

Belgravium Technologies plc
Annual report
for the year ended 31 December 2004

Registered Number: Scotland 5543

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for the year ended 31 December 2004

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Belgravium Technologies plc

Chairman's statement

Introduction

Belgravium Technologies designs and manufactures real time electronic data capture systems, which are largely applied to the logistics and supply chain sectors in the UK and Europe.

Results

2004 was a year of solid achievement. The company finished the year better positioned, both technically and commercially, to take on the challenges of an evolving market.

Turnover for the year was very similar to 2003 at £3,859,000 (2003: £3,895,000). Profit before tax at £751,000 was in line with expectation and would have been almost exactly the same as the previous year (2003: £795,000) had it not been for the costs of a failed acquisition.

The tax charge for 2004 was lower than 2003, due to credits arising from previous years. As a result, earnings were higher than the previous year at £603,000 (2003: £577,000) and basic earnings per ordinary share went up to 0.90p per share (2003: 0.85p).

Balance sheet

Once again the Group has continued to accumulate cash. At the end of 2004 cash in hand totalled £2,219,000, a 9% increase on the previous year (2003: £2,043,000). In 2003 the company sold a property generating £281,000 and without this bonus the continued cash accumulation in 2004 is very satisfactory and leaves the Group balance sheet in a very strong position to finance future growth.

Dividend

Consistent with our policy of improving dividends wherever possible, the Board is pleased to recommend a final dividend of 0.32p per ordinary share. This will be paid on 26 May, subject to the approval at the AGM of shareholders on the register at 29 April 2005. This will provide total dividends paid and proposed in the year of 0.45p per ordinary share compared to 0.42p per ordinary share in 2003.

The market

In the 2004 interim report we noted changes in the market place, particularly customers wanting a greater breadth of services. This trend has continued and combined with the caution on IT spend which has been evident for some years, has produced a difficult market to supply with standard products.

Belgravium's great strength is the quality of its goods and services and its ability to respond to customers' needs. We see the present market as an opportunity and have further improved our organisation to respond. For 2005 we have strengthened the sales team with particular emphasis on Europe and have increased marketing spend and technical support. With this approach we have proved that we can rival bigger suppliers and closed 2004 with the biggest order ever secured by Belgravium; a £750,000 system to control Grattan's Parcelnet division's, Proof of Delivery requirements. We are seeking more orders of this type and have set up our sales and technical organisation to achieve this aim.

Operations

During 2004 the operational team was reorganised to blend technical development with manufacturing and to increase emphasis on forward technical planning. The market is becoming more demanding and sophisticated and we need to respond in a cost effective manner, making sure that we have the right product at the right time. So far this plan has worked well and is part of the reason why we feel better equipped to meet further challenges.

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Chairman's statement (continued)

Also noteworthy is the way in which costs have been controlled in 2004, again a by-product of improved planning.

Acquisitions

Belgravium has consistently tried to increase turnover by organic means and, whilst we still expect this type of growth, a big step forward could be achieved by an acquisition with real synergy. Since research and development costs are comparatively high in a technical business, this would have the effect of making more solutions economically available.

Over the past three years we have looked at a great many businesses but usually failed to find real synergy. In 2004 we thought we have found the right deal, only to have the vendor change his mind after we had incurred costs.

This disappointing experience has not altered our view that an acquisition would be of benefit to the business and its shareholders and we are currently examining some interesting prospects. We shall not however make any commitments unless we are convinced that any given acquisition will enhance Belgravium's earnings per share.

Product development

In 2004 Belgravium added extra skills to the technical team and continued to spend significant amounts on increasing the range and capabilities of its products, consistent with market needs. Future technical developments such as Radio Frequency Identification (RFID) offer the possibility of expanding our market and are being pursued vigorously. We have already supplied a pilot system utilising this technology within our Atlanta hand held product. This is proving successful and we expect to supply the complete order later in the year.

Employees

A business built on flexibility and service depends a good deal on the goodwill and, often good humour, of its staff. This has been no different from any other year in its demands and the whole company has responded brilliantly.

Outlook

The second half of 2004 was a little disappointing because we had factored into our forecasts an order from Grattan which, in the event, was larger than anticipated but mostly spread through 2005. Thus we start 2005 with a good order book, with an encouraging range of prospects and more ability to serve market needs than ever before. Provided the market strength holds it should be a better year and one in which we can build on the foundations securely laid in previous years.

J P Kembery

Executive Chairman

23 February 2005

Belgravium Technologies plc

Directors' report for the year ended 31 December 2004

The directors present their report and the audited financial statements of the Company and the Group for the year ended 31 December 2004.

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 1 and 2.

Financial review

Operating profit was £659,000 (2003: £682,000). A commentary on the operating performance of the Group is included in the Chairman's statement on pages 1 and 2.

The Group profit after tax was £603,000 (2003: £577,000). The directors recommend a final dividend of 0.32p per ordinary share (2003: 0.30p). After payment of dividends, a profit of £302,000 (2003: £294,000) is to be added to reserves.

The Group generated cash of £751,000 from operations (2003: £746,000).

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

The interests of the directors in the share capital of the Company at 31 December 2004 and at 1 January 2004 were as follows:

	Ordinary 5p	Options Ordinary 5p	Enterprise Management Incentive scheme options Ordinary 5p
Beneficial			
J P Kembery	5,004,189	315,788	100,000
R D McDougall	1,680,007	-	-
S J Day	100,000	-	-

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Directors' report for the year ended 31 December 2004 (continued)

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

Except as disclosed in note 24, 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 23 February 2005.

Share options

J P Kembery's share options are exercisable between 26 April 2000 and 26 April 2007 at an exercise price of 9.5p. No options were granted, exercised, lapsed or cancelled during the year.

J P Kembery's options under the Enterprise Management Incentive scheme are exercisable between 20 July 2004 and 20 July 2011 at an exercise price of 12.3p. 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 18.

The market price of the shares at 31 December 2004 was 12.5p and the range during the year was 10.5p to 16.0p.

Non-executive directors

R D McDougall, BA, 62, 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 also served on the board of three listed public companies in the last 15 years. R D McDougall is the senior independent non-executive director of Belgravium Technologies plc.

S J Day, 59, 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 retires by rotation at the Annual General Meeting and offers himself for reappointment.

The two non-executive directors are considered to be independent.

Purchase of own shares

1,000,000 5p ordinary shares (being 1.5% of the issued ordinary called up share capital) (2003: 1,000,000 5p ordinary shares) were purchased by the Company during the year for £121,000 (2003: £116,000). These shares were then cancelled. The Company considers that these purchases were beneficial to members as they have resulted in an increase in earnings per share.

At the Annual General Meeting held on 13 May 2004, 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 2003.

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 19 May 2005. 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 £1,303 (2003: £396).

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Directors' report for the year ended 31 December 2004 (continued)

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.

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.

Substantial shareholdings

As at 18 February 2005, 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	5,004,189	7.49

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.

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Directors' report for the year ended 31 December 2004 (continued)

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. They also confirm that reasonable and prudent judgements and estimates have been made in preparing the financial statements for the year ended 31 December 2004 and that applicable accounting standards have been followed.

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
23 February 2005

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Independent auditors' report to the members of Belgravium Technologies plc

We have audited the financial statements which comprise the Group profit and loss account, the balance sheets, the Group cash flow statement, the reconciliation of net cash flow to movement in net funds, the reconciliation of movements in the Group and Company equity shareholders' funds, Statement of accounting policies and the related notes.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and 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 issued by the Auditing Practices Board. 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 in to 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 transactions is not disclosed.

We read the other information contained in the annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises only the directors' report and the chairman's statement.

Basis of audit opinion

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

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

Opinion

In our opinion, the financial statements give a true and fair view of the state of affairs of the Company and the Group at 31 December 2004 and of the profit and cash flows of the Group 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
23 February 2005

Belgravium Technologies plc

Group profit and loss account for the year ended 31 December 2004

	Notes	2004 £'000	2003 £'000
Turnover	1, 2	3,859	3,895
Cost of sales		1,369	1,367
Gross profit		2,490	2,528
Distribution costs		31	34
Administrative expenses		1,800	1,812
		1,831	1,846
Operating profit	3	659	682
Profit on sale of property held for resale	4	-	56
Profit on ordinary activities before interest and taxation		659	738
Interest receivable	7	92	57
Profit on ordinary activities before taxation		751	795
Tax charge on profit on ordinary activities	8	(148)	(218)
Profit on ordinary activities after taxation		603	577
Ordinary dividend	9	(301)	(283)
Profit retained for the year	19	302	294
Basic earnings per ordinary share	10	0.90p	0.85p
Diluted earnings per ordinary share	10	0.89p	0.84p

All activities in the years above relate to continuing operations.

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.

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Group balance sheet as at 31 December 2004

	Note	2004 £'000	2003 £'000
Fixed assets			
Tangible assets	11	237	294
Current assets			
Stocks	13	443	443
Debtors	14	1,458	1,232
Cash at bank and in hand		2,219	2,043
		4,120	3,718
Creditors: amounts falling due within one year	15	(1,871)	(1,691)
Net current assets		2,249	2,027
Total assets less current liabilities		2,486	2,321
Provisions for liabilities and charges	17	(54)	(70)
Net assets		2,432	2,251
Capital and reserves			
Called up share capital	18	3,341	3,391
Share premium account	19	120	120
Capital redemption reserve	19	2,100	2,050
Profit and loss account	19	(3,129)	(3,310)
Total equity shareholders' funds		2,432	2,251

The financial statements on pages 8 to 27 were approved by the board of directors on 23 February 2005 and were signed on its behalf by:

J P Kembery
Director

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Company balance sheet as at 31 December 2004

	Note	2004 £'000	2003 £'000
Fixed assets			
Tangible assets	11	25	12
Investments	12	6,000	6,000
		6,025	6,012
Current assets			
Debtors	14	918	1,333
Cash at bank and in hand		1,684	1,541
		2,602	2,874
Creditors: amounts falling due within one year	15	(325)	(281)
Net current assets		2,277	2,593
Total assets less current liabilities		8,302	8,605
Provisions for liabilities and charges	17	(54)	(70)
Net assets		8,248	8,535
Capital and reserves			
Called up share capital	18	3,341	3,391
Share premium account	19	120	120
Capital redemption reserve	19	2,100	2,050
Profit and loss account	19	2,687	2,974
Total equity shareholders' funds		8,248	8,535

The financial statements on pages 8 to 27 were approved by the board of directors on 23 February 2005 and were signed on its behalf by:

J P Kembery
Director

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Group cash flow statement for the year ended 31 December 2004

	Note	2004 £'000	2003 £'000
Net cash inflow from operating activities	20	672	1,033
Returns on investment and servicing of finance			
Interest received		92	57
		92	57
Taxation			
Corporation tax paid		(180)	(260)
Corporation tax received		55	-
		(125)	(260)
Capital expenditure and financial investment			
Purchase of tangible fixed assets		(51)	(50)
Proceeds from disposal of property held for resale	4	-	281
		(51)	231
Equity dividends paid to shareholders		(291)	(244)
Net cash inflow before financing		297	817
Financing			
Purchase of own ordinary share capital	19	(121)	(116)
		(121)	(116)
Increase in cash in the year		176	701

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Reconciliation of net cash flow to movement in net funds

	2004	2003
	£'000	£'000
Increase in cash	176	701
Movement in net funds during year	176	701
Net funds at 1 January	2,043	1,342
Net funds at 31 December	2,219	2,043

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Reconciliation of movements in Group equity shareholders' funds

	2004 £'000	2003 £'000
Profit on ordinary activities after taxation	603	577
Dividends	(301)	(283)
	302	294
Purchase of own ordinary share capital	(121)	(116)
Net change in equity shareholders' funds	181	178
Opening equity shareholders' funds	2,251	2,073
Closing equity shareholders' funds	2,432	2,251

Reconciliation of movements in Company equity shareholders' funds

	2004 £'000	2003 £'000
Profit on ordinary activities after taxation	135	186
Dividends	(301)	(283)
	(166)	(97)
Purchase of own ordinary share capital	(121)	(116)
Net change in equity shareholders' funds	(287)	(213)
Opening equity shareholders' funds	8,535	8,748
Closing equity shareholders' funds	8,248	8,535

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Statement of accounting policies

Basis of preparation

The financial statements are prepared in accordance with the Companies Act 1985, applicable accounting standards in the United Kingdom and the following accounting policies which have been applied consistently. The financial statements are prepared under the historical cost convention.

Basis of consolidation

The Group financial statements consolidate the financial statements of Belgravium Technologies plc and its subsidiary undertaking made up to 31 December 2004.

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 on the bases and 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 first-in, first-out 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 difference 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.

Operating leases

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

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Statement of accounting policies (continued)

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. 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 useful economic lives of goodwill and intangible assets are reviewed annually and revised where appropriate.

As permitted by FRS10, goodwill relating to earlier acquisitions that has been eliminated against reserves, has not been recapitalised as an asset on the balance sheet, but has been offset against the profit and loss account reserve. On subsequent disposal of subsidiaries, such goodwill is taken into account in arriving at the gain/loss on disposal included in the profit and loss account.

Vacant property

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

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 subsidiary

The investments in subsidiary is held at cost less provision for impairment.

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Notes to the financial statements for the year ended 31 December 2004

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 in 2004 and 2003 is from the sale of wireless mobile computer systems.

	2004	2003
	£'000	£'000
Profit before taxation		
Wireless mobile computer systems	659	738
Interest receivable	92	57
Profit on ordinary activities before taxation	751	795

All net assets relate to the wireless mobile computer systems continuing operations.

2 Analysis of turnover by geographical market

	2004	2003
	£'000	£'000
Geographical area		
United Kingdom	3,530	3,710
Europe	329	185
	3,859	3,895

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3 Operating profit

	2004 £'000	2003 £'000
Operating profit is stated after charging:		
Depreciation of owned tangible fixed assets	108	81
Operating lease rentals – plant and machinery	103	102
Operating lease rentals – land and buildings	54	52
Auditors' remuneration for audit services (Company £6,500 (2003: £6,500))	28	28
Auditors' remuneration for non-audit services:		
Taxation	12	12
Other advisory services	34	7
Research and development costs	222	191

4 Profit on sale of property held for resale

During the year ended 31 December 2003 the Company sold its property held for resale for £281,000 after the deduction of costs. The profit on the sale of the property amounted to £56,000. No tax was attributable to the profit on the sale of the property because of brought forward capital losses.

5 Directors' emoluments

	2004 £'000	2003 £'000
Aggregate emoluments (including pension contributions of £9,000 (2003: £12,000) and benefits in kind)	89	86
Fees and other emoluments include amounts paid to the highest paid director as follows:		
	2004 £'000	2003 £'000
Aggregate emoluments and benefits	47	42
Pension contributions	9	12
	56	54

During the year pension benefits were accruing to 1 director (2003: 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 the directors' report.

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6 Employee information

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

	2004 Number	2003 Number
Continuing – by activity		
Office, management and sales	24	24
Manufacturing	14	14
	38	38
	£'000	£'000
Staff costs (for the above persons)		
Wages and salaries	1,195	1,161
Social security costs	124	126
Other pension costs (note 23)	53	53
	1,372	1,340

7 Interest receivable

	2004 £'000	2003 £'000
Interest receivable:		
Bank balances	92	57

8 Tax charge on profit on ordinary activities

(a) – Analysis of charge in year

	Group	
	2004 £'000	2003 £'000
Current Tax		
UK corporation tax on profits for the year at 30% (2003:30%)	219	207
Adjustments in respect of previous years	(64)	(23)
	155	184
Deferred Tax		
Origination and reversal of timing differences	(7)	34
Tax on profit on ordinary activities	148	218

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8 Tax charge on profit on ordinary activities (continued)

(b) – Factors affecting the tax charge

	Group	
	2004	2003
	£'000	£'000
Profit on ordinary activities before tax	751	795
Corporation tax on profit at 30% (2003: 30%)	225	238
Effects of:		
Small companies rate of taxation	(17)	(25)
Expenses not deductible for tax purposes	5	3
Adjustments to tax charge in respect of prior years	(64)	(23)
Accelerated capital allowances	6	(9)
	155	184

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

9 Dividends

	2004	2003
	£'000	£'000
Equity – ordinary		
Interim paid 0.13p (2003: 0.12p)	87	81
Final proposed 0.32p (2003: 0.30p)	214	204
Prior year dividend not paid	-	(2)
	301	283

The prior year dividend not paid represents the release of the overprovision of the 2002 final proposed dividend as a result of the Company purchasing and cancelling 1,000,000 5p ordinary shares before the dividend was paid.

10 Earnings per ordinary share

Basic and diluted

Basic earnings per ordinary share is based on the profit on ordinary activities after taxation of £603,000 (2003: £577,000) and on a weighted average of 67,211,005 ordinary shares in issue in the year (2003: 68,075,074). Diluted earnings per ordinary share has been calculated based on the average number of ordinary shares, assuming conversion of all potentially dilutive ordinary shares, of 67,543,859 (2003: 68,449,981). 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.

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11 Tangible fixed assets

Group	Plant and machinery £'000	Fixtures, fittings, tools and computer equipment £'000	Total £'000
Cost			
At 1 January 2004	504	606	1,110
Additions	17	34	51
Disposals	-	(3)	(3)
At 31 December 2004	521	637	1,158
Depreciation			
At 1 January 2004	250	566	816
Provided during the year	82	26	108
Disposals	-	(3)	(3)
At 31 December 2004	332	589	921
Net book value			
At 31 December 2004	189	48	237
At 31 December 2003	254	40	294
Company			
			Fixtures, fittings and computer equipment £'000
Cost			
At 1 January 2004			388
Additions			23
Disposals			(3)
At 31 December 2004			408
Depreciation			
At 1 January 2004			376
Provided during the year			10
Disposals			(3)
At 31 December 2004			383
Net book value			
At 31 December 2004			25
At 31 December 2003			12

All of the Group's fixed assets at 31 December 2004 are recorded at cost.

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12 Investments

Company	Shares in subsidiary undertakings £'000
Cost	
At 1 January 2004 and 31 December 2004	6,000

The Company has the following wholly owned trading subsidiary undertaking, incorporated 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

13 Stocks

Group

	2004 £'000	2003 £'000
Raw materials and consumables	242	281
Work in progress	90	45
Finished goods and goods for resale	111	117
	443	443

14 Debtors

	Group		Company	
	2004 £'000	2003 £'000	2004 £'000	2003 £'000
Trade debtors	1,336	1,078	-	-
Amounts owed by subsidiary undertakings	-	-	876	1,259
Corporation tax recoverable	-	20	-	20
Other debtors	23	31	23	31
Prepayments and accrued income	92	103	10	12
Deferred tax asset (note 17)	7	-	9	11
	1,458	1,232	918	1,333

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15 Creditors: amounts falling due within one year

	Group		Company	
	2004 £'000	2003 £'000	2004 £'000	2003 £'000
Trade creditors	238	243	-	-
Corporation tax	120	110	5	-
Other taxes and social security costs	173	195	18	25
Deferred income	753	785	-	-
Customer deposits	197	-	-	-
Other creditors	6	7	1	1
Proposed dividend	214	204	214	204
Accruals	170	147	87	51
	1,871	1,691	325	281

The Group bank overdraft facility is secured by unlimited cross-guarantees between the Company and its subsidiary undertaking. In addition, the overdraft facility is secured by a bond and floating charge over the entire assets of the Group.

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 Obligations under leases

At 31 December 2004 the Group was committed to annual payments in respect of operating leases, as follows:

	Group		Company	
	2004 £'000	2003 £'000	2004 £'000	2003 £'000
Leases which expire:				
Land and buildings:				
Within one year	40	-	-	-
Between two and five years:	6	52	-	-
	46	52	-	-
Other:				
Within one year	12	8	3	-
Between two and five years	75	84	-	5
	87	92	3	5
	133	144	3	5

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17 Provisions for liabilities and charges

Provisions

	Group Property £'000	Company Property £'000
At 1 January 2004	70	70
Utilisation	(16)	(16)
At 31 December 2004	54	54

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 2004 is approximately 2 years. It is not expected that the empty property will be sub-let.

Deferred taxation

Deferred tax is fully provided in the accounts for the period ended 31 December 2004 as follows:

	Group		Company	
	2004 £'000	2003 £'000	2004 £'000	2003 £'000
Accelerated capital allowances	(4)	-	(8)	(11)
Short term timing differences	(3)	-	(1)	-
	(7)	-	(9)	(11)
Provision at start of year	-	(34)	(11)	(34)
Deferred (credit)/debit in profit and loss account	(7)	34	2	23
Asset at end of year (Note 14)	(7)	-	(9)	(11)

18 Share capital

	2004 £'000	2003 £'000
Authorised		
Equity share capital:		
100,000,000 (2003: 100,000,000) ordinary shares of 5p each	5,000	5,000
	5,000	5,000
Allotted, called up and fully paid		
Equity share capital:		
66,825,759 (2003: 67,825,759) ordinary shares of 5p each	3,341	3,391
	3,341	3,391

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18 Share capital (continued)

Ordinary share capital

1,000,000 5p ordinary shares (2003: 1,000,000 5p ordinary shares), being 1.5% of the issued ordinary called up share capital, were purchased by the Company during the year for £121,000 (2003: £116,000), these shares were then cancelled.

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.

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	2004 numbers	2003 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	550,000
Warrants					
	1998	10.625	1998-2004	-	80,000
	2001	8.125	2001-2007	310,000	310,000
				2,345,788	2,475,788

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19 Reserves

Group

	Share premium account £'000	Capital redemption reserve £'000	Profit and loss account £'000
At 1 January 2004	120	2050	(3,310)
Profit for year after dividends	-	-	302
Purchase of own ordinary share capital (note 18)	-	50	(121)
At 31 December 2004	120	2,100	(3,129)

Cumulative goodwill relating to acquisitions made prior to 1998, which has been eliminated against reserves, amounts to £2,549,000 (2003: £2,549,000) in respect of the acquisition of Belgravium Limited

The share premium represents the issue of 6,000,000 ordinary shares of 5p each at a price of 7p.

Company

	Share premium account £'000	Capital redemption reserve £'000	Profit and loss account £'000
At 1 January 2004	120	2,050	2,974
Loss for year after dividends	-	-	(166)
Purchase of own ordinary share capital (note 18)	-	50	(121)
At 31 December 2004	120	2,100	2,687

20 Group cash flow statement

Reconciliation of operating profit to net cash inflow from operating activities:

	2004 £'000	2003 £'000
Operating profit	659	682
Depreciation	108	81
Movement in provisions	(16)	(17)
Funds generated by operations	751	746
Decrease in stocks	-	47
Increase in debtors	(239)	(186)
Increase in creditors	160	426
(Increase)/decrease in working capital	(79)	287
Net cash inflow from operating activities	672	1,033

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20 Group cash flow statement (continued)

Analysis of net funds

	At 1 January 2004 £'000	Net cash flow £'000	At 31 December 2004 £'000
Cash at bank and in hand	2,043	176	2,219

21 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 £135,000 (2003: £186,000).

22 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 2004, 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 2004 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 table 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

	2004 Floating interest financial assets £'000	2003 Floating interest financial assets £'000
Sterling	2,219	2,043

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22 Financial instruments (continued)

Financial liabilities

The Group's provision of £54,000 (2003: £70,000) for outstanding lease rentals on empty and under-let property (Note 17) meets the definition of a financial liability. This is considered to be non interest bearing.

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 2004, the Group had undrawn floating rate overdraft facilities available to it of £0.5 million (31 December 2003: £0.5 million) . The facilities are due for renewal on 27 January 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 2004, no forward foreign currency contracts were outstanding (2003: £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 2004 (2003: £nil).

23 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 £53,000 (2003: £53,000) and included in creditors is an amount of £6,000 (2003: £6,000) in respect of unpaid contributions.

24 Directors' interests

Details of directors' interests in the share capital of the Company are disclosed in the Directors' Report on page 3.

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

During the year recharges from Belgravium Technologies plc to Eadie Industries Limited amounted to £93,000 (excluding VAT) (2003: £104,000) in respect of payroll and certain administration costs incurred on behalf of Eadie Industries Limited.

As at 31 December 2004, the debt owed by Eadie Industries Limited was £23,000 (2003: £31,000) which was repaid in full in February 2005.

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Notice of Annual General Meeting

Notice is hereby given that the one hundred and first 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 19 May 2005 at 10.30 am for the following purposes:

Ordinary business

- 1 To receive, consider and adopt the annual accounts for the year ended 31 December 2004 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 2004 and is payable to shareholders on the register at the close of business on 29 April 2005.
- 3 To reappoint Roderick Dugald McDougall as a director of the Company who retires by rotation in accordance with the articles of association of the Company.
- 4 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 5 will be proposed as an ordinary resolution and resolutions 6 and 7 will be proposed as special resolutions:

- 5 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 £1,169,450 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.
- 6 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:
 - 6.1 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);
 - 6.2 the allotment of equity securities pursuant to the terms of any share scheme for directors and employees approved by the Company in general meeting;

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6.3 the allotment (otherwise than pursuant to sub paragraphs 6.1 and 6.2 above) of equity securities up to an aggregate nominal value of £167,064.

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.

7 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:

7.1 the maximum aggregate number of ordinary shares which may be purchased is 6,682,576 being 10% of the Company's shares in issue as at 31 December 2004;

7.2 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

7.3 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
23 February 2005

Belgravium Technologies plc

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, Northern Registrars Limited, Northern House, Woodsome Park, Fenay Bridge, Huddersfield HD8 0LA not later than 10.30 am on 17 May 2005.
- 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 10.30 am 17 May 2005, 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.