

LONDON & BOSTON

Investments plc

L&Bi



Report & Accounts 2004

directors, secretary and advisers

Directors

Stephen Anton Komlósy

John Joseph May FCA

Peter Leonard George Cotgrove FCA

Barry Edward Adams

Chairman & Chief Executive

Finance Director

Non-executive Director

Non-executive Director

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

Registered Office

Winchester House

Deane Gate Avenue

Taunton

Somerset TA1 2UH

Company Secretary

John Joseph May FCA

Nominated Adviser

Matrix Corporate Finance

9-10 Savile Row

London W1X 1AF

Solicitors to the Company

Wallace LLP

One Portland Place

London W1B 1PN

Broker

Keith, Bayley, Rogers & Co. Limited

Sophia House

76-80 City Road

London EC1 2EQ

Auditors

Milsted Langdon

Chartered Accountants

Winchester House

Deane Gate Avenue

Taunton

Somerset TA1 2UH

Principal Bankers

Investec Bank (UK) Limited

2 Gresham Street

London EC2V 7QP

Barclays Bank plc

Bristol Business Team

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chairman's statement

Overview of the period

In my interim statement at 30 September 2003, I re-iterated the determination of the Board to transform our company from "investment" status to that of a profitable holding company. I was able to point to the acquisition of Audiotel International Limited (Audiotel) in January 2003 as the first in our programme to seek out acquisitions, which would dramatically change the profitability of London & Boston Investments plc (L&BI) itself. The purpose of this policy is to create profits and the ability to pay dividends and so to alter the perception in the AIM market of our shares from majoring on capital growth to one backed by income generation and thereby to remove the deep discount in their quoted value.

In line with this strategy, we have now also acquired, on 15 April 2004, Rochdale Development Company Limited which owns Moore & Buckle (Flexible Packaging) Limited (M&B), a company that has built an enviable position in its niche business producing short line, bespoke packaging solutions to leading UK and multinational companies. M&B made a £774,622 net profit before tax, in the eleven months to 31 March 2004. Owing to the fact that we are unable to include these pre-acquisition profits in these current consolidated L&BI year-end accounts, they have no impact on Group profits. However, this acquisition together with Audiotel (which made a profit in the year to 31 March 2004 of £529,426 before management bonuses and management charges to L&BI) and possible further acquisitions will create significant future profitability for L&BI and it is the Board's intention that the ability of the Company to pay dividends to shareholders will be realised. The acquisition of M&B is a major step forward and, as a Group, we are now trading profitably.

Owing to the integration of Audiotel for a full year our turnover as a Group has risen from £292,713 to £3,027,352 and this will continue to increase as M&B is integrated.

Policy

With regard to our minority investments made under our original Cybertec investment concept, it remains our policy to operate as a hands-on investor, with the objective to enhance the value of these companies, but we are now focussed on facilitating our exit at a profit at the earliest possible date so that resources can be applied to our own subsidiaries and acquisitions. We are therefore concentrating on creating success for our subsidiaries and acquiring other profit makers and it is our medium term aim to profitably realize our minority investments when we consider that we have reached or created the point of maximum monetary advantage.

Minority holdings

Whilst we have had some notable success with our acquisitions our minority investments in other public companies have, I believe, reached their nadir, but again we have had to write off over £2m in these accounts £1,197,624 of this through the Profit and Loss Account. It is clear that these stock market reductions in value in our accounts continue to have a direct depressive affect on our own share price. In fact our plans for these investments are all bearing fruit in line with our development programmes for these companies and I expect to see only upward movements in their values from now on.

Year end results

I am disappointed that I am unable to point to a profitable result for the year. However, as a Group we are now trading profitably and there is every reason to believe that the Company, with its new profitable subsidiaries and the prospects for the companies in which we have invested, will make further progress in the current year. However, there is much to do to cement the sea-change in our profitability and this has our complete attention.

Accounting policy

I would like to clarify for shareholders the accounting conventions adopted by law in our accounts. As an "investment company" we are obliged to show reductions in the stock market values of our quoted investments below their original cost as "losses" through the Profit & Loss Account, even though we have not sold them and did not intend to sell them at the date of these accounts. In these accounts £1,197,624 is treated in this way and shown as a separate item "Exceptional administrative expenses" in our Profit & Loss Account.

In summary, I believe we have set in motion a further important part of our strategy and that we are now on the way to producing significant net profits.

In conclusion, I would like to welcome everyone who works in M&B to our Group and to particularly thank John May FCA, our Finance Director for his tireless enterprise throughout the year.

Stephen Komlósy

Chairman

2 June 2004

report of the directors

The directors present herewith their annual report and the audited financial statements for the year ended 31 March 2004.

Principal activities

The principal activities of the Group are those of investing in businesses, manufacture and sale of specialist electronic equipment.

Review of business

A report on the business of the Group is provided in the Chairman's report.

Future plans

Future plans for the Group are referred to in the Chairman's report.

Results

The Group's profit and loss account for the period is set out on page 9 of the financial statements.

Dividends

As there are no distributable reserves, dividends cannot be paid at present. A dividend is therefore not recommended.

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.

Directors and their interests

The directors of the Company during the financial period were:

S A Komlósy
J J May
P L G Cotgrove
B E Adams

In accordance with the Articles of Association B E Adams retires at the Annual General Meeting and, being eligible, offers himself for re-election. A Resolution for his re-election will be proposed at the Annual General Meeting.

The beneficial interests of the directors in the issued share capital of the Company, at the end of the period, are shown below:

	2004	2003
	2p Ordinary	2p Ordinary
S A Komlósy	4,519,545	4,269,545
J J May	250,000	–
P L G Cotgrove	–	–
B E Adams	363,636	363,636

Share warrants

Details of the directors' share warrants are set out in note 23 to the financial statements.

Contracts for directors' services and emoluments

Contracts for the provision of the services of directors or letters of appointment have been entered into with all the Directors or companies controlled by them and the principal terms are summarised below:

Director	Effective date of contract	Current annual remuneration £	Benefits in kind £	Position
S A Komlósy	25 January 2000	120,000	18,624	Chief Executive
J J May	25 January 2000	80,000	–	Finance Director
P L G Cotgrove	25 January 2002	15,000	–	Non-executive Director
B E Adams	25 January 2002	15,000	–	Non-executive Director

In addition, S A Komlósy and J J May are entitled to, as a bonus, 5% of the audited profit before tax of the Group in excess of £500,000, before taking into account the bonus. The annual fee payable is subject to periodic review (and in any event annually) by the Remuneration Committee of the Board to reflect the Group's performance.

Additional amounts are to be paid, from time to time, to S A Komlósy based on 75% of the amount which is received as directors' fees, from certain companies, being Energy Technique plc and Harrell Hospitality Group Inc., in which London & Boston Investments plc has made an investment and S A Komlósy has been offered the said fees. Such amounts are payable when received by London & Boston Investments plc. If such fees cease to be paid by the investee companies no such payments will be made to S A Komlósy by London & Boston Investments plc. In the event that there are share options, which become available to S A Komlósy in his role as a director on the Board of these investee companies, such options shall be to the credit of London & Boston Investments plc. S A Komlósy will, however, receive 50% of any realised gain on the sale of the options or the sale of the shares that are the subject of such options. This consideration may be taken by S A Komlósy in stock of London & Boston Investments plc at the then current market value.

Substantial shareholders

As at 1 June 2004 the Company's register of shareholders showed the following interests in 3% or more of the Company's shares:

	2p Ordinary shares	%
Southwind Limited	14,181,880	16.64
Willbro Nominees Limited	8,513,000	9.99
Rondene Investments Inc	6,000,000	7.04
Frank Nominees Limited	5,650,000	6.63
B J Lister	4,032,000	4.73
Directors' shareholdings:		
S A Komlósy	4,519,545	5.30
B E Adams	363,636	0.43
J J May	250,000	0.29

report of the directors

continued

Donations

During the period the company donated £6,750 (2003: £1,350) to charities.

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 company's creditor payment days as at 31 March 2004 for trade creditors were 43 days. (2003: 16 days)

Post balance sheet events

Post balance sheet events are detailed in note 30 to the financial statements.

Directors' responsibilities

Company law requires directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and Group and of the profit or loss of the Group for that year. In preparing those financial statements, directors are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and estimates that are reasonable and prudent;
- State whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- Prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Group will continue in business.

Directors are responsible for maintaining proper accounting records which 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 1985. 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 are responsible for ensuring that the directors' report and other information included in the annual report is prepared in accordance with company law in the United Kingdom.

The maintenance and integrity of the Group's websites is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and accordingly the auditors accept no responsibility for any changes that may have occurred to the information contained in the financial statements since they were initially presented, on the website. Legislation in the United Kingdom governing the preparation and dissemination of the financial statements and other information included within the annual reports may differ from legislation in other jurisdictions.

Auditors

In accordance with Section 385 of the Companies Act 1985, a resolution proposing that Milsted Langdon be re-appointed as auditors of the Company will be put to the Annual General Meeting.

By order of the Board

J J May

Secretary

2 June 2004

corporate governance

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 Combined 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.

The Audit Committee

The Audit Committee is chaired by J J May FCA, with its other members being P L G Cotgrove FCA and B E Adams. 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 Company including reviews of the annual and interim financial statements, announcements, internal control procedures and accounting policies.

The Remuneration Committee

The Remuneration Committee, which is chaired by J J May 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. P L G Cotgrove FCA and B E Adams are members of the committee. The Board reviews the level of fees paid to non-executive directors in conjunction with the special conflicts committee. The latter chaired alternately by S A Komlósý and J J May FCA, has been established to consider all transactions that might give rise to a conflict in interest between any of the company, the directors and the companies in which the company has invested.

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.

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 shareholders of the company

We have audited the financial statements of London & Boston Investments plc for the year ended 31 March 2004 which comprise the Group Profit & Loss Account, the Group Statement of Recognised Gains and Losses, the Group Balance Sheet, the Company Balance Sheet, the Group Cash Flow Statement and the related notes. These financial statements have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets and the accounting policies set out therein.

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

Respective responsibilities of directors and auditors

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

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

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

We are not required to consider whether the board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Group's corporate governance procedures or its risk and control procedures.

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

Basis of opinion

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

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

Opinion

In our opinion the financial statements give a true and fair view of the state of the affairs of the Company and the Group as at 31 March 2004 and of the loss of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Milsted Langdon

Chartered Accountants and Registered Auditors
TAUNTON

7 June 2004

group profit and loss account

for the year ended 31 March 2004

	Notes	£	2004 £	£	2003 £
Turnover					
Continuing operations	2	3,027,352		292,713	
Acquisitions		-		753,380	
		3,027,352		1,046,093	
Discontinued operations		-		660,328	
			3,027,352		1,706,421
Cost of sales	3		(968,766)		(877,157)
Gross profit					
Administrative expenses	3		(2,311,517)		(1,128,444)
Exceptional administrative expenses	4		(1,197,624)		(847,071)
Operating loss					
Continuing operations	5	(1,450,555)		(1,175,970)	
Acquisitions		-		61,226	
		(1,450,555)		(1,114,744)	
Discontinued operations		-		(31,507)	
			(1,450,555)		(1,146,251)
Profit on sale of discontinued operations			-		29,637
Interest payable	8		(49,463)		(13,491)
Interest receivable	9		29,873		30,433
Interest from other fixed asset investments			-		12
Loss on ordinary activities before taxation					
Taxation	10		40,212		-
Loss on ordinary activities after taxation					
Minority interests			-		28,531
Retained loss for the year					
	25		(1,429,933)		(1,071,129)
Basic loss per share					
	12		(1.678)p		(1.337)p

The notes on pages 15 to 37 form part of these financial statements.

group statement of total recognised gains and losses

for the year ended 31 March 2004

	2004	2003
	£	£
Loss for the period	(1,429,933)	(1,071,129)
Unrealised increase on valuation of investments	135	1,050,399
Unrealised decrease on valuation of investments	(1,118,150)	(2,170,504)
	(2,547,948)	(2,191,234)

The notes on pages 15 to 37 form part of these financial statements.

group balance sheet

at 31 March 2004

	Notes	£	2004 £	£	2003 £
Fixed assets					
Intangible assets	13		73,137		114,783
Tangible assets	14		304,020		266,568
Investments	15		1,798,609		4,154,668
			2,175,766		4,536,019
Current assets					
Stocks	17	518,114		404,485	
Debtors	18	2,736,663		1,404,649	
Cash at bank and in hand		305,837		962,235	
		3,560,614		2,771,369	
Creditors: amounts falling due within one year	20	(1,492,875)		(1,351,545)	
Net current assets			2,067,739		1,419,824
Total assets less current liabilities			4,243,505		5,955,843
Creditors: amounts falling due after more than one year	21		(1,696,080)		(860,470)
Net assets			2,547,425		5,095,373
Represented by:					
Capital and reserves					
Called up share capital	22		1,704,267		1,704,267
Share premium account	24		4,334,490		4,334,490
Revaluation reserve	24		252,215		1,370,230
Profit and loss account	24		(3,743,547)		(2,313,614)
Shareholders' funds	25		2,547,425		5,095,373

Approved by the Board on 2 June 2004

Stephen A Komlósy

Director

John J May

Director

The notes on pages 15 to 37 form part of these financial statements.

company balance sheet

at 31 March 2004

	Notes	£	2004 £	£	2003 £
Fixed assets					
Tangible assets	14		53,697		48,741
Investments	15		3,210,014		5,566,073
			3,263,711		5,614,814
Current assets					
Debtors	18	2,605,849		1,207,331	
Cash at bank and in hand		27,955		400,791	
		2,633,804		1,608,122	
Creditors: amounts falling due within one year	20	(684,407)		(347,230)	
Net current assets			1,949,397		1,260,892
Total assets less current liabilities			5,213,108		6,875,706
Creditors: amounts falling due after more than one year	21		(2,655,761)		(1,753,599)
Net assets			2,557,347		5,122,107
Represented by:					
Capital and reserves					
Called up share capital	22		1,704,267		1,704,267
Share premium account	24		4,334,490		4,334,490
Revaluation reserve	24		252,215		1,370,230
Profit and loss account	24		(3,733,625)		(2,286,880)
Shareholders' funds	25		2,557,347		5,122,107

Approved by the Board on 2 June 2004

Stephen A Komlósy

Director

John J May

Director

The notes on pages 15 to 37 form part of these financial statements.

group cash flow statement

for the year ended 31 March 2004

	Notes	£	2004 £	£	2003 £
Net cash (outflow)/inflow from operating activities	(i)		(1,755,610)		982,207
Returns on investments and servicing of finance					
Bank interest received		29,873		30,433	
Dividends received		-		12	
Bank interest paid		(38,877)		(7,004)	
Interest element of finance lease payments		(10,586)		(4,463)	
			(19,590)		18,978
Taxation					
Corporation tax paid			(132,816)		-
Capital expenditure and financial investment					
Payments to acquire tangible assets		(54,391)		(47,505)	
Receipts on disposal of tangible assets		7,500		36,236	
Payments to acquire investments		(16,091)		(20,347)	
Receipts on disposal of investments		157,202		-	
			94,220		(31,616)
Acquisitions and disposals					
Payments to acquire subsidiary undertaking		-		(1,326,430)	
Cash acquired in subsidiary undertakings		-		339,400	
Received on disposal of subsidiary undertaking		-		116,401	
Cash disposed of with subsidiary undertakings		-		(2,528)	
			-		(873,157)
Net cash (outflow)/inflow before financing			(1,813,796)		96,412
Financing					
Issue of share capital		-		154,050	
Capital element of finance lease contracts		(80,582)		(38,390)	
Increase in borrowings		1,300,000		388,475	
Bank loan repaid		(24,551)		-	
			1,194,867		504,135
(Decrease)/increase in cash for the period			(618,929)		600,547
Reconciliation of net cash flow to movement in net (debt)/funds					
(Decrease)/increase in cash for the year			(618,929)		600,547
New finance leases			(113,286)		(28,757)
Movement in bank loans			(1,275,449)		(388,475)
Decrease in finance leases			80,582		38,390
Finance leases acquired with subsidiary			-		(70,500)
Movement in net (debt)/funds			(1,927,082)		151,205
Net funds at 1 April 2003	(ii)		187,509		36,304
Net (debt)/funds at 31 March 2004	(ii)		(1,739,573)		187,509

The notes on pages 15 to 37 form part of these financial statements.

notes to the group cash flow statement

for the year ended 31 March 2004

(i) Reconciliation of operating loss to net cash (outflow)/inflow from operating activities

	2004 £	2003 £
Operating loss	(1,450,555)	(1,146,251)
Depreciation	130,225	23,854
(Profit)/loss on disposal of tangible fixed assets	(7,500)	421
Impairment in the value of investments	1,071,379	643,348
Loss on disposal of investments	25,552	–
Brokerage income received in shares	–	(20,000)
Amortisation of goodwill	3,883	965
(Increase)/decrease in debtors	(1,317,690)	658,111
(Decrease)/increase in creditors	(97,275)	319,421
(Increase)/decrease in work in progress	(113,629)	502,338
Net cash (outflow)/inflow from operating activities	<u>(1,755,610)</u>	<u>982,207</u>

(ii) Analysis of net (debt)/funds

	At 1 April 2003 £	Cash flow £	Other changes £	At 31 March 2004 £
Cash at bank and in hand	962,235	(656,398)	–	305,837
Bank overdraft	(37,469)	37,469	–	–
Net cash flow	924,766	(618,929)		305,837
Debt due within one year	–	–	(298,853)	(298,853)
Debt due after one year	(650,000)	(1,275,449)	298,853	(1,626,596)
Finance lease	(87,257)	80,582	(113,286)	(119,961)
	<u>187,509</u>	<u>(1,813,796)</u>	<u>(113,286)</u>	<u>(1,739,573)</u>

The notes on pages 15 to 37 form part of these financial statements.

notes to the financial statements

at 31 March 2004

1. Accounting policies

The financial statements have been prepared under the historical cost convention as modified to include the revaluation of certain investments and in accordance with applicable accounting standards in the United Kingdom.

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 230 of the Companies Act 1985 the Company is exempt from the requirement to present its own profit and loss account.

b) Turnover

Turnover represents amounts charged in respect of consultancy services, rents receivable and amounts recoverable on contracts. Turnover excludes VAT and discount and intra-Group transactions.

c) Depreciation

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:

Motor vehicles	20% straight line
Fixtures, fittings and equipment	15% straight line
Computer equipment	33.3% straight line
Leasehold property	Straight line over the life of the lease

d) Investments

Investments held as fixed assets are stated at market value at the balance sheet date and are stated at mid market price as quoted on the relevant stock market or matched bargain facility. Where the directors consider that the market for an investment is not liquid, or that price fluctuations within the market deem the current market value inappropriate, the investment is listed at the mid market price with an appropriate adjustment to reflect these perceptions.

The aggregate surplus arising on the revaluation of an investment where there is a facility for the disposal of shares is transferred to the revaluation reserve. Any deficit arising on revaluation which is deemed to represent an impairment in value is charged to the profit and loss account unless it related to an investment whose value had been increased in a previous period in which case the deficit is netted off against that investment's revaluation reserve before any excess is charged to the profit and loss account.

Any realised gain or loss resulting from the disposal of an investment is recognised in the profit and loss account after charging the amount of any revaluation previously shown in the revaluation reserve.

Investments in subsidiary companies are valued at cost less provision for diminution in value.

e) Goodwill

Purchased goodwill has been amortised over its useful economic life of 20 years in accordance with FRS 10.

f) Mortgage loans to customers

Mortgage loans to customers, relating to the activities of 1st Mortgage Company Limited, a subsidiary undertaking, are recorded within current assets, as debtors.

notes to the financial statements

continued

1. Accounting Policies *(continued)*

g) Financial instruments

Financial instruments are accounted for and classified as equity or non-equity share capital and debt according to their form.

h) Leasing

Assets obtained under hire purchase contracts and finance leases are capitalised as tangible assets and depreciated over the shorter of the lease term and their useful lives. Obligations under such agreements are included in creditors net of the finance charge allocated to future periods. The finance element of the rental payment is charged to the profit and loss account so as to produce constant periodic rates of charge on the net obligations outstanding in each period.

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

i) Foreign currency transactions

Transactions in foreign currencies are recorded at the rate of exchange prevailing at the transaction date.

j) 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.

Deferred tax assets are recognised to the extent that they are recoverable. No provision is made for deferred tax on the unrealised appreciation of investments.

The deferred tax balance has not been discounted.

k) Liquid resources

Liquid resources are defined as short term bank deposits and cash in hand.

l) Research and development

Research and development expenditure is written off to the profit and loss account in the year in which it is incurred.

m) Stock and work in progress

Stock and work in progress are stated at the lower of cost and net realisable value. Cost includes all direct costs incurred in bringing the stocks to their present location and condition, including where appropriate, a proportion of manufacturing overheads.

2. Segmental analysis

Business analysis

	2004			2003		
	Turnover	Operating profit/(loss)	Net operating assets	Turnover	Operating profit/(loss)	Net operating assets
	£	£	£	£	£	£
Property management	-	-	72,844	651,335	10,067	76,151
Mortgage provision	756	(124,496)	396,854	79,126	52,300	543,363
Specialist electronics	2,934,092	98,775	862,593	720,966	60,730	564,690
Investment management	92,504	964	-	254,994	-	-
Other	-	-	2,954,710	-	-	3,686,191
Before exceptional items	-	(354,419)	-	-	(422,277)	-
Exceptional items	-	(1,071,379)	-	-	(847,071)	-
	3,027,352	(1,450,555)	4,287,001	1,706,421	(1,146,251)	4,870,395
Interest bearing assets			305,837			962,235
Interest bearing liabilities			(2,045,413)			(737,257)
Net assets			2,547,425			5,095,373

Turnover by geographical destination

In the opinion of the directors', it would be seriously prejudicial to the interests of the Group to disclose turnover by geographical segment.

3. Cost of sales and administrative expenses

	2004	Continuing	Discontinued	2003
	Total	activities	Acquisitions	Total
	£	£	£	£
Cost of sales	968,766	-	267,807	877,157
Administrative expenses				
Non exceptional	2,311,517	621,612	424,347	1,128,444
Exceptional	1,197,624	847,071	-	847,071

All activities in 2004 were continuing.

notes to the financial statements

continued

4. Exceptional charges/(credits)

	2004 £	2003 £
Investment write downs		
Avatar Systems Inc.	659,180	214,536
Croma Group plc	45,085	146,610
Harrell Hospitality Group Inc.	395,405	–
Merchant House Group plc	12,740	176,117
Merchant Kapital Holding A/S	–	46,635
Netcentric Systems plc	–	171,515
New Opportunities Investment Trust plc	–	242,000
Write back of provision for investment write down no longer required		
Harrell Hospitality Group Inc.	–	(354,065)
Netcentric Systems plc	(41,031)	–
Other		
AIM listing costs	–	203,723
Loss on foreclosure of mortgage	126,245	–
	1,197,624	847,071

The Group accounting policy for investments is to state them at mid market price at the balance sheet date less any reduction deemed necessary by the directors to reflect their perception of the investments value. Where this reduces the value of the investment below its cost, the deficit is reflected as a charge to the profit and loss account. This represents the movement in market value of the investments below cost at 31 March 2004.

There is no tax effect of the above investment write downs.

5. Operating loss

	2004 £	2003 £
Operating loss is stated after charging/(crediting):		
Auditors' remuneration – audit	31,366	26,733
– other services	41,441	60,888
Depreciation	130,225	23,854
(Profit)/loss on disposal of fixed assets	(7,500)	421
Loss on disposal of investment	25,552	–
Loss on exchange differences	322	–
Operating lease rentals:		
– Plant & machinery	7,684	540
– Other assets	64,175	23,749
Exceptional charges – note 4	1,197,624	847,071
Amortisation of goodwill	3,883	965
Research and development	26,079	3,523

Remuneration of the Group's auditors for provision of non audit services includes accountancy, taxation and other advice. The other services provided do not give rise to a self review threat to independence.

The auditors' remuneration for audit services includes £12,000 (2003: £2,780) attributable to the audit of Audiotel International Limited, a sub-subsidiary of London & Boston Investments plc which is not audited by the Group's principal auditors.

6. Staff costs

	2004 £	2003 £
Staff costs are made up as follows:		
Wages and salaries	1,011,044	275,420
Social security costs	107,103	27,842
	1,118,147	303,262

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

	Number	Number
Management	4	5
Administration	6	2
Production	14	3
Research & development	8	2
Sales & marketing	9	2
	41	14

At 31 March 2004 the number of persons employed by the Group was 41 (2003: 43).

7. Directors' Remuneration

	Salaries £	Consultancy £	Fees paid to third parties £	Benefits £	Compensation for loss of office £	2004 Total £	2003 Total £
Executive directors							
S A Komlósy	60,000	–	70,000	18,624	–	148,624	137,574
J J May	4,800	85,000	–	–	–	89,800	61,800
Non executive directors							
P L G Cotgrove	–	–	15,000	–	–	15,000	15,000
B E Adams	–	–	15,000	–	–	15,000	15,000
Former directors							
G G Dart	–	–	–	–	15,000	15,000	52,593
	64,800	85,000	100,000	18,624	15,000	283,424	281,967

No directors received any remuneration relating to pension contributions.

notes to the financial statements

continued

8. Interest payable

	2004 £	2003 £
Interest payable on bank loans and overdrafts	38,877	8,688
Hire purchase interest	10,586	2,779
Interest on overdue tax	-	2,024
	<u>49,463</u>	<u>13,491</u>
Loan interest included in cost of sales	<u>-</u>	<u>6,906</u>

9. Interest receivable

	2004 £	2003 £
Bank interest	29,849	20,198
Other interest	24	10,235
	<u>29,873</u>	<u>30,433</u>

10. Taxation

	2004 £	2003 £
UK corporation tax at 30% (2003: 30%)	-	-
Overprovision in prior year	(25,889)	-
Loss relief against prior year profits	(12,362)	-
Current tax credit	<u>(38,251)</u>	-
Deferred tax credit	<u>(1,961)</u>	-
	<u>(40,212)</u>	-

The tax for the period is higher than the standard rate of corporation tax in the UK (30%).
The differences are explained below:

Loss on ordinary activities before taxation	<u>(1,470,145)</u>	<u>(1,099,660)</u>
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10. Taxation (continued)

	2004 £	2003 £
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2003: 30%)	(441,044)	(329,898)
Effects of:		
Expenses not deductible for tax purposes	335,603	217,954
Depreciation in excess of capital allowances	2,295	(2,486)
Losses carried forward	138,625	116,911
Tax losses utilised in current year	(12,362)	(2,481)
Tax losses carried back	12,362	–
Overprovision in prior year	(25,889)	–
Other tax adjustments	(47,841)	–
	(38,251)	–

The Company has a carried forward loss for capital gains purposes amounting to £2,292,054 and excess management charges to carry forward of £1,089,222.

11. Loss of parent company

	2004 £	2003 £
Loss on ordinary activities after taxation	1,446,745	967,301

12. Loss per share

The calculation of basic loss per Ordinary share is based on the Group loss of £1,429,933 (2003: loss of £1,071,129) and the weighted average number of shares in issue during the period of 85,213,370 (2003: 80,092,737). Share options and warrants do not have a dilutive effect.

13. Intangible fixed assets

Goodwill

Group:

£

Cost

At 31 March 2003	115,748
Reduction to cost	(37,763)

At 31 March 2004

77,985

Amortisation

At 31 March 2003	965
Charge for year	3,883

At 31 March 2004

4,848

Net book value

At 31 March 2003	114,783
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At 31 March 2004

73,137

Cumulative goodwill written off against reserves is £4,848 (2003: £965).

notes to the financial statements

continued

14. Tangible fixed assets

Group:	Leasehold property £	Computer equipment £	Fixtures fittings and equipment £	Motor vehicles £	Total £
Cost					
At 1 April 2003	75,724	12,350	129,823	72,616	290,513
Additions	–	75,924	91,753	–	167,677
Disposals	–	–	–	(18,700)	(18,700)
At 31 March 2004	75,724	88,274	221,576	53,916	439,490
Depreciation					
At 1 April 2003	4,168	3,758	10,538	5,481	23,945
Disposals	–	–	–	(18,700)	(18,700)
Charge for year	4,168	29,426	68,145	28,486	130,225
At 31 March 2004	8,336	33,184	78,683	15,267	135,470
Net book values					
At 31 March 2003	71,556	8,592	119,285	67,135	266,568
At 31 March 2004	67,388	55,090	142,893	38,649	304,020
Company:					
		Computer equipment £	Fixtures fittings and equipment £	Motor vehicles £	Total £
Cost					
At 1 April 2003		12,350	11,825	33,820	57,995
Additions		19,612	702	–	20,314
At 31 March 2004		31,962	12,527	33,820	78,309
Depreciation					
At 1 April 2003		3,758	2,114	3,382	9,254
Charge for year		7,814	1,460	6,084	15,358
At 31 March 2004		11,572	3,574	9,466	24,612
Net book values					
At 31 March 2003		8,592	9,711	30,438	48,741
At 31 March 2004		20,390	8,953	24,354	53,697

14. Tangible fixed assets (continued)

Included in the above are assets held under finance leases or hire purchase contracts as follows:

Group:	2004		2003	
	Net book value £	Depreciation charge £	Net book value £	Depreciation charge £
Motor vehicles	38,650	28,485	67,135	15,979
Fixtures fittings and equipment	108,303	31,518	30,853	13,280
	146,953	60,003	97,988	29,259
Company:	£	£	£	£
Motor vehicles	24,354	6,084	30,438	3,382
Fixtures fittings and equipment	–	–	–	–
	24,354	6,084	30,438	3,382

15. Fixed asset investments

Group:	Listed investments £	Unlisted investments £	Other investments £	Total £
Cost/valuation				
At 1 April 2003	2,051,716	3,398,989	68,088	5,518,793
Additions	–	16,091	–	16,091
Disposals	(424,754)	–	–	(424,754)
Revaluations	(934,413)	(183,602)	–	(1,118,015)
At 31 March 2004	692,549	3,231,478	68,088	3,992,115
Provision for reduction in value				
At 1 April 2003	242,000	1,054,037	68,088	1,364,125
Provision for year	(242,000)	1,071,381	–	829,381
At 31 March 2004	–	2,125,418	68,088	2,193,506
Net book values				
At 31 March 2003	1,809,716	2,344,952	–	4,154,668
At 31 March 2004	692,549	1,106,060	–	1,798,609

notes to the financial statements

continued

15. Fixed asset investments (continued)

Company:		2004 £	2003 £
Subsidiaries	i)	1,411,410	1,411,410
Other fixed asset investments	ii)	1,798,604	4,154,663
		3,210,014	5,566,073

i) Subsidiaries

Cost:	Shares £	Total £
Albion Plaza Limited	2	2
1st Mortgage Company Limited	1,411,407	1,411,407
L & B I Holding Limited	1	1
At 31 March 2003 and 31 March 2004	1,411,410	1,411,410

ii) Investments:

Other fixed assets

* Name	Shares held	% holding	Average cost per share £	Cost £	Valuation 31 March 2004 £
Listed investments					
1 Energy Technique plc (a)	13,485,160	18.45	0.032	440,334	692,258
2 Friends Provident plc	200	–	–	–	291
Total listed investments				440,334	692,549
Unlisted investments – NASD OTC Bulletin Board					
3 Avatar Systems Inc.	1,665,502	19.15	0.672	1,118,763	244,394
4 Harrell Hospitality Group Inc.	1,424,767	10.91	0.449	639,320	243,913
				1,758,083	488,307
Unlisted investments – AIM					
5 Netcentric Systems plc	68,386,092	48.94	0.007	465,449	287,222
6 Merchant House Group plc	1,698,640	12.77	0.371	630,200	178,357
7 Croma Group plc	2,454,342	4.76	0.152	353,221	152,169
				1,448,870	617,748
Unlisted investment – Private					
Audiotel (UK) Limited	5	100.00	1.000	5	5
Unlisted investments – Other					
Merchant Kapital Investments A/S	300,000	50.00	0.084	25,182	–
Total unlisted investments				3,232,140	1,106,060
Other investments					
Merchant Kapital Investments A/S loan				68,088	–

* note reference overleaf.

(a) Relisted on the Alternative Investment Market on 30 April 2004.

15. Fixed asset investments *(continued)*

Investment details:

Investment market values are quoted at the mid price value quoted on the following Stock Exchange and matched bargain facilities unless stated otherwise below:

- 1 Energy Technique plc is listed on the London Stock Exchange. On 31 March 2004 the mid price quoted was 5 pence.

Stephen Komlósy, a director of the Company, holds an option, in trust for the Company, to acquire a further 4% of the nominal issued share capital of Energy Technique plc at a price of 3p. Any value that may be attributable to these options has not been included in the financial statements.

- 2 Friends Provident plc is listed on the London Stock Exchange. On 31 March 2004 the mid price quoted was 145.25 pence.

- 3 Avatar Systems Inc. is listed on NASD OTC Bulletin Board, a matched bargain facility. On 31 March 2004 the average price quoted was \$0.30 per share. The directors have considered the value of Avatar Systems Inc. shares and have made a reduction of 10% from this price to reflect the illiquidity of the market in the company's shares. The exchange rate of \$1.84 to £1 as at 31 March 2004 has been used.

The Company holds the option to acquire a further 1,000,000 shares in Avatar Systems Inc. at a price of \$1.00. The options lapse on 10 July 2005. Any value that may be attributable to these options has not been included in the financial statements. Since the balance sheet date these options have been exchanged for 50,000 further ordinary shares.

- 4 Harrell Hospitality Group Inc. is listed on NASD OTC Bulletin Board, a matched bargain facility. On 31 March 2004 the average price quoted was \$0.35. The directors have considered the value of Harrell Hospitality Group Inc. shares and have made a reduction of 10% from this price to reflect the illiquidity of the market in the company's shares. The exchange rate of \$1.84 to £1 as at 31 March 2004 has been used.

Stephen Komlósy, a director of the Company, holds an option, in trust for the Company, to acquire a further 250,000 shares of Harrell Hospitality Group Inc. at a price of \$1.25. Any value that may be attributable to these options has not been included in the financial statements.

- 5 Netcentric Systems plc is listed on AIM. On 31 March 2004 the mid price quoted was 0.42 pence.

- 6 Merchant House Group plc is listed on AIM. On 31 March 2004 the mid price quoted was 10.5 pence.

- 7 Croma Group plc is listed on AIM. On 31 March 2004 the mid price quoted was 6 pence.

- 8 The Company holds 300,000 shares, equating to 50% of the issued share capital of Merchant Kapital Holding A/S, an unlisted company, incorporated in Denmark. Each share has a nominal value of DKK 1. The directors have placed a value on this investment of £Nil which reflects a provision on the cost of shares and loan made of 100%.

The directors view the company's activities as those of an investment holding company. Therefore under FRS 9 all investments have been included in the same way at market value. For this reason, even in cases where significant influence is held over a company in which the company has invested, the investments are not treated as associates.

notes to the financial statements

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15. Fixed asset investments (continued)

Current investment quoted mid price on 1 June 2004

Investment	Exchange/ facility	Quoted mid-price (pence)
Energy Technique plc	AIM	4.25
Friends Provident plc	LSE	136.21
Avatar Systems Inc.	NASD OTCBB	19.90
Harrell Hospitality Group Inc.	NASD OTCBB	19.10
Netcentric Systems plc	AIM	0.44
Merchant House Group plc	AIM	9.50
Croma Group plc	AIM	5.50

16. Subsidiary undertakings

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

Name of subsidiary	Nominal value of issued ordinary capital £	Date acquired	Principal activity	Country of incorporation
Held directly				
Albion Plaza Limited	2	21 February 2000	Property development	England
1st Mortgage Company Limited	1,600,000	19 December 2001	Mortgage provider	British Virgin Isles
L & B I Holding Limited	1	31 January 2003	Holding company	England
Held indirectly				
Audiotel International Limited		31 January 2003	Electronics	England
Audiotel (UK) Limited		31 January 2003	Dormant	England

Albion Plaza Limited, 1st Mortgage Company Limited and L & B I Holding Limited, are wholly owned subsidiaries of the Company. Audiotel International Limited is a wholly owned subsidiary of L & B I Holding Limited. Audiotel (UK) Limited is a wholly owned subsidiary of Audiotel International Limited.

17. Stock

Group:	2004 £	2003 £
Raw materials and consumables	219,508	180,129
Work in progress	175,704	127,995
Finished goods and goods for resale	122,902	96,361
	518,114	404,485

18. Debtors

Group:	2004	2003
	£	£
Trade debtors	531,951	264,553
VAT recoverable	11,215	1,423
Deferred tax asset	13,674	11,713
Prepayments and accrued income	405,049	283,761
Other debtors	1,508,473	26,039
Loans to associated undertakings	-	231,797
Loans to customers (1st Mortgage Limited)	266,301	585,363
	2,736,663	1,404,649

Included within prepayments is an amount totalling £232,992 (2003: £232,557) relating to monies held by the bankers under a deposit agreement in respect of foreign guarantees.

Company:	2004	2003
	£	£
Trade debtors	42,452	41,032
VAT recoverable	11,215	1,423
Prepayments and accrued income	126,276	13,690
Other debtors	1,303,294	9,784
Loan to subsidiary undertakings	1,122,612	909,605
Loan to associated undertakings	-	231,797
	2,605,849	1,207,331

The above debtors without exception fall due within one year.

19. Deferred tax

	2004	2003
	£	£
Balance at 1 April 2003	11,713	-
Acquired with subsidiary	-	11,713
Profit and loss account	1,961	-
Balance at 31 March 2004	13,674	11,713

	2004	2003
	£	£
Accelerated capital allowances	13,674	11,713

No deferred tax is provided on investments that have been revalued. The Group holds a loss for capital gains purposes amounting to £2,292,054, at 31 March 2004 which may be used against the disposal of the revalued investments at 31 March 2004. No corporation tax liability would therefore arise if the Group were to dispose of these investments at the March 2004 value.

notes to the financial statements

continued

20. Creditors: amounts falling due within one year

Group:	2004	2003
	£	£
Bank loan and overdraft	298,853	37,469
Trade creditors	381,559	256,647
Loan from associated company	168,910	131,486
Other creditors	159,760	210,268
Other taxes and social security	76,308	29,260
Corporation tax	–	158,705
Net obligations under hire purchase contracts	50,477	51,787
Accruals and deferred income	357,008	475,923
	1,492,875	1,351,545

As part of the acquisition of 1st Mortgage Company Limited in the previous period an additional 'deferred' consideration is payable of £75,000 cash per annum for a period of three years, payable quarterly in arrears from the purchase date. At 31 March 2004, three quarterly payments are due within one year, included in other creditors.

As part of the acquisition of Audiotel International Limited, an additional 'deferred' consideration is payable of £100,000 cash, on 31 October 2004. At 31 March 2004, one annual payment is due within one year.

Hire purchase liabilities are secured on the underlying assets.

The bank loan is secured on the following investments:

11,025,160 Energy Technique plc shares, 1,600,302 Avatar Systems Inc. shares, 2,454,342 Croma Group plc shares, 1,392,000 Harrell Hospitality Inc. shares, 186,850 Merchant House Group plc shares, and 68,386,092 Netcentric Systems plc shares.

Interest is charged on the bank loan at the rate of 2% over Barclays Bank plc base rate per annum.

The bank loan is repayable over five years by equal instalments, commencing twelve months after first drawdown.

Company:	2004	2003
	£	£
Bank loan and overdraft	298,853	37,469
Trade creditors	80,466	43,353
Loan from associated undertaking	168,910	131,486
Loan from subsidiary undertakings	–	23,001
Other creditors	59,760	75,000
Other taxes and social security	2,426	3,478
Net obligations under hire purchase contracts	4,723	4,045
Accruals and deferred income	69,269	29,398
	684,407	347,230

21. Creditors: amounts falling due after one year

Group:	2004	2003
	£	£
Bank loan	1,626,596	650,000
Other creditors	–	175,000
Net obligations under hire purchase contracts	69,484	35,470
	1,696,080	860,470
	2004	2003
	£	£
Bank loan	1,626,596	650,000
Other creditors	–	75,000
Loan from subsidiary undertaking	1,010,661	1,005,373
Net obligations under hire purchase contracts	18,504	23,226
	2,655,761	1,753,599

Other creditors relate to the deferred consideration due to the previous owners of 1st Mortgage Company Limited and Audiotel International Limited.

22. Share capital

	2004		2003
	£	Number	£
Authorised:			
Ordinary shares of 2p each	250,000,000	250,000,000	5,000,000
	250,000,000	250,000,000	5,000,000
Allotted and called up			
Fully paid Ordinary shares of 2p each	85,213,370	85,213,370	1,704,267
	85,213,370	85,213,370	1,704,267

notes to the financial statements

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23. Share options and warrants

Share options

The Company has authority to grant options or warrants over up to 20% of the Ordinary shares in issue at any given time to its directors, consultants and employees as a means of motivating, retaining and/or rewarding those persons who by their efforts are most able to influence the performance and success of the Company's business. No options under this scheme have been issued during the period.

The Options which remain outstanding at 31 March 2004 are as follows:

1. The Option to subscribe for Ordinary shares to Matrix Corporate Finance Limited exercisable at any time before 21 February 2005, at a price of 10 pence per 2 pence Ordinary share over 2,349,515 shares.
2. The Option to subscribe for Ordinary shares to Tularosa Investments Limited, up to the value of £10,000 exercisable at any time before 22 February 2005 at a price of 10 pence per 2 pence Ordinary share. Tularosa Investments Limited provides corporate public relations advice to the Company.

The main features of the options which were granted by resolution of the Board on 21 February 2000, are as follows:

An option will automatically lapse on the earliest of the following events:

- a) the fifth anniversary of the date of grant of the option;
- b) the option holder being adjudicated bankrupt;
- c) the option holder (or the company through which his services are provided) committing a serious breach of the terms and conditions of his agreement with the Company, justifying summary termination of that agreement;
- d) 90 days after the option holder's death.

In the event that the option holder ceases to be a director and/or employee of the Company other than under clauses c or d, he may retain the option to the extent of one third of the Shares covered until it lapses in the circumstances described above. The residue of the option in respect of the remaining two thirds of the Shares covered by the option shall be exercised in accordance with its terms within 30 days of the relevant event, failing which it shall lapse immediately.

If the Company issues further Ordinary shares, undertakes a capitalisation or rights issue, or any consolidation, sub-division or reduction of its Ordinary share capital, the number of Shares subject to any option and the acquisition price of those Shares is to be adjusted in such manner as the auditors of the Company determines so as to maintain the equivalent percentage and price of the options.

'A' Warrants

At 31 March 2004 and 31 March 2003 the Company had in issue 6,241,060 warrants for Ordinary shares of 2 pence exercisable at 10 pence per Warrant prior to 31 March 2005. The Warrants are exercisable by giving written notice to the Company within the 3 week period following 31 March and 30 September in each year.

'B' Warrants

During the year G G Dart surrendered his warrants, having resigned as a director in the previous year. Also during the year S A Komlósy transferred 3.5% of his warrants to J J May. The 'B' Warrants on Ordinary Shares in issue at 31 March 2004 were as follows:

23. Share options and warrants (continued)

Name	Shares under warrant as a percentage of issued Ordinary shares at the time of exercise	Exercise price per share
S A Komlósy	7.0%	10p
S A Komlósy	3.5%	4.1125p
J J May	6.0%	10p
J J May	3.5%	4.1125p

The 'B' Warrants will be exercisable in each of the 30 day periods following the final and interim results of the Company in respect of each and any of the years 2002 onwards. Exercise will be by notice in writing lodged with the Company's registrar accompanied by a cheque or bankers' draft for the appropriate remittance.

The 'B' Warrant instrument provides that any holder of the 'B' Warrants may not exercise any subscription rights under the 'B' Warrants if such exercise would result in the holder (together with any person or person acting in concert with him for the purposes of The City Code on Takeovers and Mergers) holding more than 29.99% of the issued voting share capital of the Company at the date thereof.

The 'B' Warrant Instrument provides that the exercise terms of the 'B' Warrants are to be adjusted in certain circumstances such as in the event of a consolidation or sub-division of the ordinary share capital of the Company. If and whenever there shall be an alteration in the nominal amount of the Ordinary shares as a result of a consolidation or sub-division, the subscription price in force immediately prior to such alteration shall be adjusted by multiplying it by a fraction of which the numerator shall be the nominal amount of one such Ordinary share immediately after such alteration and the denominator shall be the nominal amount of one Ordinary share prior to such alteration, and such adjustment shall become effective on the date the alteration takes place.

If an order is made or an effective resolution is passed for the winding up of the Company (except for the purpose of a reconstruction, amalgamation or unitisation on the terms sanctioned by an extraordinary resolution of the holders of 'B' Warrants) each holder of 'B' Warrants will be treated as if he had exercised his 'B' Warrants in full immediately before passing of the order or resolution and will be entitled to receive out of the assets available in the liquidation *pari passu* with the holders of the ordinary shares such sum as he would have received if he actually held such Ordinary shares less the aggregate subscription price of such Ordinary shares under the terms of the 'B' Warrants. Subject to this all unexercised 'B' Warrants shall lapse on the liquidation of the Company.

notes to the financial statements

continued

24. Reserves

	Profit and loss account £	Investment revaluation reserve £	Share premium account £
Group:			
At 31 March 2003	(2,313,614)	1,370,230	4,334,490
Loss for the period	(1,429,933)	–	–
Revaluation on investments during the period	–	(1,118,015)	–
	<hr/>	<hr/>	<hr/>
At 31 March 2004	(3,743,547)	252,215	4,334,490
	<hr/>	<hr/>	<hr/>
Company:			
At 31 March 2003	(2,286,880)	1,370,230	4,334,490
Loss for the period	(1,446,745)	–	–
Revaluation on investments during the period	–	(1,118,015)	–
	<hr/>	<hr/>	<hr/>
At 31 March 2004	(3,733,625)	252,215	4,334,490
	<hr/>	<hr/>	<hr/>

Movements on the investment revaluation reserve comprise as follows:

	£
Harrell Hospitality Group Inc.	(183,602)
Energy Technique plc	(934,548)
Friends Provident plc	135
	<hr/>
	(1,118,015)
	<hr/>

25. Reconciliation of movements in shareholders' funds

Group:	2004	2003
	£	£
Loss of the financial period	(1,429,933)	(1,071,129)
Issue of ordinary shares	–	259,220
Increase in share premium account	–	560,845
Revaluation of investments	(1,118,015)	(1,120,105)
	<hr/>	<hr/>
Decrease in shareholders' funds	(2,547,948)	(1,371,169)
Opening shareholders' funds	5,095,373	6,466,542
	<hr/>	<hr/>
Closing shareholders' funds	2,547,425	5,095,373
	<hr/>	<hr/>
	2004	2003
	£	£
Loss of the financial period	(1,446,745)	(967,301)
Issue of ordinary shares	–	259,220
Increase in share premium account	–	560,845
Revaluation of investments	(1,118,015)	(1,120,105)
	<hr/>	<hr/>
Decrease in shareholders' funds	(2,564,760)	(1,267,341)
Opening shareholders' funds	5,122,107	6,389,448
	<hr/>	<hr/>
Closing shareholders' funds	2,557,347	5,122,107
	<hr/>	<hr/>

26. Financial instruments

Interest rate risk profile of financial liabilities

At 31 March 2004 the Group had the following financial liabilities:

	2004	2003
	£	£
At fixed interest rates:		
Net obligations under finance leases and hire purchase contracts	119,961	87,257
	<hr/>	<hr/>

The weighted average rate of interest of the fixed rate financial liabilities is 10.3% (2003: 11%). The weighted average period for which interest rates are fixed is 13 months (2003: 30 months).

At floating interest rates:

	£	£
Bank overdraft	–	37,469
Bank loan	1,926,646	650,000
	<hr/>	<hr/>
	1,926,646	687,469
	<hr/>	<hr/>

notes to the financial statements

continued

26. Financial instruments (continued)

The Group does not hold an overdraft facility. The above overdraft is the recording of unrepresented cheques at the balance sheet date.

The rate of interest payments for floating rate financial liabilities is based on LIBOR.

The weighted average period until maturity for floating rate financial liabilities is 79 months (2003: 112 months).

	£	£
On which no interest is payable:		
Loan from a connected company	168,910	131,486
Deferred purchase consideration	156,250	350,000
	325,160	481,486

The weighted average period until maturity for liabilities on which no interest is paid is 3 months (2003: 9 months).

Interest rate risk profile of financial assets

	2004 £	2003 £
At fixed interest rates:		
Loans to associated undertakings	–	231,797
Mortgage loan to customers	266,301	585,363
	266,301	817,160

The weighted average rate of interest charged on fixed rate financial assets is 15.0% (2003: 11%).

The above loans are all repayable on demand.

All other Group's debtors/creditors falling due within one year (other than bank and other borrowings) are excluded from the above tables due to the exclusion of short term items or because they do not meet the definition of a financial liability.

	2004 £	2003 £
At floating interest rates:		
Cash at bank	305,837	962,235

The rate of interest payments for floating rate financial assets is based on LIBOR.

26. Financial instruments (continued)

Maturity of financial liabilities

	2004		2003	
	Group £	Company £	Group £	Company £
Bank and other loans: (excluding Group debt)				
In one year or less	298,803	298,803	168,955	168,955
Between one and two years	407,124	407,124	65,866	65,866
From two to five years	1,221,371	1,221,371	192,081	192,081
Over five years	131,484	131,484	392,053	392,053
	2,058,782	2,058,782	818,955	818,955
Finance leases				
In one year or less	54,859	4,723	51,787	4,045
Between one and two years	60,571	5,400	16,966	4,722
From two to five years	13,104	13,104	18,505	18,505
	128,534	23,227	87,258	27,272

Borrowing facilities

The Group had a bank overdraft facility at 31 March 2004 of £nil (2003: £nil).

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.

Currency exposure

The Group make sales and negligible loans in foreign currency denominations.

The Group does not hedge against fluctuations in these currency rates.

At 31 March 2004 and 31 March 2003 the Group's exposure on such monetary assets that could give rise to net currency gains or losses, was negligible.

Interest risk exposure

Financial instruments are selected by the directors in order to minimise the company's exposure to financial risk. Principal borrowings are taken at floating interest rates to protect the company from any rate reductions in the future and to provide a robust negotiating position with lenders.

notes to the financial statements

continued

27. Financial Commitments

Operating leases:

Group:	Land & Buildings		Other	
	2004	2003	2004	2003
	£	£	£	£
Within one year	-	-	3,369	3,242
In the second to fifth year	-	-	1,172	720
After five years	48,600	48,600	-	-
	48,600	48,600	4,541	3,962

S A Komlósý, a Director of the Company, has given a personal guarantee up to £300,000 against the company's bank borrowings. The Company has formally indemnified Mr Komlósý against any loss as a result of this guarantee.

28. Contingent liabilities

On 31 January 2003 the Group acquired Audiotel International Limited.

The share purchase agreement includes a further deferred consideration to a maximum of £400,000 which is payable if Audiotel International Limited makes profits before tax of either:

1. 40% of the amount by which the profit for the year ended 31 July 2004 exceeds £400,000, less £100,000.
2. 40% of the amount by which the profit excess £1,650,000 for the combination of the two years ended 31 July 2004.

The directors have considered the probability as to whether this amount will become payable and have concluded that it is unlikely that the further deferred consideration will become payable.

29. Transactions with directors

S A Komlósy, a Director of the Company, provided a personal guarantee up to £300,000 for the company's bank loans. The company has indemnified him of any personal loss as a result of this guarantee.

J J May, a Director of the Company, was also a director of Cromax Group plc. During the year the company has charged consultancy fees to Cromax Group plc and its subsidiary, Cromax Optical Limited, of £18,000. At 31 March 2004 the balance due from Cromax Group plc was £1,175 (2003: £24,700).

S A Komlósy, a Director of the Company, is also a director of Energy Technique plc. During the year the company charged consultancy fees of £30,000 to Energy Technique plc. At 31 March 2004 the balance due from Energy Technique plc was £5,875 (2003: £5,875).

P L G Cotgrove, a Director of the Company, is also a director of Merchant House Group plc. At 31 March 2003 there was a balance of £3,398 due from Merchant House Group plc which was repaid during the year.

S A Komlósy and J J May, Directors of the Company, are also directors of Netcentric Systems plc. During the year the company charged Netcentric Systems plc £12,000 for administrative support. The company also purchased computer software and some other assets for £1,362. The balance due to Netcentric Systems plc at 31 March 2004 was £634 (2003: £nil).

S A Komlósy through General Trading Corporation Limited, a company in which he is a Director, and J J May, both Directors of the Company, both made charges in connection with consultancy, in connection with the acquisition of Rochdale Development Company Limited of £25,000 during the year.

S A Komlósy, a Director of the Company, is also a director of Support For Africa (Limited by Guarantee), a charity. During the year the company donated £4,800.

30. Post balance sheet events

Acquisition of Rochdale Development Company Limited

On 15 April 2004 London & Boston acquired 100% of the issued share capital of Rochdale Development Company Limited, and its wholly owned, consistently profitable subsidiary, Moore & Buckle (Flexible Packaging) Limited. Moore & Buckle (Flexible Packaging) Limited specialise in short line, bespoke packaging solutions. They have been consistently profitable for the past 20 years.

The net maximum consideration is estimated to be no more than £2.975m, payable wholly in cash. Of that amount £1.6m was paid on completion, £1m was deferred and a further payment will be made for the net assets of the company following a post acquisition audit. The net assets are expected to be valued at no more than £375,000.

Of the deferred consideration, £500,000 will become payable if Moore & Buckle (Flexible Packaging) Limited achieves profits before tax of £800,000 in the year ended 30 April 2004, a further £500,000 will become payable if it achieves gross profits of £1.19m in the year ended 30 April 2005. In both cases the consideration payable will be reduced for £1 for every £1 the results fall short of the target and the first deferred consideration will be increased by 50p in the pound for every £1 in excess of profits before tax of £800,000 with a compensating reduction in subsequent deferred consideration payments.

notice of annual general meeting for 2004

Notice is given to all shareholders that the Annual General Meeting of London & Boston Investments plc ("the Company") for 2004 will be held at the offices of Wallace LLP, One Portland Place, London W1B 1PN on 16 July 2004 at 5pm for the transaction of the following business resolutions 1-4 inclusive of which will be proposed as ordinary resolutions and resolution 5 will be proposed as a special resolution:

Ordinary resolutions

1. To receive the Company's annual financial statements for the financial year ended 31 March 2004 together with the last directors' report and the auditor's report on those financial statements.
2. To re-elect Barry Edward Adams as a director of the Company, who retires at the Annual General Meeting.
3. To re-appoint Milsted Langdon, Chartered Accountants and Registered Auditors, as auditors of the Company and to authorise the directors to determine their remuneration.
4. That the directors be generally and unconditionally authorised, pursuant to section 80 of the Companies Act 1985 ("the Act"), to allot relevant securities (as defined in that section) up to a maximum nominal amount equal to the nominal amount of the unissued share capital of the Company at the date of the passing of this resolution, provided that this authority shall expire fifteen months from the date of this resolution or at the Company's next Annual General Meeting, if earlier, and 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 not expired and that this authority shall be in substitution of all previous authorities conferred upon the Directors pursuant to the said Section 80.

Special resolution

5. That the directors be authorised pursuant to section 95(1) of the Act, to allot equity securities (as defined in section 94 of that Act) as if section 89(1) of the Act did not apply to such allotment, provided that this power should be limited to the allotment of equity securities:
 - 5.1 in connection with a rights issue, open offer or other offer of securities in favour of the holders of Ordinary Shares where the equity securities respectively attributable to the interests of all such shareholders are proportionate (as nearly as maybe) to the respective numbers of Ordinary Shares held by them, subject to such exclusions or other arrangements as the directors may deem necessary or expedient to deal with fractional entitlements or legal or practical problems arising under the laws of any overseas territory or the requirements of any regulatory body or stock exchange or by virtue of shares being represented by depository receipts or any other matter whatsoever; and

5.2 other than under resolution 5.1, to a maximum nominal amount equal to the nominal amount of the unissued share capital of the Company at the date of passing of this resolution.

such authority shall expire on the conclusion of the next Annual General Meeting of the Company after the passing of this resolution or on the date occurring fifteen months from the date of this resolution, whichever is the earlier, save that the Company may, prior to such expiry make an offer or arrangement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities pursuant to any such offer or arrangement notwithstanding that the power conferred hereby has expired.

By order of the board

John J May

Registered No: 3170812
Registered Office:
Winchester House
Deane Gate Avenue
Taunton
Somerset TA1 2UH

Notes:

1. A member entitled to attend and vote at the Meeting convened by the notice set out above may appoint a proxy to attend and, on a poll, to vote, instead of him. A proxy need not be a member of the Company.
2. A form of proxy is provided. To be effective, the form of proxy must be received at the office of the Company's Registrars, Capita IRG Plc, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TH 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.

shareholder's notes

form of proxy

I/We
 (PLEASE INSERT FULL NAMES IN BLOCK CAPITALS)

of

being (a) member(s) of London & Boston Investments plc hereby appoint the Chairman of the Meeting, or, failing him,
, as my/our proxy to vote for me/us and on my/our behalf at the Annual General Meeting of the
 Company to be held on 16 July 2004 and at any adjournment thereof. I/We direct my/our proxy to vote as follows:

Resolutions		* For	* Against
Resolution 1 (Ordinary)	To receive the financial statements, Directors' report and auditors' report		
Resolution 2 (Ordinary)	To re-elect Barry Edward Adams as a Director of the Company		
Resolution 3 (Ordinary)	To re-appoint Messrs Milsted Langdon as auditors of the Company		
Resolution 4 (Ordinary)	Authority to allot shares		
Resolution 5 (Special)	Disapplication of pre-emption rights		

* Please indicate with an X in spaces provided how you wish your votes to be cast. If you do not do so, the proxy may vote or abstain as he thinks fit on the above-mentioned resolutions.

Dated this day of 2004 Signed

Notes:

- To be valid, this proxy, duly completed and signed, together with the power of attorney or other authority (if any) under which it is signed or a notorially certified copy thereof, should be deposited at Capita Registrars (Proxies), PO Box 26, Beckenham, Kent BR3 4BR, not less than 48 hours before the time appointed for holding the meeting or adjourned meeting.
- If the member is a corporation, this form of proxy must be executed under its common seal or under the hand of an officer or attorney duly authorised in writing.
- In the case of joint holders, the vote of the senior who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the votes of the other joint holders and, for this purpose, seniority will be determined by the order in which the names stand in the register of members.
- If you do not indicate how you wish your proxy to vote on any resolution, the proxy will vote as he thinks fits or, at his discretion, abstain from voting.
- A proxy need not be a member of the Company. Appointment of a proxy will not preclude a member from attending and voting in person at the meeting.



SECOND FOLD

BUSINESS REPLY SERVICE
Licence No. MB122

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Capita Registrars (Proxies)
PO Box 26
Beckenham
Kent
BR3 4BR

FIRST FOLD

THIRD FOLD

LONDON & BOSTON

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