THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt about the contents of this document, or the action you should take, you are recommended immediately to seek your own financial advice from your stockbroker, bank manager, solicitor, accountant or other independent professional adviser authorised under the Financial Services and Markets Act 2000.

If you have sold or transferred all of your registered holding of Ordinary Shares, please forward this document together with the accompanying Form of Proxy to the purchaser or transferee or to the stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee. However, such documents should not be forwarded or transmitted in or into or from the United States of America, Canada, Australia, the Republic of South Africa, Japan or the Republic of Ireland or any other territory outside the United Kingdom where such distribution may lead to a breach of any law or regulatory requirements.

This document, which comprises an AIM admission document drawn up in accordance with the AIM Rules, has been issued in connection with the admission to trading of the Enlarged Issued Share Capital on AIM. This document does not constitute a prospectus within the meaning of section 85 of the FSMA and has not been drawn up in accordance with the Prospectus Rules, or approved by, the Financial Services Authority. This document contains no offer to the public within the meaning of the FSMA, the Act or otherwise.

The Directors and Proposed Director of the Company, whose names appear on page 6 of this document, accept responsibility for the information contained in this document, including individual and collective responsibility for compliance with the AIM Rules. To the best of the knowledge and belief of the Directors and Proposed Director (who have taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

Application will be made for the Placing Shares to be admitted and the Existing Ordinary Shares to be re-admitted to trading on AIM. It is expected that Admission will become effective on 24 October 2005. AIM is a market designed primarily for emerging or smaller companies to which a higher investment risk tends to be attached than to larger or more established companies. AIM securities are not admitted to the Official List of the UK Listing Authority. A prospective investor should be aware of the risks of investing in such companies and should make the decision to invest only after careful consideration and, if appropriate, consultation with an independent financial adviser. London Stock Exchange plc has not itself examined or approved the contents of this document.

The Placing Shares will, on Admission, rank *pari passu* in all respects with the Existing Ordinary Shares and will rank in full for all dividends and other distributions thereafter declared, made or paid on the ordinary share capital of the Company.

Belgravium Technologies plc

(Incorporated in Scotland under the Companies Acts 1862 to 1900 with registered number SC005543)

Nominated adviser

KPMG Corporate Finance

Broker

Teather & Greenwood

Acquisition of Touchstar Technologies Limited

Placing of up to 33,600,000 Ordinary Shares of 5p each at 14 pence per share

Admission to trading on AIM and Notice of Extraordinary General Meeting

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A notice convening an Extraordinary General Meeting of Belgravium Technologies plc to be held at New Broad Street House, 35 New Broad Street, London EC2M 1NH at 11 am on 21 October 2005 is set out at the end of this document. The enclosed Form of Proxy for use at the Extraordinary General Meeting should be completed and returned to Capita Registrars, PO Box 25, Beckenham, Kent, BR3 4BR as soon as possible and to be valid must arrive not less than 48 hours before the time fixed for the Extraordinary General Meeting. Completion and return of a Form of Proxy will not preclude Shareholders from attending and voting in person at the Extraordinary General Meeting should they so wish.

The Existing Ordinary Shares are not and will not be, and none of the Placing Shares have been or will be, registered under the United States Securities Act of 1933 (as amended). Furthermore, none of the Existing Ordinary Shares or the Placing Shares have been and nor will they be registered under any applicable securities regulations of any state of the United States of America, any province of Canada, the Commonwealth of Australia, the Republic of South Africa, Japan or the Republic of Ireland. Accordingly, unless an exemption from relevant securities laws is applicable, none of the Placing Shares may be offered, sold, taken up or delivered in or into the United States of America, Canada, Japan, Australia, the Republic of South Africa, or the Republic of Ireland. This document does not constitute an offer to sell or the solicitation of an offer to buy Placing Shares to any person in any jurisdiction in which such offer or solicitation is unlawful.

KPMG Corporate Finance, a division of KPMG LLP which is authorised and regulated by the Financial Services Authority for investment business activities, is acting for the Company as nominated adviser and financial adviser in relation to the Proposals and is not acting for any other person in relation to the Proposals. KPMG Corporate Finance will not be responsible to anyone other than the Company for providing the protections afforded to its clients or providing advice in relation to the contents of this document or any matter or arrangement referred to herein.

Teather & Greenwood Limited, which is authorised and regulated by the Financial Services Authority for investment business activities, is acting exclusively for the Company in relation to the proposed Placing. Teather & Greenwood Limited is not acting for any other person (including the recipient of this document) and will not be responsible to anyone other than the Company for providing advice in relation to the Placing or in relation to the contents of this document or any transactions or arrangements referred to herein.

CONTENTS

DEFINITIONS

"Act"	the Companies Act 1985 (as amended)
"Acquisition"	the proposed acquisition by the Company of the entire issued share capital of Touchstar
"Acquisition Agreement"	the conditional agreement dated 26 September 2005 between (1) the Company and (2) the Vendors in relation to the acquisition of Touchstar, details of which are set out in paragraph 9 of Part VI of this document
"Admission" or "Listing"	admission of the Existing Ordinary Shares and the Placing Shares to trading on AIM
"AIM"	the market of that name operated by the London Stock Exchange
"AIM Rules"	the rules published by the London Stock Exchange governing admission to and the operation of AIM
"Belgravium Limited"	Belgravium Limited, a company incorporated in England and Wales under the Act with registered number 01650433
"Board" or "Directors"	the Directors of the Company whose names are set out on page 6
"CE.NET"	Windows CE.NET operating system
"Combined Code"	the combined code on corporate governance published in July 2003 by the United Kingdom Reporting Council
"Company" or "Belgravium"	Belgravium Technologies plc, a company incorporated in Scotland under the Companies Acts 1862 to 1900 with registered number SC005543
"Company Secretary"	Michael Unwin
"Completion"	completion of the Acquisition pursuant to the terms of the Acquisition Agreement
"CREST"	the relevant system (as defined in the Regulations) in respect of which CRESTCo Limited is the operator (as defined in the Regulations) in accordance with which securities may be held and transferred in uncertificated form
"CRESTCo"	CRESTCo Limited, the operator of CREST
"DOS"	Microsoft Disk Operating System
"EMI Scheme"	the Belgravium Technologies plc Enterprise Management Incentive Share Option Scheme
"Enlarged Group"	the Group as enlarged by the Acquisition
"Enlarged Share Capital"	the issued share capital of the Company immediately on Admission
"Existing Ordinary Shares"	the 66,825,759 Ordinary Shares in issue at the date of this document
"Extraordinary General Meeting" or "EGM"	the Extraordinary General Meeting of the Company to be held at New Broad Street House, 35 New Broad Street, London, EC2M 1NH at 11 am on 21 October 2005, notice of which is set out at the end of this document
"Form of Proxy"	the form of proxy for use in connection with the Extraordinary General Meeting

"FSMA"	the Financial Services and Markets Act 2000, as amended including any regulations made pursuant thereto
"Group"	the Company and its subsidiaries
"IFA"	Independent Financial Adviser
"Investors"	LDC and LDC Co-Investment Plan 2003
"KPMG Corporate Finance"	KPMG Corporate Finance, a division of KPMG LLP
"London Stock Exchange"	London Stock Exchange plc
"LDC"	Lloyds TSB Development Capital Limited
"Official List"	the Official List of the United Kingdom Listing Authority
"Ordinary Shares"	ordinary shares of 5p each in Belgravium
"Original Touchstar Group"	Touchstar Technologies Limited, a company incorporated in England & Wales under the Act with registered number 02038648 which entered administration on 22 May 2003, changed its name to Tech Realisation Limited on 23 May 2003 and was dissolved on 5 April 2005
"PIA"	Personal Investment Authority Limited
"Placing"	the conditional placing by Teather & Greenwood of the Placing Shares at the Placing Price as described in this document
"Placing Agreement"	the agreement dated 26 September 2005 between the Company and Teather & Greenwood as described in paragraph 10 of Part VI of this document
"Placing Price"	14 pence per Placing Share
"Placing Shares"	the 33,600,000 Ordinary Shares which are the subject of the Placing
"Proposals"	the Acquisition and the Placing
"Proposed Director"	Mark Hardy
"Regulations"	the Uncertificated Securities Regulations 2001
"Remuneration Committee"	the remuneration committee of the Board from time to time
"Resolutions"	the resolutions to be proposed at the EGM, notice of which is set out at the end of this document
"RFID"	radio frequency identification
"Share Option Schemes"	the EMI Scheme and the Eadie Holdings plc 1992 Executive Share Option Scheme
"Shareholders" or "Shareholder"	holders of Existing Ordinary Shares
"Teather & Greenwood"	Teather & Greenwood Limited, a division of Landsbanki Islands h.f.
"Touchstar"	Touchstar Technologies Limited, a company incorporated in England and Wales under the Act with registered number 04731086
"Touchstar Director"	Richard Laurie Smith
"Transaction"	the Acquisition and the Placing

"UK Listing Authority"	the Financial Services Authority acting in its capacity as the competent authority for the purposes of Part VI of FSMA
"Uncertificated" or "in uncertificated form"	recorded in the register as being held in uncertificated form in CREST and title to which, by virtue of the Regulations, may be transferred by means of CREST
"Vendors"	Richard Laurie Smith and the Investors, being the shareholders of 100 per cent. (in aggregate) of the entire issued and to be issued share capital of Touchstar
"Warrant Scheme"	the Belgravium Technologies plc 1997 Warrant Scheme

DIRECTORS, COMPANY SECRETARY AND ADVISERS

Directors:	John Philip Kembery	*Executive Chairman*
	Stephen John Day	*Non-executive Director*
	Roderick Dugald McDougall	*Non-executive Director*
Proposed Director:	Mark William Hardy	*Managing Director*
Registered Office:	151 St Vincent Street Glasgow G2 5NJ	
Company Secretary:	Michael Paul Unwin	
Principal Place of Business:	2 Campus Road Listerhills Science Park Bradford West Yorkshire BD7 1HR Telephone number: +44 (0) 1274 718800	
Nominated Adviser:	KPMG Corporate Finance 1 The Embankment Neville Street Leeds LS1 4DW	
Broker:	Teather & Greenwood Beaufort House 15 St Botolph Street London EC3A 7QR	
Solicitors to the Company:	Harrison Clark 5 Deansway Worcester WR1 2JG	
Registered Auditor:	PricewaterhouseCoopers LLP 101 Barbirolli Square Lower Mosley Street Manchester M2 3PW	
Registrars:	Capita Registars Northern House Woodsome Park Fenay Bridge Huddersfield HD8 0LA	
Bankers:	Barclays Bank plc PO Box 190, 2nd Floor 1 Park Row Leeds LS1 5WU	

PLACING STATISTICS

Placing Price	14 pence
Number of Ordinary Shares subject of the Placing	33,600,000
Proceeds to be received by the Company from the Placing (before expenses)	£4.7 million
Number of Ordinary Shares in issue following the Acquisition and the Placing	100,425,759
Market capitalisation at the Placing Price following the Acquisition and the Placing	£14.1 million
Percentage of Enlarged Share Capital subject of the Placing	33.5 per cent.

EXPECTED TIMETABLE OF PRINCIPAL EVENTS

Latest time and date for receipt of completed Forms of Proxy	11 am on 19 October 2005
Extraordinary General Meeting	11 am on 21 October 2005
Completion of the Acquisition	24 October 2005
Admission and dealings to commence in the Existing Ordinary Shares and Placing Shares on AIM	8.00 a.m. on 24 October 2005
Delivery in CREST of Placing Shares to be held in uncertificated form	24 October 2005
Despatch of definitive share certificates in respect of Placing Shares to be held in certificated form by	31 October 2005

PART I

LETTER FROM THE CHAIRMAN OF BELGRAVIUM TECHNOLOGIES PLC

(Registered in Scotland under the Companies Acts 1862 to 1900 with registered number SC005543)

Directors:	*Registered Office:*
John Kembery *(Executive Chairman)*	151 St. Vincent Street
Stephen Day *(Non-executive Director)*	Glasgow
Roderick McDougall *(Non-executive Director)*	G2 5NJ

27 September 2005

To: Shareholders and, for information only, to holders of options under the Share Option Schemes and warrants under the Warrant Scheme

Dear Shareholder

PROPOSED ACQUISITION AND PLACING

Introduction

Your Board announced today that the Company has conditionally agreed to acquire the entire issued share capital of Touchstar for a total consideration of £10.75 million of which £8.17 million will be paid in cash and £2.58 million will be paid as bank guaranteed loan notes. At completion, Touchstar is expected to have cash of at least £2.55 million. This cash will be retained by the Enlarged Group. The consideration, net of cash within Touchstar, is therefore approximately £8.2 million (before expenses). The Acquisition is subject to a completion accounts mechanism which will adjust the consideration if defined levels of working capital are not delivered.

The Acquisition is to be funded by the issue of 33,600,000 Placing Shares at 14 pence per Ordinary Share raising £4.7 million, the Company's existing cash reserves, which at 30 June 2005 were £2.5 million, and new banking facilities of £3 million.

Touchstar is a manufacturer and distributor of hand-held mobile computing devices to the niche markets of fuel distribution, van sales and the airline industry. The Directors believe the Acquisition offers the Company opportunities for revenue growth and that it will benefit from synergies and adoption of best practice across the Enlarged Group.

The Acquisition constitutes a reverse takeover under the AIM Rules by virtue of its size and, as such, requires the approval of the Shareholders at the Extraordinary General Meeting of the Company to be held on 21 October 2005.

As part of the Transaction, it is intended that there will be one change to the Company's Board of Directors. The Board will be strengthened by the appointment of Mark Hardy, currently non-statutory Managing Director of Belgravium Limited. Further information on Mark Hardy is set out in paragraph 6 of Part VI of this document.

The purpose of this document is to explain the background to and reasons for the Proposals and why the Directors believe that the Proposals are in the best interests of the Company and Shareholders as a whole and to recommend that you vote in favour of the Resolutions.

Shareholders are therefore invited to vote on the Resolutions at the Extraordinary General Meeting. The Special Resolutions require a majority of not less than 75 per cent. of the Shareholders voting in person or on a poll by proxy to be passed. **If the Resolutions do not gain the approval of the Shareholders, none of the Proposals will be implemented.**

Belgravium

Belgravium is a computer design and manufacturing company, specialising in the mobile computing and radio frequency data communications (RF/DC) market areas with a focus on real time data capture and rugged hand-held mobile computing devices. From its UK headquarters, the Company manufactures a comprehensive range of batch and radio data terminals together with the necessary software to cater for specific requirements. To complement the radio terminal range, Belgravium also provides host connectivity solutions which include mainframe and mid-range emulation software and host resident handlers. Key products, which operate on the CE.NET operating system, include the Atlanta series and Vienna series of hand-held mobile computing devices. Belgravium also provides a full maintenance contract service.

Belgravium's trading subsidiary, Belgravium Limited, was formed in 1982 and rapidly established itself as an innovative designer of rugged mobile computer equipment. Since then, it has grown to become widely acknowledged as one of the leading suppliers of industrial mobile computing equipment for use in a wide variety of application sectors including warehousing, logistics, field service and proof of delivery, across Europe.

In 1995, Belgravium Limited was acquired by Eadie Holdings plc. On 2 April 2001, Eadie Holdings plc, following the disposal of Eadie Industries Limited, changed its name to Belgravium Technologies plc, in order to reflect the change in focus of the Group's operations, and moved from a full listing on the London Stock Exchange to be admitted to trading on AIM.

The following information has been extracted without material adjustment from the financial information on Belgravium set out in Part III and Part IV of this document. Shareholders should read this document as a whole and not rely solely on the key or summarised information in this section:

	6 months ended 30 June		*Year ended 31 December*		
	2005	*2004*	*2004*	*2003*	*2002*
	£000	*£000*	*£000*	*£000*	*£000*
Sales	2,359	1,935	3,859	3,895	4,188
Operating profit	430	350	659	682	1,353
Operating profit margin	18.2%	18.1%	17.1%	17.5%	32.3%
Profit before tax	484	393	751	795	1,405
Basic earnings per share	0.51p	0.41p	0.90p	0.85p	1.54p

During the two years ended 31 December 2004 and 31 December 2003, the average number of staff employed by the Company amounted to 38 full time employees of which 24 were employed in office, management and sales roles and 14 in manufacturing. During the year ended 31 December 2002, the average number of staff employed by the Company amounted to 39 full time employees of which 24 were employed in office, management and sales roles and 15 in manufacturing. At 30 June 2005 there were 41 employees in total.

Touchstar

Touchstar is one of the UK's leading providers of hand-held battery powered mobile computing solutions to a variety of blue chip industrial and commercial end users. Its products incorporate both proprietary hardware and software in Windows CE and DOS formats. It also offers a bespoke software development capability with comprehensive support and maintenance services. Its core markets are fuel distribution and the airline industry; the nature of these global markets means that sales growth is increasingly driven through its network of international distributor partners. Touchstar's recent product development has focussed on updating its existing hardware devices, such as Eagle, to operate on a Windows CE based system, rather than a DOS based system. This has led to the launch of a succession of improved products including the CEagle, the Falcon and the Voyager II with further new products in the pipeline.

The Touchstar business was originally established in the UK in 1986 as Wingcross Limited, which later changed its name to ACS Data Limited. In 1997 ACS Data Limited was acquired by Mapco Inc, a company which was based in Tulsa, Oklahoma, from its shareholders, including its founder and current

Managing Director of Touchstar, Richard Smith. As a result of its expansion and growth, branches were also established in mainland Europe and South Africa, forming the Original Touchstar Group.

In 1998 Mapco Inc was acquired by the Williams Companies Inc. The Original Touchstar Group was identified as a non-core activity following a strategic review in 2001, and was acquired by the then UK management team in a management buy out financed by LDC.

In 2002, the Original Touchstar Group experienced poor trading, and subsequently suffered cash flow difficulties brought about in the aftermath of 9/11. As a result, Richard Smith returned to the business in April 2002. In May 2003 the UK operations and global intellectual property rights only were acquired from administrators by an off-the-shelf company, Inhoco 2836 Limited, which was renamed Touchstar Technologies Limited on 23 May 2003, the shareholders of which were LDC, the original founder, Richard Smith and one other director, Paul Sanders. Paul Sanders' shares were repurchased by Touchstar in November 2003.

Since the acquisition, Touchstar has achieved strong revenue and earnings growth. Much of this growth reflects the fact that it is no longer encumbered by the high cost base and operational gearing associated with being an international company with sales teams located around the world. In the year ended 31 May 2005, just under 50 per cent. of Touchstar's sales were outside the UK, and a large proportion of its sales were made via third party distributors and resellers.

Details of Touchstar's financial performance since it was incorporated on 22 May 2003 are set out in Part IV of this document. Touchstar has audited accounts for the period from 22 May 2003 to 31 May 2004 and for the 12 months ended 31 May 2005. The financial information included in Part IV reflects this, and covers these periods only.

The following information has been extracted without material adjustment from the financial information on Touchstar set out in Part IV of this document. Shareholders should read this document as a whole and not rely solely on the key or summarised information in this section:

	Year ended 31 May 2005 £000	*53 week period ended 31 May 2004 £000*
Sales	7,393	6,309
Operating profit	2,103	1,132
Operating profit margin	28.4%	17.9%
Profit before tax	2,135	1,116

The average number of staff employed by Touchstar during the financial year ended 31 May 2005, amounted to 31 full time employees, of whom 25 were employed in production, and 6 in administrative roles. During the period from 22 May 2003 to 31 May 2004, the average number of staff employed by Touchstar amounted to 32 full time employees, of whom 26 were employed in production, and 6 in administrative roles.

Background to and reasons for the Acquisition

The Company has previously stated its intention to augment its organic growth through acquisition. As Shareholders are aware, the Directors have sought to identify and target companies which will add both depth and breadth to Belgravium's offering, allowing it to reap the benefits associated with greater market presence.

The Directors and Proposed Director believe that the acquisition of Touchstar represents just such an opportunity. The increased critical mass of the Enlarged Group will create a platform for the Belgravium business from which to exploit existing and target new vertical markets (such as defence, transportation and retail) by offering its existing product range (in particular the newly developed Atlanta product) through Touchstar's distribution network. The strength of Touchstar's brand in overseas territories such as the US and Australia is also expected to provide the Enlarged Group with far greater international sales reach and thereby reduce reliance on the domestic market.

In addition, greater critical mass is expected to provide potential economies of scale through increased buying power with suppliers and in helping secure continuity of component supply.

The market for mobile computing devices now demands a greater breadth of product and service offering. Inevitably this means investment in technological advancement for the companies operating in the market. At the same time, the convergence of different modes of technology, from PC and wireless to RFID, across different industries, means the solutions provided by manufacturers must be increasingly integrated. Both these factors place the emphasis on forward technical planning and point to higher research and development spend.

Both Belgravium and Touchstar are dedicated to solving the problems associated with mobile data capture in industrial and commercial environments which require a rugged yet functionally rich solution. The Acquisition will mean that the cost of product development can be spread over a stronger earnings stream and offers the potential to realise a number of cost synergies, for example from the combination of product development resources. The combination of the two businesses also has the potential for development of a stronger next generation product offering incorporating the latest functionality (such as RFID) from both, which can be implemented across each business' respective product ranges.

The Directors believe that the Acquisition will be earnings enhancing in the first year, however this should not be interpreted to mean that the Enlarged Group's future earnings per share following the Acquisition will be necessarily greater than its historic earnings per share.

Principal terms of the Acquisition

Under the terms of the Acquisition Agreement, the Company has conditionally agreed to acquire the entire issued share capital of Touchstar for a total consideration of £10.75 million of which £8.17 million will be paid in cash and £2.58 million will be paid as bank guaranteed loan notes. At completion, Touchstar is expected to have cash of at least £2.55 million. This cash will be retained by the Enlarged Group. The consideration, net of cash within Touchstar, is therefore approximately £8.2 million (before expenses). The Acquisition is subject to a completion accounts mechanism which will adjust the consideration if defined levels of working capital are not delivered.

The Acquisition is to be funded by the issue of 33,600,000 Placing Shares at 14 pence per Ordinary Share, raising £4.7 million (before expenses), the Company's existing cash reserves, which at 30 June 2005 were £2.5 million, and new banking facilities of £3 million.

The Acquisition Agreement is conditional, *inter alia*, on the passing of the Resolutions and Admission.

Further details regarding the terms of the Acquisition Agreement are set out in paragraph 9 of Part VI of this document.

Business strategy of the Enlarged Group

The Enlarged Group will, from Admission, offer a range of hand-held mobile computing devices aimed at its core markets of warehousing, logistics and distribution, fuel distribution and the airline industry. The Belgravium and Touchstar brands will be maintained in order to capitalise on their existing brand strength, however, the administrative and support functions of the businesses will be combined.

The Enlarged Group will continue to invest in product development, where appropriate, combining the best features of the Company's and Touchstar's products into new offerings.

The entire staff of Touchstar will be retained post completion with the exception of the existing Managing Director, Richard Smith, and the Finance Manager, Stephen Dunbar (who is an external consultant). Richard Smith will be retained as an employee until 31 December 2005 on the same terms as his current service contract, save that he will not receive any pension contributions.

Mark Hardy will assume Richard Smith's role of Managing Director of Touchstar. His primary focus will be on the strategy and sales operations of the Enlarged Group, including responsibility for customer relationships and delivery of the strategic benefits from the combination of the two businesses.

The Directors have confirmed that the existing employment rights, including pension rights, of all employees of the Enlarged Group will be fully safeguarded.

Current trading and prospects

The interim results for Belgravium for the six months ended 30 June 2005 are set out in Part III of this document. As we enter the second half of the year, there is greater visibility of forward orders than in previous years and greater confidence that our products are right for market developments. The Directors would therefore expect trading in the second half of 2005 to be as strong as the first.

Proposed Board and Company Secretary of the Enlarged Group

The Board will consist of two executive directors and two non-executive directors. Brief biographies of the Directors, the Proposed Director and the Company Secretary are set out below:

John Kembery: Executive Chairman (aged 65)

John has been Executive Chairman of Belgravium, and previously Eadie Holdings plc, since 1997. He is a Chairman and Director with over 30 years experience in executive and non-executive roles in both public and private companies in a wide variety of industries, including McKechnie plc, Europower plc and Sunleigh plc. Amongst other things, he brings to the Board extensive experience of acquisitions and their integration. In addition, he is the single largest holder of Existing Ordinary Shares.

Mark Hardy: Group Managing Director (aged 41)

Mark has been involved in the commercial aspects of business within the IT and communications sector for the past 20 years. He was involved in the sales and marketing functions for both Harris Systems and Lex Industrial Systems, prior to joining Belgravium Limited in 1992 as Business Development Manager. He was appointed Sales Director in 1996 and Managing Director in 1998 (both roles as a non-statutory director) and has had full operational responsibility since that date.

Stephen Day: Non-executive Director (aged 60)

Stephen joined the Board of Belgravium on 25 January 2001. Between 1989 and 1999, he was Chief Executive of Kode International plc, the electronics and computer group. He is also a director of Radstone Technology plc.

Roderick (Roddy) McDougall: Non-executive Director (aged 63)

Roddy joined the Board of Belgravium on 26 March 1997. He is a director of a number of private companies in the industrial and commercial sectors. He has also served on the board of three listed public companies in the last 15 years. Roddy is the senior independent non-executive director of Belgravium, bringing an ethos of strong corporate governance to the Board. He chairs the Audit Committee and Remuneration Committee.

Mike Unwin: Group Financial Controller and Company Secretary (aged 51)

Mike Unwin undertook his training with an accountancy firm in Sheffield. In 1978 he joined Stainless Steel Wire Company Limited, which was later acquired by Eadie Holdings plc. Upon the subsequent sale of Stainless Steel Wire Company Limited in 1988, Mike was retained as assistant to the then Group Financial Director. Following the various changes within the Group he became Group Financial Controller and later Company Secretary. He is the longest serving employee of the Group.

Share incentive schemes

The Company currently has two share option schemes, the Eadie Holdings plc 1992 Executive Share Option Scheme and the EMI Scheme. In addition, there is also the Warrant Scheme. Further details are included in paragraphs 4 and 8 in Part VI of this document.

Immediately following Admission, there will be 2,345,788 Ordinary Shares under option and warrant pursuant to the various schemes and arrangements described above, representing 2.33 per cent. of the Enlarged Share Capital.

Corporate governance

The Directors fully support the principles contained in the Combined Code and have sought to generally comply with the provisions of Section 1 of the Code in as far as it is appropriate, given the Group's size and structure.

The board has an established Audit Committee and a Remuneration Committee with formally delegated duties and responsibilities. Both committees are chaired by Roddy McDougall.

The Audit Committee consists of the non-executive directors. Meetings are held at least once a year with the auditors. The terms of reference of the committee are to consider the scope and results of the external audit, to review the cost effectiveness, independence and objectivity of the auditors and to review interim and full year accounts.

The Remuneration Committee consists of the non-executive directors, and meets at least once a year. Remuneration levels are set to attract and retain individuals of the best calibre, qualification and experience.

Dividend policy

Dividends paid and proposed in the last three years were 0.45 pence per share in 2004, 0.42 pence per share in 2003 and 0.36 pence per share in 2002. The Board intends to pursue a progressive dividend policy with dividend cover set at a level to enable the Enlarged Group to fund its medium-term growth and development requirements over the longer term.

Details of the Placing

The Placing Shares are being placed by Teather & Greenwood with institutional investors, John Kembery, Roddy McDougall, Mark Hardy and one of the Company's key employees and will represent approximately 33.46 per cent. of the Enlarged Share Capital. In the Placing, the Company will issue 33,600,000 new Ordinary Shares at 14 pence per share, payable in full, to raise approximately £4.7 million (before expenses). The Placing Shares will rank *pari passu* in all respects with the Existing Ordinary Shares. Further details of the Placing Agreement are set out in paragraph 10 of Part VI of this document.

As a demonstration of their commitment to the Company, John Kembery, Roddy McDougall and Mark Hardy who currently own 7.49 per cent, 2.51 per cent. and 0.09 per cent. respectively of the Existing Ordinary Shares, intend to subscribe for 522,285, 100,000 and 42,000 Placing Shares, at a cost of £73,120, £14,000 and £5,880 respectively as part of the Placing.

Following Admission, the Directors and the Proposed Director will be interested in 7,506,481 Ordinary Shares, representing approximately 7.47 per cent. of the Enlarged Share Capital.

The Placing is conditional, *inter alia*, on the passing of the Resolutions, the Acquisition Agreement having become unconditional and on Admission. It is expected that Admission will become effective and that dealings in the Placing Shares and Existing Ordinary Shares will commence at 8.00 a.m. on 24 October 2005 (or such later date, being not later than 7 November 2005, as Teather & Greenwood and the Company may agree).

Re-admission

The size of the Acquisition and consequent fundamental change in the Company's business give rise, *inter alia*, to the requirement that the Company applies for re-admission to AIM.

Taxation

Further information regarding UK taxation in relation to the Placing and Admission is set out in paragraph 14 of Part VI of this document. If you are in any doubt as to your tax position, you should consult your own independent financial adviser immediately.

The Company has obtained clearance from the Inland Revenue that, subject to the satisfactory issue of eligible Ordinary Shares and the Company meeting the relevant requirements, the Company is authorised to issue certificates to qualifying Shareholders for the purpose of the Enterprise Investment Scheme ("EIS").

The continuing availability of EIS relief will be conditional, *inter alia*, on the Company continuing to satisfy the requirements for a qualifying company through the "relevant" period of three years from the date of the investor making his investment (under EIS) or the three years from the date that the Company begins to carry on its trade if later. There is no assurance given by the Directors that the Company will continue to satisfy these requirements.

The Company has applied for approval from the Inland Revenue that the Ordinary Shares will be an eligible VCT investment for the purpose of the Income and Corporation Taxes Act 1988 Schedule 28B and has received confirmation to this effect. The Company cannot guarantee or undertake to conduct its business following Admission so as to ensure that the Company will continue to meet the requirements of Schedule 28B of the Income and Corporation Taxes Act 1988.

Extraordinary General Meeting

An extraordinary general meeting of the Company has been convened for 11 am on 21 October 2005, to be held at New Broad Street House, 35 New Broad Street, London, EC2M 1NH. At the EGM, Shareholders will be asked to consider the Resolutions, which will be proposed as follows:

(a) to increase the authorised share capital of the Company to £7,500,000 by the creation of 50,000,000 new Ordinary Shares;

(b) to approve the Acquisition for the purposes of Rule 14 of the AIM Rules;

(c) to grant authority to allot the Placing Shares;

(d) to disapply statutory pre-emption rights;

(e) to adopt new articles of association.

Resolutions (d) and (e) are special resolutions, are conditional on Admission, and to be passed require a majority of not less than 75 per cent. of the Shareholders of the Company voting in person or on a poll by proxy in favour. **If the Resolutions are not passed none of the Proposals can be implemented.**

Additional information

Your attention is drawn to the Risk Factors set out in Part II of this document and the further information set out in Part VI of this document.

Action to be taken

Shareholders will find enclosed with this document a Form of Proxy for use at the EGM. Whether or not they intend to be present at the EGM, Shareholders are requested to complete the Form of Proxy in accordance with the instructions printed thereon as soon as possible. To be valid, completed Forms of Proxy must be received by Capita Registrars, PO Box 25, Beckenham, Kent BR3 4BR, as soon as possible and, in any event, not later than 11 am on 19 October 2005, being 48 hours before the time appointed for holding the EGM. Completion of a Form of Proxy will not preclude Shareholders from attending the meeting and voting in person if he or she so wishes. Shareholders who are CREST members should refer to their CREST sponsors regarding the action to be taken in connection with this document.

Conclusion

The Board of Belgravium has received financial advice from KPMG Corporate Finance, the Company's nominated adviser and financial adviser. On the basis of this financial advice and its own commercial assessment of the Proposals (upon which KPMG Corporate Finance has relied in giving its financial advice), the Board of Belgravium consider the Proposals to be fair and reasonable so far as the Company and its Shareholders as a whole are concerned.

Recommendation

The Directors believe that the Proposals are in the best interests of the Company and of Shareholders as a whole and accordingly unanimously recommend Shareholders to vote in favour of the Resolutions, as they and the Proposed Director have irrevocably undertaken to do in respect of their own beneficial holdings amounting in aggregate to 6,842,196 Existing Ordinary Shares, representing approximately 10.24 per cent. of the Company's issued share capital at the date of this document.

Yours faithfully

John Kembery
Executive Chairman

PART II

RISK FACTORS

An investment in the Enlarged Group is subject to a number of risks. Potential investors should carefully read the entire document and carefully consider the risks, in particular those set out below, before making a decision to invest in the Enlarged Group. Investors should note that there is no certainty that they will get back the full amount which they invest.

Although not an exhaustive list, the following risk factors could have a material adverse effect on the Enlarged Group. In addition, there may be further risks and uncertainties which are not yet known to the Directors or Proposed Director, or that the Directors or Proposed Director currently deem immaterial, which may also have an adverse effect on the Group.

Acquisition risk

The Proposals and future performance of the Enlarged Group are predominantly linked to the acquisition of Touchstar. As with any acquisition, there is significant risk in the integration of Touchstar within the Enlarged Group, achievement of cost synergies and the forecasting of future performance. The Directors and Proposed Director have undertaken both financial and legal due diligence to ensure that the Enlarged Group meets expectations, however, no guarantee can be given.

Dependence on key customers and key personnel

Touchstar has historically been dependent on Richard Smith, in particular with respect to his relationship with key customers and suppliers. In its results for the year ended 31 May 2005 Touchstar was reliant on a relatively small number of key customers and intermediaries to deliver that performance.

The ability of Mark Hardy to successfully carry out Richard Smith's role as described on page 12 is therefore a key risk. The Enlarged Group will continue to be reliant on some key customers and intermediaries for a large proportion of its current and projected future revenues. Any breakdown in relationships between the Enlarged Group and such key customers and intermediaries may have a material adverse effect on the future revenues of the Enlarged Group.

The Enlarged Group's success depends to a significant extent upon a limited number of key employees. The loss of one or more key employees could have a material adverse effect on the Enlarged Group. The Enlarged Group will endeavour to ensure that the key employees are incentivised, but the retention of such staff cannot be guaranteed.

The Enlarged Group will be reliant on the performance of the passenger transport and fuel distribution industries, as these sectors provide key customers to Touchstar. Any material downturn in those sectors would affect the Enlarged Group's trading position.

Competition

There can be no guarantee that competitors will not emerge who might bring superior products or services to market or who have the funds available to offer similar products or services at a lower price. For example, larger, more established and well financed companies which do not currently operate in the vertical markets which the Enlarged Group targets may develop industry specific products which compete with the products offered by the Enlarged Group.

Product/public liability claims

The Enlarged Group may face product/public liability claims in the event that any of its products malfunction.

Protection of IP

To the extent that the Enlarged Group's technologies are protected by intellectual property rights and the Enlarged Group is alleged to infringe third party intellectual rights, litigation may be necessary and could result in substantial costs to and diversification of management time and effort by the Enlarged Group with no guarantee of success.

External factors

The Enlarged Group and the market price of its shares may be adversely affected by changes in economic factors, such as exchange rates and general economic developments, political, administrative, taxation or other regulatory factors, as well as other unforeseen matters.

Contractual risks

Touchstar has agreements in place with a number of key customers and intermediaries.

Some of these agreements are subject to interpretation, and some of these agreements are not binding. There is no guarantee that the Enlarged Group will be able to enforce its rights under all of these agreements or arrangements with third parties.

Trading market for the Ordinary Shares

Potential investors should be aware that the value of shares can rise or fall and that investment in a share which is traded on AIM may be less realisable and carry a higher risk than investment in a share listed on the Official List.

The market price of the Ordinary Shares may not reflect the underlying value of the Enlarged Group's net assets.

The market price of the Ordinary Shares may be subject to wide fluctuations in response to many factors, including variations in the operating and financial results of the Enlarged Group, changes in earnings estimates by stock market analysts, legislative changes and other factors affecting the Enlarged Group and the sector in general and other events and factors outside of the Enlarged Group's control.

In addition, stock markets have from time to time experienced extreme price and volume fluctuations, which could adversely affect the market price for the Ordinary Shares.

PART III

UNAUDITED INTERIM RESULTS OF BELGRAVIUM TECHNOLOGIES PLC FOR THE SIX MONTHS ENDED 30 JUNE 2005

The following is a copy of the full text of the unaudited interim results of Belgravium for the six months ended 30 June 2005, as announced on 5 September 2005.

"Chairman's Statement

Sales in the six months to the end of June 2005 were £2,359,000, 22 per cent. higher than in the same period in 2004. Profit on ordinary activities before tax also increased to £484,000, 23 per cent. up on the first half of 2004. It is expected that the tax charge will be maintained at 30 per cent., so that undiluted earnings per share show a healthy increase to 0.51p per share, 24 per cent. higher than earnings per share in the first half of 2004 (0.41p per share).

In what is still a competitive market this was a positive result and in line with market expectations. We have maintained an interim dividend at 0.13p per ordinary share, the level to which it was increased last year.

Balance Sheet

As with the first half of 2004, the most noteworthy element in the balance sheet was a steady increase in cash. At the end of June 2005, Belgravium had cash totalling £2,484,000, compared to £1,987,000 at the end of June 2004. Whilst this provided a useful interest payment (£54,000), its real benefit is as a reserve for future activities.

The Market

Belgravium started 2005 having received the largest order in its history, a £750,000 contract to supply a proof of delivery 'POD' system for Grattan. As in previous years and in line with the seasonal trend, the first quarter was light on sales. However, the second quarter was much better and whilst we are aware of few prospective orders of the Grattan size, we are now beginning to see many more POD systems being specified. This is an area for which the Belgravium Atlanta product was specifically developed. Prospects, both at home and abroad, look very encouraging and in the longer term there is a great deal of interest in Radio Frequency Identification 'RFID', currently only applied in Belgravium's test projects but which offers a large potential market.

As we reported a year ago, the market continues to seek more refined systems and we are continually upgrading and improving the functions of Belgravium's product suite. We have continued to invest in our technical and sales teams and whilst this has added somewhat to costs, we believe the investment to be justified for future growth.

Acquisitions

We still believe that an acquisition demonstrating real synergy with Belgravium would be highly desirable. It is, of course, vital that we find the right opportunity at the right price. The search continues and we are confident that we will succeed.

Employees

The first half of 2005 has provided the usual challenges associated with seasonal trends. Belgravium's reputation for quality and service can only grow when it matches these variations with good service. That this has happened is a real tribute to the commitment of its staff who have, as always, responded brilliantly.

Dividend

Last year we increased the interim dividend and, whilst there is sufficient cash to do so again, the Directors feel that maintaining the dividend at 0.13p per share will conserve cash for future activities. The record date is 4 November 2005 and the interim dividend will be payable on 3 December 2005.

Outlook

The first half of 2005 has been very positive. As we start the second half there is greater visibility of forward orders than in previous years and greater confidence that our products are right for market developments. We would therefore expect the second half of 2005 to be equally as strong as the first.

Unaudited Profit and Loss Account
for 6 months to 30 June 2005

	Total 6 months to 30 June 2005 (Unaudited) £'000	*Total 6 months to 30 June 2004 (Unaudited) £'000*
Turnover	2,359	1,935
Operating profit	430	350
Profit before interest and taxation	430	350
Interest receivable	54	43
Profit on ordinary activities before taxation	484	393
Tax charge on ordinary activities	(145)	(118)
Profit on ordinary activities after taxation	339	275
Ordinary dividend	(87)	(87)
Retained profit for period	252	188
Basic earnings per ordinary share (pence)	0.51	0.41
Diluted earnings per ordinary share (pence)	0.50	0.40

Group Balance Sheet
at 30 June 2005

	As at 30 June 2005 (Unaudited) £'000	*As at 30 June 2004 (Unaudited) £'000*	*As at 31 December 2004 (Audited) £'000*
Fixed assets			
Tangible assets	213	250	237
	213	250	237
Current assets			
Stocks	548	452	443
Debtors	1,426	1,408	1,458
Cash at bank and in hand	2,484	1,987	2,219
	4,458	3,847	4,120
Creditors			
Amounts falling due within one year	(1,939)	(1,713)	(1,871)
Net current assets	2,519	2,134	2,249
Total assets less current liabilities	2,732	2,384	2,486
Provision for liabilities and charges	(48)	(66)	(54)
	2,684	2,318	2,432
Capital and reserves			
Called up share capital	3,341	3,341	3,341
Share premium	120	120	120
Capital redemption reserve	2,100	2,100	2,100
Profit and loss account	(2,877)	(3,243)	(3,129)
	2,684	2,318	2,432

Group cash flow statement
for 6 months to 30 June 2005

	2005 (Unaudited) £'000	2004 (Unaudited) £'000
Net cash inflow from operating activities	511	272
Returns on investments and servicing of finances		
Interest received	54	43
Taxation		
Corporation tax paid	(55)	(62)
Corporation tax received	–	26
Net corporation tax paid	(55)	(36)
Capital expenditure and financial investment		
Purchase of tangible assets	(31)	(10)
	(31)	(10)
Equity dividends paid to shareholders	(214)	(204)
Net cash inflow before financing	265	65
Financing		
Purchase of own ordinary share capital	–	(121)
	–	(121)
Increase/(decrease) in cash	265	(56)

Reconciliation of net cash flow to movement in net debt
for 6 months to 30 June 2005

	2005 (Unaudited) £'000	2004 (Unaudited) £'000
Increase/(decrease) in cash	265	(56)
Movement in net funds during year	265	(56)
Net funds at 1 January	2,219	2,043
Net funds at 30 June	2,484	1,987

Group cash flow statement

(a) Reconciliation of operating profit to net cash inflow from operating activities

	2005 (Unaudited) £'000	*2004 (Unaudited) £'000*
Operating profit	430	350
Depreciation	55	54
Movement in provisions	(6)	(4)
Funds generated by operations	479	400
Increase in stocks	(105)	(9)
Decrease/(increase) in debtors	32	(176)
Increase in creditors	105	57
(Increase)/decrease in working capital	32	(128)
Net cash inflow from operating activities	511	272

(b) Analysis of net funds

	At 1 January 2005 (Audited) £'000	*Cash flow (Unaudited) £'000*	*At 30 June 2005 (Unaudited) £'000*
Cash at bank and in hand	2,219	265	2,484
	2,219	265	2,484

Notes to the Interim report
for 6 months to 30 June 2005

The interim report has not been audited and the information contained in this interim statement does not constitute statutory accounts as defined in section 240 of the Companies Act 1985. The audited accounts for the year ended 31 December 2004, upon which the auditors issued an unqualified opinion, have been delivered to the Registrar of Companies.

(a) Earnings per share has been calculated on the average number of ordinary shares in issue of 66,825,759 (30 June 2004: 67,600,484).

(b) Fully diluted earnings per share has been calculated on the average number of ordinary shares, assuming conversion of all dilutive potential ordinary shares of 67,274,654 (30 June 2004: 68,015,637).

The record date for the proposed dividend for Belgravium Technologies plc is 4 November 2005 (Ex-Dividend Date 2 November 2005).

Copies of this statement will be posted to shareholders and further copies will be made available to the public at the company's office: Campus Road, Listerhills Science Park, Bradford, West Yorkshire BD7 1HR."

PART IV A

FINANCIAL INFORMATION ON BELGRAVIUM TECHNOLOGIES PLC

A: Financial Information on Belgravium for the year ended 31 December 2004

The following is a direct extract from the Report and Accounts released by Belgravium for the year ended 31 December 2004. Please note that this is a direct extract without adjustment and so there are a number of page references made to other parts of the Report and Accounts that will not agree with this document.

"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

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.

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 25 were approved by the board of directors on 23 February 2005 and were signed on its behalf by:

J P Kembery
Director

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 25 were approved by the board of directors on 23 February 2005 and were signed on its behalf by:

J P Kembery
Director

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

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS

	2004 *£'000*	*2003* *£'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

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

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.

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.

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

3. Operating profit

	2004	*2003*
	£'000	*£'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.

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

(b) Factors affecting the tax charge

	Group 2004 £'000	2003 £'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 £'000	2003 £'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.

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.

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

15. Creditors: amounts falling due within one year

	Group		*Company*	
	2004	*2003*	*2004*	*2003*
	£'000	*£'000*	*£'000*	*£'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	*2003*	*2004*	*2003*
	£'000	*£'000*	*£'000*	*£'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

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

Ordinary share capital

1,000,000 5p ordinary shares (2003: 1,000,000 5p ordinary shares), being 1.5 per cent. 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 per cent. 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

19. Reserves

Group

	Share premium account £'000	Capital redemption reserve £'000	Profit and loss account £'000
At 1 January 2004	120	2,050	(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

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

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 4.

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."

B: Financial Information on Belgravium for the year ended 31 December 2003

The following is a direct extract from the Report and Accounts released by Belgravium for the year ended 31 December 2003. Please note that this is a direct extract without adjustment and so there are a number of page references made to other parts of the Report and Accounts that will not agree with this document.

"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 2003 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

25 February 2004

GROUP PROFIT AND LOSS ACCOUNT
for the year ended 31 December 2003

	Notes	*2003* *£'000*	*2002* *£'000*
Turnover	1, 2	3,895	4,188
Cost of sales		1,367	1,212
Gross profit		2,528	2,976
Distribution costs		34	21
Administrative expenses		1,812	1,602
		1,846	1,623
Operating profit	3	682	1,353
Profit on sale of property held for resale	4	56	–
Profit on ordinary activities before interest and taxation		738	1,353
Interest receivable	7	57	52
Profit on ordinary activities before taxation		795	1,405
Tax charge on profit on ordinary activities	8	(218)	(342)
Profit on ordinary activities after taxation		577	1,063
Ordinary dividend	9	(283)	(248)
Profit retained for the year	19	294	815
Basic earnings per ordinary share	10	0.85p	1.54p
Diluted earnings per ordinary share	10	0.84p	1.53p

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.

GROUP BALANCE SHEET
as at 31 December 2003

	Notes	*2003* *£'000*	*2002* *£'000*
Fixed assets			
Tangible assets	11	294	325
Current assets			
Stocks	13	443	490
Debtors	14	1,232	1,060
Property held for resale		–	225
Cash at bank and in hand		2,043	1,342
		3,718	3,117
Creditors: amounts falling due within one year	15	(1,691)	(1,282)
Net current assets		2,027	1,835
Total assets less current liabilities		2,321	2,160
Provisions for liabilities and charges	17	(70)	(87)
Net assets		2,251	2,073
Capital and reserves			
Called up share capital	18	3,391	3,441
Share premium account	19	120	120
Capital redemption reserve	19	2,050	2,000
Revaluation reserve	19	–	25
Profit and loss account	19	(3,310)	(3,513)
Total equity shareholders' funds		2,251	2,073

The financial statements on pages 10 to 27 were approved by the board of directors on 25 February 2004 and were signed on its behalf by:

J P Kembery
Director

COMPANY BALANCE SHEET
as at 31 December 2003

	Notes	*2003* *£'000*	*2002* *£'000*
Fixed assets			
Tangible assets	11	12	25
Investments	12	6,000	6,000
		6,012	6,025
Current assets			
Debtors	14	1,333	1,819
Property held for resale		–	225
Cash at bank and in hand		1,541	1,042
		2,874	3,086
Creditors: amounts falling due within one year	15	(281)	(276)
Net current assets		2,593	2,810
Total assets less current liabilities		8,605	8,835
Provisions for liabilities and charges	17	(70)	(87)
Net assets		8,535	8,748
Capital and reserves			
Called up share capital	18	3,391	3,441
Share premium account	19	120	120
Capital redemption reserve	19	2,050	2,000
Profit and loss account	19	2,974	3,187
Total equity shareholders' funds		8,535	8,748

The financial statements on pages 10 to 27 were approved by the board of directors on 25 February 2004 and were signed on its behalf by:

J P Kembery
Director

GROUP CASH FLOW STATEMENT
for the year ended 31 December 2003

	Note	*2003* *£'000*	*2002* *£'000*
Net cash inflow from operating activities	20	1,033	909
Returns on investment and servicing of finance			
Interest received		57	52
		57	52
Taxation – corporation tax paid		(260)	(538)
Capital expenditure and financial investment			
Purchase of tangible fixed assets		(50)	(145)
Proceeds from disposal of property held for resale	4	281	–
		231	(145)
Acquisitions and disposals			
Receipt of deferred consideration from sale of subsidiary companies		–	80
		–	80
Equity dividends paid to shareholders		(244)	(186)
Net cash inflow before financing		817	172
Financing			
Purchase of own ordinary share capital		(116)	–
Lease and hire purchase obligations repaid		–	(1)
		(116)	(1)
Increase in cash in the year		701	171

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS

	2003 £'000	2002 £'000
Increase in cash	701	171
Lease and hire purchase obligations repaid	–	1
Movement in net funds during year	701	172
Net funds at 1 January	1,342	1,170
Net funds at 31 December	2,043	1,342

RECONCILIATION OF MOVEMENTS IN GROUP EQUITY SHAREHOLDERS' FUNDS

	2003 £'000	2002 £'000
Profit on ordinary activities after taxation	577	1,063
Dividends	(283)	(248)
	294	815
Purchase of own ordinary share capital	(116)	–
Net change in equity shareholders' funds	178	815
Opening equity shareholders' funds	2,073	1,258
Closing equity shareholders' funds	2,251	2,073

RECONCILIATION OF MOVEMENTS IN COMPANY EQUITY SHAREHOLDERS' FUNDS

	2003 £'000	2002 £'000
Profit on ordinary activities after taxation	186	196
Dividends	(283)	(248)
	(97)	(52)
Purchase of own ordinary share capital	(116)	–
Net change in equity shareholders' funds	(213)	(52)
Opening equity shareholders' funds	8,748	8,800
Closing equity shareholders' funds	8,535	8,748

STATEMENT OF ACCOUNTING POLICIES

Basis of preparation

The financial statements are prepared in accordance with the Companies Act 1985, applicable accounting standards and the following accounting policies. 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 2003.

Tangible fixed assets

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

FRS15, "Tangible fixed assets", has been adopted with effect from 1 January 2000. The book values of certain assets which were the subject of past revaluations have been retained as permitted by the transitional rules.

The Group's policy is to provide depreciation on tangible fixed assets used in the operations of the business, at rates which are calculated to write off the cost, less estimated residual value, of assets evenly over their estimated useful lives, as follows:

Freehold buildings or long leasehold	over 50 years
Plant and machinery	over 4 – 15 years
Fixtures, fittings, tools and equipment	over 4 – 5 years
Computers	over 3 years

Properties held for resale

Non-operating properties owned by the Group are held for resale. The properties are stated at the lower of their cost and net realisable value.

Stocks

Stocks are stated at the lower of cost and net realisable value as follows:

Cost incurred in bringing each product to its present location and condition:

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 plus attributable overheads based on the normal level of activity

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.

Leasing and hire purchase obligations

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. Any expenditure carried forward is amortised in line with the expected future sales from the related project.

Foreign currencies

Transactions in foreign currencies are translated at the rate ruling at the date of the transaction. Exchange differences are dealt with through the profit and loss account.

Financial instruments

Financial instruments, including derivatives, are used to manage foreign exchange fluctuations. Derivatives used by the Group are restricted to forward currency contracts, foreign currency options and foreign currency swaps. 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 properties

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.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2003

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 2003 and 2002 is from the sale of wireless mobile computer systems.

	2003	*2002*
	£'000	*£'000*
Profit before taxation		
Wireless mobile computer systems	738	1,353
Interest receivable	57	52
Profit on ordinary activities before taxation	795	1,405

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

2. Analysis of turnover by geographical market

	2003	*2002*
	£'000	*£'000*
Geographical area		
United Kingdom	3,710	3,850
Europe	185	338
	3,895	4,188

3. Operating profit

	2003	*2002*
	£'000	*£'000*
Operating profit is stated after charging/(crediting):		
Depreciation of owned tangible fixed assets	81	62
Operating lease rentals – plant and machinery	102	92
Operating lease rentals – land and buildings	52	52
Auditors' remuneration for audit services (Company £6,500 (2002: £6,500))	28	27
Auditors' remuneration for non-audit services:		
Taxation	12	27
Other advisory services	7	–
Net rental income	–	(18)
Research and development costs	191	177

4. Profit on sale of property held for resale

During the year 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 is attributable to the profit on the sale of the property because of brought forward capital losses.

5. Directors' emoluments

	2003 £'000	2002 £'000
Aggregate emoluments (including pension contributions of £12,000 (2002: £12,000) and benefits in kind)	86	82

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

	2003 £'000	2002 £'000
Aggregate emoluments and benefits	42	37
Pension contributions	12	12
	54	49

Pension benefits were accruing to 1 director at 31 December 2003 (2002: 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.

6. Employee information

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

	2003 Number	2002 Number
Continuing – by activity		
Office, management and sales	24	24
Manufacturing	14	15
	38	39

	£'000	£'000
Staff costs (for the above persons)		
Wages and salaries	1,161	1,120
Social security costs	126	111
Other pension costs (note 23)	53	48
	1,340	1,279

7. Interest receivable

	2003 £'000	2002 £'000
Interest receivable:		
Bank balances	57	52

8. Tax charge on profit on ordinary activities

(a) Analysis of charge in year

	Group 2003 £'000	2002 £'000
Current Tax		
UK corporation tax on profits for the year at 30% (2002: 30%)	207	390
Adjustments in respect of previous years	(23)	(14)
	184	376
Deferred Tax		
Origination and reversal of timing differences	34	(34)
Tax on profit on ordinary activities	218	342

(b) Factors affecting the tax charge

	Group 2003 £'000	2002 £'000
Profit on ordinary activities before tax	795	1,405
Corporation tax on profit at 30% (2002: 30%)	238	421
Effects of:		
Small companies rate of taxation	(25)	–
Expenses not deductible for tax purposes	3	7
Adjustments to tax charge in respect of prior years	(23)	(14)
Accelerated capital allowances	(9)	(38)
	184	376

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

9. Dividends

	2003 £'000	2002 £'000
Equity – ordinary		
Interim paid 0.12p (2002: 0.12p)	81	83
Final proposed 0.30p (2002: 0.24p)	204	165
Prior year dividend not paid	(2)	–
	283	248

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 during the year.

10. Earnings per ordinary share

Basic and diluted

Basic earnings per ordinary share is based on the profit on ordinary activities after taxation of £577,000 (2002: £1,063,000) and on a weighted average of 68,075,074 ordinary shares in issue in the year (2002: 68,825,759). 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 68,449,981 (2002: 69,553,976). 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.

11. Tangible fixed assets

Group	*Plant, machinery and motor vehicles £'000*	*Fixtures, fittings, tools and computer equipment £'000*	*Total £'000*
Cost			
At 1 January 2003	472	588	1,060
Additions	32	18	50
At 31 December 2003	504	606	1,110
Depreciation			
At 1 January 2003	205	530	735
Provided during the year	45	36	81
At 31 December 2003	250	566	816
Net book value			
At 31 December 2003	254	40	294
At 31 December 2002	267	58	325

Company	*Fixtures, fittings and computer equipment £'000*
Cost	
At 1 January 2003 and 31 December 2003	388
Depreciation	
At 1 January 2003	363
Provided during the year	13
At 31 December 2003	376
Net book value	
At 31 December 2003	12
At 31 December 2002	25

All of the Group's fixed assets at 31 December 2003 are recorded at cost.

12. Investments

Company	*Shares in subsidiary undertakings £'000*
Cost	
At 1 January 2003 and 31 December 2003	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	
	2003 £'000	*2002 £'000*
Raw materials and consumables	281	296
Work in progress	45	66
Finished goods and goods for resale	117	128
	443	490

14. Debtors

	Group		*Company*	
	2003 £'000	*2002 £'000*	*2003 £'000*	*2002 £'000*
Trade debtors	1,078	918	–	–
Amounts owed by subsidiary undertakings	–	–	1,259	1,742
Corporation tax recoverable	20	–	20	–
Other debtors	31	34	31	33
Prepayments and accrued income	103	74	12	10
Deferred tax asset (note 17)	–	34	11	34
	1,232	1,060	1,333	1,819

15. Creditors: amounts falling due within one year

	Group		*Company*	
	2003	*2002*	*2003*	*2002*
	£'000	*£'000*	*£'000*	*£'000*
Trade creditors	243	235	–	–
Corporation tax	110	166	–	38
Other taxes and social security costs	195	140	25	21
Deferred income	785	432	–	–
Other creditors	7	17	1	1
Proposed dividend	204	165	204	165
Accruals	147	127	51	51
	1,691	1,282	281	276

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 2003 the Group was committed to annual payments in respect of operating leases, as follows:

	Group		*Company*	
	2003	*2002*	*2003*	*2002*
	£'000	*£'000*	*£'000*	*£'000*
Leases which expire:				
Land and buildings:				
Between two and five years	52	52	–	–
Other:				
Within one year	8	19	–	–
Between two and five years	84	40	5	5
	92	59	5	5
	144	111	5	5

17. Provisions for liabilities and charges

Provisions

	Group Property £'000	*Company Property £'000*
At 1 January 2003	87	87
Utilisation	17	17
At 31 December 2003	70	70

Property

Property provisions mainly comprise outstanding lease rentals on empty and under-let properties. Full provision has been made for the residual lease commitments, together with other outgoings for the remaining period of the leases, which at 31 December 2003 is approximately 4 years. It is not expected that the empty properties will be sub-let.

Deferred taxation

Deferred tax is fully provided in the accounts for the period ended 31 December 2003 as follows:

	Group		*Company*	
	2003 £'000	*2002 £'000*	*2003 £'000*	*2002 £'000*
Accelerated capital allowances	–	(25)	(11)	(25)
Tax losses carried forward	–	(9)	–	(9)
	–	(34)	(11)	(34)
Provision at start of year	(34)	–	(34)	–
Deferred debit/(credit) in profit and loss account	34	(34)	23	(34)
Asset at end of year (Note 14)	–	(34)	(11)	(34)

18. Share capital

	2003 £'000	*2002 £'000*
Authorised		
Equity share capital:		
100,000,000 (2002: 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:		
67,825,759 (2002: 68,825,759) ordinary shares of 5p each	3,391	3,441
	3,391	3,441

Ordinary share capital

1,000,000 5p ordinary shares, being 1.5 per cent. of the issued ordinary called up share capital, were purchased by the Company during the year for £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.

Options have been granted to certain directors and employees to subscribe for 1,390,000 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.

Warrants have been granted to certain directors and employees to subscribe for 390,000 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 per cent. premium over exercise price) within six years of the date of grant.

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*	*2003 numbers*	*2002 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	550,000	550,000
Warrants					
	1997	11.266	1997-2003	–	590,000
	1998	10.625	1998-2004	80,000	80,000
	2001	8.125	2001-2007	310,000	310,000
				2,475,788	3,065,788

19. Reserves

Group

	Share premium account £'000	Capital redemption reserve £'000	Revaluation reserve £'000	Profit and loss account £'000
At 1 January 2003	120	2,000	25	(3,513)
Profit for year after dividends	–	–	–	294
Revaluation reserve transfer	–	–	(25)	25
Purchase of own ordinary share capital	–	50	–	(116)
At 31 December 2003	120	2,050	–	(3,310)

Cumulative goodwill relating to acquisitions made prior to 1998, which has been eliminated against reserves, amounts to £2,549,000 (2002: £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 2002	120	2,000	3,187
Loss for year after dividends	–	–	(97)
Purchase of own ordinary share capital	–	50	(116)
At 31 December 2003	120	2,050	2,974

20. Group cash flow statement

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

	2003 £'000	2002 £'000
Operating profit	682	1,353
Depreciation	81	62
Movement in provisions	(17)	(21)
Funds generated by operations	746	1,394
Decrease/(increase) in stocks	47	(175)
Increase in debtors	(186)	(132)
Increase/(decrease) in creditors	426	(178)
Decrease/(increase) in working capital	287	(485)
Net cash inflow from operating activities	1,033	909

Analysis of net funds

	At 1 January 2003 £'000	Net cash flow £'000	At 31 December 2003 £'000
Cash at bank and in hand	1,342	701	2,043

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 £186,000 (2002: £196,000).

22. Financial instruments

The Group's financial instruments, other than derivatives, comprise cash, bank borrowings 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 2003, 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 2003 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 provide 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

	2003 Floating interest financial assets £'000	*2002 Floating interest financial assets £'000*
Sterling	2,043	1,342

Financial liabilities

The Group's provision of £70,000 (2002: £87,000) for outstanding lease rentals on empty and under-let properties (Note 17) meets the definition of a financial liability. These are 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 2003, the Group had undrawn floating rate overdraft facilities available to it of £0.5 million. The facilities are due for renewal on 31 December 2004. These facilities are delineated 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 2003, no forward foreign currency contracts were outstanding (2002: £nil).

Fair values of financial assets and liabilities

There are no material differences between the fair values and the book values of all financial assets and liabilities held at 31 December 2003 (2002: £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 (2002: £48,000) and included in creditors is an amount of £6,000 (2002: £5,000) 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 4.

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 £104,000 (excluding VAT) (2002: £115,000) in respect of payroll and certain administration costs incurred on behalf of Eadie Industries Limited.

As at 31 December 2003, the debt owed by Eadie Industries Limited was £31,000 (2002: £33,589) which was repaid in February 2004."

C: Financial Information on Belgravium for the year ended 31 December 2002

The following is a direct extract from the Report and Accounts released by Belgravium for the year ended 31 December 2002. Please note that this is a direct extract without adjustment and so there are a number of page references made to other parts of the Report and Accounts that will not agree with this document.

"INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF BELGRAVIUM TECHNOLOGIES PLC

We have audited the financial statements which comprise the profit and loss account, the balance sheets, the cash flow statement, the reconciliation of net cash flow to movement in net debt, the note of historical cost profits and losses, the reconciliation of movements in the Group and Company equity shareholders' funds 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 2002 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

26 February 2003

GROUP PROFIT AND LOSS ACCOUNT
for the year ended 31 December 2002

	Notes	*Total* 2002 £'000	*Continuing Operations* 2001 £'000	*Discontinued Operations* 2001 £'000	*Total* 2001 £'000
Turnover	1, 2	4,188	4,495	3,302	7,797
Cost of sales		1,212	1,453	2,815	4,268
Gross profit		2,976	3,042	487	3,529
Distribution costs		21	21	115	136
Administrative expenses		1,602	1,695	580	2,275
		1,623	1,716	695	2,411
Operating profit/(loss)	3	1,353	1,326	(208)	1,118
Loss on sale of discontinued operations	4	–	–	(3,331)	(3,331)
Profit/(loss) on ordinary activities before interest and taxation		1,353	1,326	(3,539)	(2,213)
Net interest receivable/(payable)	7	52	9	(33)	(24)
Profit/(loss) on ordinary activities before taxation		1,405	1,335	(3,572)	(2,237)
Tax charge/(credit) on profit/(loss) on ordinary activities	8	342	403	(75)	328
Profit/(loss) on ordinary activities after taxation		1,063	932	(3,497)	(2,565)
Ordinary dividend	9	(248)	(103)	–	(103)
Profit/(loss) retained for the year	19	815	829	(3,497)	(2,668)
Basic earnings/(loss) per ordinary share	10	1.54p			(3.81p)
Diluted earnings/(loss) per ordinary share	10	1.53p			(3.80p)
Adjusted basic earnings/(loss) per ordinary share	10		1.38p	(5.20p)	

There are no recognised gains or losses other than the profit for the year.

The results for 2002 are generated from continuing operations.

GROUP BALANCE SHEET
as at 31 December 2002

	Note	*2002* *£'000*	*2001* *£'000*
Fixed assets			
Tangible assets	11	325	242
Current assets			
Stocks	13	490	315
Debtors	14	1,060	974
Property held for resale		225	225
Cash at bank and in hand		1,342	1,171
		3,117	2,685
Creditors: amounts falling due within one year	15	(1,282)	(1,561)
Net current assets		1,835	1,124
Total assets less current liabilities		2,160	1,366
Provisions for liabilities and charges	17	(87)	(108)
Net assets		2,073	1,258
Capital and reserves			
Called up share capital	18	3,441	3,441
Share premium account	19	120	120
Capital redemption reserve	19	2,000	2,000
Revaluation reserve	19	25	25
Profit and loss account	19	(3,513)	(4,328)
Total equity shareholders' funds		2,073	1,258

The financial statements on pages 9 to 28 were approved by the board of directors on 26 February 2003 and were signed on its behalf by:

J P Kembery
Director

COMPANY BALANCE SHEET
as at 31 December 2002

	Note	*2002* *£'000*	*2001* *£'000*
Fixed assets			
Tangible assets	11	25	29
Investments	12	6,000	6,000
		6,025	6,029
Current assets			
Debtors	14	1,819	2,149
Property held for resale		225	225
Cash at bank and in hand		1,042	702
		3,086	3,076
Creditors: amounts falling due within one year	15	(276)	(197)
Net current assets		2,810	2,879
Total assets less current liabilities		8,835	8,908
Provisions for liabilities and charges	17	(87)	(108)
Net assets		8,748	8,800
Capital and reserves			
Called up share capital	18	3,441	3,441
Share premium account	19	120	120
Capital redemption reserve	19	2,000	2,000
Profit and loss account	19	3,187	3,239
Total equity shareholders' funds		8,748	8,800

The financial statements on pages 9 to 28 were approved by the board of directors on 26 February 2003 and were signed on its behalf by:

J P Kembery
Director

GROUP CASH FLOW STATEMENT
for the year ended 31 December 2002

	Note	*2002* *£'000*	*2001* *£'000*
Net cash inflow from operating activities	20	909	1,851
Returns on investment and servicing of finance			
Interest received		52	20
Interest paid		–	(46)
Finance charges paid under finance leases and hire purchase contracts		–	(4)
Dividends paid to ordinary shareholders		(186)	–
		(134)	(30)
Taxation – corporation tax paid		(538)	–
Capital expenditure and financial investment			
Purchase of tangible fixed assets		(145)	(236)
Proceeds from disposal of property held for resale		–	230
		(145)	(6)
Acquisitions and disposals			
Proceeds from sale of subsidiary companies	4	80	3,385
Disposal costs		–	(311)
Cash of subsidiary companies sold		–	(2,242)
		80	832
Net cash inflow before financing		172	2,647
Financing			
Proceeds from issue of ordinary shares		–	420
Lease and hire purchase obligations repaid		(1)	(51)
Loan capital repaid	20	–	(1,352)
		(1)	(983)
Increase in cash	20	171	1,664

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	2002	*2001*
	£'000	*£'000*
Increase in cash	171	1,664
Lease and hire purchase obligations repaid	1	51
Finance leases of subsidiaries disposed	–	136
Loan capital repaid	–	1,352
Change in net funds resulting from cash flows	172	3,203
New finance leases	–	(60)
Movement in net funds during year	172	3,143
Net funds/(debt) at 1 January	1,170	(1,973)
Net funds at 31 December	1,342	1,170

NOTE OF GROUP HISTORICAL COST PROFITS AND LOSSES
for the year ended 31 December 2002

	2002 *£'000*	*2001* *£'000*
Reported profit/(loss) on ordinary activities before taxation	1,405	(2,237)
Realisation of freehold land and buildings gains of previous years	–	412
Historical cost profit/(loss) on ordinary activities before taxation	1,405	(1,825)
Historical cost profit/(loss) for the year retained after taxation and dividends	815	(2,256)

RECONCILIATION OF MOVEMENTS IN GROUP EQUITY SHAREHOLDERS' FUNDS

	2002 *£'000*	*2001* *£'000*
Profit/(loss) on ordinary activities after taxation	1,063	(2,565)
Dividends	(248)	(103)
	815	(2,668)
Issue of shares	–	420
Net change in equity shareholders' funds	815	(2,248)
Opening equity shareholders' funds	1,258	3,506
Closing equity shareholders' funds	2,073	1,258

RECONCILIATION OF MOVEMENTS IN COMPANY EQUITY SHAREHOLDERS' FUNDS

	2002 *£'000*	*2001* *£'000*
Profit on ordinary activities after taxation	196	85
Dividends	(248)	(103)
	(52)	(18)
Issue of shares	–	420
Net change in equity shareholders' funds	(52)	402
Opening equity shareholders' funds	8,800	8,398
Closing equity shareholders' funds	8,748	8,800

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 applicable accounting standards and the following accounting policies.

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

The policies have all been applied consistently with the prior year with the exception of FRS 19 – 'Deferred Tax' which has been adopted by the Group this year. This had no significant impact on the accounts and hence no restatement of the prior year's deferred tax position has been required.

Depreciation

FRS15, "Tangible fixed assets", has been adopted with effect from 1 January 2000. The book values of certain assets which were the subject of past revaluations have been retained as permitted by the transitional rules.

The Group's policy is to provide depreciation on tangible fixed assets used in the operations of the business, at rates which are calculated to write off the cost, less estimated residual value, of assets evenly over their estimated useful lives, as follows:

Freehold buildings or long leasehold	over 50 years
Plant and machinery	over 4 – 15 years
Fixtures, fittings, tools and equipment	over 4 – 5 years
Computers	over 3 years

Properties held for resale

Non-operating properties owned by the Group are held for resale. The properties are stated at the lower of their cost and net realisable value.

Stocks

Stocks are stated at the lower of cost and net realisable value as follows:

Cost incurred in bringing each product to its present location and condition:

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 plus attributable overheads based on the normal level of activity

Net realisable value is based on estimated selling price less further costs expected to be incurred to completion and disposal.

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.

Leasing and hire purchase obligations

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

Assets obtained under finance leases and hire purchase contracts are capitalised in the balance sheet and depreciated over their useful lives. The interest element of the rental obligation is charged to profit and loss account over the period of the lease and represents a constant proportion of the balance of capital repayments outstanding.

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

Transactions in foreign currencies are translated at the rate ruling at the date of the transaction. Exchange differences are dealt with through the profit and loss account.

Financial instruments

Financial instruments, including derivatives, are used to manage foreign exchange fluctuations. Derivatives used by the Group are restricted to forward currency contracts, foreign currency options and foreign currency swaps. 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 properties

Provisions is made for the unexpired term of the lease together with associated costs less any anticipated sub-lease income.

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.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2002

1. Turnover and segmental information

By origin

Turnover and profit/(loss) before taxation, are generated from within the United Kingdom. All net operating assets are located within the United Kingdom.

By class of business

	2002 *£'000*	*2001* *£'000*
Turnover		
Wireless mobile computer systems – continuing operations	4,188	4,495
Engineering – discontinued operations	–	3,302
	4,188	7,797
Profit/(loss) before taxation		
Wireless mobile computer systems – continuing operations	1,353	1,326
Engineering – discontinued operations	–	(208)
Non-operating exceptional items – discontinued operations	–	(3,331)
Net interest receivable/(payable)	52	(24)
Profit/(loss) on ordinary activities before taxation	1,405	(2,237)

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

2. Analysis of turnover by geographical market

	2002 *£'000*	*2001* *£'000*
Geographical area		
United Kingdom	3,850	6,961
Europe	338	594
Rest of the world	–	242
	4,188	7,797

3. Operating profit/(loss)

	2002 *£'000*	*2001* *£'000*
Operating profit/(loss) is stated after charging/(crediting):		
Depreciation of owned tangible fixed assets	62	153
Depreciation of leased tangible fixed assets	–	6
Operating lease rentals – plant and machinery	92	111
Operating lease rentals – land and buildings	52	76
Auditors' remuneration for audit services (Company £6,500 (2001: £6,500))	27	25
Auditors' remuneration for non-audit services (taxation)	27	23
Net rental income	(18)	(29)
Research and development costs	177	170

In the year to 31 December 2001 included within the costs of disposals (note 4) are other fees paid to the auditors in relation to the disposal of £65,000.

4. Exceptional items

At an Extraordinary General Meeting of the company held on 30 March 2001, shareholders approved the disposal of Eadie Industries Limited and Broomco 2347 Limited which comprised the Group's engineering businesses of Black & Luff, Ewen Engineering, Winterbottom Wire and Cambria, together with the residual liabilities of Pesca and Eadie Engineering. The results of the businesses disposed of have been disclosed as those of discontinued operations in the comparative figures in these financial statements.

Details of the disposals in the year ended 31 December 2001 are as follows:

	£'000
Net assets disposed of	6,485
Consideration after costs	(3,154)
Loss on disposal	3,331

Deferred consideration of £80,000 in relation to the disposal was received in 2002.

5. Directors' emoluments

	2002 *£'000*	*2001* *£'000*
Aggregate emoluments (including pension contributions of £12,000 (2001: £18,000) and benefits in kind)	82	127

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

	2002 *£'000*	*2001* *£'000*
Aggregate emoluments and benefits	37	46
Pension contributions	12	15
	49	61

Pension benefits were accruing to 1 director at 31 December 2002 (2001: 1 director). Details of directors' interests, including interests in share options and warrants are set out in the directors' report.

6. Employee information

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

	2002 *Number*	*2001* *Number*
Continuing – by activity		
Office, management and sales	24	23
Manufacturing	15	15
	39	38
Discontinued – by activity		
Office, management and sales	–	40
Manufacturing	–	152
	–	192

	£'000	*£'000*
Staff costs (for the above persons)		
Wages and salaries	1,120	1,969
Social security costs	111	187
Other pension costs	48	79
	1,279	2,235

7. Net interest payable

	2002 *£'000*	*2001* *£'000*
Interest receivable:		
Bank balances	52	17
Interest payable and similar charges:		
Bank loans and overdrafts	–	33
Other	–	4
Hire purchase contracts and finance leases	–	4
	–	41
Net interest receivable/(payable)	52	(24)

After the disposal of Eadie Industries Limited and Broomco 2347 Limited in the year to 31 December 2001, Belgravium Technologies plc repaid all loans and overdrafts. All bank interest costs in that year have therefore been allocated to discontinued operations. Net interest receivable subsequent to the disposal of £9,000 has been disclosed as relating to continuing operations in 2001.

8. Tax on loss on ordinary activities

(a) Analysis of charge in period

	Group 2002 £'000	2001 £'000
Current Tax		
UK corporation tax on profits for the year at 30% (2001: 30%)	390	328
Adjustments in respect of previous periods	(14)	–
	376	328
Deferred Tax		
Origination and reversal of timing differences	(34)	–
Tax on profit on ordinary activities	342	328

(b) Factors affecting the tax charge

	Group 2002 £'000	2001 £'000
Profit/(loss) on ordinary activities before tax	1,405	(2,237)
Corporation tax on profit/(loss) at 30% (2001: 30%)	421	(671)
Effects of:		
Group loss on disposal of fixed assets	–	999
Expenses not deductible for tax purposes	7	11
Adjustments to tax charge in respect of prior periods	(14)	–
Deferred tax movement not recognised in prior periods	(38)	(11)
	376	328

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

9. Dividends

	2002 £'000	2001 £'000
Equity – ordinary		
Interim paid 0.12p (2001: Nil)	83	–
Final proposed 0.24p (2001: 0.15p)	165	103
	248	103

10. Earnings/(loss) per ordinary share

Basic and diluted

Basic earnings per ordinary share is based on the profit on ordinary activities after taxation of £1,063,000 (2001: loss of £2,565,000) and on an average of 68,825,759 ordinary shares in issue (2001: 67,313,430). 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 69,553,976 (2001: 67,512,573).

Adjusted (for the year ended 31 December 2001)

Following the allocation of interest, taxation and dividends between continuing and discontinuing operations, earnings/(loss) per ordinary share has been presented for continuing and discontinued activities separately.

Adjusted earnings/(loss) per ordinary share is based on the profit on continuing operations after taxation of £932,000 and the loss on discontinued operations after taxation of £3,497,000 and on an average of 67,313,430 ordinary shares in issue. The adjusted figures were provided in order to highlight the performance of the continuing operations.

11. Tangible fixed assets

Group	*Plant, machinery and motor vehicles £'000*	*Fixtures, fittings, tools and computer equipment £'000*	*Total £'000*
Cost			
At 1 January 2002	390	572	962
Additions	129	16	145
Disposal	(47)	–	(47)
At 31 December 2002	472	588	1,060
Depreciation			
At 1 January 2002	228	492	720
Provided during the year	24	38	62
Disposal	(47)	–	(47)
At 31 December 2002	205	530	735
Net book value			
At 31 December 2002	267	58	325
At 31 December 2001	162	80	242

Company	*Fixtures, fittings and computer equipment £'000*
Cost	
At 1 January 2002	380
Additions	8
At 31 December 2002	388
Depreciation	
At 1 January 2002	351
Provided during the year	12
At 31 December 2002	363
Net book value	
At 31 December 2002	25
At 31 December 2001	29

All of the Group's fixed assets at 31 December 2002 are recorded at cost.

12. Investments

Company	*Shares in subsidiary undertakings £'000*
Cost	
At 1 January 2002 and 31 December 2002	6,000

The Company has the following wholly owned trading subsidiary undertaking, incorporated in England and Wales:

Name of company	*Nature of business*
Belgravium Limited	Wireless mobile computer system

13. Stocks

	Group	
	2002 £'000	*2001 £'000*
Raw materials and consumables	296	161
Work in progress	66	47
Finished goods and goods for resale	128	107
	490	315

14. Debtors

	Group 2002 £'000	Group 2001 £'000	Company 2002 £'000	Company 2001 £'000
Trade debtors	918	786	–	–
Amounts owed by subsidiary undertakings	–	–	1,742	2,014
Other debtors	34	124	33	124
Prepayments and accrued income	74	64	10	11
Deferred tax asset (note 17)	34	–	34	–
	1,060	974	1,819	2,149

15. Creditors: amounts falling due within one year

	Group 2002 £'000	Group 2001 £'000	Company 2002 £'000	Company 2001 £'000
Obligations under finance leases and hire purchase contracts	–	1	–	1
Trade creditors	235	349	–	–
Corporation tax	166	328	38	–
Other taxes and social security costs	140	123	21	18
Customer deposits	–	190	–	–
Deferred income	432	303	–	–
Other creditors	17	4	1	1
Proposed dividend	165	103	165	103
Accruals	127	160	51	74
	1,282	1,561	276	197

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 2002 the Group was committed to annual payments in respect of operating leases, as follows:

	Group 2002 £'000	Group 2001 £'000	Company 2002 £'000	Company 2001 £'000
Leases which expire:				
Land and buildings:				
Between two and five years	52	56	–	–
Other:				
Within one year	19	6	–	2
Between two and five years	40	64	5	–
	59	70	5	2
	111	126	5	2

17. Provisions for liabilities and charges

Provisions

	Group Property £'000	*Company Property £'000*
At 1 January 2002	108	108
Utilisation	(21)	(21)
At 31 December 2002	87	87

Property

Property provisions mainly comprise outstanding lease rentals on empty and under-let properties. Full provision has been made for the residual lease commitments, together with other outgoings for the remaining period of the leases, which at 31 December 2002 is approximately 5 years. It is not expected that the empty properties will be sub-let.

Deferred taxation

Deferred tax is fully provided in the accounts for the period ended 31 December 2002 as follows:

Group

	Group		*Company*	
	2002 £'000	*2001 £'000*	*2002 £'000*	*2001 £'000*
Accelerated capital allowances	(25)	–	(25)	–
Tax losses carried forward	(9)	–	(9)	–
	(34)	–	(34)	–
Provision at start of period	–	–	–	(34)
Deferred credit in profit and loss account	(34)	–	(34)	–
Asset at end of period (Note 14)	(34)	–	(34)	(34)

Note: In the period ended 31 December 2001, there was an unrecognised deferred tax asset of £34,000.

18. Share capital

	2002 £'000	*2001 £'000*
Authorised		
Equity share capital:		
100,000,000 (2001: 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:		
68,825,759 (2001: 68,825,759) ordinary shares of 5p each	3,441	3,441
	3,441	3,441

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.

Options have been granted to certain directors and employees to subscribe for 1,390,000 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.

Warrants have been granted to certain directors and employees to subscribe for 980,000 ordinary shares of 5p each at a price of between 8.125p and 11.266p. These warrants are exercisable, except as provided in the scheme rules (in particular, when the share price is at a 25 per cent. premium over exercise price) within six years of the date of grant.

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*	*2002 numbers*	*2001 numbers*
1992 executive share option scheme					
	1992	14.00	1995-2002	–	100,000
	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	550,000	–
Warrants					
	1997	11.266	1997-2003	590,000	590,000
	1998	10.625	1998-2004	80,000	80,000
	2001	8.125	2001-2007	310,000	310,000
				3,065,788	2,615,788

19. Reserves

Group

	Share premium account £'000	Capital redemption reserve £'000	Revaluation reserve £'000	Profit and loss account £'000
At 1 January 2002	120	2,000	25	(4,328)
Profit for year after dividends	–	–	–	815
At 31 December 2002	120	2,000	25	(3,513)

Cumulative goodwill relating to acquisitions made prior to 1998, which has been eliminated against reserves, amounts to £2,549,000 (2001: £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 at a price of 7p.

Company

	Share premium account £'000	Capital redemption reserve £'000	Profit and loss account £'000
At 1 January 2001	120	2,000	3,239
Loss for year after dividends	–	–	(52)
At 31 December 2002	120	2,000	3,187

20. Group cash flow statement

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

	2002 £'000	2001 £'000
Operating profit	1,353	1,118
Depreciation	62	159
Movement in provisions	(21)	(80)
Funds generated by operations	1,394	1,197
(Increase)/decrease in stocks	(175)	113
(Increase)/decrease in debtors	(132)	292
(Decrease)/increase in creditors	(178)	249
(Increase)/decrease in working capital	(485)	654
Net cash inflow from operating activities	909	1,851

In the year to 31 December 2001, discontinued activities contributed approximately £493,000 to the net cash inflow which includes £479,000 generated by an increase in creditors.

Analysis of net funds

	At 1 January 2002 £'000	Net cash flow £'000	At 31 December 2002 £'000
Cash at bank and in hand	1,171	171	1,342
Loans	–	–	–
Finance leases	(1)	1	–
	1,170	172	1,342

21. Loss 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 £196,000 (2001: loss of £85,000).

22. Financial instruments

The Group's financial instruments, other than derivatives, comprise finance leases, cash, bank borrowings 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 2002, 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 2002 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 provide 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

	2002 Floating interest financial assets £'000	2001 Floating interest financial assets £'000
Sterling	1,342	1,171

Analysis of financial liabilities as at 31 December

	2002 Fixed rate finance leases £'000	2001 Fixed rate finance leases £'000
Sterling	–	1

In addition to the above, the Group's provision of £87,000 (2001: £108,000) for outstanding lease rentals on empty and under-let properties (Note 17) meets the definition of a financial liability. These are 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 2002, the Group had undrawn floating rate overdraft facilities available to it of £0.5 million. The facilities are due for renewal on 31 December 2003. These facilities are delineated in Sterling, but can be utilised in Sterling, US Dollars, Euros or Euro legacy currencies 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 2002, no forward foreign currency contracts were outstanding (2001: £nil).

Fair values of financial assets and liabilities

There are no material differences between the fair values and the book values of all financial assets and liabilities held at 31 December 2002 (2001: £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 £48,000 (2001: £79,000) and included in creditors is an amount of £5,000 (2001: £4,000) 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 4.

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 £115,000 (excluding VAT) in respect of payroll and certain administration costs incurred on behalf of Eadie Industries Limited. As at 31 December 2002, the debt owed by Eadie Industries Limited was £33,589 which was repaid in February 2003. There was also £1,000 recharged to Belgravium Technologies for work performed by Eadie Industries.

25. Post balance sheet events

On 31 January 2003 the company completed the sale of the property held for resale for a total consideration of £290,000 before costs."

PART IV B

FINANCIAL INFOMATION ON TOUCHSTAR TECHNOLOGIES LIMITED

A: Financial Information on Touchstar Technologies Limited for the year ended 31 May 2005

The following is a direct extract from the Report and Accounts released by Touchstar for the year ended 31 May 2005. Please note that this is a direct extract without adjustment and so there are a number of page references made to other parts of the Report and Accounts that will not agree with this document.

"INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF TOUCHSTAR TECHNOLOGIES LIMITED

We have audited the financial statements of Touchstar Technologies Limited for the year ended 31 May 2005 which comprise the profit and loss account, the balance sheet, the cash flow statement and the related notes. These financial statements have been prepared under the historical cost convention and the accounting policies set out therein.

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

Respective responsibilities of directors and auditors

As described in the Statement of Director's Responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards.

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

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Director's 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 director's remuneration and transactions with the company is not disclosed.

We read the Director's Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and 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 the company's affairs as at 31 May 2005 and of its profit for the year then ended, and have been properly prepared in accordance with the Companies Act 1985.

Barlow Andrews
Chartered Accountants and Registered Auditors
Carlyle House
78 Chorley New Road
Bolton

14 July 2005

PROFIT AND LOSS ACCOUNT
year ended 31 May 2005

	Note	*Year to 31 May 2005* £	*Period from 22 May 2003 to 31 May 2004* £
Turnover	2	7,392,745	6,308,959
Cost of sales		3,800,488	3,245,411
Gross profit		3,592,257	3,063,548
Administrative expenses		1,489,519	1,931,098
Operating profit	3	2,102,738	1,132,450
Interest receivable		37,433	3,019
Interest payable	6	(4,842)	(19,401)
Profit on ordinary activities before taxation		2,135,329	1,116,068
Tax on profit on ordinary activities	7	616,758	241,556
Retained profit for the financial year		1,518,571	874,512

All of the activities of the company are classed as continuing.

The company has no recognised gains or losses other than the results for the year as set out above.

BALANCE SHEET
31 May 2005

	Note	*2005* £	£	*2004* £
Fixed assets				
Intangible assets	8		–	77,321
Tangible assets	9		138,821	138,881
			138,821	216,202
Current assets				
Stocks	10	415,516		707,237
Debtors	11	1,292,953		1,556,213
Cash at bank		2,433,939		274,762
		4,142,408		2,538,212
Creditors: Amounts falling due within one year	12	1,754,572		1,677,783
Net current assets			2,387,836	860,429
Total assets less current liabilities			2,526,657	1,076,631
Provisions for liabilities and charges				
Deferred taxation	14		14,319	20,493
Other Provisions	15		45,010	107,381
			2,467,328	948,757
Capital and reserves				
Called-up equity share capital	18		100,000	100,000
Share premium account			302,245	302,245
Other reserves	19		24,000	24,000
Profit and loss account	20		2,041,083	522,512
Shareholders' funds	21		2,467,328	948,757

These financial statements were approved and signed by the director on 14 July 2005.

Mr R L Smith

CASH FLOW STATEMENT
year ended 31 May 2005

	Note	*Year to 31 May 2005* £	*Period from 22 May 2003 to 31 May 2004* £
Net cash inflow from operating activities	22	2,387,574	531,582
Returns on investments and servicing of finance	22	32,591	(16,382)
Taxation	22	(221,146)	–
Capital expenditure and financial investment	22	(37,675)	(316,850)
Cash inflow before financing		2,161,344	198,350
Financing	22	(2,167)	76,412
Increase in cash	22	2,159,177	274,762

NOTES TO THE FINANCIAL STATEMENTS
year ended 31 May 2005

1. Accounting policies

Basis of accounting

The financial statements have been prepared under the historical cost convention.

Turnover

The turnover shown in the profit and loss account represents amounts invoiced during the year, exclusive of Value Added Tax.

Research and development

Research expenditure is written off to the profit and loss account in the year in which it is incurred. Development expenditure is written off in the same way unless the directors are satisfied as to the technical, commercial and financial viability of individual projects. In this situation, the expenditure is deferred and amortised over the period during which the company is expected to benefit.

Goodwill

Positive purchased goodwill arising on acquisitions is capitalised, classified as an asset on the Balance Sheet and amortised over its estimated useful life up to a maximum of 20 years. This length of time is presumed to be the maximum useful life of purchased goodwill because it is difficult to make projections beyond this period. Goodwill is reviewed for impairment at the end of the first full financial year following each acquisition and subsequently as and when necessary if circumstances emerge that indicate that the carrying value may not be recoverable.

Amortisation

Amortisation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

Goodwill	– over two years

Fixed assets

All fixed assets are initially recorded at cost and are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset over it's expected useful life, as follows:

Depreciation

Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

Fixtures, Fit & Equip	– 10% straight line
Motor Vehicles	– 25% straight line
Computer Equipment	– 33% straight line

Stocks

Stocks are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items.

Hire purchase agreements

Assets held under hire purchase agreements are capitalised and disclosed under tangible fixed assets at their fair value. The capital element of the future payments is treated as a liability and the interest is charged to the profit and loss account on a straight line basis.

Operating lease agreements

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profits on a straight line basis over the period of the lease.

Pension

The pension costs charged in the financial statements represents the contributions payable by the company during the period in accordance with FRS 17.

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more tax, with the following exceptions:

Provision is made for tax on gains arising from the revaluation (and similar fair value adjustments) of fixed assets, and gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned. However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold;

Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Foreign currencies

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the transaction. Exchange differences are taken into account in arriving at the operating profit.

2. Turnover

The turnover and profit before tax are attributable to the one principal activity of the company.

An analysis of turnover is given below:

	Year to 31 May 2005	*Period from 22 May 2003 to 31 May 2004*
	£	*£*
United Kingdom	3,946,958	4,393,890
Overseas	3,445,787	1,915,069
	7,392,745	6,308,959

3. Operating profit

Operating profit is stated after charging/(crediting):

	Year to 31 May 2005 £	*Period from 22 May 2003 to 31 May 2004* £
Amortisation	77,321	77,322
Research and development expenditure written off	61,248	191,601
Depreciation of owned fixed assets	37,735	20,326
Depreciation of assets held under hire purchase agreements	–	3,000
Auditors' remuneration		
– as auditors	4,000	3,850
– other services	7,160	–
Operating lease costs:		
Land and buildings	106,394	170,701
Net profit on foreign currency translation	(11,230)	(40,707)

Operating profit for 2004 is stated after accounting for exceptional profits on the sale of stock acquired on 22nd May 2003. The total of these exceptional profits amounted to £413,163.

4. Particulars of employees

The average number of staff employed by the company during the financial year amounted to:

	Year to 31 May 2005 No.	*Period from 22 May 2003 to 31 May 2004* No.
Number of production staff	25	26
Number of administrative staff	6	6
	31	32

The aggregate payroll costs of the above were:

	Year to 31 May 2005 £	*Period from 22 May 2003 to 31 May 2004* £
Wages and salaries	1,098,454	1,397,013
Social security costs	106,695	137,931
Other pension costs	58,998	40,127
	1,264,147	1,575,071

5. Director's emoluments

The director's aggregate emoluments in respect of qualifying services were:

	Year to 31 May 2005 £	*Period from 22 May 2003 to 31 May 2004* £
Emoluments receivable	153,045	398,453
Value of company pension contributions to money purchase schemes	21,375	30,555
	174,420	429,008

The number of directors who accrued benefits under company pension schemes was as follows:

	Year to 31 May 2005 *No.*	*Period from 22 May 2003 to 31 May 2004* *No.*
Money purchase schemes	1	2

6. Interest payable and similar charges

	Year to 31 May 2005 £	*Period from 22 May 2003 to 31 May 2004* £
Interest payable on bank borrowing	4,525	17,808
Finance charges	317	1,593
	4,842	19,401

7. Taxation on ordinary activities

(a) Analysis of charge in the year

	Year to 31 May 2005 £	*Period from 22 May 2003 to 31 May 2004* £
Current tax:		
In respect of the year:		
UK Corporation tax based on the results for the year at 30% (2004 – 28.18%)	592,932	221,063
Prior period adjustments	30,000	–
Total current tax	622,932	221,063
Deferred tax:		
Origination and reversal of timing differences (note 14)		
Capital allowances	(6,174)	20,493
Tax on profit on ordinary activities	616,758	241,556

7. Taxation on ordinary activities *(continued)*

(b) Factors affecting current tax charge

The tax assessed on the profit on ordinary activities for the year is lower than the standard rate of corporation tax in the UK of 30 per cent. (2004 – 28.18 per cent.).

	Year to 31 May 2005 £	*Period from 22 May 2003 to 31 May 2004* £
Profit on ordinary activities before taxation	2,135,329	1,116,068
Profit/(loss)on ord actvs by rate of tax	640,599	314,561
Expenses not deductible for tax purposes	17,392	6,006
Capital allowances for period in excess of depreciation	(1,605)	(7,110)
Other tax adjustments	(63,454)	(92,394)
Total current tax (note 7(a))	592,932	221,063

Other tax adjustments relate to enhanced Research & Development expenditure.

8. Intangible fixed assets

	Goodwill £
Cost	
At 1 June 2004 and 31 May 2005	154,643
Amortisation	
At 1 June 2004	77,322
Charge for the year	77,321
At 31 May 2005	154,643
Net book value	
At 31 May 2005	–
At 31 May 2004	77,321

9. Tangible fixed assets

	Fixtures & Fittings £	*Motor Vehicles* £	*Equipment* £	*Total* £
Cost				
At 1 June 2004	106,828	8,947	46,430	162,205
Additions	(25,933)	–	63,608	37,675
At 31 May 2005	80,895	8,947	110,038	199,880
Depreciation				
At 1 June 2004	7,264	3,371	12,689	23,324
Charge for the year	7,603	1,487	28,645	37,735
At 31 May 2005	14,867	4,858	41,334	61,059
Net book value				
At 31 May 2005	66,028	4,089	68,704	138,821
At 31 May 2004	99,564	5,576	33,741	138,881

10. Stocks

	2005 £	2004 £
Raw materials	259,531	338,090
Finished goods	155,985	369,147
	415,516	707,237

11. Debtors

	2005 £	2004 £
Trade debtors	1,164,937	1,494,177
VAT recoverable	59,259	28,916
Other debtors	4,818	–
Directors current accounts	–	30,600
Prepayments and accrued income	63,939	2,520
	1,292,953	1,556,213

12. Creditors: Amounts falling due within one year

	2005 £	2004 £
Trade creditors	808,735	618,676
Other creditors including taxation and social security:		
Corporation tax	622,849	221,063
PAYE and social security	25,344	–
Hire purchase agreements	–	2,167
Other creditors	8,949	–
	1,465,877	841,906
Accruals and deferred income	288,695	835,877
	1,754,572	1,677,783

The bank holds a fixed and floating charge over the assets of the company.

13. Commitments under hire purchase agreements

Future commitments under hire purchase agreements are as follows:

	2005 £	2004 £
Amounts payable within 1 year	–	2,167
	–	2,167

14. Deferred taxation

	Year to 31 May 2005 £	Period from 22 May 2003 to 31 May 2004 £
The movement in the deferred taxation provision during the year was:		
Provision brought forward	20,493	–
Profit and loss account movement arising during the year	(6,174)	20,493
Provision carried forward	14,319	20,493

The provision for deferred taxation consists of the tax effect of timing differences in respect of:

	2005 £	*2004* £
Excess of taxation allowances over depreciation on fixed assets	14,319	20,493
	14,319	20,493

15. Other provisions

	2005 £
Warranty provisions:	
Balance brought forward	107,381
Movement for year	(62,371)
	45,010

16. Commitments under operating leases

At 31 May 2005 the company had annual commitments under non-cancellable operating leases as set out below.

	Land & Buildings	
	2005 £	*2004* £
Operating leases which expire:		
After more than 5 years	90,000	90,000

17. Related party transactions

The company was under the control of Mr R L Smith throughout the current and previous year. Mr R L Smith is the managing director and majority shareholder.

No transactions with related parties were undertaken such as are required to be disclosed under Financial Reporting Standard 8.

18. Share capital

	2005 £	2004 £
Authorised share capital:		
100,000 Ordinary shares of £1 each	100,000	100,000

	2005 Number	2005 £	2004 Number	2004 £
Allotted, called up and fully paid:				
Ordinary shares of £1 each	100,000	100,000	100,000	100,000

19. Other reserves

	Year to 31 May 2005 £	*Period from 22 May 2003 to 31 May 2004* £
Capital redemption reserve	24,000	24,000

20. Profit and loss account

	Year to 31 May 2005 £	*Period from 22 May 2003 to 31 May 2004* £
Balance brought forward	522,512	–
Retained profit for the financial year	1,518,571	874,512
Purchase of own shares	–	(352,000)
Balance carried forward	2,041,083	522,512

21. Reconciliation of movements in shareholders' funds

	2005 £	2005 £	2004 £
Profit for the financial year		1,518,571	874,512
New equity share capital subscribed	–		100,000
Premium on new share capital subscribed	–		302,245
			1,276,757
Premium on purchase of own equity shares		–	(328,000)
Net addition to funds		1,518,571	948,757
Opening shareholders' equity funds		948,757	–
Closing shareholders' equity funds		2,467,328	948,757

22. Notes to the statement of cash flows

Reconciliation of operating profit to net cash inflow from operating activities

	Year to 31 May 2005 £	*Period from 22 May 2003 to 31 May 2004* £
Operating profit	2,102,738	1,132,450
Amortisation	77,321	77,322
Depreciation	37,735	23,326
Decrease/(increase) in stocks	291,721	(707,237)
Decrease/(increase) in debtors	263,260	(1,556,213)
(Decrease)/increase in creditors	(322,830)	1,454,553
(Decrease)/increase in provisions	(62,371)	107,381
Net cash inflow from operating activities	2,387,574	531,582

Returns on investments and servicing of finance

	Year to 31 May 2005 £	*Period from 22 May 2003 to 31 May 2004* £
Interest received	37,433	3,019
Interest paid	(4,525)	(17,808)
Interest element of hire purchase	(317)	(1,593)
Net cash inflow/(outflow) from returns on investments and servicing of finance	32,591	(16,382)

Taxation

	Year to 31 May 2005 £	*Period from 22 May 2003 to 31 May 2004* £
Taxation paid	(221,146)	–

Capital expenditure

	Year to 31 May 2005 £	*Period from 22 May 2003 to 31 May 2004* £
Payments to acquire intangible fixed assets	–	(154,643)
Payments to acquire tangible fixed assets	(37,675)	(162,207)
Net cash outflow from capital expenditure	(37,675)	(316,850)

22. Notes to the statement of cash flows *(continued)*

Financing

	Year to 31 May 2005 £	*Period from 22 May 2003 to 31 May 2004* £
Issue of equity share capital	–	100,000
Share premium on issue of equity share capital	–	302,245
Premium on purchase of own non-equity shares	–	(328,000)
Capital element of hire purchase	(2,167)	2,167
Net cash (outflow)/inflow from financing	(2,167)	76,412

Reconciliation of net cash flow to movement in net funds

	£	*2005* £	*2004* £
Increase in cash in the period	2,159,177		274,762
Cash outflow in respect of hire purchase	2,167		(2,167)
		2,161,344	272,595
Change in net funds		2,161,344	272,595
Net funds at 1 June 2004		272,595	–
Net funds at 31 May 2005		2,433,939	272,595

Analysis of changes in net funds

	At 1 June 2004 £	*Cash flows* £	*At 31 May 2005* £
Net cash:			
Cash in hand and at bank	274,762	2,159,177	2,433,939
Debt:			
Hire purchase agreements	(2,167)	2,167	–
Net funds	272,595	2,161,344	2,433,939”

B: Financial Information on Touchstar Technologies Limited for the period ended 31 May 2004

The following is a direct extract from the Report and Accounts released by Touchstar for the period ended 31 May 2004. Please note that this is a direct extract without adjustment and so there are a number of page references made to other parts of the Report and Accounts that will not agree with this document.

"INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF TOUCHSTAR TECHNOLOGIES LIMITED (FORMERLY INHOCO 2836 LIMITED)

We have audited the financial statements of Touchstar Technologies Limited for the period ended 31 May 2004 which comprise the profit and loss account, the balance sheet, the cash flow statement and the related notes. These financial statements have been prepared under the historical cost convention and the accounting policies set out therein.

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

Respective responsibilities of directors and auditors

As described in the statement of director's responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards.

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

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

We read the directors' report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and 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 the company's affairs as at 31 May 2004 and of its profit for the period then ended, and have been properly prepared in accordance with the Companies Act 1985.

Barlow Andrews

Chartered Accountants and Registered Auditors

Carlyle House
78 Chorley New Road
Bolton

01 February 2005

PROFIT AND LOSS ACCOUNT
period ended 31 May 2004

	Note	*Period ended 31 May 2004* £
Turnover	2	6,308,959
Cost of sales		(3,245,411)
Gross profit		3,063,548
Administrative expenses		(1,931,098)
Operating profit	3	1,132,450
Other interest receivable and similar income	4	3,019
Interest payable and similar charges	5	(19,401)
Profit on ordinary activities before taxation		1,116,068
Tax on profit on ordinary activities	6	(241,556)
Profit on ordinary activities after taxation	15	874,512

The profit and loss account has been prepared on the basis that all operations are continuing operations.

There are no recognised gains and losses other than those passing through the profit and loss account.

BALANCE SHEET
31 May 2004

	Note	2004 £	£
Fixed assets			
Intangible assets	7		77,321
Tangible assets	8		138,821
			216,202
Current assets			
Stocks	9	707,237	
Debtors	10	1,556,213	
Cash at bank and in hand		274,762	
		2,538,212	
Creditors: amounts falling due within one year	11	(1,677,783)	
Net current assets			860,429
Total assets less current liabilities			1,076,631
Provisions for liabilities and charges	12		(127,874)
			948,757
Capital and reserves			
Called up share capital	14		100,000
Share premium account	15		302,245
Other reserves	15		24,000
Profit and loss account	15		522,512
Shareholders' funds – equity interests	16		948,757

These financial statements were approved and signed by the Board on 1 February 2005.

Richard L Smith
Director

CASH FLOW STATEMENT
period ended 31 May 2004

		Period ended 31 May 2004
	£	£
Net cash inflow/(outflow) from operating activities		474,293
Returns on investments and servicing of finance		
Interest received	3,019	
Interest paid	(19,401)	
Net cash outflow for returns on investments and servicing of finance		(16,382)
Capital expenditure		
Payments to acquire intangible assets	(154,643)	
Payments to acquire tangible assets	(101,917)	
Net cash outflow for capital expenditure		(256,560)
Net cash inflow/(outflow) before management of liquid resources and financing		201,351
Financing		
Issue of ordinary share capital	426,245	
Purchase of own shares	(352,000)	
Issue and purchase of shares	74,245	
Other new short term loans	800,000	
Repayment of other short term loans	(800,000)	
Capital element of hire purchase contracts	(834)	
Decrease in debt	(834)	
Net cash inflow/(outflow) from financing		73,411
Increase/(decrease) in cash in the period		274,762

NOTES TO THE CASH FLOW STATEMENT
period ended 31 May 2004

1. Reconciliation of operating profit to net cash (outflow)/inflow from operating activities

	2004
	£
Operating profit/(loss)	1,132,450
Depreciation of tangible assets	23,326
Amortisation of intangible assets	77,322
(Increase)/decrease in stocks	(707,237)
Increase in debtors	(1,556,213)
Increase in creditors within one year	1,397,264
Increase in warranty provision	107,381
Net cash (outflow)/inflow from operating activities	474,293

2. Analysis of changes in net funds/(debt)

	11 April 2003	*Cash flows*	*Other non-cash changes*	*31 May 2004*
	£	*£*	*£*	*£*
Net cash:				
Cash at bank and in hand	–	274,762	–	274,762
Debt:				
Finance leases	–	833	(3,000)	(2,167)
Net (debt)/funds	–	275,595	(3,000)	272,595

3. Reconciliation of net cash flow to movement in net funds

	2004
	£
Increase in cash in the period	274,762
Cash outflow from decrease in debt and lease financing	833
Change in net debt resulting from cash flows	275,595
New finance lease	(3,000)
Movement in net funds in the period	272,595
Opening net debt	–
Closing net funds	272,595

NOTES TO THE FINANCIAL STATEMENTS
period ended 31 May 2004

1. Accounting policies

1.1 *Accounting convention*

The financial statements are prepared under the historical cost convention.

1.2 *Turnover*

Turnover represents amounts receivable for goods and services net of VAT and trade discounts.

1.3 *Goodwill*

Acquired goodwill is written off in equal annual instalments over its estimated useful economic life. In the case of the goodwill acquired in the year, this is being written off over a period of two years as, in the opinion of the directors, this is the maximum period which the company will derive benefit from the purchase of the goodwill.

1.4 *Research and development*

Research expenditure is written off to the profit and loss account in the year in which it is incurred. Development expenditure is written off in the same way unless the directors are satisfied as to the technical, commercial and financial viability of individual projects. In this situation, the expenditure is deferred and amortised over the period during which the company is expected to benefit.

1.5 *Tangible fixed assets and depreciation*

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life, as follows:

Computer Equipment	Straight line at 33% p a
Fixtures, Fittings & Equipment	Straight line at 33% p a
Motor Vehicles	Straight line at 25% p a

1.6 *Leasing and hire purchase commitments*

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

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

1.7 *Stock*

Stock is valued at the lower of cost and net realisable value.

1.8 *Pensions*

The pension costs charged in the financial statements represents the contributions payable by the company during the period in accordance with FRS 17.

1.9 *Deferred taxation*

The accounting policy in respect of deferred tax has been changed to reflect the requirements of FRS19 – Deferred tax. Deferred tax is provided in full in respect of taxation deferred by timing differences between the treatment of certain items for taxation and accounting purposes. The deferred tax balance has not been discounted.

1.10 *Foreign currency translation*

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. All differences are taken to profit and loss account.

2. Turnover

Geographical market

	Turnover 2004 £
UK based	5,728,868
Rest of the world	563,807
	6,292,675

3. Operating profit

	2004 £
Operating profit is stated after charging:	
Amortisation of intangible assets	77,322
Depreciation of tangible assets	23,326
Research and development	191,601
Operating lease rentals	170,701
Auditors' remuneration	3,850
And after crediting:	
Profit on foreign exchange transactions	(40,707)

Operating profit is stated after accounting for exceptional profits on the sale of stock acquired on 22nd May 2003. The total of these exceptional profits amounted to £413,163.

4. Investment income

	2004 £
Bank interest	3,019

5. Interest payable

	2004 £
On bank loans and overdrafts	17,808
Hire purchase interest	1,593
	19,401

6. Taxation

Analysis of charge in the year

	2004
	£
Domestic current year tax:	
UK Corporation tax	221,063
Current tax charge	221,063
Deferred tax:	
Deferred tax charge credit current year	20,493
	241,556

Factors affecting current tax charge for the period

	2004
	£
Profit on ordinary activities before taxation	1,116,068
Profit on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 30.00%	334,820
Effects of:	
Non deductible expenses	6,006
Depreciation add back	6,998
Capital allowances	(14,108)
Other tax adjustments	(112,653)
	(113,757)
Current tax charge	221,063

Other tax adjustments include an adjustment for enhanced Research & Development expenditure of £92,394 and an adjustment for Marginal Relief of £17,194.

7. Intangible fixed assets

	Goodwill
	£
Cost	
At 11 April 2003	–
Additions	154,653
At 31 May 2004	154,643
Amortisation	
At 11 April 2003	–
Charge for the period	77,322
At 31 May 2004	77,322
Net book value	
At 31 May 2004	77,321
At 31 May 2003	–

8. Tangible fixed assets

	Computer equipment £	*Fixtures fittings and equipment* £	*Motor Vehicles* £	*Total* £
Cost				
At 11 April 2003	–	–	–	–
Additions	46,430	106,829	8,948	162,207
At 31 May 2004	46,430	106,829	8,948	162,207
Depreciation				
At 11 April 2003	–	–	–	–
Charge for the year	12,690	7,264	3,372	23,326
At 31 May 2004	12,690	7,264	3,372	23,326
Net book value				
At 31 May 2004	33,740	99,565	5,576	138,881

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

	Motor vehicles £
Net book values	
At 31 May 2004	–
Depreciation charge for the period	
At 31 May 2004	3,000

9. Stocks

	2004 £
Raw materials and consumables	338,090
Finished goods and goods for resale	369,147
	707,237

10. Debtors

	2004 £
Trade debtors	1,494,177
Other debtors	59,517
Prepayments and accrued income	2,519
	1,556,213

11. Creditors: Amounts falling due within one year

	2004 £
Net obligations under hire purchase contracts	2,167
Trade creditors	618,676
Corporation tax	221,063
Accruals and deferred income	835,877
	1,677,783

Net obligations under hire purchase contracts

	2004 £
Repayable within one year	2,167
Finance charges and interest allocated to future accounting periods	–
	2,167

12. Provisions for liabilities and charges

	Deferred tax liability £	*Other* £	*Total* £
Profit and loss account	20,493	107,381	127,874
Balance at 31 May 2004	20,493	107,381	127,874

The deferred tax liability is made up as follows:

	2004 £
Accelerated capital allowances	20,493

13. Pension costs

Defined contribution

	2005 £
Contributions payable by the company for the period	40,127

14. Share capital

Authorised

	2004 £
100,000 Ordinary shares of £1 each	100,000

Allotted, called up and fully paid

	£
100,000 Ordinary shares of £1 each	100,000

On 22 May 2003, a further 99,999 ordinary shares of £1 each were issued to the members, in addition to the original subscriber share issued on incorporation.

On 11 November 2003 the Company purchased 24,000 of these ordinary shares of £1 each from P Sanders for a consideration of £352,000.

On 12 December 2003 the Company issued 24,000 ordinary shares of £1 each to Mr R Smith for consideration of £326,245.

15. Statement of movements on reserves

	Share premium account £	*Other reserves (see below)* £	*Profit and loss account* £
Retained profit for the period	–	–	874,512
Purchase of own shares	–	–	(352,000)
Premium on shares issued during the period	302,245	–	–
Movement during the period	–	24,000	–
Balance at 31 May 2004	302,245	24,000	522,512

Other reserves

Capital redemption reserve

Capital redemption reserve increase	24,000
Balance at 31 May 2004	24,000

16. Reconciliation of movements in shareholders' funds

	2004 £
Profit for the financial period	874,512
Proceeds from issue of shares	426,245
Purchase of own shares	(352,000)
Net addition to shareholders' funds	948,757
Opening shareholders' funds	–
Closing shareholders' funds	948,757

17. Financial commitments

		Land and buildings 2004 £
Expiry date:	24/12/2018	
In over five years		90,000

18. Directors' emoluments

	2004
	£
Emoluments for qualifying services	398,453
Company pension contributions to money purchase schemes	30,555
	429,008

Emoluments disclosed above include the following amounts paid to the highest paid director:

Emoluments for qualifying services	341,800
Company pension contributions to money purchase schemes	22,859

19. Transactions with directors

The following directors had interest free loans during the period. The movement on these loans are as follows:

	Amount outstanding 2004	*Maximum in period*
	£	*£*
R L Smith	30,600	30,600

20. Employees

Number of employees

The average monthly number of employees (excluding directors) during the period was:

	2004
	Number
Production	26
Administration	6
	32

Employment costs	*£*
Wages and salaries	1,397,013
Social security costs	137,931
Other pension costs	40,127
	1,575,071

21. Control

The Ultimate Controlling Party is Mr R Smith, who is a director of the company."

PART V

PRO FORMA NET ASSET STATEMENT OF THE ENLARGED GROUP

The following table sets out a pro forma statement of the combined net assets of the Enlarged Group following the Placing and the Acquisition and is based on the net assets of Belgravium at 30 June 2005 contained in the Unaudited Interim Results in Part III of this document and the balance sheet of Touchstar as at 31 May 2005 extracted, without material adjustments from the Financial Information as set out in Part IV.

The unaudited pro forma statement has been prepared for illustrative purposes only to provide information about how the Placing and Acquisition might have affected the financial information presented in respect of Belgravium had these events occurred on 30 June 2005 and, because of its nature, may not give a true picture of the financial position of the Enlarged Group.

No account has been taken of the trading or any event relating to Belgravium since 30 June 2005, nor to reflect the trading or any event relating to Touchstar since 31 May 2005, save as disclosed in the notes below.

Pro forma statement of net assets of the Enlarged Group

	Net assets of the Group at 30 June 2005 £'000	*Net assets of Touchstar at 31 May 2005 £'000*	*Adjustments £'000*	*Pro Forma net assets of the Enlarged Group £'000*
Fixed assets				
Tangible assets	213	139	–	352
Goodwill	–	–	9,133	9,133
	213	139	9,133	9,485
Current assets				
Stocks	548	415	–	963
Debtors	1,426	1,293	–	2,719
Cash at bank and in hand	2,484	2,434	(3,896)	1,022
	4,458	4,142	(3,896)	4,704
Creditors				
Amounts falling due within one year	(1,939)	(1,755)	(2,580)	(6,274)
Net current assets	2,519	2,387	(6,476)	(1,570)
Total assets less current liabilities	2,732	2,526	2,657	7,915
Creditors due after one year				
Term loan	–	–	(420)	(420)
Provision for liabilities and charges	(48)	(45)	–	(93)
Deferred taxation	–	(14)	–	(14)
	2,684	2,467	2,237	7,388

Notes:

1. The amounts shown in respect of the Group above have been extracted from the unaudited interim results of Belgravium for the 6 months ended 30 June 2005.
2. The amounts shown in respect of Touchstar above have been extracted from the audited results of Touchstar for the year ended 31 May 2005.
3. The amounts shown in the 'Adjustments' column represents:
   - goodwill on the purchase of Touchstar using the acquisition method of accounting of £9,133,000 (purchase price £10,750,000 plus costs of £850,000 less net assets acquired of £2,467,000)
   - cash at bank reduced by £3,896,000, being £8,170,000 paid in cash for the purchase consideration, plus costs of £850,000 less the proceeds of the Placing of £4,704,000 and less £420,000 being the cash from the term loan
   - the creation of a new term loan repayable after more than one year of £420,000
   - loan notes of £2,580,000 issued by the Company.
4. The purchase consideration of £10,750,000 is subject to a completion accounts mechanism which will adjust the consideration if target levels of working capital in Touchstar are not delivered. Further details of the Acquisition Agreement are set out in paragraph 9 of Part VI.

PART VI

ADDITIONAL INFORMATION

1. Responsibility

The Directors and Proposed Director of Belgravium, whose names and business addresses are set out in paragraph 6 of this Part VI, accept responsibility for the information contained in this document. To the best of the knowledge and belief of the Directors and the Proposed Director (who have taken all reasonable care to ensure that such is the case) the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

2. Belgravium

2.1 Belgravium was incorporated and registered as a private company on 24 February 1904 in Scotland under the Companies Acts 1862 to 1900 with the name Eadie Bros. & Co. Limited with number SC005543.

2.2 In January 1967 the name of Belgravium was changed to Eadie Bros. Holdings Limited. On 23 May 1986 Belgravium was re-registered as a public limited company and its name was changed to Eadie Holdings plc. The Company changed its name to Belgravium Technologies plc on 2 April 2001.

2.3 The Company is a public limited company domiciled in England and the liability of the members is limited.

2.4 Belgravium's registered office is at 151 St Vincent Street, Glasgow G2 5NJ.

2.5 The head office of Belgravium is 2 Campus Road, Listerhills Science Park, Bradford BD7 1HR (telephone: +44 (0) 1274 718800).

2.6 The principal legislation under which the Company operates is the Act and the regulations made thereunder.

3. Subsidiaries

3.1 Details of Belgravium's subsidiaries as at the date of this document are as follows:

Name	*Percentage ownership*	*Principal activities*	*Place of incorporation*	*Registered number*
Belgravium Limited	100%	Real time electronic data systems	England & Wales	01650433

3.2 Touchstar does not have any subsidiaries as at the date of this document.

3.3 The Company is the holding company of the Group.

4. Share capital

4.1 The authorised and issued share capital of Belgravium, of which all the issued shares are fully paid, at the date of publication of this document is as follows:

	Authorised		*Issued*	
Class of Shares	*Number*	*Amount*	*Number*	*Amount*
Ordinary Shares	100,000,000	£5,000,000	66,825,759	£3,341,288

4.2 On 19 March 2003, the Company bought back 500,000 Ordinary Shares at 11.25 pence per share.

4.3 On 14 April 2003, the Company bought back 500,000 Ordinary Shares at 11.625 pence per share.

4.4 On 21 May 2004, the Company bought back 1,000,000 Ordinary Shares at 12 pence per share.

4.5 Following completion of the Acquisition and the Placing (assuming all the Placing Shares are placed) the proposed authorised and issued share capital of Belgravium, of which all of the issued shares will be fully paid upon Admission, will be as follows:

	Authorised		*Issued*	
	Number	*Amount*	*Number*	*Amount*
Ordinary Shares	150,000,000	£7,500,000	100,425,759	£5,021,288

4.6 This means that following completion of the Acquisition and the Placing (assuming all the Placing Shares are placed) a shareholding in the Company of 10 per cent. will be diluted to 6.65 per cent.

4.7 As at 26 September 2005 (the last practicable date prior to the publication of this document) options and warrants to subscribe for an aggregate of 2,345,788 Ordinary Shares are outstanding as follows:

4.7.1 *The EMI Scheme*

Option holder	*Date of grant*	*Number of Existing Ordinary Shares*	*Exercise price (p)*	*Exercise period*
J P Kembery	July 2001	100,000	12.30	2004 – 2011
M P Unwin	July 2001	100,000	12.30	2004 – 2011
M W Hardy	July 2001	350,000	12.30	2004 – 2011
J S Hall	July 2001	140,000	12.30	2004 – 2011
R Wilkes	July 2001	50,000	12.30	2004 – 2011
N A Perry	July 2001	50,000	12.30	2004 – 2011
D B Reynard	July 2001	50,000	12.30	2004 – 2011
M W Hardy	March 2002	60,000	13.10	2005 – 2012
J S Hall	March 2002	190,000	13.10	2005 – 2012
R Wilkes	March 2002	50,000	13.10	2005 – 2012
N A Perry	March 2002	50,000	13.10	2005 – 2012
D B Reynard	March 2002	50,000	13.10	2005 – 2012
S Watkins	March 2002	50,000	13.10	2005 – 2012
M Turner	March 2002	50,000	13.10	2005 – 2012
Total		**1,340,000**		

4.7.2 *1992 Executive Share Option Scheme*

Option holder	*Date of grant*	*Number of Existing Ordinary Shares*	*Exercise price (p)*	*Exercise period*
J P Kembery	April 1997	315,788	9.50	2000 – 2007
M P Unwin	June 1998	25,000	11.75	2001 – 2008
M W Hardy	June 1998	85,000	11.75	2001 – 2008
M P Unwin	March 2001	75,000	6.50	2004 – 2011
M W Hardy	March 2001	115,000	6.50	2004 – 2011
J S Hall	March 2001	80,000	6.50	2004 – 2011
Total		**695,788**		

4.7.3 *1997 Warrant Scheme*

Warrantholder	*Date of issue*	*Number of Existing Ordinary Shares*	*Exercise price (p)*	*Exercise period*
M P Unwin	March 2001	110,000	8.125	2001 – 2007
M W Hardy	March 2001	120,000	8.125	2001 – 2007
J S Hall	March 2001	80,000	8.125	2001 – 2007
Total		**310,000**		

Details of the EMI Scheme, the 1992 Executive Share Option Scheme and the Warrant Scheme are contained in paragraph 8 below.

4.8 Of the balance of the authorised but unissued ordinary share capital of the Company as it is expected to be immediately following Admission, amounting to 49,574,241 Ordinary Shares:

(a) up to 2,035,788 Ordinary Shares will be reserved for issue under the Share Option Schemes;

(b) up to 310,000 Ordinary Shares will be reserved for issue under the Warrant Scheme;

(c) 47,228,453 Ordinary Shares will remain unissued and unreserved.

4.9 At the Extraordinary General Meeting of Belgravium, convened for 21 October 2005, resolutions will be proposed as follows:

THAT, conditional upon the Placing Agreement becoming unconditional in all respects (save for the conditions requiring the passing of the Resolutions and Admission) and not being terminated:

(a) the authorised share capital of Belgravium be increased from £5,000,000 to £7,500,000 by the creation of an additional 50 million Ordinary Shares of 5p each ranking *pari passu* with the Existing Ordinary Shares in the capital of the Company;

(b) in substitution for any existing authority subsisting at the date of the resolution (save to the extent that the same may already have been exercised and for any such powers granted by statute), the directors of Belgravium from time to time be generally and unconditionally authorised to exercise all powers of Belgravium to allot relevant securities (within the meaning of section 80 of the Act) up to an aggregate nominal amount of £4,158,712.05 provided that this authority shall expire on the date of the Annual General Meeting in 2006 or, 15 months after the date of the passing of this resolution (whichever is the earlier) but so that Belgravium may before such expiry make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the directors of Belgravium from time to time may allot relevant securities in pursuance of such an offer or agreement as if the authority conferred hereby had not expired;

(c) the directors of Belgravium from time to time be empowered pursuant to Section 95 of the Act to allot equity securities (within the meaning of Section 94(2) of that Act) of Belgravium for cash pursuant to the general authority conferred on the directors from time to time pursuant to paragraph (b) above as if Section 89(1) of that Act did not apply to such allotment, provided that this power shall be limited to:

(i) the allotment of 33,600,000 Ordinary Shares in the capital of Belgravium pursuant to the Placing;

(ii) the allotment of equity securities for cash in connection with or pursuant to an offer by way of rights to the holders of the Ordinary Shares and other persons entitled to participate therein in proportion (as nearly as may be) to their respective holdings of Ordinary Shares (or, as appropriate, the numbers of Ordinary Shares which such other persons are for those purposes deemed to hold), subject only to such exclusions or other arrangements as the directors of Belgravium from time to time may consider necessary or expedient to deal with fractional entitlements or legal or practical problems under the laws of any territory or the regulations or requirements of any regulatory body or any stock exchange in any territory; and

(iii) the allotment (other than pursuant to paragraphs (i) and (ii) above) of equity securities up to an aggregate nominal amount of £1,255,325 provided that such power shall expire on the date of the Annual General Meeting of Belgravium to be held in 2006 or 15 months after the date of the passing of the resolution (whichever is the earlier)

but so that Belgravium 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 of Belgravium from time to time may allot equity securities in pursuance of such offer or agreement as if the power conferred hereby had not expired;

(d) the regulations set out in substantially the same form as summarised in paragraph 5 of this Part VI below and as produced to the meeting be approved and adopted as the articles of association of the Company in substitution for and to the exclusion of all existing articles of association thereof.

4.10 The provisions of section 89(1) of the Act (to the extent not disapplied pursuant to section 95 of the Act) confer on shareholders rights of pre-emption in respect of the allotment of equity securities (as defined in section 94(2) of the Act) which are, or are to be, paid up in cash (other than by way of allotment to employees under an employees' share scheme as defined in section 743 of the Act) apply to the authorised but unissued share capital of Belgravium. These provisions have been disapplied as described in paragraph 4.9(c) above.

4.11 Save in connection with the Proposals and the exercise of the options or other convertible securities referred to in paragraph 4.7 above: (i) no share or loan capital of Belgravium is proposed to be issued or is under option or agreed, conditionally or unconditionally, to be put under option; (ii) no shares of Belgravium are currently in issue with a fixed date on which entitlement to a dividend arises and there are no arrangements in place whereby future dividends are waived or agreed to be waived; (iii) there are no outstanding convertible securities issued by the Company; and (iv) no share capital or loan capital of the Company (other than intra-group issues by wholly-owned subsidiaries) is in issue and no such issue is proposed.

4.12 The Ordinary Shares in issue following Admission will rank *pari passu* in all respects with the Existing Ordinary Shares including the right to receive all dividends and other distributions thereafter declared made or paid after Admission.

4.13 Application will be made for the Placing Shares to be admitted to trading on AIM and the Existing Ordinary Shares to be readmitted to trading on AIM.

4.14 None of the Ordinary Shares have been sold or made available to the public in conjunction with the application for Admission.

4.15 The Ordinary Shares, which bear the ISIN number GB0002961224, are in registered form and capable of being held in uncertificated form. The Ordinary Shares are enabled for dealings through CREST as a participating security. No temporary documents of title will be issued. It is expected that definitive share certificates will be posted to those Shareholders who have requested the issue of Ordinary Shares in certificated form by 31 October 2005.

5. Memorandum and Articles of Association

Memorandum of Association

The principal objects of Belgravium are to acquire and hold shares and securities of any company or undertaking. The objects of Belgravium are set out in full in Clause III of its Memorandum of Association.

Articles of Association

The Articles of Association of Belgravium (the "**Articles**") which are to be adopted by a special resolution of Belgravium on 21 October 2005 at the EGM contain, *inter alia*, the following provisions:

5.1 ***Rights attaching to ordinary shares***

5.1.1 *Voting*

Subject to the provisions of the Act and to any terms as to voting upon which any shares may have been issued or may for the time being be held, or any suspension or abrogation of voting rights pursuant to these Articles, at a general meeting of the Company every member present in person shall, on a show of hands, have one vote and every member present in person or by proxy shall, on a poll, have one vote for every share of which he is the holder.

5.1.2 *Restriction on voting rights*

(i) The provisions of article 69 shall apply to restrict the voting rights of those members who have failed in relation to any shares to give the Company information in accordance with section 212 of the Act.

(ii) Unless the board otherwise determines, no member shall be entitled (in respect of any share held by him) to be present or to vote, either in person or by proxy, at any general meeting or at any separate meeting of the holders of any class of shares or on any poll, or to exercise any other rights conferred by membership in relation to any such meeting or poll if any calls or other monies due and payable in respect of such share remain unpaid. Such restrictions shall cease to apply on payment of the amount outstanding and all costs, charges and expenses incurred by the Company by reason of such non-payment.

5.1.3 *Dividends*

(i) Subject to the provisions of the Acts and of these Articles, the Company may by ordinary resolution declare a dividend to be paid to the members according to their respective rights and interests in the profits of the Company, but no dividend shall exceed the amount recommended by the board.

(ii) Subject to the provisions of the Acts and of these Articles, the board may declare or pay such interim dividends (including any dividend payable at a fixed rate) as appear to it to be justified by the profits of the Company available for distribution. If the share capital is divided into different classes, the board may pay interim dividends on shares which rank after shares conferring preferred rights with regard to dividend as well as on shares with preferred rights, unless at the time of payment any preferential dividend is in arrear and, provided the board acts in good faith, it shall not incur any liability to the holders of shares conferring preferred rights for any loss they may suffer by the lawful payment of any interim dividend on any shares ranking after those with preferred rights.

5.1.4 *Return of capital*

If the Company is wound up (whether the liquidation is voluntary, under supervision of the court or by the court), the liquidator may, with the authority of an extraordinary resolution and any other sanction required by law, divide among the members in kind the whole or any part of the assets of the Company, whether or not the assets consist of property of one kind or different kinds. For this purpose, the liquidator may set such value as he considers fair on any one or more class or classes of property, and may determine, on the basis of such valuation, how such division shall be carried out as between members or classes of members; but if any such division is otherwise than in accordance with the existing rights of members, every member shall have the same right of dissent and other ancillary rights as if such resolution were a special resolution passed in accordance with section 110 of the Insolvency Act 1986. The liquidator may, with the same authority, transfer any part of the assets to trustees on such trusts for the benefit of members as the liquidator, with the same authority, thinks fit. The liquidator shall not, however (except with the consent of the member concerned), distribute to a member any asset to which there is attached a liability or potential liability for the owner.

5.2 ***Transfer of shares***

Subject to the provisions of the Articles, a member may transfer all or any of his shares by instrument of transfer in writing in any usual form or in any form approved by the board, and such instrument shall be executed by or on behalf of the transferor and (in the case of a transfer of a share which is not fully paid up) by or on behalf of the transferee. The transferor shall be deemed to remain the holder of such share until the name of the transferee is entered in the register in respect of it.

5.3 ***Disclosure of interest***

(i) Part VI of the Act governs the circumstances in which a person may be required to disclose his interests in the share capital of the Company. *Inter alia* this requires a person who is interested in 3 per cent. or more of the Company's issued ordinary share capital to notify his interest to the Company (and above that level, any change in such interest equal to 1 per cent. or more). In addition, the City Code on Takeovers and Mergers and the Rules Governing Substantial Acquisitions of Shares published by the Panel on Takeovers and Mergers contain further provisions pursuant to which a person may be required to disclose his interests in the share capital of the Company.

(ii) Pursuant to the Articles, where a member, or any other person appearing to be interested in shares held by that member, has been issued with a notice pursuant to section 212 of the Act and has failed in relation to any shares ("default shares" which expression shall include any further shares which are issued in respect of such default shares) to give the Company the information required by that notice within the prescribed period from the date of service of the notice, the following sanctions shall apply, unless the board otherwise determines:

(a) the member shall not, nor shall any transferee to whom any of such shares are transferred other than pursuant to an excepted transfer be entitled in respect of the default shares to be present or to vote (either in person or by representative or proxy) at any general meeting or at any separate meeting of the holders of any class of shares, or on any poll, or to exercise any other right conferred by membership in relation to any such meeting or poll; and

(b) where the default shares represent at least 0.25 per cent. in nominal value of the issued shares of their class:

- any dividend or other money payable in respect of the default shares shall be withheld by the Company, which shall not have any obligation to pay interest on it, and the member shall not be entitled to elect to receive shares instead of that dividend; and
- no transfer of a share recorded on the register as being held in certificated form, other than an excepted transfer, of the default shares shall be registered unless:
  - the member is not himself in default as regards supplying the information required; and
  - the member proves to the satisfaction of the board that no person in default as regards supplying such information is interested in any of the shares which are the subject of the transfer.

5.4 ***Alteration of share capital***

The Company may alter its share capital as follows:

(i) it may by ordinary resolution increase its capital by the creation of new shares, consolidate and/or divide all or any of its share capital into shares of a larger amount than its existing shares or sub-divide its shares, or any of them, into shares of smaller amount, cancel any shares which at the date of the passing of the relevant resolution have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the nominal amount of the shares so cancelled or convert all or any of its paid up shares into stock, and re-convert that stock into paid up shares of any denomination;

(ii) it may by special resolution reduce its share capital, any capital redemption reserve and any share premium account; and

(iii) it may purchase its own shares (including any redeemable shares) but no contract for such a purchase shall be entered into unless the purchase has previously been sanctioned by an extraordinary resolution passed at a separate meeting of the holders of any class of securities issued by the Company which are listed and convertible into shares which are of the same class as those proposed to be purchased.

5.5 ***Variation of rights***

(i) Subject to the provisions of the Act, all or any of the rights or privileges attached to any class of shares in the Company may be varied or abrogated in such manner (if any) as may be provided by such rights, or, in the absence of any such provision, either with the consent in writing of the holders of at least three-fourths of the nominal amount of the issued shares of that class or with the sanction of an extraordinary resolution passed at a separate meeting of the holders of the issued shares of that class validly held in accordance with the provisions of the Articles, but not otherwise.

(ii) The rights attached to any class of shares shall not, unless otherwise expressly provided in the rights attaching to such shares, be deemed to be varied or abrogated by the creation or issue of shares ranking pari passu with or subsequent to them or by the purchase or redemption by the Company of any of its own shares.

5.6 ***General meetings***

(i) Pursuant to the Act an annual general meeting is required to be held every year at such time and and place as may be determined by the Board. No more than 15 months may elapse between the holding of any two successive annual general meetings. The Board may convene an extraordinary general meeting whenever it thinks fit. Extraordinary general meetings may also be convened on the requisition of the members pursuant to the Act.

(ii) Pursuant to the Act 21 clear days' notice of every annual general meeting and of every extraordinary general meeting at which it is proposed to pass a special resolution and 14 clear days' notice of every other extraordinary general meeting is required to be given. The accidental omission to give notice to, or the non receipt of such notice by, any person entitled to receive the same will not invalidate any resolution passed at any such meeting.

(iii) No business shall be transacted at any general meeting unless a quorum is present. The absence of a quorum shall not preclude the appointment of a chairman of the meeting in accordance with the provisions of these articles, which shall not be treated as part of the business of the meeting. The quorum for a general meeting shall, for all purposes, be two members present in person or by proxy and entitled to vote.

(iv) The chairman may, with the consent of a meeting at which a quorum is present (and shall, if so directed by the meeting), adjourn any meeting from time to time and from place to place or for an indefinite period.

5.7 ***Directors' interests in contracts***

(i) A director, despite his office:

(a) may enter into or otherwise be interested in any contract, arrangement, transaction or proposal with the Company or in which the Company is otherwise interested, either in regard to his tenure of any office or place of profit or as vendor, purchaser or otherwise;

(b) may hold any other office or place of profit under the Company (except that of auditor or auditor of a subsidiary of the Company) in conjunction with the office of director and may act by himself or through his firm in a professional capacity to the Company, and in any such case on such terms as to remuneration and otherwise as the board may arrange either in addition to or in lieu of any remuneration provided for by any other article;

(c) may be a director or other officer, or employed by, or a party to any transaction or arrangement with or otherwise interested in, any company promoted by the

Company or in which the Company is otherwise interested or as regards which the Company has any powers of appointment; and

(d) shall not be liable to account to the Company for any profit, remuneration or other benefit realised by any such office, employment, contract, arrangement, transaction or proposal and no such contract, arrangement, transaction or proposal shall be avoided on the grounds of any such interest or benefit.

(ii) A director who, to his knowledge, is in any way (directly or indirectly) interested in any contract, arrangement, transaction or proposal with the Company shall declare the nature of his interest at the meeting of the board at which the question of entering into the contract, arrangement, transaction or proposal is first considered, if he knows his interest then exists or, in any other case, at the first meeting of the board after he knows that he is or has become so interested.

(iii) Other than as provided in this article, a director shall not vote on, or be counted in the quorum in relation to, any resolution of the board or of a committee of the board concerning any contract, arrangement, transaction or proposal to which the Company is or is to be a party and in which he is to his knowledge materially interested, directly or indirectly (otherwise than by virtue of his interests in shares or debentures or other securities of, or otherwise in or through, the Company), but this prohibition shall not apply in respect of a resolution:

(a) relating to the giving of any guarantee, security or indemnity in respect of:

– money lent or obligations incurred by him or by any other person at the request of or for the benefit of the Company or any of its subsidiary undertakings;

– a debt or obligation of the Company or any of its subsidiary undertakings for which he himself has assumed responsibility in whole or in part, either alone or jointly with others, under a guarantee or indemnity or by the giving of security;

(b) where the Company or any of its subsidiary undertakings is offering securities in which offer he is or may be entitled to participate as a holder of securities or in the underwriting or sub-underwriting of which the director is to participate;

(c) relating to another company in which he and any persons connected with him do not to his knowledge hold an interest in shares (as that term is used in sections 198 and 211 of the Act) representing one per cent. or more of either any class of equity share capital or the voting rights, in such company;

(d) relating to an arrangement for the benefit of the employees of the Company or any of its subsidiary undertakings which does not award him any privilege or benefit not generally awarded to the employees to whom such arrangement relates;

(e) concerning insurance which the Company proposes to maintain or purchase for the benefit of directors or for the benefit of persons including directors.

(iv) A director shall not vote or be counted in the quorum on any resolution of the board or committee of the board concerning his own appointment (including fixing or varying the terms of his appointment or its termination) as the holder of any office or place of profit with the Company or any company in which the Company is interested. Where proposals are under consideration concerning the appointment (including fixing or varying the terms of appointment or its termination) of two or more directors to offices or places of profit with the Company or any company in which the Company is interested, such proposals may be divided and a separate resolution considered in relation to each director, and in such case each of the directors concerned (if not otherwise debarred from voting under this article 10.13) shall be entitled to vote (and be counted in the quorum) in respect of each resolution, except that concerning his own appointment.

5.8 ***Directors***

5.8.1 *Remuneration of Directors*

(i) Unless otherwise determined by the Company by ordinary resolution, the directors (other than alternate directors) shall be paid for their services as directors such aggregate fees as the board may decide, to be divided among the directors in such proportion and manner as it may determine or, in default of determination, equally.

(ii) Any director who serves on any committee or who devotes special attention to the business of the Company or who otherwise performs any services on behalf of the Company or its business which in the opinion of the board are outside the scope of the ordinary duties of a director, may be paid such reasonable additional remuneration for so doing, whether by way of additional fees, salary, percentage of profits or otherwise, as the board may from time to time determine.

(iii) The salary or remuneration of any director appointed to hold any employment or executive office in accordance with the provisions of these Articles shall be such as the board may from time to time determine and may be either a fixed sum of money, or may altogether or in part be governed by business done or profits made or otherwise determined by the board, and may be in addition to or in lieu of any fee payable to him for his services as director pursuant to these Articles.

5.8.2 *Directors' gratuities and benefits*

(i) The board may exercise all the powers of the Company to provide pensions or other retirement or superannuation benefits and to provide death or disability benefits or other allowances or gratuities (by insurance or otherwise) for any person who is, or has at any time been, a director of or employed by or in the service of the Company or of any company which is a subsidiary company of or allied to or associated with the Company or of any such subsidiary or of any predecessor in business of the Company or of any such subsidiary, and for any member of his family (including a spouse or former spouse) or any person who is, or was, dependent on him. For such purpose, the board may establish, maintain, subscribe and contribute to any scheme, trust or fund and pay premiums. The board may procure any of these matters to be done by the Company, either alone or in conjunction with any other person.

(ii) Any director or former director shall be entitled to receive and retain for his own benefit any pension or other benefit provided under this article and shall not be obliged to account for it to the Company.

5.8.3 No director is to retire from office pursuant to section 293 of the Act by reason of the fact that he has attained the age of 70 or any other age and section 293 of the Act does not apply to the Company.

6. Directors, Proposed Director, Company Secretary and Touchstar Director

References in this paragraph 6 to relevant securities means Ordinary Shares and securities convertible into such shares, rights to subscribe therefor, options in respect thereof and derivatives referenced thereto.

6.1 The Directors of Belgravium and their respective current positions are:

Name	*Function*	*Date of first appointment*	*Date elected/last re-elected by members*
John Kembery	Executive Chairman	1 September 1996	18 May 2001
Stephen Day	Non-Executive Director	25 January 2001	13 May 2004
Roderick McDougall	Non-Executive Director	23 March 1997	19 May 2005

6.2 Mike Unwin is Company Secretary. Mike has been employed by the Company and previous subsidiaries since 1 October 1978 in various financial roles and was appointed as company secretary on 6 July 2000.

6.3 The business address of the Directors is 2 Campus Road, Listerhills Science Park, Bradford BD7 1HR.

6.4 The Proposed Director and his proposed position on Belgravium's board of directors following Admission is Mark Hardy who will be appointed Group Managing Director.

6.5 The business address of the Proposed Director is 2 Campus Road, Listerhills Science Park, Bradford BD7 1HR.

6.6 The Touchstar Director is Richard Laurie Smith whose business address is 7 Commerce Way, Trafford Park, Manchester M17 1HW. The Touchstar Director will resign as a director of Touchstar on completion of the Acquisition but will remain as an employee until 31 December 2005.

6.7 As at the date of this document the interests (all of which are beneficial unless otherwise indicated) of (i) the Directors and their immediate families in the issued share capital of Belgravium which have been notified to Belgravium pursuant to section 324 or 328 of the Act or which are required to be entered in the register maintained by Belgravium under section 325 of the Act or which are interests of a person connected (within the meaning of section 346 of the Act) with a Director which would, if the connected person were a Director, be required to be disclosed in relation to the above and (ii) the Proposed Director or a person connected with the Proposed Director (within the meaning of section 346 of the Act) and which would in each case be required to be disclosed, and the existence of which is known to or could with reasonable diligence be ascertained by the Directors and the Proposed Director and (iii) the Company Secretary, are and immediately following Admission are expected to be, as follows:

	At the date of this document		*Immediately following the Acquisition and Placing**	
Directors, Proposed Director and Company Secretary	*Number of Ordinary Shares*	*Percentage of the issued Ordinary Shares*	*Number of Ordinary Shares*	*Percentage of the issued Ordinary Shares*
John Kembery	5,004,189	7.49%	5,526,474	5.50%
Roderick McDougall	1,680,007	2.51%	1,780,007	1.77%
Stephen Day	100,000	0.15%	100,000	0.10%
Mark Hardy	58,000	0.09%	100,000	0.10%
Mike Unwin	–	–	–	–

* Assuming full Placing

6.8 Details of the total number of options granted to the Directors, the Proposed Director and the Company Secretary under the Share Option Schemes outstanding as at 26 September 2005 (being the latest practicable date prior to the publication of this document) are as follows:

Directors, Proposed Director and Company Secretary	*Date of grant*	*Number of Existing Ordinary Shares*	*Exercise price (p)*	*Exercise period*
John Kembery	April 1997	315,788	9.50	2000 – 2007
John Kembery	July 2001	100,000	12.30	2004 – 2011
Mark Hardy	June 1998	85,000	11.75	2001 – 2008
Mark Hardy	March 2001	115,000	6.50	2004 – 2011
Mark Hardy	July 2001	350,000	12.30	2004 – 2011
Mark Hardy	March 2002	60,000	13.10	2005 – 2012
Mike Unwin	June 1998	25,000	11.75	2001 – 2008
Mike Unwin	March 2001	75,000	6.50	2004 – 2011
Mike Unwin	July 2001	100,000	12.30	2004 – 2011

6.9 Details of the warrants to subscribe for Ordinary Shares held by the Directors, the Proposed Director and the Company Secretary under the Warrant Scheme are as follows:

Directors, Proposed Director and Company Secretary	*Date of issue*	*Number of Ordinary Shares subject to warrants*	*Exercise price (p)*	*Exercise period*
Mark Hardy	March 2001	120,000	8.125	2001 – 2007
Mike Unwin	March 2001	110,000	8.125	2001 – 2007

6.10 Save as disclosed in this paragraph 6, none of the Directors nor the Proposed Director nor the Company Secretary nor the Touchstar Director nor any member of their immediate families or any person connected with any of them holds or is beneficially or non-beneficially interested, directly or indirectly, in any shares or options to subscribe for, or securities convertible into, shares of the Company or any of its subsidiary undertakings.

6.11 In addition to the interests of the Directors, Proposed Director and Company Secretary set out in paragraphs 6.7, 6.8 and 6.9 above, as at the date of this document insofar as is known to the Company, the following persons were, or are expected at Admission to be directly or indirectly interested (within the meaning of Part VI of the Act) in 3 per cent. or more of the issued share capital of the Company:

	At the date of this document		*Immediately following Admission**	
Shareholder	*Number of Ordinary Shares*	*Percentage of the issued Ordinary Shares*	*Number of Ordinary Shares*	*Percentage of the issued Ordinary Shares*
Lion Trust Asset Management	4,752,600	7.11%	6,216,885	6.19%
Rensburg	1,396,660	2.09%	4,610,958	4.59%
Rathbone Investment Management	2,700,000	4.04%	4,307,142	4.29%
Marlborough Fund Managers	–	0.00%	3,214,285	3.20%
New Star Asset Management	1,316,644	1.97%	3,102,358	3.09%
Barclays Stockbrokers Limited	2,199,213	3.29%	2,199,213	2.19%

* Assuming full Placing

6.12 Save as disclosed above, there are no persons, so far as the Company is aware, who are or will be immediately following Admission interested, directly or indirectly, in 3 per cent. or more of the Company's issued share capital, nor, so far as the Company is aware, are there any persons who at the date of this document or immediately following Admission, directly or indirectly, jointly or severally, exercise or could exercise control over the Company, nor do any of the persons disclosed above have different voting rights to those of any other shareholder.

6.13 There are no arrangements known to the Company, the operation of which may at a subsequent date result in a change of control of the Company.

6.14 There have been no related party transactions of the kind set out in the Standards adopted according to Regulation (EC) No 1606/2002 that the Company has entered into since 31 March 2002.

6.15 No Director nor the Proposed Director nor the Company Secretary nor any member of their respective families has a Related Financial Product (as such terms are defined in the AIM Rules) referenced to Ordinary Shares.

6.16 In addition to their directorships of Belgravium and its subsidiary undertaking, the Directors, the Proposed Director and the Company Secretary hold or have held the following directorships and are or have been a partner in the following partnerships within the five years prior to the date of this document:

Director	*Age*	*Current Directorships and Partnerships*	*Past Directorships and Partnerships*
John Kembery	65	Heathermoor Limited Eadie Industries Limited Ewen Engineering Limited The Copt Heath Golf Club Limited Belgravium Limited	Black & Luff (Holdings) Limited Broomco (2347) Limited Black & Luff Properties Limited Crosrol Limited
Stephen Day	60	Radstone Technology plc Radstone Pension Trustees Limited Talland Education Limited	Kode Systems Limited Kode Investments Limited Kode International Limited Vanderhoof Limited Graphic Displays Limited Kode Rentals Limited Comart Limited Winchester Disk Services Limited Kode Limited Comart Computers Limited
Roderick McDougall	63	Bespoke Foods Limited Rediweld 2003 Limited Rediweld Rubber & Plastics Limited Morel Brothers, Cobbett & Son Limited The London & Country Victualler Limited Iseki Vacuum Systems Limited Redivac Limited Rediweld Holdings Limited Vistaplan International Limited	Rediweld Plastics Limited Vistaplan Manufacturing Limited Westminster Gardens (Investments) Limited Black & Luff (Holdings) Limited Taylor Young Investment Management Limited Taylor Young Securities Limited The Westminster Gardens Property Company Limited
Mike Unwin	51	Belgravium Limited Heathermoor Limited Eadie Industries Limited Ewen Engineering Limited Envirotech Products Limited	Heathermoor Shell 1 Limited Heathernoor Shell 2 Limited Heathermoor Shell 3 Limited Eadie Shell One Limited Eadie Shell Two Limited Eadie Shell Three Limited Eadie Shell Four Limited Eadie Shell Five Limited Eadie Shell Six Limited Cloudknoll Limited Eadie Manufacturing Company Limited Eadie Mcallister Limited Eadie Properties Limited Eadie Transport Components Limited Eadie Environmental Limited George Wordsworth & Sons Limited

6.17 In addition to his directorship of Touchstar, Richard Smith, the Touchstar Director, has held directorships in Tech Realisations Limited and Touchstar Group Limited within the five years prior to the date of this document.

6.18 Save as set out in paragraphs 6.19, 6.20 and 6.21 below, none of the Directors or Proposed Director or Touchstar Director or Company Secretary:

6.18.1 have any unspent convictions relating to indictable offences;

6.18.2 have had any bankruptcies or individual voluntary arrangements;

6.18.3 have been directors of any company at the time of or within 12 months preceding the date of any receivership, compulsory liquidation, creditors' voluntary liquidation, administration, company voluntary arrangement or any composition or arrangement with its creditors generally or any class of creditors of such company;

6.18.4 have been partners of any partnership at the time of or within 12 months preceding the date of any compulsory liquidation, administration or partnership voluntary arrangement of such partnership;

6.18.5 have been partners of any partnership at the time of or within 12 months preceding the date of a receivership of assets of such partnership;

6.18.6 have had any of their assets subject to any receivership; or

6.18.7 have received any public criticism by statutory or regulatory authorities (including recognised professional bodies) or have been disqualified by a court from acting as a director of a company or from acting in the management or conduct of the affairs of a company.

6.19 John Kembery was a director of Crosrol Limited which went into voluntary liquidation following appointment of joint administrators on 13 February 2001. The deficiency to creditors was £5,054,443. John resigned as a director of Crosrol Limited on 4 July 2001.

6.20 Stephen Day was a director of Vanderhoof Limited which went into administrative receivership following the appointment of joint administrators on 18 February 2000. The deficiency to creditors was £4,589,000. Vanderhoof Limited was then placed into a creditors voluntary liquidation on 7 February 2002 which is currently ongoing. Stephen resigned as a director of Vanderhoof Limited on 19 January 2000.

6.21 The Touchstar Director was a director of Tech Realisations Limited which went into administration following the appointment of joint administrators on 22 May 2003. Tech Realisations Limited was dissolved on 5 April 2005.

7. Directors', Proposed Director's and Company Secretary's service contracts and emoluments

7.1 The service contracts and letters of appointment of Belgravium's executive and non-executive Directors, the Proposed Director and the Company Secretary are as follows:

7.1.1 On 23 February 2005, John Kembery entered into a service agreement with Belgravium under which he agreed to serve as Executive Chairman. The current annual salary is £55,883.28. The salary is to be reviewed annually. Belgravium shall also pay such reasonable expenses incurred by John in the course of his appointment. In the event of a change of control John shall be entitled to a sum equal to one year's gross salary. Belgravium may terminate the agreement by giving not less than 12 months' written notice and John may terminate the agreement by giving not less than 6 months' written notice. The agreement also contains provisions for early termination, *inter alia*, in the event of gross misconduct by the Director.

7.1.2 On 25 February 2005, Mark Hardy entered into a service agreement with Belgravium under which he agreed to serve as General Manager. The current annual salary is £114,400. The salary is to be reviewed annually. Belgravium shall also pay such reasonable expenses incurred by Mark in the course of his appointment. Belgravium may terminate the agreement by giving not less than 12 months' written notice and Mark may terminate the agreement by giving not less than 6 months' written notice. The agreement also contains provisions for early termination, *inter alia*, in the event of gross misconduct by the Executive.

7.1.3 Pursuant to a letter from Belgravium dated 21 April 1997, Roddy McDougall was appointed as a Non-executive Director of Belgravium. This appointment was renewed for a further two year term ending on 1 April 2007. A fee of £17,500 per annum is payable to him. The appointment is terminable by either party giving not less than six months' written notice.

7.1.4 Pursuant to a letter from Belgravium dated 5 January 2001, Stephen Day was appointed as a Non-executive Director of Belgravium. This appointment was renewed for a further two year term, ending on 4 January 2007. A fee of £15,000 per annum is payable to him. The appointment is terminable by either party giving not less than six months' written notice.

7.1.5 On 1 February 2005, Mike Unwin entered into a service agreement with Belgravium under which he agreed to serve as Company Secretary and Financial Controller. The current annual salary is £57,200. The salary is to be reviewed annually. Belgravium shall also pay such reasonable expenses incurred by Mike in the course of his appointment. Belgravium may terminate the agreement by giving not less than 12 months' written notice and Mike may terminate the agreement by giving not less than 6 months' written notice. The agreement also contains provisions for early termination, *inter alia*, in the event of gross misconduct by the Executive.

7.2 Save as disclosed in this document, there are no service contracts or contracts for the provision of services between any Director, Proposed Director or Non-executive Director and Belgravium or any of its subsidiary undertakings.

7.3 The aggregate remuneration paid and benefits in kind granted to the directors of Belgravium and its subsidiary undertakings for the accounting period ended 31 December 2004 (being the last completed financial year of Belgravium) amounted to approximately £94,383.

8. Share Option Schemes and Warrant Scheme

8.1 Belgravium's share based incentive schemes are the EMI Scheme, the 1992 Executive Share Option Scheme and the Warrant Scheme. A summary of the rules of these schemes is set out below.

8.2 ***The EMI Scheme***

8.2.1 Options have been granted to certain directors and employees to subscribe for 1,340,000 Ordinary Shares at a price of between 12.3 pence and 13.1 pence per share. 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 ended 31 December 2004. 50,000 options lapsed during the same year.

(i) *Eligiblity*

Any full time employee or director required to devote at least 25 hours to his duties, or if less, 75 per cent. of his working time, is eligible to participate (the "Participant"). Options are personal to the Participant and may not be assigned. In practice the scheme is administered by the Remuneration Committee of Belgravium.

(ii) *Individual participation limit*

The aggregate market value of the shares acquired under all outstanding options granted to any one Participant under the scheme which when aggregated with any options granted pursuant to any other share option scheme shall not exceed £100,000.

(iii) *Exercise of options*

Options may normally be exercised only within the period of three to ten years after the date of grant. Exceptionally, options may be exercised earlier where employment ceases due to death, injury, disability, redundancy, retirement in accordance with the terms of the relevant contract of employment, retirement age, or in the event of the takeover of Belgravium. In normal circumstance the performance condition referred to below must be satisfied in order for the option to be exercised.

In each of these situations (other than on death), the option must be exercised, if at all, by the expiry of 12 months following the cessation of employment. In the case of death, the Participant's personal representatives may exercise the option within the period ending on the earlier of 12 months after the date of death or the expiry of the exercise period.

Options may be subject to conditions as to the performance of the Group set out in the rules of the scheme, which must normally be satisfied before options can be exercised. The performance target requires that the percentage increase in the Company's earnings per share over a consecutive three year period (commencing no earlier than the beginning of the accounting period in which the option was granted) is greater than 15 per cent. per annum.

Options held by a Participant will lapse twelve months following the Participant ceasing to be employed by a company within the Group save to the extent that the reason for cessation is death, as outlined above. Any unexercised or part exercised options shall automatically lapse at the expiry of the option exercise period.

(iv) *Scheme limits*

The EMI Scheme imposes limits on the numbers of shares over which options may be granted as follows:

The total number of shares over which options to subscribe may be granted in any ten year period under all share schemes of Belgravium shall not exceed 10 per cent. of the shares in issue from time to time.

The total number of shares over which options to subscribe may be granted under all share schemes of Belgravium shall not, in any ten year period, exceed 15 per cent. of the shares in issue from time to time.

The total aggregate market value of shares over which options may be granted under any EMI scheme of Belgravium shall not exceed £3,000,000.

(v) *Grant of options*

Options may be granted under the EMI Scheme within 42 days after the announcement of Belgravium's yearly or half-yearly results.

(vi) *Shares issued on exercise of options*

Shares allotted under the scheme rank *pari passu* with Belgravium's existing issued shares (save that they will not qualify for any dividends or other distributions determined by reference to a record date prior to the date of allotment).

(vii) *Takeover*

In the event of the takeover or reconstruction of Belgravium options may, with the agreement of the acquiring company, be exchanged for options over shares in the acquiring company or a company associated with the acquiring company.

(viii) *Variation of share capital*

In the event of a variation of share capital by way of capitalisation, rights issue, subdivision, consolidation or reduction of share capital, then the number of shares subject to a subsisting option and the price payable on exercise may be adjusted in such manner as the auditors of Belgravium confirm is fair and reasonable. No adjustment can be made without Inland Revenue approval and no adjustment can be made which would cause the aggregate amount payable on the exercise of an option in full to be increased or reduced.

(ix) *Alteration to the schemes*

The Board may alter the scheme but no alteration can have effect without Inland Revenue approval (save in relation to the Schedule). Certain alterations cannot take effect without shareholder approval (unless they are amendments to comply with or take account of legislation, or any requirements of the Inland Revenue for the approval of the scheme or to obtain or maintain favourable taxation treatment for Belgravium or participants).

8.3 ***The 1992 Executive Share Option Scheme***

8.3.1 Options have been granted to certain directors and employees to subscribe for 695,788 Ordinary Shares at a price of between 6.5 pence and 11.75 pence per share. 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 or granted and none have lapsed or were cancelled during the year ended 31 December 2004.

8.3.2 The scheme was adopted by Belgravium on 1 June 1992. The scheme is approved by the Inland Revenue with the exception of a schedule to the scheme which was adopted on 28 April 1998 by Board Resolution ("the Schedule"). The Schedule enables unapproved options to be granted under the rules of the scheme in excess of the £30,000 limit imposed on the scheme by the Finance Act 1996. Options granted under the Schedule do not offer option holders the opportunity to obtain relief from income tax because the Schedule is not approved by the Inland Revenue.

8.3.3 The principal features of The 1992 Executive Share Option Scheme are as follows:

(i) *Eligiblity*

Any full time director required to devote at least 25 hours to his duties, and any employee of the Group required to devote at least 20 hours to his duties, is eligible to participate (the "Participant"). Actual participation is at the discretion of the Board. In practice the scheme is administered by the Remuneration Committee of Belgravium. Options are personal to the Participant and may not be assigned.

(ii) *Individual participation limit*

The aggregate subscription price of all outstanding options granted to any one Participant under the scheme may not exceed £30,000 (otherwise than pursuant to the Schedule).

(iii) *Exercise of options*

Options may normally be exercised only within the period of three to ten years after the date of grant. Exceptionally, options may be exercised earlier where employment ceases due to death, injury, disability, redundancy, retirement in accordance with the terms of the relevant contract of employment, retirement age, or in the event of the takeover of Belgravium. In all circumstances except for takeover, the performance condition referred to below must be satisfied in order for the option to be exercised.

In each of these situations (other than on death), the option must be exercised, if at all, by the expiry of 6 months following the cessation of employment. In the case of death, the Participant's personal representatives may exercise the option within 12 months following the death.

Options are subject to a condition as to the performance of the Group set out in the rules of the scheme, which must normally be satisfied before options can be exercised. The performance target requires that the percentage increase in the Group's earnings per share over a consecutive three year period (commencing no earlier than the beginning of the accounting period in which the option was granted) is greater than the percentage increase in the Retail Prices Index for the same period.

The subscription price will not be less than the nominal value of the shares or the average middle market quotation of the shares for the three dealing days immediately prior to the date on which the invitation to apply for an option is issued.

Options held by a Participant will lapse six months following the Participant ceasing to be employed by a company within the Group save to the extent that the reason for cessation is death, as outlined in this paragraph 8.3.3.

(iv) *Scheme limits*

The scheme imposes limits on the numbers of shares over which options may be granted as follows:

The number of shares over which options may be granted under the scheme on any day shall not, when added to options granted under the scheme which have neither lapsed or been exercised, exceed 5 per cent. of the issued ordinary share capital.

The total number of shares over which options to subscribe may be granted in any ten year period under all employee share schemes of Belgravium shall not exceed 5 per cent. of the shares in issue from time to time.

The total number of shares over which options to subscribe may be granted under all executive option schemes of Belgravium shall not, in any consecutive three year period, exceed 3 per cent. of the shares in issue from time to time.

(v) *Grant of options*

Options may initially be granted under the scheme within 21 days after the announcement of Belgravium's yearly or half-yearly results.

(vi) *Shares issued on exercise of options*

Shares allotted under the scheme rank *pari passu* with Belgravium's existing issued shares (save that they will not qualify for any rights determined by reference to a record date prior to the date of allotment).

(vii) *Takeover*

In the event of the takeover or reconstruction of Belgravium options may, with the agreement of the acquiring company, be exchanged for options over shares in the acquiring company or a company associated with the acquiring company.

(viii) *Variation of share capital*

In the event of a variation of share capital by way of capitalisation, rights issue, subdivision, consolidation, reduction of share capital or otherwise, then the number of shares, subject to a subsisting option and the price payable on exercise maybe adjusted in such manner as the auditors of Belgravium confirm is fair and reasonable. No adjustment can be made without Inland Revenue approval and no adjustment can be made which would cause the aggregate amount payable on the exercise of an option in full to be increased nor, can the subscription price per share be reduced below its nominal value.

(ix) *Alteration to the schemes*

The Remuneration Committee of Belgravium may alter the scheme but no alteration can have effect without Inland Revenue approval (save in relation to the Schedule). Certain alterations cannot take effect without shareholder approval (unless they are amendments to comply with or take account of legislation or to take account of the occurrence of events leading to the exercise of options referred to in Rule 6 of the scheme, or any requirements of the Inland Revenue for the approval of the scheme or to obtain or maintain favourable taxation treatment for Belgravium or Participants).

8.3.4 Belgravium cannot grant any further options under this scheme.

8.4 ***The Warrant Scheme***

8.4.1 Warrants have been granted to certain directors and employees to subscribe for 310,000 ordinary shares of 5 pence each at a price of 8.125 pence. These warrants are exercisable, except as provided in the scheme rules (in particular when the share price is at a 25 per cent. premium over exercise price), within six years of the date of grant. 80,000 warrants lapsed during the year ended 31 December 2004. No warrants were granted, exercised or cancelled during the same year.

8.4.2 The Warrant Scheme was adopted by Belgravium on 23 May 1997. The principle features of the Warrant Scheme are as follows:

(i) *Eligibility*

Any director or officer (as determined by the Board) of the Group is eligible to participate in the scheme ("Participant). Actual participation is at the discretion of the Board. Warrants issued to a Participant under the Warrant Scheme are not transferable.

(ii) *Individual participation limit*

The aggregate market value (as defined in the rules of the Warrant Scheme) of shares subject to warrants issued under the Warrant Scheme to any one Participant together with shares over which options have been granted under any other share scheme of Belgravium, may not exceed four times his annual remuneration for the current or preceding year (whichever is the higher).

(iii) *Issue of warrants*

Warrants may only be issued under the Warrant Scheme in the 42 day period following (i) the adoption of the Warrant Scheme or (ii) the announcement by Belgravium of its interim or final results.

No alteration or addition to the advantage of warrant holders shall be made to the Warrant Scheme without the prior approval of the members of Belgravium in general meeting, save that this requirement shall not apply to any alteration or addition which does not affect the basic principles of the Warrant Scheme.

(iv) *Subscriptions rights*

Participants may subscribe for the number of shares in relation to which their warrant was issued at any time during a period of six years commencing on the date of issue of the Warrant, upon payment of the subscription price.

(v) *Subscription price*

The subscription price (which is specified on the issue of warrants) in respect of warrants issued in the 42 day period following (i) the adoption of the Warrant Scheme or (ii) the announcement of Belgravium's interim results for the six months to 30 June 1997 had to be equal to the market price on the date of issue of the warrant plus a premium of 30 per cent. of that price. In respect of warrants issued subsequently, the subscription price must be equal to the market price on the date of issue of the warrant plus a premium of 25 per cent. of that price.

(vi) *Warrant Scheme limits*

No warrant may be issued if the total number of shares issued or issuable under the Warrant Scheme and all other share incentive schemes of Belgravium pursuant to warrants and options issued or granted in the preceding 10 years would exceed 10 per cent. of Belgravium's issued share capital.

No warrant may be issued to subscribe for shares if this would cause the aggregate number of shares issued or issuable under warrants in the preceding 3 years to exceed 3 per cent. of Belgravium's issued share capital.

(vii) *Shares issued under warrants*

Shares allotted under the Warrant Scheme will rank *pari passu* with shares in issue at that date (save that they will not rank for any dividends or other distributions declared, made or paid on the shares in respect of any accounting period of Belgravium ending prior to the relevant subscription date).

(viii) *Takeovers*

In the event of a takeover or reconstruction of Belgravium, warrant holders will receive notice of the relevant event and may exercise their subscription rights. Any rights not so exercised will lapse. Alternatively, with the agreement of the acquiring company, warrants may be exchanged for rights over shares in the acquiring company.

(ix) *Variation of share capital*

In the event of a variation of share capital by way of capitalisation of profits or reserves, or by rights issue, subdivision, consolidation or reduction of share capital, then the number of shares and/or the subscription price will be adjusted accordingly. The auditors of Belgravium will certify the appropriate adjustment.

9. Acquisition Agreement

The Acquisition Agreement is a conditional agreement dated 26 September 2005 between the Vendors (1) and Belgravium (2) relating to the sale and purchase of the entire issued share capital of Touchstar. The following is a summary of certain of the terms and conditions of the Acquisition Agreement.

9.1 ***Sale and Purchase***

9.1.1 Belgravium conditionally agrees to acquire the entire issued share capital of Touchstar (the "Vendors' Shares"). Each of the Vendors agrees to sell his portion of the Vendors' Shares with full title guarantee and free from any and all encumbrances.

9.1.2 The aggregate consideration for the purchase of the Vendors' Shares shall be £10.75 million as set out in the Agreement. The consideration will be paid by way of cash and bank guaranteed loan notes, in full, at completion. Further details of the loan notes are set out in paragraph 10 below.

9.2 ***Conditions***

9.2.1 Completion of the sale and purchase of the entire issued share capital of Touchstar is conditional, *inter alia*, upon:

(a) the due passing at a general meeting of Belgravium of the Resolutions;

(b) the raising by Belgravium of the minimum funding requirement under the Placing;

(c) the issue and allotment of the Placing Shares;

(d) Admission;

(e) the Placing Agreement not having been terminated for any reason whatsoever before the completion date;

(f) the execution of the banking documents by the relevant parties; and

(g) the satisfactory compliance with sections 151-158 of the Act to whitewash, *inter alia*, the proposed security to Barclays Bank plc to finance, in part, the acquisition by Belgravium of the entire issued share capital of Touchstar on the terms of the Acquisition Agreement.

9.2.2 If any of the conditions has not been fulfilled or waived on or before 4.00 p.m. on the completion date the Acquisition Agreement shall terminate, and neither the Vendors nor Belgravium will be obliged to complete the sale and purchase of the entire issued share capital of Touchstar.

9.2.3 Prior to Completion of the Acquisition, if:

(a) Touchstar materially fails to operate in the ordinary course or breaches its obligations as to the operation of Touchstar prior to Completion; or

(b) there is any material breach or non-fulfilment by any of the Vendors of any of the warranties, which is not remedied within thirty days of being given notice, then, Belgravium is entitled not to complete the purchase of the shares, in which case the Acquisition Agreement will automatically terminate.

9.2.4 A material breach or a material claim are ones where the potential liability of the Vendors exceeds £170,000.

9.3 ***Matters pending completion***

9.3.1 Richard Smith, the principal management vendor, has agreed to certain restrictions as to how Touchstar shall be operated pending completion, namely that Touchstar will operate in the ordinary course and will not undertake any action likely to prejudice the future operations of Touchstar.

9.4 ***Warranties and tax covenant***

9.4.1 Richard Smith warrants that the warranties relating to the business, the assets and liabilities of Touchstar as set out in the Acquisition Agreement are true and accurate in all respects.

9.4.2 Each of the Vendors has given warranties to Belgravium in respect of his ability to enter into the agreement and his title to the shares.

9.4.3 A tax covenant has also been given by Richard Smith in respect of pre-completion tax liabilities.

9.5 ***Vendors' limitations on liability***

9.5.1 The aggregate liability of Richard Smith in respect of all claims under the warranties and tax covenant given by him shall be limited to the proportion of the consideration actually received by him and the aggregate liability of each of the Investors in respect of all claims under the warranties given by them shall be limited to the proportion of the consideration actually received by them.

9.5.2 No amount shall be payable by the Vendors in respect of any claim under the warranties unless and until the aggregate cumulative liability of the Vendors in respect of such claims exceeds £170,000 in which case the Vendors shall be liable for both the initial £170,000 and the excess.

9.5.3 The Vendors are not liable for any claim unless they are given written notice of such claim (specifying reasonable detail of the matter giving rise to the claim, the nature of the claim and, if practicable, the amount claimed) on or before 30 March 2007 in respect of any claim relating to any breach of share warranty and on or before the 7th anniversary of completion in respect of a breach of the tax covenant or tax warranty.

9.6 ***Non-competition covenants***

Richard Smith has undertaken and covenanted that he will not directly or indirectly for a period of 5 years from Completion:

(a) compete with the business of the Enlarged Group;

(b) solicit or accept the custom of customers or suppliers to Touchstar in the period of 12 months prior to Completion;

(c) solicit or employ any person employed by Touchstar in the period of 6 months prior to Completion;

provided that none of the restrictive covenants shall prevent Richard Smith from performing his duties as an employee after Completion.

10. Material contracts

10.1 ***Belgravium***

In addition to the Acquisition Agreement referred to in paragraph 9 above the following contracts, not being entered into in the ordinary course of business and which are, or may be, material, have been entered into by Belgravium or any of its subsidiary undertakings within the two years immediately preceding the date of this document:

10.1.1 an agreement dated 14 May 1998 between (1) Teather & Greenwood and (2) Belgravium whereby Belgravium confirmed the appointment of Teather & Greenwood as its Broker for the purposes of the AIM Rules. This agreement can be terminated by either party, after one year, by the giving of one months' written notice. The agreement contains certain undertakings, warranties and indemnities given by the Company to Teather & Greenwood;

10.1.2 an agreement dated 16 January 2002 between (1) KPMG Corporate Finance and (2) Belgravium whereby Belgravium confirmed the appointment of KPMG Corporate Finance as its Nominated Adviser for the purposes of the AIM Rules. This agreement can be terminated by either party by the giving of 30 days notice. The agreement contains certain undertakings, warranties and indemnities given by the Company to KPMG Corporate Finance;

10.1.3 an agreement dated 31 January 2003 between Belgravium (1) and Richard Morris Construction Limited (2) in respect of the sale of Unit 7, Sabir Industrial Park, Cambridge Road, Harlow (EX391884) to Richard Morris Construction Limited for consideration of £290,000;

10.1.4 an own share purchase agreement dated 21 May 2004 between Belgravium (1) and Teather & Greenwood (2) in respect of the acquisition of 1,000,000 ordinary 5 pence shares at a price of 12 pence per share, giving a total consideration of £120,000. The shares were then cancelled; and

10.1.5 a placing agreement dated 26 September 2005 between (1) Teather & Greenwood and (2) Belgravium (the "Placing Agreement") pursuant to which Teather & Greenwood agreed, as agent for Belgravium, to use its reasonable endeavours to place 33,600,000 Placing Shares at 14p per share. The Placing Agreement contained certain warranties and indemnities given by Belgravium.

10.2 ***Touchstar***

The following contracts, not being entered into in the ordinary course of business and which are, or may be, material, have been entered into by Touchstar within the two years immediately preceding the date of this document:

10.2.1 a lease dated 28 November 2003 made between (1) Commercial Developments Projects Limited and (2) Touchstar in respect of premises occupied by Touchstar for an annual rent of £90,000 per annum;

10.2.2 a share buyback agreement dated 11 November 2003 between (1) Paul Sanders and (2) Touchstar under which Touchstar bought back 24,000 ordinary shares of £1.00 each for a consideration of £347,840;

10.2.3 an agreement dated 4 July 2005 between (1) Summ.IT Accounting Solutions Limited and (2) Touchstar under which Summ.IT Accounting Solutions Limited provides financial support services for £10,500 plus VAT per month.

11. Litigation

11.1 ***Belgravium***

No member of the Group is or has been engaged in any governmental, legal or arbitration proceedings which have had or may have during the 12 months preceding the date of this document a significant effect on the financial position or profitability of Belgravium and/or the Group and so far as the Directors and the Proposed Director are aware, there are no such proceedings pending or threatened.

11.2 ***Touchstar***

Touchstar is not and has not been engaged in any governmental, legal or arbitration proceedings which have had or may have during the 12 months preceding the date of this document a significant effect on the financial position or profitability of Touchstar and so far as the Directors and the Proposed Director are aware, there are no such proceedings pending or threatened.

12. Working capital

The Directors and Proposed Director are of the opinion that, having made due and careful enquiry, taking into account the net proceeds of the Placing and the finance facilities available to the Enlarged Group, the working capital available to the Enlarged Group will be sufficient for its present requirements, that is for at least 12 months from the date of Admission.

13. Significant changes

13.1 ***The Group***

Save as disclosed in the paragraph headed "Current trading and prospects" in Part I of this document, there has been no significant change in the financial or trading position of the Group since 30 June 2005, being the date to which the latest unaudited interim results of the Group as set out in pages 18 to 24 in Part III of this document were prepared.

13.2 ***Touchstar***

Save as disclosed in the paragraph headed "Current trading and prospects" in Part I of this document, there has been no significant change in the financial or trading position of Touchstar since 31 May 2005, being the date to which the latest audited accounts of Touchstar as set out in pages 87 to 101 in Part IV of this document have been prepared.

14. United Kingdom Taxation

The following statements are intended only as a general guide current as at 26 September 2005 (being the latest practicable date prior to publication of this document) to United Kingdom tax legislation and to the current practice of Her Majesty's Revenue and Customs and may not apply to certain categories of Shareholder, such as dealers in securities. Levels and bases of taxation are subject to change. Any person who is in any doubt as to his tax position is strongly recommended to consult his professional advisers immediately.

14.1 ***Stamp Duty***

Save in relation to depository receipt arrangements or clearance services, where special rules apply:

14.1.1 No charge to stamp duty or stamp duty reserve tax ("SDRT") should arise on the issue of new Ordinary Shares pursuant to the Placing or on their registration in the names of applicants;

14.1.2 a subsequent transfer on sale of Ordinary Shares held in certificated form will ordinarily be subject to stamp duty on the instrument of transfer, ordinarily at the rate of 0.5 per cent. of the amount or value of the consideration. As agreement to purchase Ordinary Shares will lead to a charge to SDRT (at the rate of 0.35 per cent. of the amount of value of the consideration) although any liability to SDRT will be cancelled or payment refunded if the instrument of transfer is duly stamped within six years of such agreement (or, where such agreement is conditional, within six years of such agreement becoming unconditional); and

14.1.3 special rules apply to market intermediaries, dealers and certain other persons. Transfers of shares to charities will not give rise to stamp duty if adjudicated in accordance with the relevant legislation and agreements to transfer shares to charities will not give rise to SDRT.

14.2 ***Dividends***

The United Kingdom taxation implications relevant to the receipt of dividends on the new Ordinary Shares are as follows:

There is no United Kingdom withholding tax on dividends. Individual holders of new Ordinary Shares will be taxable on the total of the dividend and the related notional tax credit ("gross dividend") will be regarded as the top slice of the individual's income.

The tax notional credit on dividends is one-ninth of the dividend paid (or 10 per cent. of the aggregate of the dividend and tax credit). For individuals, the income tax rates on dividend income are such that lower and basic rate taxpayers will have no further tax liability on a dividend receipt. Higher rate taxpayers pay tax on dividends at 32.5 per cent. so that a higher rate taxpayer receiving a dividend of £90 will be treated as having gross income of £100 (the net dividend of £90 plus a tax credit of £10) and after allowing for the tax credit of £10 will have a further £22.50 liability.

The same procedure applies for UK resident trustees of discretionary trusts save that the trust rate of 25 per cent. (as opposed to 32.5 per cent.) applies.

Generally, holders of new Ordinary Shares will no longer be entitled to reclaim the tax credits attaching to any dividends paid. Certain transitional rules apply to dividends received by charities on or before 5 April 2004.

Subject to certain exceptions for traders in securities, a holder of new Ordinary Shares which is a company resident for tax purposes in the United Kingdom and which receives a dividend will not generally have to pay corporation tax in respect of it.

UK pension funds are not entitled to reclaim any part of the tax credit associated with dividends received by them.

Shareholders resident for tax purposes outside the UK may be subject to foreign taxation on dividends received on their new Ordinary Shares under the tax law of their country of residence or in respect of other transactions relating to the shares. Such Shareholders will not be subject to any further UK tax on their dividends where they have no other sources of income from the UK and do not have a UK representative or, in the case of trustees, there are no UK resident beneficiaries of the trust. Entitlement to claim repayment of any part of a tax credit, however, will depend, in general, on the existence and terms of any double tax convention between the United Kingdom and the country in which the holder is resident. Non-UK resident Shareholders should consult their own tax advisers concerning their tax liability on dividends received; what relief, credit or entitlement to refund of any tax credits may be available in the jurisdiction in which they are resident for tax purposes; or other taxation consequences arising from their ownership of the new Ordinary Shares.

14.3 ***Disposal of shares acquired under the Placing***

A Shareholder resident or ordinarily resident for tax purposes in the UK, who sells or otherwise disposes of his Ordinary Shares may, depending on the circumstance, incur a liability to UK tax on any capital gain realised. Corporate Shareholders within the charge to UK corporation tax will be entitled to indexation allowance in respect of these Ordinary Shares up until the date of disposal. Individual Shareholders resident for tax purposes in the UK who are not within the charge to corporation tax may be entitled to taper relief. The calculation for taper relief on a subsequent disposal of Ordinary Shares will depend upon the period of ownership of these Ordinary Shares.

A Shareholder who is not resident or ordinarily resident for tax purposes in the UK will not normally be liable for UK tax on capital gains realised on the disposal of his Ordinary Shares unless at the time of the disposal such Shareholder carries on a trade (which for this purpose includes a professional or vocation) in the UK through a ranch or agency and such Ordinary Shares are to have been used, held or acquired for the purposes of such trade or branch or agency. A Shareholder who is an individual and who has, on or after 17 March 1998, ceased to be resident and ordinarily resident for tax purposes in the UK for a period of less than five years of assessment and who disposes of Ordinary Shares during that period may be or become liable to UK taxation of chargeable gains (subject to any available exemption or relief).

14.4 ***Business asset taper relief and other tax reliefs***

Following the Finance Act 2000, capital gains business assets taper relief applies to all holdings of shares in qualifying unquoted trading companies. A holding of the shares in the Company may qualify for business assets taper relief as well as other reliefs such as capital gains tax gift relief and inheritance tax business property relief. However, individuals should seek confirmation as to whether any relief is available in their own particular circumstances at the relevant time.

Persons who are not resident in the United Kingdom should consult their own tax advisers on the possible application of such provisions and on what relief or credit may be claimed for any such tax credit in the jurisdiction in which they are resident.

These comments are intended only as a general guide to the current tax position in the United Kingdom as at the date of this document. The comments assume that Ordinary Shares are held as an investment and not as an asset of a financial trade and that any dividends paid are not foreign income dividends. If you are in any doubt as to your tax position, or are subject to tax in a jurisdiction other than the United Kingdom, you should consult your professional adviser.

15. Miscellaneous

15.1 KPMG Corporate Finance of 1 The Embankment, Neville Street, Leeds LS1 4DW, acting as nominated adviser, has given and has not withdrawn its written consent to the issue of this document with the inclusion of its name in the form and context in which it appears.

15.2 Teather & Greenwood of Beaufort House, 15 St Botolph Street, London EC3A 7QR has given and has not withdrawn its written consent to the inclusion in this document of its name and references thereto in the form and context in which they appear.

15.3 Save as otherwise disclosed in this document, there is no person (excluding professional advisers otherwise disclosed in this document and trade suppliers) who has:

15.3.1 received directly or indirectly, from Belgravium within the twelve months preceding the application for Admission; or

15.3.2 entered into contractual arrangements (not otherwise disclosed herein) to receive, directly or indirectly from Belgravium on or after Admission any of the following:

(i) fees totalling £10,000 or more; or

(ii) securities in Belgravium with a value of £10,000 or more calculated by reference to the Placing Price; or

(iii) any other benefit with a value of £10,000 or more at the date of Admission.

15.4 The total costs and expenses of and incidental to the Placing and the Acquisition, excluding VAT, are estimated to be approximately £0.85 million and are payable by Belgravium.

15.5 It is expected that up to approximately £4.7 million will be raised by Belgravium in the Placing. The Placing Shares will represent 33.46 per cent. of the Enlarged Issued Share Capital.

15.6 The proceeds of the Placing, in conjunction with the Company's existing cash reserves and new banking facilities of £3 million, are intended to be used as follows:

The purchase price of Touchstar:	£10.75 million
Commissions and expenses in relation to the Placing and Acquisition:	£0.85 million

An additional working capital facility of £1 million will also be available to the Enlarged Group.

15.7 There have been no public takeover bids by third parties in respect of the Ordinary Shares which have occurred during the last financial year or the current financial year of the Company. The Company is subject to the provisions of the City Code on Takeovers and Mergers issued by the

Panel on Takeovers and Mergers which *inter alia* govern mandatory takeover bids in respect of public companies incorporated and registered in the United Kingdom. Under the City Code on Takeovers and Mergers when:

(a) any person acquires shares which (taken together with shares held or acquired by persons acting in concert with him) carry 30 per cent. or more of the voting rights of the Company; or

(b) any person, who together with persons acting in concert with him, holds not less than 30 per cent. but not more than 50 per cent. of the voting rights and such person, or any person acting in concert with him acquires additional shares which increase his percentage of the voting rights, such person shall extend offers to the holders of any class of equity share capital and the holders of any class of voting non-equity share capital in which such person or persons acting in concert with him hold shares. In the event a takeover offer is made for the Ordinary Shares in accordance with Part XIIIA of the Act, the offeror may become entitled to acquire the Ordinary Shares of any holder who has not accepted the takeover offer on the terms of such offer in accordance with the provisions set out in Part XIIIA.

15.8 Information in this document which has been sourced from third parties has been accurately reproduced and so far as the Company is able to ascertain from information published by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading.

15.9 The Directors and Proposed Director are unaware of any environmental issues that may affect the Enlarged Group's utilisation of its tangible fixed assets.

15.10 The Placing Price represents a premium of 9p over the nominal value per Ordinary Share of 5 pence and is payable in full on Admission under the terms of the Placing.

15.11 The Directors and Proposed Director are not aware of any exceptional factors which have influenced the Group's activities.

15.12 The Directors and Proposed Director are unaware of any trends, uncertainties, demands, commitments or events that are reasonably likely to have a material effect on the Company's prospects for the current financial year.

15.13 There are no investments in progress and there are no future investments on which the Directors have already made firm commitments which are significant to the Enlarged Group.

15.14 Touchstar owns all of its intellectual property, however certain elements of this intellectual property are currently incorrectly registered by Original Touchstar Group and will be required to be re-registered at the relevant registry. In the event that the intellectual property is not correctly re-registered, the Company is indemnified in full by the Vendors for any subsequent losses as a result.

15.15 The Directors and Proposed Director believe that the Company is not dependent on patents or licences, industrial, commercial or financial contracts or new manufacturing processes which are material to the Company's business or profitability.

15.16 ***Financial information***

(a) *Company*

The auditors for the Company for the three years ended 31 December 2004 were PricewaterhouseCoopers LLP, Chartered Accountants and Registered Auditors of 101 Barbirolli Square, Lower Mosley Street, Manchester M2 3PW. Copies of the audited accounts of the Company for the three years ended 31 December 2004 have been delivered to the registrar of Companies in England and Wales. The auditor's reports were unqualified and did not contain any statement under section 237 of the Act.

(b) *Touchstar*

The auditors for Touchstar for the period ended 31 May 2004 and the year ended 31 May 2005 were Barlow Andrews, Chartered Accountants and Registered Auditors of Carlyle

House, 78 Chorley New Road, Bolton. Touchstar took advantage of the provisions relating to small companies under the Act with respect to the delivery of individual accounts and filed abbreviated financial statements for the year ended 31 May 2004. The auditor's reports were unqualified and did not contain any statement under section 237 of the Act.

16. Availability of this document

Copies of this document are available free of charge from the Company's principal place of business and at the offices of KPMG Corporate Finance, 1 The Embankment, Neville Street, Leeds LS1 4DW, during normal business hours on any weekday (Saturdays, Sundays and public holidays excepted) and will remain available for at least one month after Admission.

Dated 27 September 2005

BELGRAVIUM TECHNOLOGIES PLC

(Registered in Scotland – No. SC005543)

NOTICE OF EXTRAORDINARY GENERAL MEETING

Notice is hereby given that an extraordinary general meeting of the above-named company (the "Company") will be held at New Broad Street House, 35 New Broad Street, London EC2M 1NH on 21 October 2005 at 11 a.m. for the purpose of considering and, if thought fit, passing the following resolutions of which resolutions 1, 2 and 3 will be proposed as ordinary resolutions and resolutions 4 and 5 will be proposed as special resolutions:

ORDINARY RESOLUTIONS

1. That the Acquisition (as defined in the circular to shareholders of the Company dated 27 September 2005 of which the notice convening this meeting forms a part (the "Circular")) substantially on the terms and subject to the conditions of the Acquisition Agreement (as defined in the Circular) be and is hereby approved and the directors of the Company (or any duly constituted committee of them) be and are hereby authorised:

   (a) to take all such steps as they consider necessary or desirable to effect the Acquisition and to waive, amend, vary, revise or extend (to such extent as shall not constitute a material amendment in the context of the Acquisition as a whole) any of such terms and conditions as they consider to be appropriate; and

   (b) notwithstanding any limitation on the Directors' borrowing powers contained in the articles of association of the Company, to exercise all the powers of the Company (and to exercise all voting and other rights and powers of control exercisable by the Company in respect of its subsidiary undertakings) to borrow money, and to mortgage or charge the undertaking, property and uncalled capital or any part or parts thereof of the Company and/or its subsidiary undertakings and to issue debentures and other securities, whether outright or as collateral security for any debt, liability or obligation of the Company or any of its subsidiary undertakings or of any third party for all and any purpose in connection with the Acquisition.

2. That the authorised share capital of the Company be increased from £5,000,000 to £7,500,000 by the creation of an additional 50 million ordinary shares of 5p each ("Ordinary Shares") ranking *pari passu* with the existing Ordinary Shares in the capital of the Company.

3. That in substitution for any existing authority subsisting at the date of this resolution (save to the extent that the same may have already been exercised and for any such powers granted by statute), the directors of the Company from time to time be generally and unconditionally authorised to exercise all powers of the Company to allot relevant securities (within the meaning of section 80 of the Companies Act 1985 (the "Act")) up to an aggregate nominal amount of £4,158,712.05 provided that this authority shall expire on the date of the Annual General Meeting in 2006 or, 15 months after the date of the passing of this resolution (whichever is the earlier) but so that the Company may before such expiry make an offer or agreement which would or might require the relevant securities to be allotted after the expiry and the directors of the Company from time to time may allot relevant securities in pursuance of such an offer or agreement as if the authority conferred hereby had not expired.

SPECIAL RESOLUTIONS

4. That subject to the passing of resolutions 2 and 3 above, the directors of the Company from time to time be empowered pursuant to section 95 of the Act to allot equity securities (within the meaning of section 94(2) of the Act) of the Company for cash pursuant to the general authority conferred on the directors pursuant to resolution 3 above as if section 89(1) of the Act did not apply to such allotment, provided that this power shall be limited to:

4.1 the allotment of Ordinary Shares up to an aggregate nominal value of £1,680,000 (being up to 33,600,000 Ordinary Shares) pursuant to the Placing (as defined in the Circular);

4.2 the allotment of equity securities for cash in connection with or pursuant to an offer by way of rights to the holders of the Ordinary Shares and other persons entitled to participate therein in proportion (as nearly as may be) to their respective holdings of Ordinary Shares (or, as appropriate, the numbers of Ordinary Shares which such other persons are for those purposes deemed to hold), subject only to such exclusions or other arrangements as the directors of the Company from time to time may consider necessary or expedient to deal with fractional entitlements or legal or practical problems under the laws of any territory or the regulations or requirements of any regulatory body or any stock exchange in any territory; and

4.3 the allotment (other than pursuant to paragraphs 4.1 and 4.2 above) of equity securities up to an aggregate nominal amount of £1,255,325 provided that such power shall expire on the date of the Annual General Meeting of the Company to be held in 2006 or 15 months after the date of the passing of the resolution (whichever is the earlier);

but so that the Company 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 of the Company from time to time may allot equity securities in pursuance of such offer or agreement as if the power conferred hereby had not expired.

5. That the regulations set out substantially in the same form as summarised in paragraph 5 of Part VI of the Circular and as produced to the meeting be approved and adopted as the articles of association of the Company in substitution for and to the exclusion of all existing articles of association thereof.

BY ORDER OF THE BOARD

Secretary

Michael Unwin

Belgravium Technologies plc

Notes:

1. Holders of Ordinary Shares are entitled to attend and vote at this meeting. A member entitled to attend and vote may appoint one or more proxies, who need not be members of the Company, to attend instead of him or her.

2. Pursuant to regulation 41 of the Uncertificated Securities Regulations 2001, members will be entitled to attend and vote at the meeting if they are registered on the Company's register of members 48 hours before the time appointed for the meeting or any adjournment thereof.

3. To be effective, a proxy form must be duly completed, executed and returned, together with the power of attorney or other authority, if any, under which it is signed, or a notarially certified copy or a copy certified in accordance with the Powers of Attorney Act 1971 of such power of attorney or authority, so as to reach the Registrar's office, Capita Registrars, PO Box 25, Beckenham, Kent BR3 4BR not less than 48 hours before the time for holding the meeting or any adjourned meeting or, in the case of a poll taken otherwise than at or on the same day as the meeting or adjourned meeting, not less than 24 hours before the time appointed for the taking of the poll at which it is to be used. Completion of a form of proxy will not preclude a member from attending and voting in person at the meeting.

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