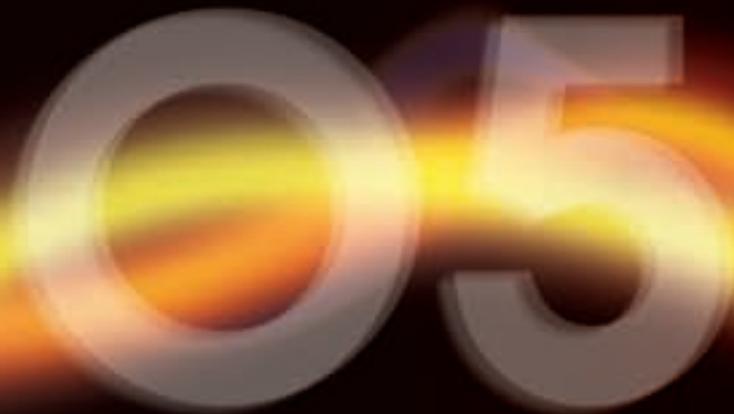




BELGRAVIUM

LEADERS IN REAL-TIME TECHNOLOGY



REPORT AND ACCOUNTS

BELGRAVIUM

Technologies PLC

welcome to **belgravium technologies plc**



Belgravium Technologies is a market leader in enterprise mobile computing solutions with an installed Global product base of over 100,000 terminals. We help capture, move, and manage critical information, providing businesses the means to access real-time information anytime and anywhere.

Our three operating companies accommodate the needs of virtually every commercial sector with a mobile computing requirement. Since our formation in 1983, we have developed particular expertise in Retail / Mobile Point of Sale, Supply Chain / Logistics and Fuel / Energy vertical markets.

We pride ourselves on world class service and technologies to meet all your mobile enterprise needs. Combining hardware, software and consulting skills, we take the components needed and build a total and logical solution to fit your business needs.

We look forward to assisting you in the transformation of your business, helping you to reap the tangible benefits that the adoption of mobile computing technology can guarantee.

John Kembery, Chairman
Belgravium Technologies Plc



Belgravium Ltd designs and manufactures mobile computers and real time electronic data capture systems, which are largely applied to the logistics and supply chain sectors.

www.belgravium.com



TouchStar Technologies designs and manufactures mobile computers and key peripheral accessories, such as card readers and printers, which are largely applied to the mobile point of sale and fuel delivery sectors.

www.touchstar.co.uk



Novo lvc mobile sales and stock control software systems are used on more than 2000 daily journeys by over 50,000 attendants, handling sales in excess of \$460 million. Novo software provides optimum retail control for airlines and railways.

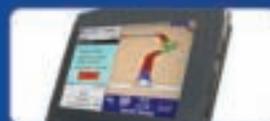
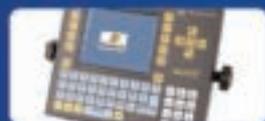
www.novolvc.com



Belgravium Investor Relations Web Site

This web site contains full and Interim Report and Accounts' in PDF format, as well as information on share price, advisers, broker coverage etc.

www.belgraviuminvestorrelations.com



BELGRAVIUM TECHNOLOGIES plc

Registered in Scotland No. 5543

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Highlights



Turnover up 41% £5,430,000 (2004: £3,859,000)



Pre tax profits up 31% (before amortisation) **£982,000** (2004: £751,000)



Dividend policy maintained



Acquisition of Touchstar Technologies Ltd ("Touchstar") in October 2005 (Touchstar sales and profits for the last two months of 2005 are included in the Group results)



Integration of Touchstar product range



Expansion into new markets and territories – international petrochemical supply and mobile retail



Acquisition of Novo IVC Ltd in January 2006



Chairman's Statement

Introduction

Belgravium Technologies plc ("Belgravium" or the "Group") designs, manufactures and installs real time, electronic data capture systems. Historically, these have largely been applied to the UK logistics and the supply chain sectors, but recent acquisitions have moved the Group into international petrochemical supply and mobile retail systems.

Results

The Group made significant progress in 2005 and delivered a solid result, with the largest contribution coming from Belgravium Limited. Turnover for the year was £5,430,000, 41% up on 2004 (£3,859,000). Profit before tax and amortisation of goodwill was £982,000, 31% up on prior year (£751,000). An excellent result, although a little less than expected, due to seasonal delays in some contracts.

Balance Sheet and Acquisition

The Group balance sheet at the end of 2005 was radically different from that of 2004, due to the major acquisition of Touchstar Technologies Limited ("Touchstar"), financed partly in cash and partly by a term loan and placement of new shares. The net worth of the Group increased from £2,646,000 to £7,406,000 and the year end balance sheet contained £1,799,000 (2004: £2,219,000) in cash, some of which was used for the acquisition of Novo IVC, subsequent to the year end.

Dividend

It is Belgravium's policy to pay dividends and, even though cash reserves have been utilised for acquisitions, future prospects

for the enlarged Group are excellent. The Board is therefore pleased to recommend a final dividend of 0.32p per ordinary share. This will be paid on 7 June, subject to the approval at the AGM of shareholders on the register on 12 May 2005.

Belgravium Limited Operations in 2005

Belgravium Limited had another good year in 2005, completing the company's biggest ever contract to supply proof of delivery systems for Grattan. Overall turnover increased by 12% compared to the prior year and the company made good progress in increasing the range and functionality of its products, whilst maintaining the quality of its goods and services. The logistics sector continues to expand but there is no doubt that the market has become more competitive, such that more rapid growth could only be achieved at the expense of margin. In this environment the Group needed to be bigger and to have a larger platform for its technical and geographical development. It is therefore pleasing to report that a major acquisition was completed in October, fully consistent with our policy of augmenting organic growth through acquisition.

Touchstar Technologies Ltd

Like Belgravium Limited, Touchstar supplies data capture systems but into the petrochemical distribution and retail passenger sales market on a much more international scale. The company has been known to Belgravium for several years and there had been some discussions in the past on the benefits that would accrue from a merger. In the second half of 2005

it became clear that many of the historic barriers to such an agreement could be overcome and the deal was completed before the year end.

Touchstar turnover, in its financial year to the end of May 2005, was £7.4 million with a profit before interest and tax of £2.1 million. The acquisition by Belgravium was therefore, a reversal, requiring shareholders' approval. The benefits of this protracted and expensive process were to add to the Group:

- an established brand name with international recognition and real growth opportunities in its target sectors and territories
- additional routes to market and cross-selling opportunities into new geographical areas
- increased buying power and leverage with suppliers of components
- opportunity to streamline product development and realise synergies from combined technical capability
- a higher profile from which to target new markets.

In addition, the Directors believe that the acquisition will enhance earnings in the first year of operation and, partly funded by a share placement, has left the Group's gearing at an appropriate level. Touchstar was acquired for a total of £10.75 million in cash but, since the vendors agreed to leave a minimum of £2.55 million cash in the balance sheet at completion, the debt free/cash free price for the company was £8.2 million, or 3.9 times Touchstar's pre-tax earnings in the year to May 2005.

Chairman's Statement

Due both to the strategic importance and the earnings enhancement, the Board believes this to be a compelling deal for Belgravium. Clearly shareholders agreed, the share placement being over-subscribed and the EGM endorsing the proposal unequivocally. Touchstar sales and profits for the last two months of 2005 are included in the Group results.

Future Group Operations

We believe it to be important to maintain the brand names of Belgravium and Touchstar since both have significant value in their chosen market sectors. Beyond this aspect, many of the functions of the two companies can be merged with substantial benefits, arising not so much from cost saving but from shared use of resources and experience. This is particularly true on the technical front where both companies have, in the past, solved the same technical issues in different ways. Coordination of this function is already bringing benefits. However, we do not intend to rush the merger process, preferring to let the operations grow together rather than force synergies which may not exist. This is a process predicated much more on growth potential than on cost saving.

Novo IVC

Touchstar's other main market is in the travel industry where its data capture hardware is used in retail systems, largely on aircraft but more recently on trains. This sector has historically been handled exclusively by a Leamington Spa based company called Novo IVC ("Novo"), owned by the Swedish software Group, WM-Data.

This company has historically been very profitable and, with its software combined with Touchstar hardware, offers substantial growth opportunities in yet another sector. Subsequent to the year end, Belgravium completed the purchase of this company from WM-Data on 13 January 2006. The consideration of £1,316,000 was paid in cash. At the time of the acquisition Novo had over £600,000 in cash and although the costs of the transaction were high at £350,000, the purchase is highly attractive as the company is expected to make a profit before tax of £250,000 in 2006.¹

Novo works closely with WM-Data whose products include software for data collection analysis. As part of the deal, the two companies have signed a co-operation agreement aimed at future development of the mobile retail markets. The whole of Novo staff will be retained and, as with Touchstar, many of its functions will be gradually assimilated into the Group. Thus, the acquisition will be both earnings enhancing and complimentary to the growth potential of the whole Group. ¹

Product Development

In 2005, we launched the vehicle mounted Monaco terminal with Windows CE capability. Work has been completed on integrating Radio Frequency Identification (RFID) into the Atlanta terminal and two contracts have been completed in Europe. The functional range of the Atlanta was significantly increased to include voice recognition and GPRS communication. An extensive programme of product development was inherited at Touchstar and has been complimented by sharing resources between the two sites.

Employees

As in previous years Belgravium's staff have coped admirably with all of the changes inevitable in such an active year. The two acquisitions more than double the numbers employed within the Group and bring additional skills with which to approach the substantial growth potential of our chosen markets. We welcome these new members to Belgravium, and they may look forward to a secure future in the enlarged Belgravium.

Outlook

The Group has made two investments which the Board believes to be earnings enhancing. The teams in all three companies have made a good start in co-operating on matters of finance, sales and technology. Seasonality in trading has repeatedly shown us that the early part of the year is typically a quiet period and the trend has continued in 2006. However, order prospects are excellent and with the enhanced strength of the enlarged Group, we are optimistic for 2006.¹



J P Kembery
Executive Chairman

1 March 2006

¹ This statement should not be taken to mean that the earnings per share of the Group will necessarily match or exceed the historical reported earnings per share of the Group and no forecast is intended or implied.



Directors' Report

The directors present their report and the audited financial statements of the Company and the Group for the year ended 31 December 2005.

Principal activities

The principal activities of the Group are the design and manufacture of real time electronic data capture systems.

Review of business and future developments

The review of the development of the business during the year, events since the year end and the future outlook is dealt with in the Chairman's statement on pages 2 and 3.

Financial review

Operating profit was £826,000 (2004: £659,000). A commentary on the operating performance of the Group is included in the Chairman's statement on pages 2 and 3.

The Group profit after tax was £629,000 (2004: £603,000). The directors recommend a final dividend of 0.32p per ordinary share (2004: 0.32p).

The Group generated cash of £1,018,000 from operations (2004: £751,000).

Going concern

After making all due enquiries, including a review of the budget for the next twelve months, the directors have a reasonable expectation 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.

Directors and their interests

The directors who held office during the year, and subsequently, are given below:

J P Kembery
R D McDougall
S J Day
M W Hardy (appointed 21 October 2005)

The interests of the directors in the share capital of the Company at 31 December 2005 and at 1 January 2005 were as follows:

	31 December 2005 Ordinary	1 January 2005 Ordinary 5p*	1 January 2005 and 31 December 2005		
			Warrants Ordinary 5p*	Options Ordinary 5p*	Enterprise Management Incentive scheme options Ordinary 5p*
Beneficial					
J P Kembery	5,526,474	5,004,189	–	315,788	100,000
M W Hardy	100,000	58,000	120,000	200,000	410,000
R D McDougall	1,780,007	1,680,007	–	–	–
S J Day	100,000	100,000	–	–	–

* or at date of appointment if later.

No director had an interest in the shares of any subsidiary company at any time during the year.

Except as disclosed in note 26, no director had any material interest in any contract of significance during the year.

No changes in the interests noted above have taken place between the year end and 1 March 2006.

Directors' Report

Share options and warrants

The following share options and warrants have been granted to the directors

		Exercisable between	Exercise price (pence)	2005 numbers	2004 numbers
J P Kembery	1992 executive share option scheme	26 April 2000 and 26 April 2007	9.50	315,788	315,788
	Enterprise management incentive scheme	20 July 2004 and 20 July 2011	12.30	100,000	100,000
M W Hardy	Warrants	19 March 2001 and 19 March 2007	8.125	120,000	120,000
	1992 executive share option scheme	17 June 2001 and 17 June 2008	11.75	85,000	85,000
	1992 executive share option scheme	19 March 2004 and 19 March 2011	6.50	115,000	115,000
	Enterprise management incentive scheme	20 July 2004 and 20 July 2011	12.30	350,000	350,000
	Enterprise management incentive scheme	21 March 2005 and 21 March 2012	13.10	60,000	60,000

No options were granted, exercised, lapsed or cancelled during the year.

Additional information on share options, including the date of grant, is included in note 19.

The market price of the shares at 31 December 2005 was 16.25p and the range during the year was 12.50p to 19.50p.

Non-executive directors

R D McDougall, BA, 63, joined the Board of Belgravium Technologies plc on 26 March 1997. He is a director of a number of private companies in the financial, industrial and commercial sectors. He has served on the board of three listed public companies in the last 15 years.

S J Day, 60, joined the Board of Belgravium Technologies plc on 25 January 2001. He was previously chief executive of Kode International Plc, the electronics and computer group between 1989 and 1999. He is also a director of Radstone Technology plc.

R D McDougall, having served for more than nine years, is subject to annual re-election and will therefore be retiring at the Annual General Meeting and will offer himself for re-election.

Purchase of own shares

The Company did not purchase any of its own shares in 2005.

At the Annual General Meeting held on 19 May 2005, members renewed the Company's authority under Section 166 of the Companies Act 1985 to make market purchases of up to 10% of the Company's shares in issue as at 31 December 2004.

The renewed authority given by members at the last Annual General Meeting for the Company to purchase its own shares expires at the Annual General Meeting on 26 May 2006. The directors believe that it is in the best interests of the Company for the authority to be renewed at the forthcoming Annual General Meeting.

Charitable contributions

The contributions made by the Group during the year for charitable purposes amounted to £21 (2004: £1,303). No political donations have been made in the year (2004: nil).



Directors' Report

Research and development

Details of the research and development being undertaken by the Group is disclosed in the Chairman's Statement under the heading Product Development.

Supplier payment policy

It is the Group's payment policy to ensure settlement of suppliers' invoices in accordance with the stated terms. In certain circumstances, specific settlement terms are agreed, prior to any business taking place. It is our policy to abide by those terms. As the Company is a holding company it has no trade creditors and, accordingly, no disclosure can be made of the year end creditor days.

Substantial shareholdings

As at 24 February 2006, the Company had been notified of the following interests representing 3% or more of the issued ordinary share capital:

	Ordinary shares	Percentage of ordinary share capital
J P Kembery	5,526,474	5.50
Chelverton Growth Trust PLC	3,328,571	3.31

Save as disclosed above, the directors are not aware of any shareholding which represents 3% or more of the present issued ordinary share capital of the Company.

Employee involvement

It is the Group's practice to keep employees informed of matters affecting them as employees and factors affecting the performance of the Group.

Disabled persons

It is the Group's policy that applications for employment by disabled persons are given full and fair consideration for all vacancies, having regard to their particular aptitudes and abilities.

It is the policy of the Group that training, career development and promotion are available to all employees.

In the event of employees becoming disabled, every effort is made to retain them in order that their employment with the Group may continue.

Post balance sheet event

On 13 January 2006 Belgravium Technologies plc acquired the whole of the share capital of Novo IVC Limited for a total consideration of £1,316,000 plus costs of £350,000. At the time of the acquisition Novo IVC Limited had over £600,000 in cash.

Statement of Directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the Group for that period. The directors are required to prepare financial statements on the going concern basis, unless it is inappropriate to presume that the Company will continue in business.

The directors confirm that suitable accounting policies have been used and applied consistently, with the exception of the changes arising on the adoption of new accounting standards in the year as explained on page 14 under the Statement of Accounting Policies. They also confirm that reasonable and prudent judgements and estimates have been made in preparing the financial statements for the year ended 31 December 2005 and that applicable accounting standards have been followed.

Directors' Report

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Group and Company and 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 Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The maintenance and integrity of the Belgravium Technologies plc website 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 financial statements since they were initially presented on the website. The legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Independent auditors

A resolution to reappoint PricewaterhouseCoopers LLP as auditors to the Company will be proposed at the annual general meeting.

By order of the Board



M P Unwin
Company Secretary

1 March 2006



Independent Auditors' Report

to the shareholders of Belgravium Technologies plc

We have audited the Group and Parent Company financial statements of Belgravium Technologies plc for the year ended 31 December 2005 which comprise the Group Profit and Loss Account, the Group and Company Balance Sheets, the Group Cash Flow Statement, the Group reconciliation of net cash flows to movement in net debt, the Reconciliation of movements in the Group and Company equity shareholders' funds and the related notes. These financial statements have been prepared under the accounting policies set out therein.

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 (United Kingdom Generally Accepted Accounting Practice) 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 International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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 other transactions is not disclosed.

We read other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. This other information comprises only the Directors' Report and the Chairman's 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 audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 and Company's circumstances, consistently applied and adequately disclosed.

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

Opinion

In our opinion the financial statements:

- give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Group's and the Parent Company's affairs as at 31 December 2005 and of the Group's profit and cash flows for the year then ended; and
- have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Manchester

1 March 2006

Group Profit and Loss Account

for the year ended 31 December 2005

	Notes	2005			2004
		Continuing operations £'000	Acquisitions £'000	Total £'000	(as restated) Total £'000
Turnover	1, 2	4,351	1,079	5,430	3,859
Cost of sales		1,700	580	2,280	1,369
Gross profit		2,651	499	3,150	2,490
Distribution costs		32	12	44	31
Administrative expenses		1,936	264	2,200	1,800
		1,968	276	2,244	1,831
Operating profit before goodwill amortisation		683	223	906	659
Goodwill amortisation	10	–	(80)	(80)	–
Operating profit	3	683	143	826	659
Net interest receivable	6			76	92
Profit on ordinary activities before taxation				902	751
Tax charge on profit on ordinary activities	7			(273)	(148)
Profit for the financial year				629	603
Basic earnings per ordinary share	9			0.86p	0.90p
Diluted earnings per ordinary share	9			0.85p	0.89p

There are no recognised gains or losses other than the profit for the year and therefore no separate statement of total recognised gains and losses has been presented.

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



Group Balance Sheet

as at 31 December 2005

	Notes	2005 £'000	2004 (as restated) £'000
Fixed assets			
Intangible assets	10	8,232	–
Tangible assets	11	325	237
		8,557	237
Current assets			
Stocks	13	1,103	443
Debtors	14	2,479	1,458
Cash at bank and in hand		1,799	2,219
		5,381	4,120
Creditors: amounts falling due within one year	15	(6,189)	(1,657)
Net current (liabilities)/assets		(808)	2,463
Total assets less current liabilities		7,749	2,700
Creditors: amounts falling due after more than one year	16	(170)	–
Provisions for liabilities and charges	18	(173)	(54)
Net assets		7,406	2,646
Capital and reserves			
Called up share capital	19	5,021	3,341
Share premium account	20	2,915	120
Capital redemption reserve	20	2,100	2,100
Profit and loss account	20	(2,630)	(2,915)
Total equity shareholders' funds		7,406	2,646

The financial statements on pages 9 to 31 were approved by the board of directors on 1 March 2006 and were signed on its behalf by:



J P Kembery
Director

Company Balance Sheet

as at 31 December 2005

	Notes	2005 £'000	2004 (as restated) £'000
Fixed assets			
Tangible assets	11	14	25
Investments	12	17,383	6,000
		17,397	6,025
Current assets			
Debtors	14	600	918
Cash at bank and in hand		246	1,684
		846	2,602
Creditors: amounts falling due within one year	15	(5,297)	(111)
Net current (liabilities)/assets		(4,451)	2,491
Total assets less current liabilities		12,946	8,516
Creditors: amounts falling due after more than one year	16	(170)	–
Provisions for liabilities and charges	18	(38)	(54)
Net assets		12,738	8,462
Capital and reserves			
Called up share capital	19	5,021	3,341
Share premium account	20	2,915	120
Capital redemption reserve	20	2,100	2,100
Profit and loss account	20	2,702	2,901
Total equity shareholders' funds		12,738	8,462

The financial statements on pages 9 to 31 were approved by the board of directors on 1 March 2006 and were signed on its behalf by:



J P Kembery
Director



Group Cash Flow Statement

for the year ended 31 December 2005

	Notes	2005 £'000	2004 £'000
Net cash inflow from operating activities	21	870	672
Returns on investment and servicing of finance			
Interest received		96	92
Interest paid		(20)	–
		76	92
Taxation			
Corporation tax paid		(396)	(180)
Corporation tax received		–	55
		(396)	(125)
Capital expenditure and financial investment			
Purchase of intangible fixed assets		(28)	–
Purchase of tangible fixed assets		(52)	(51)
		(80)	–
Acquisitions			
Acquisition of subsidiary company	24	(8,170)	–
Acquisition expenses	24	(633)	–
Cash at bank and in hand acquired with subsidiary		3,362	–
		(5,441)	–
Equity dividends paid to shareholders	8	(344)	(291)
Net cash (outflow)/inflow before financing		(5,315)	297
Financing			
Purchase of own ordinary share capital		–	(121)
Issue of ordinary share capital		4,704	–
Expenses of share issue		(229)	–
New bank loans		420	–
		4,895	(121)
(Decrease)/increase in cash in the year	21	(420)	176

Reconciliation of Net Cash Flow to Movement in Net Debt

for the year ended 31 December 2005

	2005 £'000	2004 £'000
(Decrease)/increase in cash in the year	(420)	176
Cash inflow from increase in debt	(420)	–
Non cash changes		
Loan notes issued in connection with acquisition (note 24)	(2,580)	–
Movement in net funds during year	(3,420)	176
Net funds at 1 January	2,219	2,043
Net (debt)/funds at 31 December	(1,201)	2,219

Reconciliation of Movements in Group Equity Shareholders' Funds

	Notes	2005 £'000	2004 (as restated) £'000
Profit for the year		629	603
Dividends	8	(344)	(291)
		285	312
Issue of ordinary share capital	19	4,704	–
Expenses of share issue		(229)	–
Purchase of own ordinary share capital		–	(121)
Net change in equity shareholders' funds		4,760	191
Opening equity shareholders' funds (31 December 2004 previously £2,432,000 before prior year adjustment of £214,000)		2,646	2,455
Closing equity shareholders' funds		7,406	2,646

Reconciliation of Movements in Company Equity Shareholders' Funds

	Notes	2005 £'000	2004 (as restated) £'000
Profit for the year		145	135
Dividends	8	(344)	(291)
		(199)	(156)
Issue of ordinary share capital	19	4,704	–
Expenses of share issue		(229)	–
Purchase of own ordinary share capital		–	(121)
Net change in equity shareholders' funds		4,276	(277)
Opening equity shareholders' funds (31 December 2004 previously £8,248,000 before prior year adjustment of £214,000)		8,462	8,739
Closing equity shareholders' funds		12,738	8,462



Statement of Accounting Policies

Basis of preparation

The financial statements are prepared under the historical cost convention. The financial statements are prepared in accordance with the Companies Act 1985 and with applicable accounting standards in the United Kingdom. A summary of the more important Group accounting policies is set out below, together with an explanation of where changes have been made to previous policies on the adoption of new accounting standards in the year.

Changes in accounting policies

The Group has adopted FRS 17 "Retirement benefits", FRS 21 "Events after the balance sheet date", FRS 22 "Earnings per share", the presentational requirements of FRS 25 "Financial instruments: Disclosure and presentation" and FRS 28 "Corresponding amounts" in these financial statements. The adoption of each of these standards represents a change in accounting policy and the comparative figures have been restated accordingly, except where the exemption to restate comparatives has been taken. Details of the effects of the prior year adjustments are given in note 20.

Basis of consolidation

The Group financial statements consolidate the financial statements of Belgravium Technologies plc and its subsidiary undertakings for the year. Subsidiaries acquired during the year are consolidated using the acquisition method. Their results are incorporated from the date that control passes. The difference between the cost of acquisition of shares in subsidiaries and the fair value of the separable net assets acquired is capitalised and written off on a straight line basis over its estimated economic life. Provision is made for impairment where necessary. All financial statements are made up to 31 December 2005.

Tangible fixed assets

Tangible fixed assets are stated at their purchase price, together with any incidental expenses of acquisition.

Provision for depreciation and diminution in value, including obsolescence and impairment, have been made against fixed assets at rates calculated to reduce the net book amount of each asset to its estimated residual value on a straight line basis over its estimated economic life. The principal annual rates used for this purpose are:

Plant and machinery	over 2 – 5 years
Fixtures, fittings, tools and equipment	over 4 – 5 years
Computers	over 3 years

Stocks

Stocks are stated at the lower of cost and net realisable value. Cost comprises actual costs incurred in bringing each product to its present location and condition as follows:

Raw materials and consumables	Purchase cost on a weighted average basis
Work in progress and finished goods	Cost of direct materials and labour.

Net realisable value is based on estimated selling price less further costs expected to be incurred to completion and disposal. Provision is made where necessary for obsolete, slow moving and defective stock.

Deferred taxation

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date.

Deferred tax assets are regarded as recoverable and recognised in the financial statements when on the basis of available evidence it is more likely than not that there will be suitable profits from which future reversal of timing differences can be deducted. Deferred tax assets and liabilities are not discounted.

Statement of Accounting Policies

Operating leases

Rentals paid under operating leases are charged to income in the period in which they are incurred.

Pensions

The Group operates a number of defined contribution pension schemes which are independently administered. The pension cost represents contributions payable in the year to the schemes.

Research and development

Expenditure on research and development is written off in the year in which it is incurred except that development costs incurred on an individual project are carried forward when their future recoverability can be foreseen with reasonable assurance as regards viability and technical feasibility. Any expenditure carried forward is amortised in line with the expected future sales from the related project.

Foreign currencies

Trading transactions denominated in foreign currencies are translated into sterling at the exchange rate ruling when the transactions were entered into. Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the exchange rates ruling at the balance sheet date. Exchange gains or losses are included in the operating profit.

Financial instruments

Financial instruments, including derivatives, are used to manage foreign exchange fluctuations. Derivatives used by the Group are restricted to forward currency contracts. Where foreign currency contracts are in place, they are accounted for as hedges, with any year end foreign currency debtors or creditors covered by such contracts, translated into Sterling at the hedged rates.

Goodwill

Goodwill arising on the acquisition of a subsidiary represents the excess of the fair value of the consideration given over the aggregate of the fair values of the separately identifiable net assets acquired.

In accordance with FRS10, "Goodwill and Intangible Assets", positive goodwill arising after 1 January 1998 is carried at cost less accumulated amortisation.

Goodwill arising on consolidation is amortised through the profit and loss account on a straight line basis over its estimated useful economic life.

The carrying value of all goodwill is reviewed for impairment if events or changes in circumstances indicate that the carrying value may not be recoverable. Any impairment in the value of goodwill is charged to the profit and loss account.

Vacant property

Provision is made for the unexpired term of the lease together with associated costs less any anticipated sub-lease income. The provision is not discounted as the effect is not material.

Turnover

Turnover represents the invoiced amount of goods sold and services provided during the year stated net of value added tax. Turnover is recognised upon despatch of the goods or following the provision of the service.

Income from the sale of advance maintenance contracts is deferred in the balance sheet and released to turnover in equal monthly instalments over the length of the contract.

Investments in subsidiaries

The investments in subsidiaries are held at cost less provision for impairment.



Notes to the Financial Statements

for the year ended 31 December 2005

1 Turnover and segmental information

By origin

Turnover and profit before taxation are generated from within the United Kingdom. All net operating assets are located within the United Kingdom.

By class of business

All of the Group's turnover, profit before tax and net assets in 2005 and 2004 are from the sale of wireless mobile computer systems.

	2005	2004
	£'000	£'000
Profit before taxation		
Wireless mobile computer systems	826	659
Interest receivable	76	92
	<hr/>	<hr/>
Profit on ordinary activities before taxation	902	751
	<hr/>	<hr/>

2 Analysis of turnover by geographical market

Geographical area by destination

	2005	2004
	£'000	£'000
United Kingdom	4,826	3,530
Europe	462	329
Rest of World	142	–
	<hr/>	<hr/>
	5,430	3,859
	<hr/>	<hr/>

Acquisitions in the year have been included in the following segments:

	2005	2004
	£'000	£'000
Geographical area		
United Kingdom	715	–
Europe	228	–
Rest of World	136	–
	<hr/>	<hr/>
	1,079	–
	<hr/>	<hr/>

3 Operating profit

	2005	2004
	£'000	£'000
Operating profit is stated after charging:		
Depreciation of tangible owned fixed assets	123	108
Goodwill amortisation	80	–
Development expenditure amortisation	5	–
Operating lease rentals – plant and machinery	103	103
Operating lease rentals – land and buildings	72	54
Auditors' remuneration for audit services (Company £6,500 (2004: £6,500))	45	28
Auditors' remuneration for non-audit services:		
Taxation	13	12
Other advisory services	–	34
Research and development expenditure	254	222
	<hr/>	<hr/>

In addition to the auditors' remuneration noted above £113,000 was paid in respect of the acquisition of Touchstar Technologies Limited. This is included in the £633,000 costs in note 24.

Notes to the Financial Statements

4 Directors' emoluments

	2005 £'000	2004 £'000
Aggregate emoluments (including pension contributions of £2,000 (2004: £9,000) and benefits in kind)	<u>122</u>	<u>89</u>

Fees and other emoluments include amounts paid to the highest paid director as follows:

	2005 £'000	2004 £'000
Aggregate emoluments and benefits	62	47
Pension contributions	–	9
	<u>62</u>	<u>56</u>

During the year pension benefits were accruing to 1 director (2004: 1 director) under the Company's defined contribution pension schemes. Details of directors' interests, including interests in share options and warrants are set out in note 19.

5 Employee information

Group

The average monthly number of employees (including directors) during the year was:

	2005 Number	2004 Number
By activity		
Office, management and sales	29	24
Manufacturing	19	14
	<u>48</u>	<u>38</u>

Staff costs (for the above persons)

	£'000	£'000
Wages and salaries	1,496	1,195
Social security costs	165	124
Other pension costs (note 25)	64	53
	<u>1,725</u>	<u>1,372</u>

Company

The average monthly number of employees (including directors) during the year was:

	2005 Number	2004 Number
By activity		
Office, management and sales	<u>5</u>	<u>5</u>

Staff costs (for the above persons)

	£'000	£'000
Wages and salaries	148	124
Social security costs	13	11
Other pension costs	5	13
	<u>166</u>	<u>148</u>



Notes to the Financial Statements

6 Net interest receivable

	2005 £'000	2004 £'000
Interest receivable:		
Bank balances	101	92
Interest payable and similar charges:		
Bank loans and overdraft	6	–
Other	19	–
	25	–
Net interest receivable	76	92

7 Tax charge on profit on ordinary activities

(a) – Analysis of charge in year

	Group	
	2005 £'000	2004 £'000
Current Tax		
UK corporation tax on profits for the year at 30% (2004: 30%)	294	219
Adjustments in respect of previous years	(7)	(64)
	287	155
Deferred Tax		
Origination and reversal of timing differences	(14)	(7)
Tax on profit on ordinary activities	273	148

(b) – Factors affecting the tax charge

	Group	
	2005 £'000	2004 £'000
Profit on ordinary activities before tax	902	751
Corporation tax on profit at 30% (2004: 30%)	271	225
Effects of:		
Small companies rate of taxation	–	(17)
Expenses not deductible for tax purposes	16	5
Adjustments to tax charge in respect of prior years	(7)	(64)
Accelerated capital allowances	7	6
	287	155

The effective tax charge in future years is not expected to be significantly different from the standard rate.

Notes to the Financial Statements

8 Dividends

	2005	2004
	£'000	£'000
Equity – ordinary		
Interim paid 0.13p (2004: 0.13p)	130	87
Final paid 0.32p (2004: 0.30p)	214	204
	<u>344</u>	<u>291</u>

In addition, the directors are proposing a final dividend in respect of the financial year ending 31 December 2005 of 0.32p per share which will absorb an estimated £321,000 of shareholders' funds. It will be paid on 7 June 2006 to shareholders who are on the register of members at 12 May 2006.

9 Earnings per ordinary share

	2005	2004
Basic earnings per ordinary share	0.86p	0.90p
Diluted earnings per ordinary share	0.85p	0.89p
Basic earnings per ordinary share before goodwill amortisation	0.97p	0.90p
Diluted earnings per ordinary share before goodwill amortisation	<u>0.96p</u>	<u>0.89p</u>

Basic earnings per share is calculated by dividing the earnings attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year.

For diluted earnings per share, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all dilutive ordinary shares. The dilutive ordinary shares represent the share options and warrants granted to employees where the exercise price is less than the average market price of the Company's ordinary shares during the year.

Basic earnings per ordinary share before goodwill amortisation and diluted earnings per ordinary share before goodwill amortisation is based on profit on ordinary activities after taxation but before goodwill amortisation of £80,000, being £709,000.

Reconciliations of the earnings and weighted average number of shares used in the calculation are set out below:

	Earnings £'000	2005 Weighted average number of shares (in thousands)	Earnings £'000	2004 Weighted average number of shares (in thousands)
Basic EPS				
Earnings attributable to ordinary shareholders	629	73,454	603	67,211
Effect of dilutive securities				
Options	–	649	–	333
	<u>629</u>	<u>74,103</u>	<u>603</u>	<u>67,544</u>
Diluted EPS				
Adjusted earnings	629	74,103	603	67,544
	<u>629</u>	<u>74,103</u>	<u>603</u>	<u>67,544</u>
Earnings per share before goodwill amortisation				
Basic EPS	629	73,454	603	67,211
Goodwill amortisation	80	–	–	–
	<u>709</u>	<u>73,454</u>	<u>603</u>	<u>67,211</u>
Basic EPS before goodwill amortisation	709	73,454	603	67,211
	<u>709</u>	<u>74,103</u>	<u>603</u>	<u>67,544</u>
Diluted EPS	629	74,103	603	67,544
Goodwill amortisation	80	–	–	–
	<u>709</u>	<u>74,103</u>	<u>603</u>	<u>67,544</u>
Diluted EPS before goodwill amortisation	709	74,103	603	67,544



Notes to the Financial Statements

10 Intangible fixed assets

Group	Development expenditure £'000	Goodwill £'000	Total £'000
Cost			
At 1 January 2005	–	–	–
Acquisition	69	–	69
Additions	28	8,220	8,248
At 31 December 2005	97	8,220	8,317
Amortisation			
At 1 January 2005	–	–	–
Charge for the year	5	80	85
At 31 December 2005	5	80	85
Net book value			
At 31 December 2005	92	8,140	8,232
At 31 December 2004	–	–	–

Development expenditure is the amount incurred in respect of new products launched. These costs are being amortised over a period of four years.

The goodwill arising on the acquisition of Touchstar Technologies Limited (note 24) is being amortised on a straight line basis over 20 years which is, in the directors' opinion, the useful economic life. The directors have also undertaken an impairment review as required by FRS 10 "Goodwill and intangible assets" and concluded that no impairment has arisen.

Notes to the Financial Statements

11 Tangible fixed assets

Group	Plant and machinery £'000	Fixtures, fittings, tools and computer equipment £'000	Total £'000
Cost			
At 1 January 2005	521	637	1,158
Acquisition	38	121	159
Additions	42	10	52
Disposals	(5)	(9)	(14)
At 31 December 2005	596	759	1,355
Depreciation			
At 1 January 2005	332	589	921
Charge in year	90	33	123
Disposals	(5)	(9)	(14)
At 31 December 2005	417	613	1,030
Net book value			
At 31 December 2005	179	146	325
At 31 December 2004	189	48	237
Company			Fixtures, fittings and computer equipment £'000
Cost			
At 1 January 2005 and 31 December 2005			408
Depreciation			
At 1 January 2005			383
Charge in year			11
At 31 December 2005			394
Net book value			
At 31 December 2005			14
At 31 December 2004			25

All of the Group's fixed assets at 31 December 2005 are recorded at cost.



Notes to the Financial Statements

12 Investments

Company	Shares in subsidiary undertakings £'000
Cost and net book value	
At 1 January 2005	6,000
Additions (note 24)	11,383
At 31 December 2005	17,383

The Company has the following wholly owned trading subsidiary undertakings, incorporated and operating in Great Britain which are registered in England and Wales:

Name of company	Nature of business	Description of shares held
Belgravium Limited	Real time electronic data systems	6,000,000 ordinary £1 shares
Touchstar Technologies Limited	Real time electronic data systems	100,000 ordinary £1 shares

13 Stocks

Group	2005 £'000	2004 £'000
Raw materials and consumables	648	242
Work in progress	101	90
Finished goods and goods for resale	354	111
	1,103	443

14 Debtors

	Group		Company	
	2005 £'000	2004 £'000	2005 £'000	2004 £'000
Amounts falling due within one year				
Trade debtors	2,076	1,336	–	–
Amounts owed by subsidiary undertakings	–	–	367	876
Corporation tax recoverable	150	–	150	–
VAT	13	–	13	–
Other debtors	32	23	20	23
Prepayments and accrued income	201	92	34	10
Deferred tax asset (note 18)	7	7	16	9
	2,479	1,458	600	918

Notes to the Financial Statements

15 Creditors: amounts falling due within one year

	Group		Company	
	2005	2004	2005	2004
	(£'000)	(as restated) (£'000)	(£'000)	(as restated) (£'000)
Bank loan	250	–	250	–
Loan notes	2,580	–	2,580	–
Trade creditors	730	238	–	–
Amounts due to subsidiary undertakings	–	–	2,334	–
Corporation tax payable	1,028	120	45	5
Other taxes and social security costs	209	173	7	18
Other creditors	23	6	1	1
Accruals	398	170	80	87
Deferred income	971	753	–	–
Customer deposits	–	197	–	–
	6,189	1,657	5,297	111

The Group bank overdraft facility and bank loan are secured by unlimited cross-guarantees between the Company and its subsidiary undertakings and by a bond and floating charge over the entire assets of the Group. During 2006 a further £2,580,000 will be drawn down from the bank loan to pay the loan notes. The bank loan is repayable by instalment by 24 October 2009 and carries interest at a rate of 1.5% above LIBOR.

The secured loan notes are repayable on demand after 21 April 2006 and carry interest at a rate of 0.5% below bank base rate.

The Group has given a rent bond of £90,000 secured by its bankers. This expires on 24 December 2018.

The Group has given a Capital Reduction Guarantee of £102,000, secured by its bankers, to its creditors that existed at December 1999 in connection with the capital reconstruction that took place at the time.

16 Creditors: amounts falling due after more than one year

	Group		Company	
	2005	2004	2005	2004
	(£'000)	(£'000)	(£'000)	(£'000)
Bank Loan	170	–	170	–
The maturity profile of the bank loan is as follows:				
Between one and two years	170	–	170	–
Within one year	250	–	250	–
	420	–	420	–



Notes to the Financial Statements

17 Financial commitments

At 31 December 2005 the Group was committed to annual payments in respect of non-cancellable operating leases, as follows:

	Group		Company	
	2005 £'000	2004 £'000	2005 £'000	2004 £'000
Leases which expire:				
Land and buildings:				
Within one year	–	40	–	–
Between two and five years:	6	6	–	–
Over five years	90	–	–	–
	<u>96</u>	<u>46</u>	<u>–</u>	<u>–</u>
Other:				
Within one year	29	12	–	3
Between two and five years	46	75	8	–
	<u>75</u>	<u>87</u>	<u>8</u>	<u>3</u>
	<u>171</u>	<u>133</u>	<u>8</u>	<u>3</u>

18 Provisions for liabilities and charges

Provisions

	Group			Company Property £'000
	Property £'000	Warranty £'000	Total £'000	
At 1 January 2005	54	–	54	54
Acquisition of subsidiary	–	135	135	–
Utilisation	(16)	–	(16)	(16)
At 31 December 2005	<u>38</u>	<u>135</u>	<u>173</u>	<u>38</u>

Property

Property provisions mainly comprise outstanding lease rentals on an empty property. Full provision has been made for the residual lease commitment, together with other outgoings for the remaining period of the lease, which at 31 December 2005 is approximately one year. It is not expected that the empty property will be sub-let.

Warranty

Warranty provision comprises a specific provision in respect of replacement batteries supplied for one product and provision for general customer repairs with 12 month warranty guarantees. The provision is expected to be utilised within 12 months.

Notes to the Financial Statements

18 Provisions for liabilities and charges (continued)

Deferred taxation

Deferred tax is fully provided in the accounts as follows:

	Group		Company	
	2005 £'000	2004 £'000	2005 £'000	2004 £'000
Accelerated capital allowances	(2)	(4)	(13)	(8)
Short term timing differences	(5)	(3)	(3)	(1)
	<u>(7)</u>	<u>(7)</u>	<u>(16)</u>	<u>(9)</u>
Provision at start of year	(7)	–	(9)	(11)
Deferred (credit)/debit in profit and loss account	(14)	(7)	(7)	2
Acquisition of subsidiary	14	–	–	–
Asset at end of year (note 14)	<u>(7)</u>	<u>(7)</u>	<u>(16)</u>	<u>(9)</u>

19 Share capital

	2005 £'000	2004 £'000
Authorised		
Equity share capital:		
150,000,000 (2004: 100,000,000) ordinary shares of 5p each	7,500	5,000
	<u>7,500</u>	<u>5,000</u>
Allotted, called up and fully paid		
Equity share capital:		
100,425,759 (2004: 66,825,759) ordinary shares of 5p each	5,021	3,341
	<u>5,021</u>	<u>3,341</u>

The Company issued 33,600,000 ordinary shares of 5p at a price of 14p per share on 21 October 2005.

The market price of the shares at 31 December 2005 was 16.25p and the range during the year was 12.50p to 19.50p.

Share options and warrants

Options have been granted to certain directors and employees to subscribe for 695,788 ordinary shares of 5p each at a price of between 6.5p and 11.75p per share under the Eadie Holdings plc 1992 Executive Share Option Scheme. These options are exercisable, except as provided in the scheme rules, between three and ten years following the date of grant. No options were exercised, granted, lapsed or cancelled during the year.

Options have been granted to certain directors and employees to subscribe for 1,340,000 ordinary shares of 5p each at a price of between 12.3p and 13.1p per share under the Belgravium Technologies plc Enterprise Management Incentive Scheme. These options are exercisable except as provided in the scheme rules, between three and ten years following the date of grant. No options were exercised, granted, or cancelled during the year. 50,000 options lapsed during the year.

Warrants have been granted to certain directors and employees to subscribe for 310,000 ordinary shares of 5p each at a price of between 8.125p and 10.625p. These warrants are exercisable, except as provided in the scheme rules (in particular, when the share price is at a 25% premium over exercise price) within six years of the date of grant. 80,000 warrants lapsed during the year. No warrants were granted, exercised or cancelled during the year.



Notes to the Financial Statements

19 Share capital (continued)

The number of shares subject to options and warrants, the periods in which they were granted and the periods in which they may be exercised are given below:

	Year of grant	Exercise price (pence)	Exercise period	2005 numbers	2004 numbers
1992 executive share option scheme	1997	9.50	2000-2007	315,788	315,788
	1998	11.75	2001-2008	110,000	110,000
	2001	6.50	2004-2011	270,000	270,000
Enterprise management incentive scheme	2001	12.30	2004-2011	840,000	840,000
	2002	13.10	2005-2012	500,000	500,000
Warrants	2001	8.125	2001-2007	310,000	310,000
				2,345,788	2,345,788

20 Reserves

Group	Share premium account £'000	Capital redemption reserve £'000	Profit and loss account £'000
At 1 January 2005 as previously reported	120	2,100	(3,129)
Prior year adjustment – FRS 21	–	–	214
At 1 January 2005 as restated	120	2,100	(2,915)
Retained profit for the year	–	–	629
Dividend (note 8)	–	–	(344)
Expenses of share issue	(229)	–	–
Issue of ordinary share capital	3,024	–	–
At 31 December 2005	2,915	2,100	(2,630)

Cumulative goodwill relating to acquisitions made prior to 1998, which has been eliminated against reserves, amounts to £2,549,000 (2004: £2,549,000) in respect of the acquisition of Belgravium Limited.

The opening share premium represents the issue of 6,000,000 ordinary shares of 5p each at a price of 7p. The issue of own ordinary share capital represents the issue of 33,600,000 ordinary shares of 5p each at a price of 14p.

Company	Share premium account £'000	Capital redemption reserve £'000	Profit and loss account £'000
At 1 January 2005 as previously reported	120	2,100	2,687
Prior year adjustment – FRS 21	–	–	214
At 1 January 2005 as restated	120	2,100	2,901
Retained profit for the year	–	–	145
Dividend (note 8)	–	–	(344)
Expenses of share issue	(229)	–	–
Issue of ordinary share capital	3,024	–	–
At 31 December 2005	2,915	2,100	2,702

Notes to the Financial Statements

20 Reserves (continued)

Prior year adjustment and impact of new standards

The prior year adjustment relates to the implementation of FRS 21 and FRS 25.

The adoption of FRS 21 has resulted in an increase in shareholders funds of £214,000 at 1 January 2005 due to the write back of the final proposed dividend at 31 December 2004.

The adoption of FRS 25 has resulted in some disclosure changes with the repositioning of dividends from the profit and loss account to the profit and loss reserve. The adoption of FRS 25 does not affect any other comparatives and is only applied to the current period.

21 Group cash flow statement

Reconciliation of operating profit to net cash inflow from operating activities:	2005 £'000	2004 £'000
Operating profit	826	659
Depreciation	123	108
Amortisation	85	–
Movement in provisions	(16)	(16)
Funds generated by operations	1,018	751
Increase in stocks	(156)	–
Increase in debtors	(41)	(239)
Increase in creditors	49	160
Increase in working capital	(148)	(79)
Net cash inflow from operating activities	870	672

Analysis of net debt	At 1 January 2005 £'000	Net cash flow £'000	Other changes £'000	At 31 December 2005 £'000
Cash at bank and in hand	2,219	(420)	–	1,799
Debt due within one year	–	(250)	(2,580)	(2,830)
Debt due after one year	–	(170)	–	(170)
Total	2,219	(840)	(2,580)	(1,201)

Major non-cash transactions

Part of the consideration for Touchstar Technologies Limited comprised loan notes. Further details of the acquisition are set out in note 24.



Notes to the Financial Statements

22 Profit on ordinary activities after taxation

The Group financial statements do not include a separate profit and loss account for Belgravium Technologies plc (the parent undertaking) as permitted by Section 230 of the Companies Act 1985. The parent company profit on ordinary activities after taxation for the year before charging dividends was £145,000 (2004: £135,000).

23 Financial instruments

The Group's financial instruments, other than derivatives, comprise cash and the short term trade debtors and creditors which arise during the normal course of business operations. The Group also enters into derivative transactions (foreign exchange contracts), the purpose of which are to manage inherent currency risk in trading. At 31 December 2005, the Group had no outstanding derivative transactions. It is the policy of the Group not to engage in speculative trading of financial instruments.

The Group's net assets at 31 December 2005 were Sterling based.

Short term debtors and creditors

Short term debtors and creditors have been excluded from the analysis. The Group's financing is not discounted, securitised or pledged in any way, except for the fixed and floating charge held by the bank, who provided the Group with a multi-option facility.

Analysis of financial assets and liabilities

The tables below, discloses the denomination by currency and the interest bearing nature of the Group's financial assets and liabilities. Interest rates applicable to monies disclosed within "Floating interest financial assets and liabilities", are set relative to central bank rates of the countries within which they are held.

Analysis of financial assets	2005	2004
	Floating interest financial assets £'000	Floating interest financial assets £'000
Sterling	1,787	2,219
Euro	12	–
Total	1,799	2,219
Analysis of financial liabilities	2005	2004
	Floating interest financial liabilities £'000	Floating interest financial liabilities £'000
Sterling		
Financial liabilities		
– Bank loan	420	–
– Loan notes	2,580	–
	3,000	–

The Group's provision of £38,000 (2004: £54,000) for outstanding lease rentals on empty and under-let property (note 18) meets the definition of a financial liability. This is considered to be non interest bearing.

Notes to the Financial Statements

23 Financial instruments (continued)

Maturity of financial liabilities

The maturity profile of the carrying amount of the Group's financial liabilities, other than short term creditors and accruals as at 31 December 2005 was as follows:

	Debt £'000	Other financial liabilities £'000	2005 Total £'000
In one year or less or on demand	2,830	38	2,868
In more than one year but not more than two years	170	–	170
	<u>3,000</u>	<u>38</u>	<u>3,038</u>

Other financial liabilities include the provision for outstanding lease rentals and under let property.

Financing and liquidity risk

The Group maintains short term cash deposits and unutilised banking facilities to mitigate any liquidity risk it may face. At 31 December 2005, the Group had undrawn floating rate committee overdraft facilities available to it of £1 million (31 December 2004: £0.5 million). The facilities are due for renewal on 25 September 2006. These facilities are denominated in Sterling, but can be utilised in Sterling, US Dollars or Euros and are reviewed annually.

Currency exposures and hedges

Natural hedging occurs through the matching of foreign currency income, expenditure and commitments. When projected foreign currency balances are not anticipated to be covered through this natural matching process, the Group may choose to enter into forward foreign currency contracts through its bankers and other financial institutions.

At 31 December 2005, no forward foreign currency contracts were outstanding (2004: £nil).

Fair values of financial assets and liabilities

As a result of the short term maturity of the instruments there are no material differences between the fair values and the book values of all financial assets and liabilities held at 31 December 2005 (2004: £nil).



Notes to the Financial Statements

24 Acquisitions

On 21 October 2005, the Company acquired the entire share capital of Touchstar Technologies Limited for a total consideration of £10,750,000 plus costs of £633,000, being the fair value of the consideration.

The book and provisional fair value of the net assets acquired are as follows:

	£'000
Intangible assets	69
Fixed assets	159
Stock	504
Debtors	805
Cash	3,362
Creditors	(1,588)
Provisions for liabilities and charges	(148)
	<hr/>
Net assets acquired	3,163
Goodwill	8,220
	<hr/>
	11,383
	<hr/>
Satisfied by	
Cash	8,170
Loan notes	2,580
Costs	633
	<hr/>
	11,383
	<hr/>

The book value of the assets and liabilities have been taken from the accounting records of Touchstar Technologies Limited at 21 October 2005. No fair value adjustments have been made to date.

In the last financial year to 31 May 2005, Touchstar Technologies Limited made a profit after taxation of £1,519,000.

For the period since that date to the date of acquisition, Touchstar Technologies Limited management accounts show:

	£'000
Turnover	3,189
Cost of sale	(1,484)
	<hr/>
Gross profit	1,705
Distribution cost	15
Administrative expense	(789)
	<hr/>
Operating profit	931
Interest receivable	45
	<hr/>
Profit on ordinary activities before taxation	976
Tax charge on profit on ordinary activities	(280)
	<hr/>
Profit on ordinary activities after taxation	696
	<hr/>

There were no other gains and losses than those in the profits above. From the date of acquisition to 31 December 2005, Touchstar Technologies Limited contributed £221,000 to the Group's operating cash flows, received £2,000 in respect of interest, paid £130,000 in respect of taxation and utilised £30,000 for capital expenditure.

Notes to the Financial Statements

25 Pensions

The Group operates a number of defined contribution pension schemes, the assets of which are held separately from those of the Group in an independently administered fund. The pension cost for the year, representing contributions payable by the Group to these schemes was £64,000 (2004: £53,000) and included in creditors is an amount of £7,000 (2004: £6,000) in respect of unpaid contributions.

26 Related party transactions

J P Kembery is both a director of Belgravium Technologies plc and a significant shareholder of Heathermoor Limited which wholly owns Eadie Industries Limited.

During the year recharges from Belgravium Technologies plc to Eadie Industries Limited amounted to £78,000 (excluding VAT) (2004: £93,000) in respect of payroll and certain administration costs incurred on behalf of Eadie Industries Limited.

As at 31 December 2005, the debt owed by Eadie Industries Limited was £20,000 (2004: £23,000) which was repaid in full in February 2006.

27 Post balance sheet event

On 13 January 2006 Belgravium Technologies plc acquired the whole of the share capital of Novo IVC Limited for a total consideration of £1,316,000 plus costs of £350,000. At the time of the acquisition Novo IVC Limited had over £600,000 in cash.



Notice of Annual General Meeting

Notice is hereby given that the one hundred and second annual general meeting of the Company will be held at the offices of Teather and Greenwood, Beaufort House, 15 St Botolph Street, London, EC3A 7QR on 25 May 2006 at 11.00 am for the following purposes:

ORDINARY BUSINESS

- 1 To receive, consider and adopt the annual accounts for the year ended 31 December 2005 together with the last directors' report and the auditors' report on those accounts.
- 2 To approve the final dividend of 0.32p for each ordinary share. This dividend is in respect of the year ended 31 December 2005 and is payable to shareholders on the register at the close of business on 12 May 2006.
- 3 To reappoint John Philip Kembery as a director of the Company who retires by rotation in accordance with the articles of association of the Company.
- 4 To reappoint Roderick Dugald McDougall as a director of the Company.
- 5 To approve the appointment of Mark William Hardy as a director of the Company.
- 6 To reappoint PricewaterhouseCoopers LLP as auditors of the Company to hold office from the conclusion of the meeting until the conclusion of the next general meeting at which the accounts are laid before the Company and that their remuneration be fixed by the directors.

SPECIAL BUSINESS

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

- 7 That the directors be generally and unconditionally authorised pursuant to section 80 of the Companies Act 1985 ("**Act**") to exercise all the powers of the Company to allot relevant securities within the meaning of that section up to an aggregate nominal amount of £1,757,450 for a period expiring (unless previously renewed, varied or revoked by the Company in general meeting) on the date of the next annual general meeting of the Company after the passing of this resolution, but the Company may make an offer or agreement which would or might require relevant securities to be allotted after expiry of this authority and the board may allot relevant securities in pursuance of that offer or agreement.
- 8 That subject to the passing of resolution 5 the directors be generally empowered pursuant to section 95 of the Act to allot equity securities (within the meaning of section 94(2) of the Act) for cash pursuant to the authority conferred by resolution 6 as if section 89(1) of the Act did not apply to the allotment. This power shall be limited to:
 - 8.1 the allotment of equity securities in connection with an offer for securities open for acceptance for a period fixed by the directors by way of rights to holders of ordinary shares and such other equity securities as the directors may determine on the register on a fixed record date in proportion to their respective holdings of such securities or in accordance with the rights attaching to them (but subject to such exclusions or other arrangements necessary or expedient to deal with fractional entitlements that would otherwise arise or with legal or practical problems under the laws of any territory or the requirements of any recognised regulatory body or any stock exchange in any territory or otherwise however);
 - 8.2 the allotment of equity securities pursuant to the terms of any share scheme for directors and employees approved by the Company in general meeting;
 - 8.3 the allotment (otherwise than pursuant to sub paragraphs 8.1 and 8.2 above) of equity securities up to an aggregate nominal value of £251,064.

provided that the power hereby conferred shall expire on the date of the next annual general meeting of the Company after the passing of this resolution save that the directors may before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and the directors may allot equity securities in pursuance of such an offer or agreement as if the power conferred hereby had not expired.

Notice of Annual General Meeting

- 9 THAT in accordance with article 14 of the articles of association of the Company and Part V of the Act, the Company be and is hereby generally and unconditionally authorised for the purposes of section 166 of the Act to make one or more market purchases (as defined by section 163(3) of the Act) of its ordinary shares of 5p each in the capital of the Company subject to the following conditions:
- 9.1 the maximum aggregate number of ordinary shares which may be purchased is 10,042,576 being 10% of the Company's shares in issue as at 31 December 2005;
- 9.2 the price at which an ordinary share may be purchased shall not exceed 105% of the average of the middle market quotations for the ordinary share as derived from the London Stock Exchange Daily Official List for the five business days immediately preceding the date of purchase and shall not be less than 5p per ordinary share, in both cases exclusive of expenses; and
- 9.3 unless previously renewed, varied or revoked, this authority hereby conferred will expire at the earlier of the conclusion of the Company's next annual general meeting or the date 12 months from the date of the passing of this resolution, except that the Company may before such authority expires enter into a contract to purchase its own shares which may be completed wholly or partly after the expiry of this authority and may make a purchase of its own shares in pursuance of any such contract.

By order of the board



M P Unwin
Company Secretary

1 March 2006

Registered office
151 St Vincent Street
Glasgow
G2 5NJ

Notes

- 1 A corporation which is a member of the Company may attend and act by its duly appointed representative.
- 2 A member entitled to attend and vote at this meeting is entitled to appoint a proxy or proxies to attend and, on a poll, vote instead of him. A proxy need not be a member of the Company. Completion of the proxy form does not prevent the member from attending and voting in person.
- 3 A proxy form is enclosed. To be valid, the duly completed and signed proxy form (together with any power of attorney or other authority under which it is signed or a notarially certified copy thereof) must be deposited at the offices of the Company's Registrars, Capita Registrars, Proxy Department, P.O. Box 25, Beckenham, Kent BR3 4BR not later than 11.00 am on 23 May 2006.
- 4 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 subsidiary undertaking 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 annual general meeting.
- 5 The Company, pursuant to 41(1) of the Uncertified Securities Regulations 2001, specifies that only those shareholders registered in the register of members of the Company as at 11.00 am 23 May 2006, or, if the meeting is adjourned, shareholders entered on the Company's register of members not later than 48 hours before the time fixed for the adjourned meeting, shall be entitled to attend and/or to vote at the meeting in respect of the number of shares registered in their name at that time. Changes to entries on the register of members after that time will be disregarded in determining the rights of any person to attend and/or vote at the meeting.



Group Information

Registered Number in Scotland 5543

Secretary and Registered Office

M.P. Unwin
151 St. Vincent Street
Glasgow, G2 5NJ

Auditors

PricewaterhouseCoopers LLP
101 Barbirolli Square
Lower Mosley Street
Manchester, M2 3PW

Solicitors

Harrison Clark
5 Deansway
Worcester
WR1 2JG

Registrars

Capita Registrars
Northern House
Woodsome Park
Fenay Bridge
Hudderssfield, HD8 0LA

Corporate Advisors

KPMG Corporate Finance
1 The Embankment
Neville Street
Leeds, LS1 4DW

Stockbroker

Teather & Greenwood
Beaufort House
15 St Botolph Street
London, EC3A 7QR

Bankers

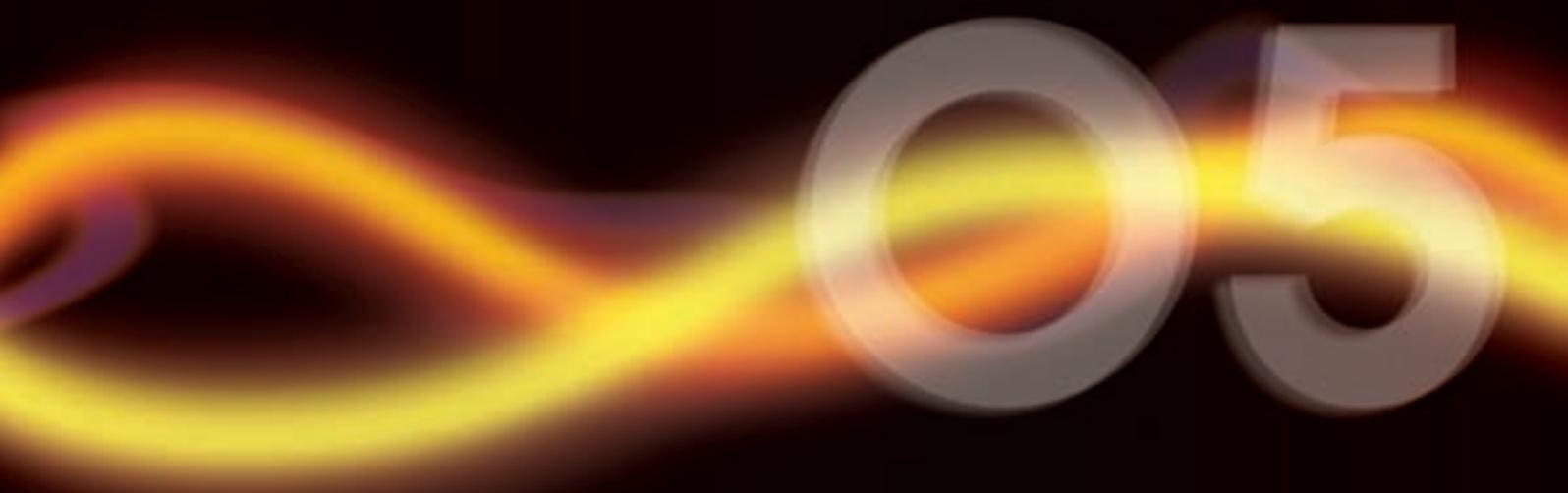
Barclays Bank plc
Barclays Corporate
PO Box 190
2nd Floor
1 Park Row
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Shareholders Notes



Shareholders Notes

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