources to continue in operational existence for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the financial statements.

independent auditors' report to the members of Security Research Group plc

For the year ended 31 March 2013

We have audited the financial statements of Security Research Group plc for the year ended 31 March 2013 which comprise the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Group and Parent Company Statements of Changes in Equity, the Group and Parent Company Statements of Financial Position, the Group and Parent Company Statements of Cash Flows, and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the Parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 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 auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body for our audit work, for this report or for the opinions we have formed.

respective responsibilities of directors and auditors

As explained more fully in the directors' responsibilities statement set out on page 12 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 and express an opinion on 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 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 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. In addition we read all the financial and non-financial information in the directors' report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 March 2013 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 financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

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:

Under the Companies Act 2006 we are required 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.

Mr Nigel Fry (Senior Statutory Auditor)
For and on behalf of Milsted Langdon LLP
Chartered Accountants and Statutory Auditors
Taunton
23 July 2013

consolidated income statement

For the year ended 31 March 2013

	Note	2013 £	2012 £
Revenue	2	**29,363,893**	37,272,645
Cost of sales		**(14,045,747)**	(16,733,938)
Gross profit		**15,318,146**	20,538,707
Administrative expenses		**(8,715,130)**	(8,547,204)
Operating profit before exceptional items		**6,603,016**	11,991,503
Exceptional administrative expenses	3	**(1,703,752)**	(4,137,539)
Operating profit	4	**4,899,264**	7,853,964
Finance costs	8	**(10,929)**	–
Finance income	9	**89,955**	79,290
Profit on ordinary activities before taxation		**4,978,290**	7,933,254
Income tax expense	10	**(1,295,735)**	(2,823,233)
Profit on ordinary activities after taxation		**3,682,555**	5,110,021
Basic earnings per share	12	**15.89p**	19.76p
Diluted earnings per share	12	**15.74p**	19.57p

The consolidated income statement has been prepared on the basis that all operations are continuing operations.

consolidated statement of comprehensive income

For the year ended 31 March 2013

The profit on ordinary activities after taxation represents the Group's total comprehensive income for the year.

The notes on pages 21 to 37 form part of these financial statements.

statements of changes in equity

For the year ended 31 March 2013

Group	Share capital £	Share premium £	Capital redemption reserve £	Retained earnings £	Total equity £
At 1 April 2011	5,506,648	5,250	–	10,927,975	16,439,873
Issue of new ordinary shares on exercise of options	267,778	432,222	–	–	700,000
Purchase of ordinary share capital (including costs of £71,195)	–	–	–	(3,083,155)	(3,083,155)
Cancellation of own shares	(626,313)	–	626,313	–	–
Total comprehensive income for the year	–	–	–	5,110,021	5,110,021
At 31 March 2012	5,148,113	437,472	626,313	12,954,841	19,166,739
Issue of new ordinary shares on exercise of options	76,190	114,286	–	–	190,476
Purchase of ordinary share capital (including costs of £127,393)	–	–	–	(15,191,577)	(15,191,577)
Cancellation of own shares	(1,339,038)	–	1,339,038	–	–
Total comprehensive income for the year	–	–	–	3,682,555	3,682,555
At 31 March 2013	**3,885,265**	**551,758**	**1,965,351**	**1,445,819**	**7,848,193**

Company	Share capital £	Share premium £	Capital redemption reserve £	Retained earnings £	Total equity £
At 1 April 2011	5,506,648	5,250	–	7,465,232	12,977,130
Issue of new ordinary shares on exercise of options	267,778	432,222	–	–	700,000
Purchase of ordinary share capital (including costs of £71,195)	–	–	–	(3,083,155)	(3,083,155)
Cancellation of own shares	(626,313)	–	626,313	–	–
Total comprehensive income for the year	–	–	–	1,859,548	1,859,548
At 31 March 2012	5,148,113	437,472	626,313	6,241,625	12,453,523
Issue of new ordinary shares on exercise of options	76,190	114,286	–	–	190,476
Purchase of ordinary share capital (including costs of £127,393)	–	–	–	(15,191,577)	(15,191,577)
Cancellation of own shares	(1,339,038)	–	1,339,038	–	–
Total comprehensive income for the year	–	–	–	9,025,624	9,025,624
At 31 March 2013	**3,885,265**	**551,758**	**1,965,351**	**75,672**	**6,478,046**

The notes on pages 21 to 37 form part of these financial statements.

consolidated statement of financial position

As at 31 March 2013

	Note	2013 £	2013 £	2012 £	2012 £
Non-current assets					
Goodwill	13		**3,273,142**		4,976,894
Other intangible assets	14		**627,271**		688,357
Property, plant and equipment	15		**411,514**		1,581,020
Deferred tax asset	20		**312,101**		125,047
			4,624,028		7,371,318
Current assets					
Inventories	18	**1,189,318**		1,312,635	
Trade and other receivables	19	**2,721,402**		7,222,481	
Cash and cash equivalents		**5,397,860**		17,268,743	
		9,308,580		25,803,859	
Current liabilities					
Trade and other payables	21	**(5,666,328)**		(11,171,152)	
Current tax liability		**(418,087)**		(2,837,286)	
		(6,084,415)		(14,008,438)	
Net current assets			**3,224,165**		11,795,421
Net assets			**7,848,193**		19,166,739

Represented by:

	Note	2013 £	2012 £
Capital and reserves attributable to equity holders			
Called up share capital	22	**3,885,265**	5,148,113
Share premium account		**551,758**	437,472
Capital redemption reserve		**1,965,351**	626,313
Retained earnings		**1,445,819**	12,954,841
Total equity		**7,848,193**	19,166,739

Approved by the Board on 23 July 2013.

Jonathan Mervis
Director

John Warwick
Director

The notes on pages 21 to 37 form part of these financial statements.

company statement of financial position

As at 31 March 2013

	Note	2013 £	£	2012 £	£
Non-current assets					
Property, plant and equipment	15		**34,379**		36,090
Investments in subsidiaries	16		**6,650,322**		8,354,074
			6,684,701		8,390,164
Current assets					
Trade and other receivables	19	**43,802**		15,472	
Cash and cash equivalents		**1,097,303**		4,896,244	
		1,141,105		4,911,716	
Current liabilities					
Trade and other payables	21	**(1,292,760)**		(848,357)	
Current tax payable		**(55,000)**		–	
		(1,347,760)		(848,357)	
Net current (liabilities)/assets			**(206,655)**		4,063,359
Net assets			**6,478,046**		12,453,523

Represented by:

	Note	2013 £	2012 £
Capital and reserves attributable to equity holders			
Called up share capital	22	**3,885,265**	5,148,113
Share premium account		**551,758**	437,472
Capital redemption reserve		**1,965,351**	626,313
Retained earnings		**75,672**	6,241,625
Total equity		**6,478,046**	12,453,523

Approved by the Board on 23 July 2013.

Jonathan Mervis
Director

John Warwick
Director

The notes on pages 21 to 37 form part of these financial statements.

statements of cash flows

For the year ended 31 March 2013

	Group		Company	
	2013	2012	**2013**	2012
	£	£	**£**	£
Cash flows from operating activities				
Profit before taxation	**4,978,290**	7,933,254	**9,080,624**	1,859,548
Adjustments for:				
Depreciation of property, plant and equipment	**1,417,963**	1,303,116	**4,749**	6,379
Amortisation of goodwill/investment write down	**1,703,752**	4,137,539	**1,703,752**	4,137,539
Amortisation of other intangible assets	**533,392**	367,196	**–**	–
Profit on disposal of tangible assets	**(7,485)**	(2,337)	**–**	–
Interest expense	**10,929**	–	**–**	–
Interest receivable	**(89,955)**	(79,290)	**(9,727)**	(10,963)
Dividends receivable	**–**	–	**(10,321,530)**	(6,370,260)
Changes in working capital:				
Decrease/(increase) in receivables	**4,501,079**	(3,148,309)	**(28,330)**	2,720
Decrease/(increase) in inventories	**123,317**	(163,109)	**–**	–
(Decrease)/increase in payables	**(5,504,824)**	8,767,987	**444,403**	393,138
Cash generated from operations	**7,666,458**	19,116,047	**873,941**	18,101
Interest paid	**(10,929)**	–	**–**	–
Income tax paid	**(3,901,988)**	(163,799)	**–**	–
Net cash generated from operating activities	**3,753,541**	18,952,248	**873,941**	18,101
Cash flows from investing activities				
Purchase of tangible assets	**(287,729)**	(2,052,547)	**(3,038)**	(847)
Purchase of other intangible assets	**(472,306)**	(559,095)	**–**	–
Proceeds from the sale of tangible assets	**46,757**	74,115	**–**	–
Dividends received	**–**	–	**10,321,530**	6,370,260
Interest received	**89,955**	79,290	**9,727**	10,963
Net cash (used in)/generated from investing activities	**(623,323)**	(2,458,237)	**10,328,219**	6,380,376
Cash flows from financing activities				
Issue of share capital	**190,476**	700,000	**190,476**	700,000
Purchase of own shares	**(15,191,577)**	(3,083,155)	**(15,191,577)**	(3,083,155)
Net cash used in financing activities	**(15,001,101)**	(2,383,155)	**(15,001,101)**	(2,383,155)
Net (decrease)/increase in cash and cash equivalents	**(11,870,883)**	14,110,856	**(3,798,941)**	4,015,322
Cash and cash equivalents at beginning of period	**17,268,743**	3,157,887	**4,896,244**	880,922
Cash and cash equivalents at end of period	**5,397,860**	17,268,743	**1,097,303**	4,896,244

The notes on pages 21 to 37 form part of these financial statements.

note to the statements of cash flows

For the year ended 31 March 2013

analysis of net funds

Group	At 1 April 2012 £	Cash flow £	**At 31 March 2013 £**
Cash and cash equivalents	17,268,743	(11,870,883)	**5,397,860**
	17,268,743	(11,870,883)	**5,397,860**

Company	At 1 April 2012 £	Cash flow £	**At 31 March 2013 £**
Cash and cash equivalents	4,896,244	(3,798,941)	**1,097,303**
	4,896,244	(3,798,941)	**1,097,303**

The notes on pages 21 to 37 form part of these financial statements.

1. accounting policies

Security Research Group plc, company number 03170812, is domiciled and incorporated in England under the Companies Act 1985.

The financial statements have been prepared in accordance with applicable International Financial Reporting Standards (IFRSs), International Accounting Standards (IAS) and International Financial Reporting Interpretations Committee (IFRIC) interpretations adopted for use by the European Union (EU) and with those parts of the Companies Act 2006 applicable to companies reporting under IFRSs. The financial statements have been prepared under the historical cost convention.

There were no new standards or interpretations that have been adopted by the Group in the current period.

There are no interpretations and amendments to existing standards that have been issued but are not yet effective that will have a material impact on the financial statements and have not been early adopted by the Group.

The preparation of financial statements in accordance with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates.

The directors have used significant judgements relating to assumptions concerning goodwill.

The Group is required to test, at least annually, whether goodwill has suffered any impairment. The recoverable amount is determined based on value in use calculations. The use of this method requires the estimation of future cash flows and the choice of a suitable discount rate in order to calculate the present value of these cash flows.

The following accounting policies have been used consistently in dealing with items which are considered material in relation to the Group's financial statements:

(a) consolidation

The consolidated financial statements include those of the Company and its subsidiaries from their date of acquisition. All acquisitions of subsidiaries have been accounted for under the acquisition method of accounting.

Under Section 408 of the Companies Act 2006, the Company is exempt from the requirement to present its own income statement.

(b) revenue

Revenue represents amounts receivable for goods, services and set up costs in respect of installation of production facilities net of VAT and discount and intra-Group transactions.

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group, it can be reliably measured and the following criteria are met:

(i) sale of goods

Sale of goods are recognised when risks and rewards of ownership of the goods have passed to the customer. Certain income is recognised on a milestone basis subject to meeting the criteria as stated within the relevant contract.

(ii) rendering of services

Rendering of services are recognised in the accounting period in which the services are rendered, by reference to completion of the specific transaction.

(iii) set up costs

Set up costs are recognised evenly over the life of the relevant contract.

1. accounting policies (continued)

(c) property, plant and equipment
Property, plant and equipment is stated at cost less accumulated depreciation and impairment costs.

Depreciation is provided to write-off the cost less estimated residual value (based on prices prevailing at the date of acquisition) in annual instalments over the estimated useful economic lives of the assets. The depreciation rates used are as follows:

Freehold buildings	2% straight line
Leasehold property	Straight line over the life of the lease/life of contract
Fixtures, fittings and equipment	15% - 33.3% straight line/life of contract
Motor vehicles	25% - 40% straight line

(d) investments
Investments in subsidiary companies are valued at cost less provision for diminution in value.

(e) goodwill
Goodwill represents the difference between the fair value of the consideration paid on the acquisition of a business and the fair value of the identifiable net assets acquired.

Goodwill arising on acquisitions is capitalised and subjected to annual impairment reviews. Any excess of goodwill over the value in use of the underlying assets is written off to the income statement. The directors consider that the goodwill has an infinite life.

(f) foreign currency translation
Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates (the 'functional currency'). The financial statements are presented in pounds sterling, which is the functional and presentational currency.

The Group has foreign currency transactions arising from the sales and purchases by an operating subsidiary in a currency other than the subsidiary's functional currency. Under the Group's foreign exchange policy, such transactions are recorded at the rate of exchange prevailing at the transaction date.

Assets and liabilities in foreign currencies are translated into sterling at the rate of exchange ruling at the end of the financial year. All exchange differences are dealt with in the income statement.

(g) leasing
Rentals payable under operating leases are charged against income on a straight line basis over the lease term.

(h) deferred tax
Deferred tax is provided in full in respect of taxation deferred by timing differences between the treatment of certain items for taxation and accounting purposes.

The deferred tax balance has not been discounted.

(i) liquid resources
Liquid resources are defined as short term bank deposits and cash in hand.

(j) development expenditure and web design costs
Development expenditure and web design costs which meet the criteria for capitalisation, shown as other intangible assets, are written off over the period for which they are estimated to benefit future profitability of the Group but for no longer than 3 years.

(k) inventories
Inventories are stated at the lower of cost and net realisable value using the First In First Out (FIFO) cost basis. Costs include all direct costs incurred in bringing the inventories to their present location and condition, including where appropriate, a proportion of manufacturing overheads.

(l) pensions
The pension costs charged represent the contribution payable by the Group in the year.

1. accounting policies (continued)

(m) share based payments

The Group issues equity-settled share based payments to certain directors. Equity-settled share based payments are measured at fair value (excluding the effect of non market-based vesting conditions) at the date of grant. The fair value determined at the grant date of the equity-settled share based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest and with a corresponding adjustment to equity.

Fair value is measured by use of the Black-Scholes option pricing model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

2. segmental analysis

Business analysis

	2013			2012		
	Revenue £	**Operating profit/(loss) £**	**Net operating assets/ (liabilities) £**	Revenue £	Operating profit/(loss) £	Net operating assets/ (liabilities) £
Specialist electronics	**23,566,245**	**6,765,220**	**(1,512,271)**	31,281,262	11,635,491	(3,852,455)
Property information services	**4,234,208**	**152,244**	**2,934,992**	4,576,410	743,503	3,994,679
Packaging solutions	**1,563,440**	**301,947**	**1,964,075**	1,414,973	272,725	2,214,121
Head office	**–**	**(616,395)**	**(936,463)**	–	(660,216)	(458,349)
	29,363,893	**6,603,016**	**2,450,333**	37,272,645	11,991,503	1,897,996
Exceptional items	**–**	**(1,703,752)**	**–**	–	(4,137,539)	–
	29,363,893	**4,899,264**	**2,450,333**	37,272,645	7,853,964	1,897,996
Interest bearing assets			**5,397,860**			17,268,743
Net assets			**7,848,193**			19,166,739

Revenue of specialist electronics and packaging solutions is represented by the sale of goods and revenue of property information services is represented by services rendered.

The activities of the Group are the manufacture and sale of specialist electronic equipment, the sale and operation of property search franchises and the manufacture of flexible packaging products.

The specialist electronics business had one customer (2012: one) with revenue in excess of 10% of Group revenue.

2. segmental analysis (continued)

Net operating assets analysis

	2013			2012		
	Segmental assets £	**Segmental liabilities £**	**Segmental net operating assets/ (liabilities) £**	Segmental assets £	Segmental liabilities £	Segmental net operating assets/ (liabilities) £
Specialist electronics	**2,151,068**	**(3,663,339)**	**(1,512,271)**	8,449,906	(12,302,361)	(3,852,455)
Property information services	**4,110,925**	**(1,175,933)**	**2,934,992**	5,004,475	(1,009,796)	3,994,679
Packaging solutions	**2,237,563**	**(273,488)**	**1,964,075**	2,431,689	(217,568)	2,214,121
Head office	**68,542**	**(1,005,005)**	**(936,463)**	51,561	(509,910)	(458,349)
	8,568,098	**(6,117,765)**	**2,450,333**	15,937,631	(14,039,635)	1,897,996

Additions to non-current assets and non-cash expenses

	2013			2012		
	Additions to non-current assets £	**Depreciation and amortisation £**	**Impairment £**	Additions to non-current assets £	Depreciation and amortisation £	Impairment £
Specialist electronics	**536,463**	**(1,750,440)**	**–**	2,417,224	(1,464,795)	–
Property information services	**218,334**	**(159,700)**	**(1,416,694)**	163,580	(169,026)	(3,537,539)
Packaging solutions	**2,200**	**(28,981)**	**(287,058)**	29,991	(27,775)	(600,000)
Head office	**3,038**	**(4,749)**	**–**	847	(6,379)	–
	760,035	**(1,943,870)**	**(1,703,752)**	2,611,642	(1,667,975)	(4,137,539)

Geographical information

The Group operates in 4 main geographical areas although they are managed on a worldwide basis. Revenue is split as follows:

	2013 £	2012 £
United Kingdom	**28,833,233**	36,716,527
Asia and Middle East	**226,482**	213,796
Europe	**241,836**	127,427
Other	**62,342**	214,895
	29,363,893	37,272,645

3. exceptional administrative expenses

	2013 £	2012 £
Goodwill impairment charge – property information services	**1,416,694**	3,537,539
Goodwill impairment charge – packaging solutions	**287,058**	600,000
	1,703,752	4,137,539

There is no tax effect of the above exceptional administrative expenses.

4. operating profit

	2013	2012
	£	£
Operating profit is stated after charging/(crediting):		
Auditors' remuneration:		
– audit	**92,180**	91,508
– tax services	**4,500**	4,605
Depreciation	**1,417,963**	1,303,116
Amortisation of other intangible assets	**533,392**	367,196
Profit on disposal of fixed assets	**(7,485)**	(2,337)
(Profit)/loss on exchange differences	**(48)**	1,756
Operating lease rentals:		
– plant and machinery	**15,206**	–
– other assets	**427,101**	355,026
Exceptional administrative expenses – Note 3	**1,703,752**	4,137,539
Research and development	**720,018**	523,139

Remuneration for audit services payable to Milsted Langdon LLP amounted to £30,000 (2012: £30,000) and tax compliance services fees amounted to £2,000 (2012: £2,000).

The auditors' remuneration for audit services includes £24,665 (2012: £24,268) attributable to the audit of Audiotel International Limited and Security Research Limited; £9,090 (2012: £8,990) attributable to the audit of Rochdale Development Company Limited and Moore & Buckle (Flexible Packaging) Limited; £24,750 (2012: £24,750) attributable to the audit of PSG Franchising Limited, PSG Yorkshire Limited, PSG Energy Limited and PSG Financial Services Limited and £3,675 (2012: £3,500) attributable to the audit of Ufford PCC Limited, subsidiaries of Security Research Group plc which are not audited by the Group's principal auditors. The auditors' remuneration for non-audit services includes £2,000 (2012: £2,000) payable to the auditors of Audiotel International Limited and Security Research Limited and £500 (2012: £605) payable to the auditors of Rochdale Development Company Limited and Moore & Buckle (Flexible Packaging) Limited.

5. staff costs

	2013	2012
	£	£
Staff costs are as follows:		
Wages and salaries	**6,626,415**	6,118,966
Social security costs	**649,224**	672,452
Pension contributions	**103,716**	68,683
	7,379,355	6,860,101

The average number of persons employed by the Group including directors was:

	2013	2012
	Number	Number
Administration	**22**	22
Production	**153**	120
Research and development	**12**	10
Sales and marketing	**6**	6
	193	158

6. pension costs

The Group operates a defined contribution pension scheme in respect of its directors and employees. The scheme and its assets are held by independent managers. The pension charge represents contributions due from the Group and amounted to £103,716 (2012: £68,683).

7. directors' remuneration

	Salary £	Bonus £	Pension contribution £	Other benefits £	**2013 Total £**	2012 Total £
Executive directors						
J P Mervis	120,000	40,000	–	–	**160,000**	170,000
J A Warwick	120,000	25,000	–	–	**145,000**	150,000
T M Brown	20,000	25,000	1,000	1,084	**47,084**	53,924
B C Connor	150,000	550,000	–	15,468	**715,468**	762,554
Non-executive directors						
J D G Holme	20,000	10,000	–	–	**30,000**	32,000
	430,000	650,000	1,000	16,552	**1,097,552**	1,168,478

Two directors, J A Warwick and T M Brown, exercised share options during the year (2012: J P Mervis and B C Connor).

The aggregate gains made by the exercise of share options in the year was £276,190 (2012: £63,832).

8. finance costs

	2013 £	2012 £
Interest on late payment of corporation tax	**(10,929)**	–

9. finance income

	2013 £	2012 £
Bank interest	**89,955**	79,290

10. income tax expense

	2013 £	2012 £
UK corporation tax at 24% (2012: 26%)	**1,522,909**	3,025,907
Over-provision in prior year	**(40,120)**	(32,492)
Current tax expense	**1,482,789**	2,993,415
Deferred tax credit	**(187,054)**	(170,182)
	1,295,735	2,823,233

10. income tax expense (continued)

The tax for the year is higher than the standard rate of corporation tax in the UK of 24% (2012: 26%). The differences are explained below:

	2013	2012
	£	£
Profit on ordinary activities before taxation	**4,978,290**	7,933,254
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 24% (2012: 26%)	**1,194,790**	2,062,646
Effects of:		
Expenses not deductible for tax purposes	**72,050**	22,708
Depreciation (less than)/more than capital allowances	**(11,722)**	20,788
Impairment charge not deductible for tax purposes	**384,303**	1,075,760
Marginal rate relief and lower tax rate in other jurisdictions	**(11,748)**	(25,053)
Research and development relief	**(246,403)**	(236,485)
Over-provision in prior year	**(40,120)**	(32,492)
Other tax adjustments	**(45,415)**	(64,639)
	1,295,735	2,823,233

The Group has a carried forward loss for capital gains purposes amounting to £2,776,540 (2012: £2,776,540).

11. profit of Parent Company

	2013	2012
	£	£
Profit on ordinary activities after taxation	**9,025,624**	1,859,548

12. earnings per share

Basic earnings per share is calculated on the Group profit after tax for the financial year of £3,682,555 (2012: £5,110,021) and on 23,173,628 ordinary shares, being the weighted average number of shares in issue in the year (2012: 25,865,197). Diluted earnings per share is calculated on the Group profit for the financial year and on 23,401,480 ordinary shares, being the weighted average number of shares in issue during the year adjusted to take account of shares under option (2012: 26,113,614).

13. goodwill

Group	**£**
Cost	
At 1 April 2011	14,627,755
Additions	–
At 31 March 2012	14,627,755
Additions	–
At 31 March 2013	**14,627,755**
Impairment	
At 1 April 2011	5,513,322
Charge for year	4,137,539
At 31 March 2012	9,650,861
Charge for year	1,703,752
At 31 March 2013	**11,354,613**
Net book value	
At 31 March 2013	**3,273,142**
At 31 March 2012	4,976,894

Goodwill acquired through acquisition has been allocated to individual cash generating units ('CGUs') for impairment testing. These are independent income streams and represent the lowest level within the Group at which the associated goodwill is monitored for management purposes. The carrying value of goodwill is as follows:

	2013	2012
	£	£
Specialist electronics	**73,142**	73,142
Property information services	**2,000,000**	3,416,694
Packaging solutions	**1,200,000**	1,487,058
	3,273,142	4,976,894

Cumulative goodwill written off against reserves is £11,354,613 (2012: £9,650,861).

Goodwill written off during the year amounted to £1,416,694 (2012: £3,537,539) relating to the goodwill of the property information services business and £287,058 (2012: £600,000) relating to the packaging solutions business. In the case of property information services this reflects the fact that the level of housing transactions are unlikely to return to their previous levels for some considerable time and in the case of the packaging solutions business reflects the harsher climate for businesses in general.

Goodwill is reviewed annually or when other events or changes in circumstances indicate that the carrying amount may not be fully recoverable. The recoverable amount of a CGU is determined based on value in use calculations. These calculations use pre-tax cash flow projections based on financial budgets approved by management covering a five year period. Cash flows beyond this five year period are extrapolated using a growth rate of up to 2.25% which does not exceed the long term average growth for the United Kingdom. The key assumptions in these calculations are as follows:

- The achievement of budgeted operating profit over the next 5 years (2012: 5 years).
- A growth rate of up to 2.25% for the final 5 years (2012: 2.25%).
- The cash flows were discounted using a pre-tax discount rate of 5.0% (2012: 5.0%).

13. goodwill (continued)

Sensitivity analysis:
The value in use calculations in respect of the property information services division is dependent on the budgeted number of housing market property transactions being achieved. If a reasonable change in the level of housing market property transactions was realised, namely a fall of 7% from those budgeted, and all other variables remained stable the carrying value of the goodwill in relation to the property information services division would not be further impaired.

The budgeted operating profit over the next 5 years assumes that the number of housing transactions increase from the present level of 650,000 per annum. Each 100,000 increase in the level of housing transactions should benefit the operating profit by not less than £150,000.

The value in use calculations in respect of the packaging solutions division is dependent upon the budgeted sales being achieved. If a reasonable change in the level of sales was realised, namely a fall of 16% from those budgeted and all other variables remained stable the carrying value of the goodwill in relation to the packaging solutions division would not be further impaired.

14. other intangible assets

Group	Development costs £	Web design costs £	Total £
Cost			
At 1 April 2011	1,019,401	417,210	1,436,611
Additions	456,164	102,931	559,095
Disposals	(217,011)	(145,000)	(362,011)
At 31 March 2012	1,258,554	375,141	1,633,695
Additions	361,455	110,851	472,306
Disposals	(221,032)	(82,245)	(303,277)
At 31 March 2013	**1,398,977**	**403,747**	**1,802,724**
Amortisation			
At 1 April 2011	639,675	300,478	940,153
Charge for year	272,701	94,495	367,196
Disposals	(217,011)	(145,000)	(362,011)
At 31 March 2012	695,365	249,973	945,338
Charge for year	431,481	101,911	533,392
Disposals	(221,032)	(82,245)	(303,277)
At 31 March 2013	**905,814**	**269,639**	**1,175,453**
Net book value			
At 31 March 2013	**493,163**	**134,108**	**627,271**
At 31 March 2012	563,189	125,168	688,357

The components of other intangible assets are £493,163 in respect of development costs for the specialist electronics business segment and £134,108 in respect of web design costs for the property information services business segment. Other intangible assets are amortised on a straight line basis at 33.3% per annum. All other intangible assets are internally generated. In the consolidated income statement the amortisation charge is included within administrative expenses.

15. property, plant and equipment

Group	Freehold land and buildings £	Leasehold property £	Fixtures, fittings and equipment £	Motor vehicles £	Total £
Cost					
At 1 April 2011	190,474	86,724	1,243,845	241,898	1,762,941
Additions	–	899,962	1,027,217	125,368	2,052,547
Disposals	–	–	(2,590)	(132,228)	(134,818)
At 31 March 2012	190,474	986,686	2,268,472	235,038	3,680,670
Additions	–	116,713	66,541	104,475	287,729
Disposals	–	–	(10,790)	(88,714)	(99,504)
At 31 March 2013	**190,474**	**1,103,399**	**2,324,223**	**250,799**	**3,868,895**
Depreciation					
At 1 April 2011	27,411	47,347	705,825	78,991	859,574
Charge for year	4,071	529,016	707,217	62,812	1,303,116
Disposals	–	–	(1,970)	(61,070)	(63,040)
At 31 March 2012	31,482	576,363	1,411,072	80,733	2,099,650
Charge for year	4,071	495,736	848,936	69,220	1,417,963
Disposals	–	–	(10,403)	(49,829)	(60,232)
At 31 March 2013	**35,553**	**1,072,099**	**2,249,605**	**100,124**	**3,457,381**
Net book value					
At 31 March 2013	**154,921**	**31,300**	**74,618**	**150,675**	**411,514**
At 31 March 2012	158,992	410,323	857,400	154,305	1,581,020

Company	Leasehold property £	Fixtures, fittings and equipment £	Total £
Cost			
At 1 April 2011	59,052	35,656	94,708
Additions	–	847	847
At 31 March 2012	59,052	36,503	95,555
Additions	–	3,038	3,038
At 31 March 2013	**59,052**	**39,541**	**98,593**
Depreciation			
At 1 April 2011	19,676	33,410	53,086
Charge for year	4,038	2,341	6,379
At 31 March 2012	23,714	35,751	59,465
Charge for year	4,039	710	4,749
At 31 March 2013	**27,753**	**36,461**	**64,214**
Net book value			
At 31 March 2013	**31,299**	**3,080**	**34,379**
At 31 March 2012	35,338	752	36,090

16. investments in subsidiaries

Company	**£**
Cost	
At 1 April 2011	16,500,087
Disposals	–
At 31 March 2012	16,500,087
Disposals	–
At 31 March 2013	**16,500,087**
Provision for impairment in value	
At 1 April 2011	4,008,474
Impairment charge	4,137,539
At 31 March 2012	8,146,013
Impairment charge	1,703,752
At 31 March 2013	**9,849,765**
Net book value	
At 31 March 2013	**6,650,322**
At 31 March 2012	8,354,074

subsidiaries

	Number of shares	Total £
Audiotel International Limited	69,114	1,432,412
Rochdale Development Company Limited	357,500	1,442,816
PSG Franchising Limited	180	3,774,094
Ufford PCC Limited	1,000	1,000
Patersons Financial Services Limited	40,002	–
At 31 March 2013		**6,650,322**

17. subsidiary undertakings

The Company holds 100% of the share capital and voting rights of the following companies:

Name of subsidiary held directly	Nominal value of issued ordinary share capital £	Date acquired	Principal activity	Country of incorporation
Rochdale Development Company Limited	357,500	15 April 2004	Holding company	England
Audiotel International Limited	69,114	31 January 2003	Specialist electronics	England
PSG Franchising Limited	180	25 June 2004	Property information services	England
Patersons Financial Services Limited	40,002	1 January 2005	Insurance services	England
PSG Financial Services Limited	2	23 August 2005	Non-trading	England
Security Research International Limited	1	19 October 2011	Non-trading	England
PSG Solutions Limited	1	19 April 2005	Non-trading	England
Ufford PCC Limited	1,000	11 May 2005	Insurance services	Guernsey

Held indirectly				
Moore & Buckle (Flexible Packaging) Limited		15 April 2004	Flexible packaging	England
Audiotel (UK) Limited		31 January 2003	Non-trading	England
Security Research Limited		31 January 2003	Specialist electronics	England
PSG Yorkshire Limited		1 February 2006	Property information services	England
PSG Energy Limited		6 September 2007	Energy surveys	England
Chalenor Legal Services Limited		19 October 2009	Non-trading	England
Yorkshire Home Inspections Limited		19 October 2009	Non-trading	England

Moore & Buckle (Flexible Packaging) Limited is a wholly owned subsidiary of Rochdale Development Company Limited. Audiotel (UK) Limited and Security Research Limited are wholly owned subsidiaries of Audiotel International Limited. PSG Yorkshire Limited, PSG Energy Limited, Chalenor Legal Services Limited and Yorkshire Home Inspections Limited are wholly owned subsidiaries of PSG Franchising Limited.

18. inventories

Group	**2013** £	2012 £
Raw materials and consumables	**819,078**	832,907
Work in progress	**225,123**	363,308
Finished goods and goods for resale	**145,117**	116,420
	1,189,318	1,312,635

The cost of inventories recognised as an expense during the year was £8,704,788 (2012: £11,742,769).

19. trade and other receivables

Group	2013 £	2012 £
Trade receivables		
Current unimpaired	**2,266,292**	6,397,258
Overdue unimpaired	**198,074**	231,603
Less: allowance for doubtful debts	**(49,745)**	(63,621)
	148,329	167,982
Net trade receivables	**2,414,621**	6,565,240
Prepayments and accrued income	**227,198**	239,099
Other receivables	**79,583**	418,142
	2,721,402	7,222,481

The above debtors fall due within one year.

Current unimpaired trade receivables represent amounts due from customers that are not overdue in accordance with specific credit terms agreed with those customers.

The age profile of trade receivables that are past due but not impaired is as follows:

	2013 £	2012 £
Up to 60 days	**–**	15,640
Between 60 and 90 days	**45,543**	16,192
Between 90 and 120 days	**–**	123,084
Over 120 days	**102,786**	13,066
	148,329	167,982

The allowance for doubtful debts is based upon past default experience. Debts with customers in liquidation or receivership are fully provided against. The movement in the provision during the year was as follows:

	2013 £	2012 £
Balance at 1 April	**63,621**	92,907
Net amounts written back/(written off) in year	**12,060**	(47,042)
Income statement (credited)/charged in year	**(25,936)**	17,756
Balance at 31 March	**49,745**	63,621

Company	2013 £	2012 £
Amounts owed by group undertakings	**9,639**	–
Prepayments and accrued income	**34,163**	15,472
	43,802	15,472

The above debtors fall due within one year.

20. deferred tax asset/(liability)

Group	2013 £	2012 £
Movement		
At 1 April	**125,047**	(45,135)
Credit in year	**187,054**	170,182
At 31 March	**312,101**	125,047

Credit in year		
Capital allowances	**198,458**	155,466
Other timing differences	**(11,404)**	14,716
	187,054	170,182

The deferred tax asset is substantially in respect of capital allowances and is all in respect of the specialist electronics segment.

The Group holds losses for capital gains purposes amounting at 31 March 2013 to £2,776,540 (2012: £2,776,540). No deferred tax asset is recognised in respect of these capital losses.

21. trade and other payables

Group	2013 £	2012 £
Current		
Trade payables	**1,091,331**	4,534,776
Other payables	**44,187**	42,262
Other taxes and social security	**368,097**	1,543,499
Accruals and deferred income	**4,162,713**	5,050,615
	5,666,328	11,171,152

Company	2013 £	2012 £
Current		
Trade payables	**20,186**	255
Amounts owed to group undertakings	**349,808**	345,500
Other taxes and social security	**103,590**	95,161
Accruals and deferred income	**819,176**	407,441
	1,292,760	848,357

22. share capital

	2013 Number	2013 £	2012 Number	2012 £
Authorised				
Ordinary shares of 20p each	**35,000,000**	**7,000,000**	35,000,000	7,000,000
Allotted and called up				
Fully paid ordinary shares of 20p each	**19,426,324**	**3,885,265**	25,740,565	5,148,113

380,952 (2012: 1,338,888) ordinary shares of 20p each with an aggregate nominal value of £76,191 (2012: £267,778) were issued during the year on exercise of share options and 6,695,193 (2012: 1,505,980) ordinary shares of 20p each with an aggregate nominal value of £1,339,039 (2012: £301,196) were purchased during the year for a total consideration of £15,191,577 (2012: £3,083,155) and cancelled.

The directors received the following consideration in respect of their shares being purchased by the Company. J P Mervis sold 1,003,993 (2012: 237,562) ordinary shares, receiving consideration of £2,258,984 (2012: £475,124), J A Warwick sold 76,611 (2012: 8,733) ordinary shares receiving £172,374 (2012: £17,466), T M Brown sold 59,183 (2012: 4,456) ordinary shares receiving £133,162 (2012: £8,912), B C Connor sold 161,454 (2012: 27,777) ordinary shares receiving £363,272 (2012: £55,554) and J D G Holme sold 102,569 (2012: 23,641) ordinary shares receiving £230,780 (2012: £47,282).

23. share options

At 31 March 2013 share options were held by directors in respect of 460,160 (2012: 841,112) shares analysed as follows:

Name	1 April 2012	Exercised in year	31 March 2013	Option price per share	Exercisable
J A Warwick	350,000	(190,476)	159,524	50p	14/02/2008 - 14/02/2016
T M Brown	300,000	(190,476)	109,524	50p	14/02/2008 - 14/02/2016
T M Brown	30,000	–	30,000	72p	02/04/2009 - 02/04/2017
B C Connor	161,112	–	161,112	72p	02/04/2009 - 02/04/2017

Options in respect of 380,952 ordinary shares at a weighted average price of 50.0p were exercised during the year. No options were granted or lapsed during the year.

It is the Board's intention to keep the number of options outstanding at no more than 10% of the issued share capital.

share based payments

The options for directors were introduced in February 2006 and April 2007. Options are granted with a fixed exercise price equal to the market price of the shares under option at the date of grant. The contractual life of an option is 5 years or 8 years following the vesting period. There are no reload features. Exercise of an option is dependent on continued employment. Options were valued using the Black-Scholes option-pricing model. No performance conditions were included in the fair value calculations. The expected dividends factored into the model are £Nil. The fair value per option granted and the assumptions used in the calculation are as follows:

	Grant date 2 April 2007	Grant date 14 February 2006
Share price at grant date	72p	50p
Exercise price	72p	50p
Number of directors	2	2
Share options granted	330,000	1,278,572
Shares options remaining	191,112	269,048
Vesting period	2 years	2 years
Expected volatility	60%	60%
Option life (years)	10	10
Risk free rate	5.37%	4.44%
Fair value per option	26.2p	17.9p

23. share options (continued)

The expected volatility is based on historical volatility over the year preceding the grant of options. The risk free rate of return is the yield on zero-coupon UK government bonds issued consistent with the assumed option life. A reconciliation of option movements over the year to 31 March 2013 is shown below.

	2013	2012
	Number of shares	Number of shares
Outstanding at 1 April	**841,112**	2,180,000
Granted	**–**	–
	841,112	2,180,000
Exercised	**(380,952)**	(1,338,888)
Outstanding at 31 March	**460,160**	841,112
Exercisable at 31 March	**460,160**	841,112

The weighted average option price at 31 March 2013 was 59.1p (2012: 55.0p).

The weighted average share price at the date of exercise was 122.5p (2012: 57.3p).

The weighted average contract life of the options outstanding at 31 March 2013 was 40 months (2012: 49 months).

24. financial instruments

capital management

The Group finances its operations through retained earnings and the management of working capital.

financial risk management

The principal financial risks to which the Group is exposed relate to liquidity and credit. The policies and strategies for managing these risks are summarised as follows:

(a) liquidity risk

The Group actively maintains sufficient funds for operations and planned expansions.

(b) credit risk

Credit risk refers to the risk that a counterparty will default on contractual obligations resulting in a financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties as a means of mitigating financial risk from defaults. Nevertheless risk has increased due to the current economic circumstances.

The Group's principal financial assets are bank balances, cash and trade receivables. The Group has no significant concentration of credit risk with exposure spread over a large number of customers. Credit risk is managed by monitoring the aggregate amount and duration of exposure to any one customer depending upon their credit rating. The amounts presented in the statement of financial position are net of allowances for doubtful debts, estimated by the Group's management, based on prior experience and their assessment of the current economic environment. The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit rating agencies. The directors consider that the maximum exposure of the Group to credit risk to be the current assets of the Group excluding inventories.

24. financial instruments (continued)

At 31 March 2013 the Group had financial assets as follows:

	2013	2012
	£	£
Cash at bank	**5,397,860**	17,268,743

The rate of interest receivable on financial assets is variable.

fair values of financial assets

The fair value is an amount at which a financial instrument could be exchanged in an arms length transaction between informed and willing parties, other than a forced or liquidation sale and excludes accrued interest.

The fair value of cash deposits approximates to the carrying amount because of the short maturity of these instruments.

25. financial commitments

The Group leases various properties and other items under non-cancellable operating lease agreements. The total future minimum lease payments under non-cancellable operating leases are as follows:

	2013		2012	
	Land and buildings	**Other**	Land and buildings	Other
Group	**£**	**£**	£	£
Within one year	**214,416**	**5,526**	233,137	6,058
In the second to fifth year	**435,020**	**8,478**	499,500	12,301
After five years	**243,000**	**–**	351,000	–
	892,436	**14,004**	1,083,637	18,359

notice of annual general meeting

For 2013

Notice is given to all shareholders that the Annual General Meeting of Security Research Group plc ("the Company") for 2013 will be held at the offices of the Company, 133 Ebury Street, London SW1W 9QU on 29 August 2013 at 12 noon for the transaction of the following business. Resolutions 1 to 5 inclusive will be proposed as ordinary resolutions and resolutions 6 and 7 will be proposed as special resolutions:

ordinary business

1. To receive the Company's financial statements for the financial year ended 31 March 2013 together with the directors' report and the auditors' report on those financial statements.
2. To re-appoint J P Mervis as director of the Company, who retires under Article 93 at the Annual General Meeting.
3. To re-appoint J A Warwick as director of the Company, who retires under Article 93 at the Annual General Meeting.
4. To re-appoint Milsted Langdon LLP, Chartered Accountants and Registered Auditors, as auditors of the Company to hold office from the conclusion of the meeting to the conclusion of the next meeting at which the accounts are laid before the Company and to authorise the directors to determine the auditors' remuneration.

special business

5. That the directors be generally and unconditionally authorised, pursuant to Section 551 of the Companies Act 2006 ("the Act"), to allot relevant securities (as defined in that section) up to an aggregate nominal amount of £3,114,735 provided that:
   - 5.1 this authority shall expire 15 months from the date of this resolution or at the Company's next Annual General Meeting, if earlier; and
   - 5.2 that the Company may before such expiry make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the directors may allot relevant securities in pursuance of such an offer or agreement notwithstanding that the authority conferred hereby has expired and that this authority shall be in substitution of all previous authorities conferred upon the directors pursuant to the said Section 551.
6. That, subject to the passing of resolution 5 above, the directors be and they are hereby empowered pursuant to Section 570 of the Act to allot equity securities (as defined in Section 560 of the Act) of the Company for cash pursuant to the general authority granted in resolution 5 above as if Section 561(1) of the Act did not apply to any such allotment, provided that this power shall be limited to:
   - 6.1 the allotment of equity securities in connection with or pursuant to an offer by way of rights, open offer or other pre-emptive offer to the holders of ordinary shares and other persons entitled to participate therein in proportion to their respective holdings, subject to such exclusions or other arrangements as the directors may consider necessary or expedient to deal with fractional entitlements or legal or practical problems under the laws of any territory or the regulations or requirements of any regulatory authority or any stock exchange in any territory;
   - 6.2 the allotment (otherwise than pursuant to 6.1 above) of equity securities up to an aggregate nominal amount of £777,053 (being approximately 20% of the issued ordinary share capital of the Company);

   and such power shall expire 15 months from the date of this resolution or at the Company's next Annual General Meeting, if earlier, save that the Company may before such expiry make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the directors may allot equity securities in pursuance of any such offer or agreement notwithstanding that the power conferred by this resolution has expired.
7. That, subject to passing the above resolutions 5 and 6 above, the Company be generally and unconditionally authorised for the purpose of Section 701 of the Companies Act 2006 to make market purchases (within the meaning of Section 693(4) of the Companies Act 2006) of ordinary shares of 20p each in the capital of the Company ('Ordinary Shares') on such terms and in such manner as the directors of the Company may from time to time determine provided that:
   - 7.1 The maximum number of Ordinary Shares hereby authorised to be purchased is 7,770,529 (representing 40% of the Company's issued Ordinary Share capital);
   - 7.2 The amount paid for each such share shall not be more than 5% above the average of the middle market quotation for Ordinary Shares as derived from the AIM Appendix to the Daily Official List of the London Stock Exchange plc for the 10 Business Days immediately preceding the date on which the contract for purchase is made, and in any event not less than 20p per Ordinary Share; and
   - 7.3 The authority herein contained shall expire in 15 months or at the conclusion of the next Annual General Meeting if earlier provided that the Company may before such expiry make a contract for the purchase of Ordinary Shares under the authority which would or might be executed wholly or partly after the expiry of this authority and may make purchases of Ordinary Shares in pursuance of such contract as if the authority hereby conferred had not expired.

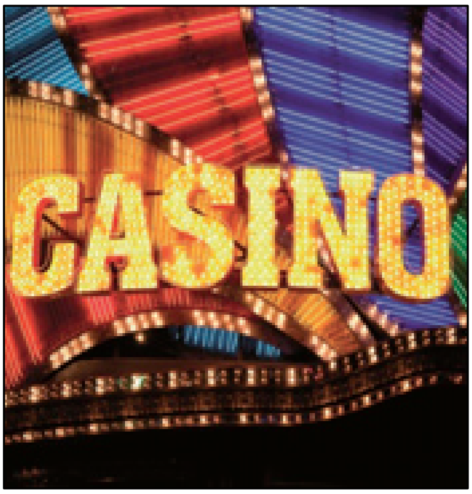
By order of the Board

John Warwick
Company Secretary
23 July 2013
133 Ebury Street
London
SW1W 9QU

Notes:

1. A member entitled to attend and vote at the meeting convened by the notice set out above may appoint a proxy to exercise all or any of his rights to attend, speak and vote instead of him. A proxy need not be a member of the Company. A member may appoint more than one proxy if each proxy is appointed to exercise the rights attaching to different shares held by the member. To appoint more than one proxy, please contact the Company's Registrars, Capita Registrars, The Registry, PXS, 34 Beckenham Road, Beckenham, BR3 4TU.
2. A form of proxy is provided. To be effective, the form of proxy must be received at the office of Capita Registrars, PXS, 34 Beckenham Road, Beckenham, BR3 4TU not less than 48 hours before the time fixed for the Annual General Meeting. Completion of the form of proxy does not preclude a member from subsequently attending and voting at the meeting in person if he or she so wishes.
3. The register of interests of the directors and their families in the share capital of the Company and copies of contracts of service of directors with the Company or with any of its subsidiary undertakings will be available for inspection at the registered office of the Company during normal business hours (Saturdays and public holidays excepted) from the date of this notice until the conclusion of the meeting.
4. In accordance with Regulation 41 of the Uncertificated Securities Regulations 2001, only those members entered on the Company's register of members not later than 48 hours before the date of the meeting, or, if the meeting is adjourned, shareholders entered on the Company's register of members not less than 48 hours before the time fixed for the adjourned meeting shall be entitled to attend and vote at the meeting.
5. As at 18 July 2013, the Company's issued share capital comprised 19,426,324 ordinary shares of 20p each. Each ordinary share carries the right to one vote at a general meeting of the Company.

UK made, trusted the world over



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The intelligence to protect