integrated security solutions

newmark security PLC

Company number: 3339998

Report and Financial Statements

Year ended 30 April 2012

INDEX

DIRECTORS, SECRETARY AND ADVISERS

Country of incorporation of parent company:	Great Britain
Legal form:	Public Limited Company
Directors:	M Dwek B Beecraft M Rapoport N Medlam D Blethyn R Waddington M C Dwek
Secretary and registered office:	B Beecraft, 57 Grosvenor Street, London W1K 3JA
Company number:	3339998
Auditors:	BDO LLP, 55 Baker Street, London W1U 7EU
Nominated Adviser:	Seymour Pierce Limited, 20 Old Bailey, London EC4M 7EN
Brokers:	Seymour Pierce Limited, 20 Old Bailey, London EC4M 7EN
Registrars:	Capita Registrars, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU
Solicitors:	Field Fisher Waterhouse, 35 Vine Street, London EC3N 2AA

CHAIRMAN'S STATEMENT

In my Chairman's statement last year, I commented on the variable trading for the few months of the year just completed, and unfortunately this continued throughout the year. The current economic difficulties in the country continued to affect us particularly reduced public sector spending and difficult trading conditions in UK retail banks.

As a precaution the Group raised a facility of up to £300k through the issue of a 10 per cent. secured loan note on 25 November 2011 with certain Directors of the Company. Under the terms of the Loan Note instrument, the Loan Notes are repayable in full by the third anniversary of the issue of the Loan Notes. However only £105,000 of this facility had been utilised by the year end. As a result of this refinancing, the Board has decided not to recommend a dividend for the year but instead plans to repay the loan notes issued to date.

Sales in the US for Grosvenor's original equipment manufacturer ("OEM") clock products have been disappointing mainly due to the length of the integration period with customers, and we expect a significant increase in turnover in this market during the current year. We sold our first new SATEON access control system just before the financial year end, and are confident of increasing revenue streams from this exciting new development over the years ahead. We have been very encouraged by the reception that SATEON has received from audiences both in the UK and abroad.

Market conditions have also affected sales of our OEM range of products in the UK and Europe. However there has been a favourable response to our attempts to open up new markets for these products in Eastern Europe, with some new customers signing up as partners.

Sales of products of the asset protection division were slightly higher this year although the work was generally typified by an increase in smaller value orders. However, and as announced on 14 June 2012, we are delighted to have secured a very substantial order from Post Office Limited since the year end. Safetell has been supplying and maintaining time delayed security safes to the UK Post Office since 2004 and is proud to be associated with the largest investment and network programme in the history of the Post Office.

The £3.4 million order for the time delayed security safes covers the initial stock of which approximately £1.4 million will be supplied during the first 6 months of the contract starting in late summer. Further substantial orders are expected as the network transformation programme continues until May 2015.

Sales of services of the asset protection division were over £4 million for the first time, with the successful completion of a one off contract worth approximately £400k for a large financial institution.

Although the concept of our trials of the T9 cash transit case proved successful, the Board decided to develop a new outer casing using different and lighter materials. The new design will save costs going forward whilst at the same time offering greater flexibility. New field trials on this should be complete with our customers by the end of the current financial year.

Revenue for the year from continuing businesses was £13,094k (2011: £12,652k), an increase of 3.5 per cent. Gross profit for the year from continuing operations was £5,268k (40.2 per cent. of sales) compared to £5,312k (42.0 per cent.). The change in gross margin reflects both the mix of sales in both divisions as well as pricing pressures in the electronic division. Cost of sales also includes the impact of an impairment provision of £194k (2011: £Nil) against development costs where the future income stream appears unlikely to cover the accumulated cost.

Revenue in the asset protection division increased by 8.4 per cent. in the year from £6,510k to £7,055k, whilst the Electronic division fell 1.7 per cent. from £6,142k to £6,039k.

Earnings per share are shown in the income statement as 0.04 pence (2011: 0.19 pence). However, the earnings per share before legal costs are 0.08 pence (2011: 0.20 pence) as calculated in note 9 to the accounts.

Revenue per employee decreased to £99,954 from £100,413.

The Board believes that the OEM division of Grosvenor and Safetell are leaders in their particular markets whilst Grosvenor is a major force at the upper price end of the access control market. There were no environmental issues having a major impact on the Group in the year.

The Group continues to invest in research and development which the Board is confident will benefit the results in the future.

A detailed review of their activities, results and future developments is set out in the divisional results below.

Financial results

Revenue for the year was £13,094k (2011: £12,652k) whilst the profit from operations was £189k (2011: £808k). The main commercial factors affecting the results of the divisions are set out below.

Electronic Division

Turnover £6,039k (2011: £6,142k)
Profit from operations £318k (2011: £903k)
Profit before tax £296k (2011: £882k)

Revenue from the UK based OEM clocks division was flat in the year being £2,138k (2011: £2,188k) solely due to continuing difficult market conditions in the UK and the EU, and greater competition for fewer major projects. However, we are pleased that new customers in Eastern Europe are starting to sign up as partners and some are already promoting Grosvenor products and actively undertaking software development to interface with our IT series clocks and terminals. There is a real opportunity for growth in these new territories particularly Poland, Czech Republic and the Baltics.

The revenue of the new US operation for OEM clocks was £163k. As reported previously, revenue has been lower than originally envisaged due to the length of the customer integration period. However, we now have several customers with integrations completed and expect to see strong growth in the current year. Interest from the US continues to grow and within the last month we received confirmation from a large workforce management organisation which is signing up to use Grosvenor products for all their new system clocks. Other potential US customers are at various stages of interest and integration.

Revenue for the access control division fell to £3,738k (2011: £3,954k). Revisions and updates of the new SATEON software continue to be released adding more features and functionality to the system. The Grosvenor sales team has been introducing SATEON to a wide-ranging audience in both domestic and export markets particularly highly respected international security consultants and integrators. We have been greatly encouraged by the reception that SATEON has received and feedback confirms that people are attracted by the fact that SATEON is 100 per cent. browser based, runs on a SQL database platform, and is scalable, multilingual, and competitively priced. Most of all, SATEON looks and feels completely different to the competition and has a modern and highly intuitive user interface.

Profit from operations was lower due to the reduction in turnover, increased pricing pressures in the access control division and increased amortisation and impairment provisions of capitalised development costs.

In the UK, we can offer a clear upgrade path to SATEON from Grosvenor's historical software product, JANUS and this represents a significant opportunity to establish quickly vital reference projects. On an international level, SATEON has been introduced to integrators in Ireland, France, UAE, Turkey, Russia, Libya, Saudi Arabia, Qatar, Kuwait and Jordan, and are being invited to quote regularly on overseas projects. Consequently project quotations are being produced on a regular basis and we have built a respectable pipeline over a relatively short period. An area of great interest to many integrators is the extent of third-party integration already incorporated into what is a brand new product. SATEON version 2.4 integrates with two leading international CCTV manufacturers, a major international intruder system, and a major global fire system which has led to a number of opportunities and introductions to integrators.

A common theme with international integrators is that they have a genuine desire to move away from their current access control manufacturer. In most instances these manufacturers are large and internationally established, but have a staid outlook on the product and the business. This is a key aspect we intend to exploit as we believe SATEON is a truly viable alternative to the global 'big name' brands on both performance and costs of ownership. The key to success will be for us to offer good customer service and a commitment to working with our customers to do everything in our power to help them win projects using SATEON.

Asset Protection Division

Turnover £7,055k (2011: £6,510k)
Profit from operations £456k (2011: £531k)
Profit before tax £436k (2011: £511k)

Safetell sales were 8 per cent. higher than last year due partly to a one-off contract for the service division from a large financial institution completed over a 5 month period. Gross margin fell as a result of the changing product mix, new product developments and increased pressure from existing clients to reduce prices on long term contracts.

The Products Division sales showed a slight improvement over last year but the product mix was significantly different from the historical patterns. The number of orders received in the year increased by 34 per cent. whilst the average order value was 23 per cent. lower than last year. During the year we benefited from the supply of cash handling equipment and counter maintenance to a large financial institution but the work was undertaken at low margins. The cost of developing new products also affected the overall margins. We do not expect this work to continue at the same levels in the current financial year, particularly as we have now established ourselves as the preferred supplier and we will now seek to offer these products to other financial institutions.

The sales of Eclipse rising screens to long term customers in retail finance and petrol retailing were limited to small orders for branch reconfiguration work. Sales of traditional products including CounterShield and FixedGlazing continued to be disappointing due to budget constraints within the Public Sector. Sales to the Post Office of RollerCash and BidiSafe in cash handling products were similar to last year. Safetell's focus on continued product development and seeking new customers and markets has, to a certain extent, replaced the falling sales of traditional products and will sustain the business until we see an increase in sales of Eclipse rising screens, CounterShield and FixedGlazing.

Sales in the Service Division exceeded £4 million for the first time, exceeding the previous year by 9.8 per cent. Margins were also slightly higher resulting in growth of operating profits by 13.9 per cent. with overheads remaining static in the year. The results reflect a full years trading on the new counter equipment repair contract with a large financial institution, which was reported in my statement last year and still has two years to run. A contract with another large financial institution was renewed in 2012 worth in excess of £1 million per annum.

During the year a one off contract worth approximately £400k was received and completed for a large financial institution. During the last quarter we have commenced service work for another well-known financial institution and we are hopeful this will develop into a long term revenue stream.

The trials of the T9 Cash Transit Case with Loomis ended in March this year with the concept proving to be successful. After deliberation with the Loomis security team and the valuable information obtained from the field trials, the Board decided to improve the current design by developing a new outer casing manufactured from different materials from the original design. The new design will eliminate expensive tooling and moulds and offer greater flexibility to accommodate different customer requirements in the future. New field trials on this should be completed with our customers by the end of the current financial year.

Sales in the current financial year will also benefit from an order received from the Post Office for time delay cash handling equipment. The Post Office Network Transformation Programme to convert 6000 sub post offices into either Local or Mains branches over the next 3 years will start in August and we have received an order for £3.4 million for time delay safes and expect further substantial orders over the next 3 years. Sales to the Post Office in the current financial year are expected to be approximately £2 million if the programme remains on track. This contract will also provide an increased revenue stream for the Service Division in future years, once warranty periods expire.

Balance sheet and cash flow

Cash flow from operating activities increased in the year from £1.1 million to £2.1 million despite the reduction in profits. We maintained our tight credit control procedures so that the increase in receivables due to timing of sales in the previous year was reversed. This control was reflected in the fact that there were no significant bad debts arising in the year despite the financial difficulties faced by many businesses. There was also a substantial favourable movement in payables reflecting advance payments from customers on projects and controls over supplier payments.

Cash outflow from investing activities was slightly lower than last year at £1.3 million (2011: £1.5 million), due mainly to the payment of deferred consideration last year. Overall there was an improvement in cash and cash equivalents of £0.5 million (2011: outflow of £0.5 million).

The tax credit for the year again reflects the benefits of tax allowances on development expenditure.

Key Financial Risks of the Group

Details of the Group's financial risks are given in note 19 to the financial statements on page 34.

Key Business Risks of the Group

Competition and client relationships

The Group invests in developing new products to remain competitive by offering customers the most advanced quality products. The Group also provides support services to maintain products. The strength of the Group's relationship with clients is dependent to a large part on its performance under its support services with them. If a client is not satisfied with the Group's services it may terminate or decide not to renew their contracts. The Group responds promptly to queries to reduce the risk of losing customers and also has an excellent record of staff retention. It is essential that high quality staff are recruited and then retained if client relationships are to be maintained and new customers won.

General demand for services

If economic conditions deteriorate, there is a risk that the Group may face reduced demand from its clients for its services. To mitigate this risk the Group focuses on diversifying its customer base in terms of business sectors and industry sectors. To mitigate the credit risk further and reduce exposure to potential bad debts, the Group maintains credit insurance policies and senior management review credit limits on a regular basis.

Board changes

The Board has agreed that I should become executive chairman to drive the business forward especially during these difficult economic conditions and the expected growth in our activities with the completion of major developments and expansion into new geographical areas.

Employees

The Board would like to thank all the staff for their efforts, particularly given the difficult market conditions in which we currently operate.

Dividend

Following the refinancing in the year, the Board has decided not to recommend the payment of a dividend for the year ended 30 April 2012 (2011: 0.0275 pence per share).

Outlook

The Board is obviously disappointed by the trading results for the year under review. However, the Board starts this year with increased optimism especially with the news of the Post Office contract in Safetell reflecting the quality of our product offering and excellent relationship with that customer. Sales of our OEM product offering to the US market have been slower than anticipated due to the length of software integration periods but the Board expects an improvement in the current year. Although sales of our new SATEON access control software should increase steadily during the year, the Board anticipates that more significant sales growth will be achieved in the following years when the product is more established.

Despite the continuing worldwide economic problems affecting trading levels generally, the Board believes that Newmark is well positioned for growth in the medium to long term.

M DWEK
Chairman

2 August 2012

REPORT OF THE DIRECTORS

The Directors submit their annual report and audited financial statements of the Group for the year ended 30 April 2012.

Principal activities

The Group is principally engaged in the design, manufacture and supply of products and services for the security of assets and personnel. The principal activity of the Company is that of an investment holding company.

Financial results and dividends

The profit from operations on continuing activities before interest and tax in the year was £189,000 (2011: £808,000).

The profit for the year was £177,000 (2011: £857,000).

Turnover for the year for continuing operations was £13.1 million (2011: £12.7 million). A review of the business and future prospects is given in the Chairman's Statement on pages 3 to 6.

The Board is not proposing a dividend (2011: £125,000).

Directors

The Directors who served during the year were as follows:

M Dwek
B Beecraft
M Rapoport
N Medlam
D Blethyn
D Ishag

D Ishag resigned as a director of the Company on 1 May 2012. M C Dwek and R Waddington were appointed as non-executive directors on 1 May 2012, and ordinary resolutions will be proposed at the annual general meeting for their re-appointment.

Details of the Directors' service contracts are shown in the Report of the Remuneration Committee on page 11.

B Beecraft and N Medlam retire in accordance with the articles of association. B Beecraft and N Medlam being eligible, offer themselves for re-election at the next annual general meeting.

Share capital

Full details of changes to the share capital in the year are given in note 24 to the financial statements on page 40.

Financial instruments

For full details of changes to the Group's management of its financial instruments, please refer to note 19 to the financial statements on pages 34 to 38.

Directors

Directors' interests

The beneficial and other interests of the Directors in the shares of the Company as at 1 May 2011 (or the date of their appointment to the Board, if later) and 30 April 2012 were as follows:

	Percentage holding at 30 April 2012	30 April 2012	1 May 2011 (or date of appointment if later)
M Dwek[(a)]	13.1%	59,099,467	59,099,467
M Rapoport	2.9%	13,055,000	10,555,000
N Medlam	0.4%	1,500,000	1,500,000

(a) These shares are held in the name of Arbury Inc., 51 per cent. of the equity share capital of which is, at the date of this report, beneficially owned by M Dwek.

The interests of Directors in Share Option Schemes operated by the Company at 1 May 2011 (or the date of their appointment to the Board, if later) and 2012 were as follows:

	Number of Ordinary Shares under the EMI Scheme 30 April 2012	Number of Ordinary Shares under the Approved Scheme 30 April 2012	Number of Ordinary Shares under the Unapproved Scheme 30 April 2012	Number of Ordinary Shares under the EMI Scheme 1 May 2011 (or date of appointment if later)	Number of Ordinary Shares under the Approved Scheme 1 May 2011 (or date of appointment if later)	Number of Ordinary Shares under the Unapproved Scheme 1 May 2011 (or date of appointment if later)
M Dwek	–	–	5,000,000	–	–	5,000,000
B Beecraft	1,000,000	125,000	3,625,000	1,000,000	250,000	3,750,000
D Blethyn	1,000,000	2,000,000	3,000,000	1,000,000	2,000,000	3,000,000

The Directors had no other interests in the shares or share options of the Company or its subsidiaries.

Research and development

The Group is committed to on-going research and development. The strategy is based upon market demand to meet identified security needs in conjunction with a commercial assessment of the short to medium term profitability of each project.

Employee involvement

The Group keeps employees informed of matters affecting them and employees have regular opportunities to meet and have discussions with their managers.

Share option schemes

The Company had three employee share option schemes which enable employees and Executive Directors to be granted options to subscribe for Ordinary Shares, HM Revenue & Custom's Approved and Unapproved Share Option Schemes and HM Revenue & Custom's EMI Share Option Plan.

The Approved Scheme was approved by the Inland Revenue in accordance with Section 185 of, and Schedule 9 to, the Income and Corporation Taxes Act 1988 ("Taxes Act"), the Unapproved Scheme not requiring such approval. The Schemes required that exercise of options be subject to the satisfaction of certain performance criteria.

Both the Approved and Unapproved Schemes expired in April 2007 on the tenth anniversary of the formation of these schemes. However the options granted under these schemes will only lapse ten years after the date the options were granted.

The Newmark Security PLC EMI Share Option Plan enables the Board to grant qualifying share options under the HM Revenue & Custom's Enterprise Management Incentive ("EMI") tax code and also unapproved share options to employees and directors.

The Remuneration Committee has administered and operated each scheme. Further details of the share option schemes are set out in note 26 to the financial statements on page 41.

Environmental Policy

The Group's environmental policy endeavours to minimise the impact of its activities on the environment through, where possible, the proper conservation of natural resources. The Group recognises its responsibility to continually review and improve its environmental performance and, in doing so, seeks the input of architects, engineers and other professional advisers.

Payment of suppliers

The Group requires its operational management to settle terms of payment with suppliers when agreeing the terms of the transaction to ensure that suppliers are aware of these terms and to abide by them. Group trade creditors at the year end were 52 days (2011: 31 days) of average supplies for the period. The parent company does not trade and therefore there is no corresponding company only figure.

Corporate governance

The Group has applied the principles of the Combined Code as far as practicable for a group of its size. The Code only applies mandatorily to fully listed companies.

At 30 April 2012, the Board comprised a Chairman, two Executive Directors and three Non-Executive Directors.

The Board meets regularly to exercise full and effective control over the Group. The Board has a number of matters reserved for its consideration, with the principal responsibilities being to monitor performance and to ensure that there are proper internal controls in place, to agree overall strategy and acquisition policy, to approve major capital expenditure and to review budgets. The Board will also consider reports from senior members of the management team. The Chairman takes responsibility for the conduct of the Group and overall strategy.

Under the Company's Articles of Association, the appointment of all directors must be approved by the shareholders in General Meeting, and additionally one-third of the directors are required to submit themselves for re-election at each Annual General Meeting. Additionally, each director has undertaken to submit themselves for re-election at least every three years. The Board has considered the recommendation to introduce a Nominations Committee. However, it was decided, given the small size of the Board, that nominations are to remain a matter reserved for the Board.

Any Director may, in furtherance of his duties, take independent professional advice where necessary, at the expense of the Company. All directors have access to the Company Secretary whose appointment and removal is a matter for the Board as a whole, and who is responsible to the Board as a whole for ensuring that agreed procedures and applicable rules are observed.

The Company maintains an ongoing dialogue with its institutional shareholders. The Combined Code requires proxy votes to be counted and announced after any vote on a show of hands and this has been implemented by the Company.

The Combined Code requires Directors to review, and report to shareholders on the Group's system of internal control. In September 1999 guidance to this requirement was provided to Directors by the publication of Internal Control: Guidance for Directors on the Combined Code ("The Turnbull Report").

The Board continues to report on internal financial control in accordance with the guidance on internal control and financial reporting that was issued by the Institute of Chartered Accountants in England and Wales in 1994.

The Directors have considered the Turnbull Report but have decided that the cost of implementing the procedures contained therein is disproportionate to expected benefits at this stage of the Group's development.

The Directors acknowledge their responsibility for the Group's systems of internal financial control which are designed to provide reasonable but not absolute assurance that the assets of the Group are safeguarded and that transactions are properly authorised and recorded.

During the year, key controls were:

- day to day supervision of the business by the Executive Directors,
- maintaining a clear organisational structure with defined lines of responsibility,
- production of management information, with comparisons against budget,
- maintaining the quality and integrity of personnel,
- Board approval of all significant capital expenditure, and all acquisitions.

Each Group company is responsible for the preparation of a budget for the following year, which is presented to and required to be agreed by the Board before the beginning of that year. The subsidiary is required to report actual performance against that plan each month.

The Board has established two standing committees, the Audit and Remuneration Committees, now comprising three independent Non-Executive Directors. Each committee has written terms of reference.

The Audit Committee, now comprising R Waddington, M-C Dwek and N Medlam, is responsible for the appointment of external auditors, reviewing the interim and annual financial results, considering matters raised by the auditors and reviewing the internal control systems operated by the Group.

The Remuneration Committee, now comprising M Rapoport, M-C Dwek and N Medlam meets at least once a year to review the terms and conditions of employment of Executive Directors including the provision of incentives and performance related benefits. The report of the Remuneration Committee is set out on page 11.

After making enquiries, the Directors believe that the Group has sufficient financial resources to continue in operational existence for the foreseeable future. The accounts have therefore been produced on a going concern basis.

Website Publication

The Directors are responsible for ensuring the annual report and financial statements are made available on a website. Financial statements are published on the Group's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Group's website is the responsibility of the Directors. The Directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

Directors' responsibilities

The Directors are responsible for preparing the director's report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and the Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the Group for that period. The Directors are also required to prepare financial statements in accordance with the rules of the London Stock Exchange for companies trading securities on the Alternative Investment Market.

In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether the Group financial statements have been prepared in accordance with IFRSs as adopted by the European Union, subject to any material departures disclosed and explained in the financial statements;
- for the Company financial statements, state whether applicable UK Accounting Standards have been followed; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Company will continue in business.

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

All of the current directors have taken all the steps that they ought to have taken to make themselves aware of any information needed by the Company's auditors for the purposes of their audit and to establish that the auditors are aware of that information. The directors are not aware of any relevant audit information of which the auditors are unaware.

Auditors

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

By order of the Board

B BEECRAFT
Company Secretary

2 August 2012

REPORT OF THE REMUNERATION COMMITTEE

Authority

The Remuneration Committee is responsible for approving the remuneration of Executive Directors. The remuneration of Non-Executive Directors is approved by the full Board of the Company.

Membership

The majority membership of the Remuneration Committee is required to comprise independent Non-Executive Directors and at 30 April 2012 comprised two existing Non-Executive Directors, Maurice Dwek and Michel Rapoport.

Maurice Dwek was chairman and co-founded Dwek Group plc in 1963, a company which was listed on the London Stock Exchange in 1973 before the company was sold to a management buy-out team. He was subsequently chairman of Arlen plc and Owen & Robinson plc before concentrating on Newmark in 1997.

Michel Rapoport was previously President and Chief Executive Officer of Mosler Inc., a manufacturer and integrator of security systems for banking, industrial and commercial organisations. Prior to that he was Vice President of Pitney Bowes International and Chairman of Pitney Bowes France. He is President and Chief Executive Officer of LII Holdings, Inc., a holding company based in Atlanta, Georgia USA.

Following the Board changes on 1 May 2012, M Rapoport and M Dwek resigned from the audit committee and R Waddington, M-C Dwek and N Medlam joined the committee. At the same time, M Dwek resigned from the remuneration committee and M-C Dwek and N Medlam joined the committee.

Remuneration policy

The Group's policy is to offer remuneration packages which are appropriate to the experience, qualifications and level of responsibility of each Executive Director and are in line with directors of comparable public companies.

Service and consultancy agreements

The Company entered into a consultancy agreement with Arbury Inc. on 1 September 1997 for the services provided to the Company by Mr Dwek. The agreement may be terminated by either party subject to 12 months' notice being served. Arbury Inc. is paid a fee in line with the level of responsibilities of Mr Dwek who is also entitled to the provision of a car for which the Company will meet all running expenses except for lease costs.

The Company entered into a service agreement on 5 June 1998 with Mr Beecraft which may be terminated by either party serving six months' notice. This notice period was extended in October 2007 to a period of 12 months.

Director's emoluments

Emoluments of the directors (including pension contributions) of the Company during the year ended 30 April 2012 were as follows:

	Consultancy/ management agreement £'000	Salary £'000	Fees £'000	Total £'000	Pension contributions £'000
Executive Directors					
B Beecraft	–	123	–	123	–
D Blethyn[(b)]	–	168	–	168	–
Non-Executive Directors					
M Dwek[(a)]	75	–	–	75	–
M Rapoport	–	–	25	25	–
N Medlam	–	–	15	15	–
D Ishag	–	–	15	15	–
	75	291	55	421	–
2011	75	287	55	417	–

The directors' share interests are detailed in the Report of the Directors on pages 7 and 8.

(a) The Company paid a consultancy fee of £75,000 (2011: £75,000) to Arbury Inc., a company 51 per cent. owned by M Dwek which covers salary, pension and car benefits.

(b) The emoluments of D Blethyn relate to his services as a director of Grosvenor Technology Limited for the year ended 30 April 2012.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF NEWMARK SECURITY PLC

We have audited the financial statements of Newmark Security PLC for the year ended 30 April 2012 which comprise the consolidated statement of financial position and company balance sheet, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of cash flows, the consolidated statement of changes in equity and the related notes. The financial reporting framework that has been applied in the preparation of the consolidated financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with sections Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the statement of directors' responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the group's and the parent company's affairs as at 30 April 2012 and of the group's profit for the year then ended;
- the consolidated financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company's financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Andrew Stickland (senior statutory auditor)
For and on behalf of BDO LLP, statutory auditor

Gatwick

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Date 2 August 2012

CONSOLIDATED INCOME STATEMENT
for the year ended 30 April 2012

	Note	2012 £'000	2011 £'000
Revenue	2	13,094	12,652
Cost of sales		(7,826)	(7,340)
Gross profit		5,268	5,312
Administrative expenses pre legal costs		(4,903)	(4,464)
Legal costs	3	(176)	(40)
Administrative expenses – total		(5,079)	(4,504)
Profit from operations	4	189	808
Finance costs	7	(127)	(102)
Profit before tax		62	706
Tax credit	8	115	151
Profit for the year	24	177	857
Attributable to:			
– Equity holders of the parent		177	857
Earnings per share			
– Basic (pence)	9	0.04p	0.19p
– Diluted (pence)	9	0.04p	0.18p

All amounts relate to continuing activities.

The notes on pages 19 to 42 form part of these financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the year ended 30 April 2012

	2012 £'000	2011 £'000
Profit for the year	177	857
Foreign exchange losses on retranslation of overseas operations	–	(8)
Total comprehensive income for the year	177	849
Attributable to:		
– Equity holders of the parent	177	849

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
at 30 April 2012

Company number: 3339998

	Note	2012 £'000	2011 £'000 (Restated)	2010 £'000 (Restated)
ASSETS				
Non-current assets				
Property, plant and equipment	10	709	788	730
Intangible assets	11	10,699	10,142	9,313
Total non-current assets		11,408	10,930	10,043
Current assets				
Inventories	14	1,520	1,469	1,503
Trade and other receivables	15	2,373	2,885	2,402
Cash and cash equivalents		2,100	1,295	1,861
Total current assets		5,993	5,649	5,766
Total assets		17,401	16,579	15,809
LIABILITIES				
Current liabilities				
Trade and other payables	16	3,535	2,936	2,958
Other short term borrowings	17	2,147	1,752	1,962
Corporation tax liability		4	–	160
Provisions	21	81	117	123
Total current liabilities		5,767	4,805	5,203
Non-current liabilities				
Long term borrowings	18	424	486	68
Provisions	21	84	84	100
Deferred tax	22	324	454	412
Total non-current liabilities		832	1,024	580
Total liabilities		6,599	5,829	5,783
TOTAL NET ASSETS		10,802	10,750	10,026
Capital and reserves attributable to equity holders of the company				
Share capital	23	4,504	4,504	4,504
Share premium reserve	24	502	502	502
Merger reserve	24	801	801	801
Foreign exchange difference reserve	24	(175)	(175)	(167)
Retained earnings	24	5,130	5,078	4,346
		10,762	10,710	9,986
Non-controlling interest		40	40	40
TOTAL EQUITY		10,802	10,750	10,026

The financial statements were approved by the Board of Directors and authorised for issue on 2 August 2012.

M Dwek
Director

The notes on pages 19 to 42 form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
for the year ended 30 April 2012

	Note	2012 £'000	2012 £'000	2011 £'000	2011 £'000
Cash flow from operating activities					
Net profit after tax		177		857	
Adjustments for:					
Depreciation and amortisation	10 & 11	913		616	
Interest expense	7	127		102	
Income tax credit	8	(115)		(151)	
Operating cash flows before changes in working capital		1,102		1,424	
Decrease/(increase) in trade and other receivables		403		(375)	
(Increase)/decrease in inventories		(51)		34	
Increase in trade and other payables		568		109	
Cash generated from operations			2,022		1,192
Income taxes received/(paid)			92		(78)
Cash flows from operating activities			2,114		1,114
Cash flow from investing activities					
Payments for property, plant & equipment		(136)		(203)	
Sale of property, plant & equipment		1		6	
Research & development expenditure	11	(1,131)		(1,108)	
Acquisition of subsidiary		–		(156)	
			(1,266)		(1,461)
Cash flow from financing activities					
Proceeds loan notes		105		–	
Proceeds new bank loan		–		450	
Repayment of bank loans		(96)		(210)	
Repayment of finance lease creditors		(134)		(126)	
Dividends paid		(125)		(125)	
Interest paid	7	(127)		(102)	
			(377)		(113)
Increase/(decrease) in cash and cash equivalents	29		471		(460)

The notes on pages 19 to 42 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital £'000	Share premium £'000	Merger reserve £'000	Foreign exchange reserve £'000	Retained earnings £'000	Minority interest £'000	Total equity £'000
1 May 2010	4,504	502	801	(167)	4,346	40	10,026
Dividends (note 24)	–	–	–	–	(125)	–	(125)
Total comprehensive income	–	–	–	(8)	857	–	849
30 April 2011	4,504	502	801	(175)	5,078	40	10,750
1 May 2011	4,504	502	801	(175)	5,078	40	10,750
Dividends (note 24)	–	–	–	–	(125)	–	(125)
Total comprehensive income	–	–	–	–	177	–	177
30 April 2012	4,504	502	801	(175)	5,130	40	10,802

1. Accounting policies

Newmark Security PLC (the "Company") is a public limited company domiciled in England. The consolidated financial statements of the Company for the year ended 30 April 2012 comprise the Company and its subsidiaries (together referred to as the "Group")

Basis of preparation

The principal accounting policies adopted in the preparation of the financial statements are set out below. The policies have been consistently applied to all the years presented, unless otherwise stated.

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) and its interpretations (IFRICs) issued by the International Accounting Standards Board (IASB) and with those parts of the Companies Act 2006 applicable to companies preparing their accounts under IFRS.

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of income and expenses, and assets and liabilities. These judgements and assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the result of which form the basis of making the judgements about carrying values of assets and liabilities. Actual results may differ from these estimates.

These estimates and underlying assumptions are reviewed on an ongoing basis. Any revisions to the accounting estimates are recognised in the period in which the revision is made.

The Company has elected to prepare its parent company financial statements in accordance with UK GAAP. These are presented on pages 43 to 47.

The following principal accounting policies have been applied consistently in the preparation of these financial statements:

New standards, interpretations and amendments effective from 1 May 2011

The new standards, interpretations and amendments, effective from 1 May 2011, have not had a material effect on the financial statements.

Standards and Interpretations to Existing Standards that are not yet effective and have not been adopted early by the Group

The amendments and interpretations to published standards that have an effective date on or after 1 May 2011 or later periods have not been adopted early by the Group and are not expected to materially affect the Group when they do come into effect.

Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker has been identified as the management team including the Chairman and Group Finance Director.

Revenue

Turnover is stated net of value added tax. Sales of equipment including hardware and software are recognised when the equipment is shipped to the customer or installed. Service, maintenance and licence revenue is spread evenly over the term of the contract. Other sales include installation and refurbishment work which are recognised on completion of work.

Basis of consolidation

Where the company has the power, either directly or indirectly, to govern the financial and operating policies of another entity or business so as to obtain benefits from its activities, it is classified as a subsidiary. The consolidated financial statements present the results of the Group as if it formed a single entity. Intercompany transactions and balances between group companies are therefore eliminated in full.

Business combinations

The consolidated financial statements incorporate the results of business combinations using the purchase method. In the consolidated statement of financial position, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal as appropriate.

Goodwill

Goodwill represents the excess of the cost of a business combination over the interest in the fair value of identifiable assets, liabilities and contingent liabilities acquired. Cost comprises the fair values of assets given, liabilities assumed and equity instruments issued, plus any direct costs of acquisition.

Goodwill is capitalised as an intangible asset with any impairment in carrying value being charged to the income statement.

Where the fair value of identifiable assets, liabilities and contingent liabilities exceed the fair value of consideration paid, the excess is credited in full to the income statement.

Impairment of non-financial assets

Impairment tests on goodwill and other intangible assets with indefinite useful economic lives are undertaken annually on 30 April. Where the carrying value of an asset exceeds its recoverable amount (ie the higher of value in use and fair value less costs to sell), the asset is written down accordingly. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the current market assessment of the time value of money and risk specific to the asset.

Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is carried out on the asset's cash-generating unit (ie the lowest group of assets in which the asset belongs for which there are separately identifiable cash flows). Goodwill is allocated on initial recognition to each of the Group's cash-generating units that are expected to benefit from the synergies of the combination giving rise to the goodwill.

Impairment charges are included in the administrative expenses line item in the income statement. An impairment loss in respect of goodwill is not reversed. In respect of other assets, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment had been recognised.

In testing for impairment, management has to make judgements and estimates about future events which are uncertain. Adverse results compared to these judgements could alter the decision of whether an impairment is required.

Foreign currency

Items included in the financial statements of each of the Group entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in sterling, which is the Group's functional and presentation currency.

Transactions entered into by Group entities in a currency other than the functional currency of the primary economic environment in which it operates are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the balance sheet date. Exchange differences arising on the retranslation of unsettled monetary assets and liabilities are similarly recognised immediately in the income statement, except for foreign currency borrowings qualifying as a hedge of a net investment in a foreign operation.

The results and financial position of all Group companies that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities are translated at the closing rate at the date of the balance sheet;

(ii) income and expenses are translated at average exchange rates; and

(iii) all resulting exchange differences are recognised as a separate component of equity.

At the date of the transition to IFRS the cumulative translation differences for foreign operations have been deemed to be zero.

On disposal of a foreign operation, the cumulative exchange differences recognised in the foreign exchange reserve relating to that operation up to the date of disposal are transferred to the income statement as part of the profit or loss on disposal.

Financial assets

Loans and receivables: These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (trade receivables), but also incorporate other types of contractual monetary asset. They are carried at amortised cost.

Financial assets are not derecognised until the associated risks and rewards are transferred or extinguished.

Other financial liabilities: Other financial liabilities include the following items:

- Trade payables and other short-term monetary liabilities, which are initially recognised at fair value and subsequently at amortised cost.
- Bank borrowings, loan notes and invoice discounting arrangements are initially recognised at fair value. Such interest bearing liabilities are subsequently measured at amortised cost using the effective interest rate method, which ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried in the balance sheet. "Interest expense" in this context includes initial transaction costs, as well as any interest or coupon payable while the liability is outstanding.

Share-based payments

Where share options are awarded to employees, the fair value of the options at the date of grant is charged to the income statement over the vesting period. Equity settled share options are recognised with a corresponding credit to equity.

Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each balance sheet date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Market vesting conditions are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether the market vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition.

Leased assets

Where substantially all of the risks and rewards incidental to ownership of a leased asset have been transferred to the Group (a "finance lease"), the asset is treated as if it had been purchased outright. The amount initially recognised as an asset is the fair value, or if lower, the present value of the minimum lease payments payable over the term of the lease. The corresponding lease commitment is shown as a liability. Lease payments are analysed between capital and interest. The interest element is charged to the income statement over the period of the lease and is calculated so that it represents a constant proportion of the lease liability. The capital element reduces the balance owed to the lessor.

Where substantially all of the risks and rewards incidental to ownership are retained by the lessor (an "operating lease"), the total rentals payable under the lease are charged to the income statement on a straight-line basis over the lease term.

The land and buildings elements of property leases are considered separately for the purposes of lease classification.

Internally generated intangible assets (research and development costs)

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

Expenditure on internally developed products is capitalised if it can be demonstrated that:

- it is technically feasible to develop the product for it to be sold;
- adequate resources are available to complete the development;
- there is an intention to complete and sell the product;
- the group is able to sell the product;
- sale of the product will generate future economic benefits; and
- expenditure on the project can be measured reliably.

Capitalised development costs are amortised over seven years being the period the Group expects to benefit from selling the products developed. Amortisation is charged from when the asset is ready for use and the expense is included within the cost of sales line in the income statement.

Development expenditure not satisfying the above criteria and expenditure on the research phase of internal projects are recognised in the income statement as incurred.

Intangible assets

Costs associated with patents, trade marks, copyrights etc. are capitalised as incurred and are amortised over the expected life of the asset.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current Tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred taxation

Deferred tax assets and liabilities are recognised where the carrying amount of an asset or liability in the balance sheet differs from its tax base, except for differences arising on:

- the initial recognition of goodwill;
- goodwill for which amortisation is not tax deductible;
- the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting nor taxable profit; and
- investments in subsidiaries and jointly controlled entities where the group is able to control the timing of the reversal of the difference and it is probable that the difference will not reverse in the foreseeable future.

Recognition of deferred tax assets is restricted to those instances where it is probable that taxable profit will be available against which the difference can be utilised.

The amount of the asset or liability is determined using tax rates that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the deferred tax liabilities/(assets) are settled/(recovered). Deferred tax balances are not discounted.

Deferred tax assets and liabilities are offset when the Group has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority on either:

- the same taxable group company; or
- different group entities which intend either to settle current tax assets and liabilities on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax assets or liabilities are expected to be settled or recovered.

Property, plant and equipment

Items of property, plant and equipment are recognised at cost. As well as the purchase price, cost includes directly attributable costs and the estimated present value of any future costs of dismantling and removing items. The corresponding liability is recognised within provisions.

Freehold land is not depreciated. Depreciation is provided on all other items of property, plant and equipment to write off the carrying value of items over their expected useful economic lives. It is applied at the following rates:

Freehold buildings	–	5 per cent. per annum straight line
Short leasehold improvements	–	evenly over the length of the lease
Plant and machinery	–	20 per cent. per annum straight line
Fixtures and fittings	–	10-15 per cent. per annum straight line
Computer equipment	–	25-33.3 per cent. per annum straight line
Motor vehicles	–	25 per cent. per annum reducing balance

Inventories

Inventories are initially recognised at cost, and subsequently at the lower of cost and net realisable value. Cost comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Weighted average cost is used to determine the cost of ordinarily interchangeable items.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs necessary to make the sale.

Provisions

Provisions are recognised for liabilities of uncertain timing or amount that have arisen as a result of past transactions, where it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation.

Where a provision is measured using the estimated cashflow required to settle the obligation then its carrying value is the present value of those cashflows.

Onerous contracts – Present obligations arising under onerous contacts are recognised and measured as a provision. An onerous contract is considered to exist where the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

Dilapidations – Dilapidation provisions are provided on leasehold properties where the terms of the lease require the Group to make good any changes made to the property during the period of the lease. Where a dilapidation provision is required the Group recognises an asset and provision equal to the discounted cost of restating the property to its original state. The asset is depreciated over the remaining term of the lease.

Cash and cash equivalents

Cash and cash equivalents in the cash flow statement include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are included in borrowings in current liabilities in the balance sheet.

Borrowing costs

Borrowing costs are recognised as an expense in the period in which they are incurred.

Critical accounting estimates and judgements

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Estimated impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated above. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates.

(b) Development costs on internally developed products are capitalised if it can be demonstrated that the expenditure meets the criteria set out above. These Costs are amortised over the period that the Group expects to benefit from selling the products developed. The judgements concerning compliance with the above criteria and the expected useful life of there assets are made using the historical, commercial and technical experience of senior members of the management team.

(c) Accounting estimates are applied in determining the initial fair value of development costs on business combinations.

Dividends

Dividends are recognised when they become legally payable. In the case of interim dividends to equity shareholders, this is when declared by the directors. In the case of final dividends, this is when approved by the shareholders at the AGM.

Restatement

The Directors have restated the prior year classification of assets and liabilities to split out positive cash balances offset against the bank overdraft within other short term borrowings. The April 2011 cash and cash equivalents balance has increased by £1,295,000 and the other short term borrowings balance has increased by the same amount. See note 17 on page 33 for further detail on the Group's overdraft facility. There is no impact on the consolidated income statement for the year ended 30 April 2011.

2. Revenue

Revenue arises from:	2012 £'000	2011 £'000
Sale of goods	8,555	8,408
Provision of services	4,539	4,244
	13,094	12,652

3. Legal costs

The legal costs relate to payments made in settlement of claims by two former employees for constructive dismissal and the claims made by subsidiary companies against them for infringement of intellectual property rights/breach of warranty and restrictive covenants. The costs also include professional fees incurred in relation to their claims.

4. Profit from operations

This has been arrived at after charging/(crediting):	2012 £'000	2011 £'000
Staff costs (note 5)	6,154	5,754
Depreciation of property, plant and equipment		
– owned assets	226	229
– leased assets	113	108
Amortisation of intangible assets	380	279
Impairment provision	194	–
Foreign exchange differences	24	–
Operating lease expense		
– Plant and machinery	57	27
– Property	294	296
Auditors remuneration:		
Audit fees payable to the company's auditor for the audit of		
Company annual accounts	8	8
Group annual accounts	10	10
Other fees payable to the Company's auditors		
Subsidiary companies	37	36
Tax compliance	38	10
(Profit) on disposal of tangible non-current assets	(29)	(16)

5. Staff costs

Staff costs (including the Executive Directors) comprise:	2012 £'000	2011 £'000
Wages and salaries	5,212	4,883
Short-term non-monetary benefits	200	221
Defined contribution pension cost	157	123
Employer's national insurance contributions and similar taxes	585	527
	6,154	5,754

The average numbers employed (including the Executive Directors) within the following categories were:

	2012 No.	2011 No.
Management, sales and administration	42	42
Production	89	84
	131	126

Key management remuneration (comprising the Executive Directors and Directors of subsidiary companies):

	2012 £'000	2011 £'000
Salaries	861	751
Short-term non-monetary benefits	44	35
Defined contribution pension costs	62	54
Employers national insurance contributions and similar taxes	107	92
	1,074	932

The emoluments of the Directors of the parent company are set out in the Report of the Remuneration Committee on page 11.

6. Segment information

Description of the types of products and services from which each reportable segment derives its revenues

The Group has 2 main reportable segments:

- Electronic division – This division is involved in the design, manufacture and distribution of access-control systems (hardware and software) and the design, manufacture and distribution of OEM hardware only, for time-and-attendance, shop-floor data collection, and access control systems. This division contributed 46 per cent. (2011: 49 per cent.) of the Group's revenue.
- Asset Protection division – This division is involved in the design, manufacture, installation and maintenance of fixed and reactive security screens, reception counters, cash management systems and associated security equipment. This division contributed 54 per cent. (2011: 51 per cent.) of the Group's revenue.

Factors that management used to identify the Group's reportable segments

The Group's reportable segments are strategic business units that offer different products and services. The two divisions are managed separately as each involves different technology, and sales and marketing strategies.

Measurement of operating segment profit or loss from operations before tax not including non-recurring losses such as goodwill impairment, and also excluding the effects of share based payments.

Segment assets and liabilities exclude group company balances.

	Electronic 2012 £'000	Asset Protection 2012 £'000	Total 2012 £'000
Revenue			
Total revenue	6,039	7,055	13,094
Revenue from external customers	6,039	7,055	13,094
Finance cost	22	20	42
Depreciation	117	215	332
Amortisation	380	–	380
Impairment	194	–	194
Segment profit before income tax	296	436	732
Additions to non-current assets	1,036	211	1,247
Reportable segment assets	4,583	5,493	10,076
Reportable segment liabilities	1,919	2,141	4,060

	Electronic 2011 £'000 (Restated)	Asset Protection 2011 £'000 (Restated)	Total 2011 £'000 (Restated)
Revenue			
Total revenue	6,142	6,510	12,652
Revenue from external customers	6,142	6,510	12,652
Finance cost	21	20	41
Depreciation	139	196	335
Amortisation	279	–	279
Segment profit before income tax	882	511	1,393
Additions to non-current assets	839	668	1,507
Reportable segment assets	5,813	3,797	9,610
Reportable segment liabilities	2,031	1,762	3,793

Reconciliation of reportable segment revenues, profit or loss, assets and liabilities to the Group's corresponding amounts:

	2012 £'000	2011 £'000
Revenue		
Total revenue for reportable segments	13,094	12,652

	2012 £'000	2011 £'000
Profit or loss after income tax expense		
Total profit or loss for reportable segments	732	1,393
Corporation taxes	115	151
Unallocated amounts – other corporate expenses	(670)	(687)
Profit after income tax expense (continuing activities)	177	857

	2012 £'000	2011 £'000 (Restated)
Assets		
Total assets for reportable segments	10,076	9,610
PLC	473	25
Goodwill on consolidation	6,852	6,852
Assets of discontinued activities	–	92
Group's assets	17,401	16,579
Liabilities		
Total liabilities for reportable segments	4,060	3,793
PLC	2,536	2,036
Liabilities of discontinued activities	3	–
Group's liabilities	6,599	5,829

	Reportable segment totals 2012 £'000	Adjustments 2012 £'000	Group totals 2012 £'000	Reportable segment totals 2011 £'000	Adjustments 2011 £'000	Group totals 2011 £'000
Other material items						
Capital expenditure	1,247	9	1,256	1,507	2	1,509
Depreciation and amortisation	712	7	719	614	2	616
Impairment	194	–	194	–	–	–

Geographical information:

	External revenue by location of customers		Non-current assets by location of assets	
	2012	2011	2012	2011
	£'000	£'000	£'000	£'000
UK	11,314	10,973	11,408	10,930
Europe	1,034	1,092	–	–
USA	550	410	–	–
Other countries	196	177	–	–
	13,094	12,652	11,408	10,930

7. Finance costs

	2012	2011
	£'000	£'000
Finance costs		
Bank borrowings	81	61
Loan notes	4	–
Invoice discounting	22	21
Finance leases	20	20
	127	102

8. Tax expense

	2012	2012	2011	2011
	£'000	£'000	£'000	£'000
Current tax expense				
Continuing businesses				
UK corporation tax on profits for the year	(250)		(86)	
Adjustment for over provision in prior periods	95		(153)	
		(155)		(239)
Deferred tax expense				
Origination and reversal of temporary differences	102		82	
Adjustment for over provision in prior periods	(62)		6	
		40		88
Total tax credit		(115)		(151)

The reasons for the difference between the actual tax charge for the year and the standard rate of corporation tax in the UK applied to profits for the year are as follows:

	2012	2011
	£'000	£'000
Profit before tax	62	706
Expected tax charge based on the standard rate of corporation tax in the UK of 25.84 per cent. (2011: 27.83 per cent.)	16	196
Research and development allowances	(331)	(161)
Effects on profits of other items not deductible for tax purposes	145	2
Utilisation of previously unrecognised tax losses	(38)	(17)
Losses carried forward	59	37
Change in tax rate	13	(34)
Adjustment to tax charge in respect of previous periods	33	(147)
Other	(12)	(27)
Total tax credit	(115)	(151)

The Group has the following tax losses, subject to agreement by HMRC Inspector of Taxes, available for offset against future trading profits and capital gains as appropriate:

	2012 £'000	2011 £'000
Management expenses	984	772
Trading losses	1,472	1,620

If the losses were to be recognised this would give rise to deferred tax assets as follows:

	2012 £'000	2011 £'000
Management expenses	236	216
Trading losses	353	421

9. Earnings per share

	2012 £'000	2011 £'000
Numerator		
Earnings used in basic and diluted EPS – continuing operations	177	857
	No.	**No.**
Denominator		
Weighted average number of shares used in basic EPS		
– continuing and discontinued operations	450,432,316	450,432,316
Effect of employee share options	–	19,800,000
Weighted average number of shares used in diluted EPS	450,432,316	470,232,316

Certain employee options have been excluded from the calculation of diluted EPS as their exercise price is greater than the weighted average share price during the year (i.e. they are out-of-the-money) and therefore it would not be advantageous for the holders to exercise those options. The total number of options in issue is disclosed in note 26.

The basic earnings per share before legal costs has also been presented since, in the opinion of the directors, this provides shareholders with a more appropriate measure of earnings derived from the Group's businesses. It can be reconciled to basic earnings per share as follows:

	2012 pence	2011 pence
Basic earnings per share (pence) – basic	0.04	0.19
Legal costs	0.04	0.01
Earnings per share before legal costs – basic	0.08	0.20

	2012 £'000	2011 £'000
Reconciliation of earnings		
Profit used for calculation of basic earnings per share	177	857
Legal costs	176	40
Earnings before legal costs	353	897

10. Property, plant and equipment

	Short leasehold improvements £'000	Plant, machinery and motor vehicles £'000	Computers, fixtures and fittings £'000	Total £'000
At 30 April 2011				
Cost	511	1,489	904	2,904
Accumulated depreciation	(280)	(1,140)	(696)	(2,116)
Net book value	231	349	208	788
At 30 April 2012				
Cost	523	1,461	1,016	3,000
Accumulated depreciation	(318)	(1,165)	(808)	(2,291)
Net book value	205	296	208	709
Year ended 30 April 2011				
Opening net book value	153	347	230	730
Additions	107	216	78	401
Disposals	–	(6)	–	(6)
Depreciation	(29)	(208)	(100)	(337)
Closing net book value	231	349	208	788
Year ended 30 April 2012				
Opening net book value	231	349	208	788
Additions	12	137	112	261
Disposals	–	(1)	–	(1)
Depreciation	(38)	(189)	(112)	(339)
Closing net book value	205	296	208	709

The net book value of property plant and equipment for the Group includes an amount of £232,539 (2011: £245,733) in respect of assets held under finance leases and hire purchase contracts. The related depreciation charge on these assets for the year was £113,380 (2011: £108,498).

11. Intangible assets

	Goodwill £'000	Development costs (internally generated) £'000	Licences, patents and copyrights £'000	Total £'000
At 30 April 2011				
Cost	6,852	3,808	37	10,697
Amortisation	–	(540)	(15)	(555)
Net book value	6,852	3,268	22	10,142
At 30 April 2012				
Cost	6,852	4,939	37	11,828
Amortisation	–	(915)	(20)	(935)
Impairment provision	–	(194)	–	(194)
Net book value	6,852	3,830	17	10,699
Year ended 30 April 2011				
Opening net book value	6,852	2,434	27	9,313
Additions				
– Internally developed	–	1,108	–	1,108
Amortisation	–	(274)	(5)	(279)
Closing net book value	6,852	3,268	22	10,142
Year ended 30 April 2012				
Opening net book value	6,852	3,268	22	10,142
Additions				
– Internally developed	–	1,131	–	1,131
Amortisation	–	(375)	(5)	(380)
Impairment provision	–	(194)	–	(194)
Closing net book value	6,852	3,830	17	10,699

This impairment in the period represents internally generated development costs which no longer satisfy the criteria for capitalisation under IAS38 as listed on page 21 as revised estimates of future cash flows of the product which the development costs relate to are no longer expected to support the carrying amount.

The Group has no contractual commitments for development costs (2011: £Nil).

All development costs have a finite useful economic life.

12. Goodwill and impairment

Details of goodwill allocated to Cash Generating Units ("CGUs")for which the amount of goodwill so allocated is significant in comparison to total goodwill is as follows:

	Goodwill carrying amount 2012 £'000	2011 £'000
Electronic division	5,794	5,794
Asset protection division	1,058	1,058
	6,852	6,852

The recoverable amounts of all the above CGUs have been determined from value in use calculations based on cash flow projections from formally approved budgets covering a five year period to 30 April 2017. The discount rate which was applied was 16.7 per cent. (2011: 16.7 per cent.), the estimated weighted average cost of capital.

The trading companies all operate in certain niche markets, each of which can be in part project driven. Therefore the budgets produced take known future contracts into account, and allow for historic projects as well. Within the electronic division, market share is assumed to remain unchanged except for these known projects. In the asset protection division, there is a range of products and different assumptions have been made about possibilities of growth for each of these products. Operating margins have been based on historic figures for each product range and overheads, mainly salaries, are expected to increase in line with inflation.

The reviews which are carried out at 30 April each year indicated that no impairment provision was necessary.

The growth rates for cash flows from operating activities for the period beyond the formal budgeted period within the value in use calculation is based on an extrapolation of the budgeted cash flows for year 5 and are 28 per cent. and 9 per cent. for the electronic division and asset protection division respectively (2011: 27 per cent. and 5 per cent. respectively). The growth rate for the electronic division reflects the introduction of products to new geographical markets.

13. Subsidiaries

The principal subsidiaries of Newmark Security PLC, all of which have been included in these consolidated financial statements, are as follows:

Name	Country of incorporation	Proportion of ownership interest(1)	Activity
Custom Micro Products Limited	Great Britain	100%	Dormant
Newmark Technology Limited(2a)	Great Britain	100%	Trading
Newmark Technology (C-Cure Division) Limited	Great Britain	100%	Dormant
Safetell International Limited	Great Britain	100%	Dormant
Safetell Limited	Great Britain	100%	Trading
Safetell Security Screens Limited	Great Britain	100%	Trading
Vema B.V.	The Netherlands	100%	Holding
Vema N.V.(2b)	The Netherlands	98%	Dormant
Vema UK Limited(2c)	Great Britain	100%	Dormant
Grosvenor Technology Limited	Great Britain	100%	Trading
Newmark Group Limited	Great Britain	100%	Dormant
Sateon Limited	Great Britain	100%	Dormant
ATM Protection (UK) Limited(2d)	Great Britain	60%	Trading
ATM Protection Limited(2e)	Great Britain	60%	Trading
Grosvenor Technology LLC(2a)	USA	100%	Trading

(1) The shares held in all companies are ordinary shares

(2) The investments in subsidiary companies are held directly by the Company apart from the following:

- (a) Owned by Grosvenor Technology Limited
- (b) Owned by Vema BV 51 per cent., Newmark Security PLC 47 per cent.
- (c) Owned by Vema NV
- (d) Owned by Safetell Limited
- (e) 100 per cent. Owned by ATM Protection (UK) Limited

14. Inventories

	2012 £'000	2011 £'000
Raw materials and consumables	685	826
Work-in-progress	42	86
Finished goods and goods for resale	793	557
	1,520	1,469

Finished goods include an amount of £Nil (2011: £Nil) carried at fair value less costs to sell. The value of inventories consumed in the year was £3,733,000 (2011: £3,859,000). The amount of inventory write downs in the year was £38,000 (2011: £36,000). There are no inventories recoverable after 12 months (2011: £Nil).

15. Trade and other receivables

	2012 £'000	2011 £'000
Trade receivables	1,870	2,071
Less: provision for impairment and trade receivables	(22)	(25)
Trade receivables (net)	1,848	2,046
Other receivables	13	217
Accrued income	246	318
Prepayments	266	304
	2,373	2,885

At 30 April 2012 trade receivables of £730,000 (2011: £1,160,000) were past due but not impaired. The ageing analysis of these receivables is as follows:

	2012 £'000	2011 £'000
Current	1,098	911
30 days past due	614	799
60 days past due	158	361
	1,870	2,071

Financial assets past due or impaired

The analysis of Group's provisions against trade receivables is shown in the table below:

Analysis of trade receivables impairments

	2012			2011		
	Gross Value £'000	Provision £'000	Net Carrying Amount £'000	Gross Value £'000	Provision £'000	Net Carrying Amount £'000
UK	1,702	(22)	1,680	1,958	(25)	1,933
USA	67	–	67	60	–	60
Europe	101	–	101	53	–	53
Total	**1,870**	**(22)**	**1,848**	**2,071**	**(25)**	**2,046**

The main factor used in assessing any impairment of trade receivables is the age of the balance and the circumstances of the individual customer. The fair value of trade receivables that are past due or impaired is their carrying amount.

Movements on group provisions for impairment of trade receivables are as follows:

	2012 £'000	2011 £'000
Opening balance	25	22
Increase in provisions	–	10
Receivable written off during the year	(3)	(7)
Closing balance	**22**	**25**

The movement on the provision for impaired receivables has been included in the administrative expense line in the income statement. The Group provides against specific debtors.

16. Trade and other payables – current

	2012 £'000	2011 £'000
Trade payables	1,121	774
Other tax and social security taxes	600	419
Other payables	632	756
Deferred income	594	500
Deferred purchase consideration	102	108
Accruals	486	379
	3,535	2,936

Other payables include an amount of £485,000 (2011: £688,000) in respect of an invoice discount facility which was secured on the trade receivables.

17. Other short term borrowings

	2012 £'000	2011 £'000 (Restated)	2010 £'000 (Restated)
Bank overdraft	1,878	1,544	1,650
Bank loans			
– secured	148	84	210
Finance lease creditor (note 25)	121	124	102
	2,147	1,752	1,962

UK subsidiaries of the Group use the same principal banker. The bank overdraft facility provided is a Group composite facility comprising of current account and/or overdraft facility.

The Board reviews cash on a net basis in line with this facility but have disclosed surplusses and deficits separately in the financial statements to comply with IAS32.

The bank loan is secured on the assets of the UK subsidiary companies and is repayable by equal monthly instalments from September 2011 to August 2014. Interest is payable at 2.5 per cent. above base rate.

Information about fair values on the financial liabilities is given in note 19.

18. Long term borrowings

	2012 £'000	2011 £'000
Loan notes	105	–
Bank loans – secured (note 17)	206	366
Finance lease creditor (note 25)	113	120
	424	486

Loan notes were issued to directors in November 2011 as part of a facility of up to £300,000. The loan notes are secured with interest payable at 10 per cent. per annum. The loan notes are repayable in full by the third anniversary of the issue of the loan notes. In addition to the loan note, Newmark Security PLC has entered into a warrant instrument with the loan note holders whereby the Company has agreed to grant to the loan note holders 30,000,000 warrants to subscribe for 30,000,000 new ordinary shares of 1 pence each in the Company at any time until 24 November 2016 at an exercise price of 1 pence either for cash or in exchange for the release of some or all of the debt owed to the loan note holders under the loan note instrument.

Information about fair values of this financial liability is given in note 19.

19. Financial instruments – Risk Management

The Group's overall risk management programme seeks to minimise potential adverse effects on the Group's financial performance.

The Group's financial instruments comprise cash, borrowings and liquid resources, and various items such as trade receivables and payables that arise directly from its operations. The Group is exposed through its operations to one or more of the following financial risks:

- Credit risk
- Liquidity risk
- Fair value or cash flow interest rate risk
- Foreign currency risk

The Board identifies and evaluates financial risks in conjunction with the Group's operating companies and the policy for managing these risks is set by the Board following recommendations from the Group Finance Director. Certain risks are managed centrally, while others are managed locally following guidelines communicated from the centre. The policy for each of the above risks is described in more detail below, with the accounting policies as set out in Note 1.

Financial Instruments

Categories of financial assets and financial liabilities are detailed below

	Loans and receivables	
	2012	**2011**
	£'000	**£'000**
		(As restated)
Current financial assets		
Trade and other receivables	2,107	2,581
Cash and cash equivalents	2,100	1,295
Total current financial assets	**4,207**	**3,876**

	Financial liabilities measured at amortised cost	
	2012	**2011**
	£'000	**£'000**
		(As restated)
Current financial liabilities		
Trade and other payables (excluding deferred purchase consideration)	3,433	2,828
Deferred purchase consideration	102	108
Loans and borrowings	2,147	1,752
Total current financial liabilities	**5,682**	**4,688**
Non-current financial liabilities		
Loans and borrowings	424	486
Total non-current financial liabilities	**424**	**486**
Total financial liabilities	**6,106**	**5,174**

Financial instrument risk exposure management

The Group is exposed to risks that arise from its use of financial instruments. This note describes the Group's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements.

There have been no substantive changes in the Group's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous periods unless otherwise stated in this note.

Principal financial instruments

The principal financial instruments used by the Group, from which financial instrument risk arises are

- trade receivables
- cash at bank
- bank overdrafts
- term loans
- invoice discounting facilities
- trade and other payables

General objectives, policies and processes

The Board has overall responsibility for the determination of the Group's risk management objectives and policies. The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the Group's competitiveness and flexibility. Further details regarding these policies are set out below.

Credit risks

Credit risk arises principally from the Group's trade receivables and reflects the risk that the counter party fails to discharge its obligation in respect of the instrument.

It is Group policy to mitigate credit risk arising from the client base through the application of credit limits based on credit ratings issued by the main credit rating agencies, and from the knowledge of the trading history with that customer. For customers with no authorised credit limit, pro forma invoices will be issued requiring payment in full before despatch of goods or provision of services.

Where credit terms requested by the customer are outside the Group's standard terms of business then authorisation is sought from the Group Finance Director.

The end user of our products is often a blue chip customer but we normally invoice a contractor or installer employed by the end user. The Group subsidiary company is also often involved directly with the end user due to our knowledge of the product and its application. The subsidiary has also usually worked with many of these contractors and installers for a number of years. Within the asset protection division, there are also retentions outstanding in situations where our customer is a contractor.

Credit risk is influenced by factors specific to the individuals customers, however an element of the risk is influenced by the geographic locations in which they operate.

The credit quality of the financial assets are reviewed and assessed on an ongoing basis which enables timely judgements to be made on the position of each debt. This allows management to put in place action plans where necessary to ensure the recoverability of the debts and the minimisation of potential write offs.

The Group records impairment losses on its trade receivables separately from gross receivables and reports these net of provisions.

The Group's maximum exposure to credit risk is equal to the carrying value of trade receivables and cash and cash equivalents.

Management monitors the utilisation of the credit limits regularly and does not expect any material losses from non-performance by the counterparties.

The Group does not enter into derivatives to manage credit risk, although in certain isolated cases may take steps to mitigate such risks if it is sufficiently concentrated.

Quantitative disclosures of the credit risk exposure in relation to financial assets and further disclosures regarding trade and other receivables, which are neither past due nor impaired, are provided in note 15.

Liquidity risk

Liquidity risk arises from the Group's management of working capital together with the finance charges and principal payments on its debt instruments. It is the risk that the Group will encounter difficulty in meeting its financial obligations as they fall due. The Group's policy is to ensure that it has adequate financial resources to enable it to finance its day-to-day operations based on cash flow projections. The Group's working capital requirements are generally short term in nature and as such the Group utilises short-term invoice discounting facilities. Longer term financing is utilised for the purpose of acquiring subsidiary undertakings. Cash balances are reported weekly to the Board, and the Group Finance Director compares existing resources and available facilities with projected outgoings. Monthly cash flow statements are prepared and reviewed by management with variances against budget. Cash flow budgets are produced annually and reviewed by the Board of Directors.

Borrowing facilities

The Group had undrawn committed borrowing facilities available at 30 April 2012 in which all conditions have been met.

	Floating rate £'000	**Fixed rate £'000**	**2012 Total £'000**	**2011 Total £'000**
Expiry within 1 year	850	–	850	501
Expiry later than 1 year and not later than 5 years	–	195	195	–
	850	195	1,045	501

The Group had floating rate invoice discounting facilities with a maximum aggregate facility limit at 30 April 2012 of £1,100,000 (2011: £1,100,000). These facilities are subject to 3 months' notice period. The Group also has term loans of £354,000 (2011: £450,000). The interest rate payable on the term loans is base rate plus 2.5 per cent. The loans are repayable in monthly instalments.

The bank loans and overdrafts are secured by a debenture over the assets of the Group and the Company. The invoice discounting facility is secured over the book debts of the electronic division of the Group.

The maturity analysis of the undiscounted financial liabilities measured at amortised costs is as follows:

	2012 £'000	**2011 £'000**
Up to 3 months	485	688
3 to 6 months	74	24
6 to 12 months	74	60
Later than 1 year and not later than 5 years	416	366
	1,049	1,138

Included with in 0 -3 months period is the amounts drawn down via the invoice discounting facility.

Market risks

Market risks arise from the Group's use of interest bearing financial instruments. It is the risk that the fair value or future cash flow of a financial instrument will fluctuate because of changes in interest rates or other market factors.

Interest rate risk

The Group finances its operations through a mixture of retained profits, bank loans and invoice discounting facilities, both bank loans and invoice discounting facilities being at floating rates.

Interest rate risk sensitivity of interest rate exposure

The following table demonstrates the effect of a 1 per cent. movement from a base rate plus 2.5 per cent. based on the term loan balances as at 30 April 2012 of £354,000.

Interest rate movement from base rate plus 2.5%	**–1%**	**+1%**
Interest (saving)/expenses (£000's)	(3)	3

Interest Risk Profile

The following table sets out the carrying amount of the Group's financial instruments that are exposed to interest rate risk as at 30 April 2012, all of which are denominated in sterling:

	2012		2011	
	Effective Interest Rate	**Carrying Amount £'000**	**Effective Interest Rate**	**Carrying Amount £'000**
Floating rate with maturity within one year				
Cash and overdrafts	–	222	–	(249)
Advances drawn on invoice discounting	Libor +2%	(485)	Libor +2%	(688)
Term loan	Libor +2.5%	(148)	Libor +2.5%	(84)
Floating rate with maturity over one year				
Term loan		(206)		(366)
		(617)		(1,387)

Foreign currency risk

The Group's main foreign currency risk is the short-term risk associated with financial assets denominated in US dollars and Euros relating to the UK operations whose functional currency is sterling. The risk arises on the difference between exchange rates at the time the invoice is raised to when the invoice is settled by the customer.

The Group is also exposed to currency risk on financial liabilities which are denominated in currencies other than sterling.

The carrying values of the Group's financial assets and liabilities are denominated in the following currencies:

	Financial assets		Financial liabilities	
	2012 £'000	**2011 £'000 (As restated)**	**2012 £'000**	**2011 £'000 (As restated)**
Pound sterling	4,033	3,664	5,788	5,069
US dollar	107	67	70	10
Euro	67	145	248	95
	4,207	3,876	6,106	5,175

The effect of a 10 per cent. strengthening of the Euro and Dollar against Sterling at the balance sheet date on the Euro/Dollar denominated trade receivables and payables carried at that date would, all other variables held constant, have resulted in a net increase in pre-tax profit for the year and increase of net assets of £12,000 (2011: £10,000). A 10 per cent. weakening in the exchange rates would, on the same basis, have decreased pre-tax profit and decrease net assets by £15,000 (2012: £12,000).

Capital

The Group considers its capital to comprise its ordinary share capital, share premium account, foreign exchange reserve and accumulated retained earnings.

In managing its capital, the Group's primary objective is to ensure its continued ability to provide a consistent return for its equity shareholders through capital growth and distributions. The Group seeks to maintain a gearing ratio that balances risks and returns at an acceptable level and also to maintain a sufficient funding base to enable the Group to meet its working capital and strategic investment needs. In making decisions to adjust its capital structure to achieve these aims, the Group considers not only its short-term position but also its long-term operational and strategic objectives.

The debt-to-adjusted-capital ratios at 30 April 2012 and at 30 April 2011 were as follows:

	2012 £'000	2011 £'000
Loans and borrowings	2,571	2,238
Less: cash and cash equivalents	(2,100)	(1,295)
Net debt	471	943
Total equity	10,762	10,710
Debt to adjusted capital ratio	4.38%	8.80%

20. Financial assets and liabilities – Numerical information

The weighted average interest rate of fixed rate liabilities and the weighted average period for which they are fixed is as follows:

	Rate 2012 %	Period 2012 Years	Rate 2011 %	Period 2011 Years
Sterling	3.2	2.1	3.8	1.7

Fair values

The book value and fair value of financial liabilities are as follows:

	Book value 2012 £'000	Fair value 2012 £'000	Book value 2011 £'000	Fair value 2011 £'000
Bank loans	354	342	450	432
Finance lease creditor	234	212	244	232
Loan notes	105	95	–	–
	693	649	694	664

Fair values of financial liabilities have been determined by discounting cash payments at prevailing market rates of interest having regard to the specific risks attaching to them.

The fair values of all other financial assets and liabilities at 30 April 2011 and 2010 are equal to their book value.

21. Provisions

	Rental provision contracts £'000	Leasehold dilapidations £'000	Holiday pay £'000	Total £'000
At 1 May 2011	16	84	101	201
Released in year	(16)	–	(20)	(36)
At 30 April 2012	–	84	81	165
Due within one year or less	–	–	81	81
Due after more than one year	–	84	–	84
	–	84	81	165

The rental provision related to the excess of Safetell's contractual legal obligation at date of acquisition over the market rental, and has been reversed over the remaining year of the lease.

Leasehold dilapidations relate to the estimated cost of returning a leasehold property to its original state at the end of the lease in accordance with the lease terms. On recognition of the initial provision, an equal amount was recognised as part of the cost of the leasehold improvements. This cost is recognised as depreciation of leasehold improvements over the remaining term of the lease. The main uncertainty relates to estimating the cost that will be incurred at the end of the lease.

22. Deferred tax

Deferred tax is calculated in full on temporary differences under the liability method using a tax rate of 24 per cent. (2011: 26 per cent.).

The movement on the deferred tax account is as shown below:

	Group 2012	2011
Liability		
At 1 May	454	412
Income statement	40	88
Transfer from corporation tax recoverable	(170)	(46)
At 30 April	324	454

Deferred tax assets have been recognised in respect of all temporary timing differences giving rise to deferred tax assets because it is probable that these assets will be recovered.

The movements in deferred tax assets and liabilities (prior to the offsetting of balances within the same jurisdiction as permitted by IAS12) during the period are shown below.

Deferred tax assets and liabilities are only offset where there is a legally enforceable right of offset and there is an intention to settle the balances net.

Details of the deferred tax liability, and amounts charged/(credited) to the consolidated income statement are as follows:

	Liability/ (Asset) 2012 £'000	Charged/ (credited) to income 2012 £'000
Accelerated capital allowances	(173)	(79)
Other temporary and deductible differences	567	119
Available losses	(70)	–
	324	40

	Liability/ (Asset) 2011 £'000	Charged/ (credited) to income 2011 £'000
Accelerated capital allowances	(79)	10
Other temporary and deductible differences	593	29
Available losses	(60)	49
	454	88

A deferred tax asset has not been recognised for the following:

	2012 £'000	2011 £'000
Unused tax losses	589	637

23. Share capital

	Issued and fully paid			
	2012 Number	2012 £	2011 Number	2011 £
Ordinary shares of 1p each				
At beginning and end of the year	450,432,316	4,504,323	450,432,316	4,504,323

24. Reserves

	Share premium £'000	Merger reserve £'000	Retained earnings £'000	Foreign exchange reserve £'000
At 30 April 2010	502	801	4,346	(167)
Translation differences on overseas operations	–	–	–	(8)
Profit for the year	–	–	857	–
Dividends paid	–	–	(125)	–
At 30 April 2011	502	801	5,078	(175)
At 30 April 2011	502	801	5,078	(175)
Translation differences on overseas operations	–	–	–	–
Profit for the year	–	–	177	–
Dividends paid	–	–	(125)	–
At 30 April 2012	502	801	5,130	(175)

The share premium account represents the excess of the market value of shares issued over the nominal value of those shares, less expenses of issue.

The merger reserve arose in the year ended 30 April 2003 when the Company made an offer to the Global Depository Receipt ("GDR") holders of Vema N.V. for the 49 per cent. of the issued share capital of that company not already owned by the Group. The offer represented 1.5 Newmark shares for each GDR and the merger reserve represented the excess of market value over nominal value of the shares issued.

Retained earnings represents the cumulative amount of retained profits/losses each year as reported in the income statement, plus the exchange differences on the retranslation of foreign operations up to 1 May 2005 (the date of transition to IFRS).

Foreign exchange reserve represents the cumulative exchange differences on the retranslation of foreign operations from 1 May 2005.

Dividends

	2012 £'000	2011 £'000
Final dividend of 0.0275 pence (2011: 0.0275 pence) per ordinary share paid, during the year relating to the previous year's results	125	125

The directors are not proposing a final dividend (2011: 0.0275 pence per share) totalling £Nil (2011: £125,000).

25. Leases

Finance leases

Future lease payments are due as follows:

	Minimum lease payments 2012 £'000	Interest 2012 £'000	Present value 2012 £'000
Not later than one year	133	12	121
Later than one year and not later than five years	123	10	113
	256	22	234

	Minimum lease payments 2011 £'000	Interest 2011 £'000	Present value 2011 £'000
Not later than one year	137	13	124
Later than one year and not later than five years	131	11	120
	268	24	244

The present value of future lease payments are analysed as:

	2012 £'000	2011 £'000
Current liabilities	121	124
Non-current liabilities	113	120
	234	244

Operating leases – lessee

The Group leases the majority of its properties. The terms of property leases vary, although they all tend to be tenant repairing with rent reviews every 2 to 5 years.

Commitments under non-cancellable operating leases expiring:

	2012 £'000	2011 £'000
Not later than one year	131	109
Later than one year and not later than five years	792	248
Later than five years	–	360
	923	717

26. Share-based payment

The Group previously operated two share option schemes, a HM Revenue & Custom's Approved Share Option Scheme and an Unapproved Share Option Scheme. The schemes require that exercise of options be subject to the satisfaction of certain performance criteria. Rights over share options will be forfeited after leaving the Group's employment.

The total number of share options outstanding under the Approved and Unapproved Share Option Schemes were:

Date of Grant	Subscription Price payable	2012 Approved	2012 Unapproved	2011 Approved	2011 Unapproved
December 2001	5p	–	–	125,000	125,000
September 2002	2p	125,000	5,625,000	125,000	5,625,000
October 2005	1.5p	7,000,000	7,000,000	7,000,000	7,000,000
Total		7,125,000	12,625,000	7,250,000	12,750,000

The options may be exercised within 10 years from the date of issue.

The remaining weighted average contractual lives for Approved and Unapproved Options were 3.4 and 2.1 years respectively (2011: 4.3 and 3.0).

Of the total number of options outstanding at the end of the year 7,125,000 Approved and 12,625,000 Unapproved (2011: 7,250,000 and 12,750,000 respectively) had vested at the end of the year.

There were no options granted or exercised during the year.

In April 2008, the Group adopted the Newmark Security PLC EMI Share Option Plan which enabled the Board to grant qualifying share options under the HM Revenue and Custom's Enterprise Management Incentive ("EMI") tax code and also unapproved share options to employees and directors. The EMI share options vest and become exercisable 3 years from the date of grant (subject to leaver and takeover provisions), or such other period of time specified by the Remuneration Committee. Performance conditions set by the Remuneration Committee will apply to these EMI options. In that year the Company granted 4,800,000 options under the EMI approved share option scheme and 1,000,000 options under the EMI unapproved share option scheme. The options were granted at a price of 1.425 pence per share. No further options were granted in the year. The remaining weighted average contractual lives for both Approved and Unapproved Options under this scheme were 5.5 years (2011: 6.5 years). All these options had vested at the year end.

The share based remuneration expense for equity settled schemes was £Nil (2011: £Nil).

27. Related party transactions

Details of directors' remuneration are given in the Report of the Remuneration Committee on page 11.

Loan notes issued to the directors during the year and outstanding at 30 April 2012 were:

	£
M Dwek	72,500
M Rapoport	25,000
N Medlam	7,500
	105,000

In the opinion of the directors there is no one Ultimate Controlling Party of the Group.

28. Events after the reporting date

Since 30 April 2012, a subsidiary company of the Group has agreed to acquire a further 26.67 per cent. in the issued share capital of ATM Protection (UK) Limited, taking the total shareholding to 86.67 per cent.

29. Notes supporting cash flow statement

Cash and cash equivalents comprises:

	2012 £'000	**2011 £'000**
Cash available on demand	222	–
Net cash decrease in cash and cash equivalents	471	(460)
Cash and cash equivalents at beginning of year	(249)	211
Cash and cash equivalents at end of year	222	(249)

Significant non-cash transactions are as follows:

Financing activities		
Proceeds from finance lease creditor	125	199

Cash and cash equivalents for purposes of the statement of cash flow comprises:

	2012 £'000	**2011 £'000 (Restated)**
Cash available on demand	2,100	1,295
Overdrafts	(1,878)	(1,544)
	222	(249)

COMPANY BALANCE SHEET
30 April 2012 – UK GAAP Financial Statements
Company number: 3339998

	Note	2012 £'000	2012 £'000	2011 £'000	2011 £'000
Fixed assets					
Investment in subsidiaries	3		18,869		18,869
Tangible assets	4		6		4
			18,875		18,873
Current assets					
Debtors	5	1,898		1,807	
Creditors: amounts falling due within one year	6	(12,688)		(12,650)	
Net current liabilities			(10,790)		(10,843)
Total assets less current liabilities			8,085		8,030
Creditors: amounts falling due after more than one year	7		(311)		(366)
Accruals and deferred income			(153)		(108)
Net assets			7,621		7,556
Capital and reserves					
Called up share capital	8		4,504		4,504
Share premium account	9		502		502
Merger reserve	9		801		801
Profit and loss account	9		1,814		1,749
Shareholder's funds–Equity	10		7,621		7,556

The notes on pages 44 to 47 form part of these financial statements.

These financial statements were approved by the Board of Directors and authorised for issue on 2 August 2012.

M Dwek
Director

NOTES FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 April 2012

1. Accounting policies

The financial statements have been prepared in accordance with applicable accounting standards in the United Kingdom and under the historical cost convention. The accounts have been prepared on the going concern basis.

The following principal accounting policies have been applied consistently in dealing with items which are considered material in relation to the Company's financial statements.

Profit and Loss Account

Under Section 408 of the Companies Act 2006 the Company is exempt from the requirement to present its own profit and loss account. The loss for the year ended 30 April 2012 is disclosed in note 9.

Depreciation

Depreciation is provided to write off the cost, less estimated residual values, of all fixed assets evenly over their expected useful lives. It is calculated at the following rates:

Computer equipment	– 25 per cent. per annum straight line
Fixtures and fittings	– 10 per cent. per annum straight line

Valuation of investments

Investments held as fixed assets are stated at cost less any provision for impairment.

Deferred taxation

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date except that the recognition of deferred tax assets is limited to the extent that the company anticipates to make sufficient taxable profits in the future to absorb the reversal of the underlying timing differences.

Deferred tax balances are not discounted.

Leased assets

Operating lease rentals are charged to the profit and loss account on a straight-line basis over the term of the lease.

Dividends

Dividends are recognised when they become legally payable. In the case of interim dividends to equity shareholders, this is when declared by the directors. In the case of final dividends, this is when approved by the shareholders at the AGM.

2. Employees and staff costs

	2012 Number	**2011 Number**
The average number of employees, including directors, during the period was:		
Office and management	2	2

	2012 £'000	**2011 £'000**
Staff costs (including Executive Director) comprise:		
Wages and salaries	153	153
Employer's national insurance contributions and similar taxes	19	19
	172	172

3. Investment in subsidiary

	£'000
Cost	
At 1 May 2011 and 30 April 2012	18,869
Net book value at 30 April 2011 and 30 April 2012	18,869

The subsidiaries of Newmark Security PLC are as follows:

Name	Country of incorporation	Proportion of ownership interest[1]	Activity
Custom Micro Products Limited	Great Britain	100%	Dormant
Newmark Technology Limited[2a]	Great Britain	100%	Trading
Newmark Technology (C-Cure Division) Limited	Great Britain	100%	Dormant
Safetell International Limited	Great Britain	100%	Dormant
Safetell Limited	Great Britain	100%	Trading
Safetell Security Screens Limited	Great Britain	100%	Trading
Vema B.V.	The Netherlands	100%	Holding
Vema N.V.[2b]	The Netherlands	98%	Dormant
Vema UK Limited[2c]	Great Britain	100%	Dormant
Grosvenor Technology Limited	Great Britain	100%	Trading
Newmark Group Limited	Great Britain	100%	Dormant
Sateon Limited	Great Britain	100%	Dormant
ATM Protection (UK) Limited[2d]	Great Britain	60%	Trading
ATM Protection Limited[2e]	Great Britain	60%	Trading
Grosvenor Technology LLC[2a]	USA	100%	Trading

(1) The shares held in all companies are ordinary shares

(2) The investments in subsidiary companies are held directly by the Company apart from the following:

- (a) Owned by Grosvenor Technology Limited
- (b) Owned by Vema BV 51 per cent., Newmark Security PLC 47 per cent.
- (c) Owned by Vema NV
- (d) Owned by Safetell Limited
- (e) 100 per cent. Owned by ATM Protection (UK) Limited

4. Tangible assets

	Computers Fixtures & Fittings £'000	Total £'000
Cost		
At 1 May 2011	7	7
Additions in the year	9	9
At 30 April 2012	16	16
Depreciation		
At 1 May 2011	3	3
Charge for the year	7	7
At 30 April 2012	10	10
Net book value		
At 30 April 2012	6	6
At 30 April 2011	4	4

5. Debtors

	2012 £'000	2011 £'000
Amount due from group undertakings	1,898	1,783
Prepayments	–	24
	1,898	1,807

All amounts shown under debtors fall due for payment within one year.

6. Creditors: amounts falling due within one year

	2012 £'000	2011 £'000
Bank overdraft	1,878	1,544
Loan	148	84
Amount due to group undertakings	10,553	10,969
Other taxation and social security	109	53
	12,688	12,650

The bank loan is secured on the assets of the UK subsidiary companies and is repayable by equal monthly instalments from September 2011 to August 2014. Interest is payable at 2.5 per cent. above base rate.

7. Creditors: amounts falling due after more than one year

	2012 £'000	2011 £'000
Loan notes	105	–
Loans (see note 6)	206	366
	311	366

Loan notes were issued to directors in November 2011 as part of a facility of up to £300,000. The loan notes are secured with interest payable at 10 per cent. per annum. The loan notes are repayable in full by the third anniversary of the issue of the loan notes. In addition to the loan note, Newmark Security PLC has entered into a warrant instrument with the loan note holders whereby the Company has agreed to grant to the loan note holders 30,000,000 warrants to subscribe for 30,000,000 new ordinary shares of 1 pence each in the Company at any time until 24 November 2016 at an exercise price of 1 pence either for cash or in exchange for the release of some or all of the debt owed to the loan note holders under the loan note instrument.

8. Share capital

	2012 £	2011 £
Allotted, called up and fully paid:		
450,432,316 Ordinary shares of 1p each (2011: 450,432,316)	4,504,323	4,504,323

9. Reserves

	Share premium account £'000	Merger reserve £'000	Profit and loss account £'000
At 1 May 2011	502	801	1,749
Profit for the year	–	–	190
Dividends paid	–	–	(125)
At 30 April 2012	502	801	1,814

10. Reconciliation of movements in shareholder's funds

	2012 £'000	2011 £'000
Opening shareholder's funds	7,556	7,252
Profit for the year	190	429
Dividends paid	(125)	(125)
Closing shareholder's funds	7,621	7,556

11. Commitments under operating leases

At 30 April 2012 the company had annual commitments under non-cancellable operating leases as follows:

	2012 Land and buildings £'000	2011 Land and buildings £'000
Expiring within two to three years	30	42

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

If you are in any doubt as to any aspect of the proposals referred to in this document or as to the action you should take, you should seek your own advice from a stockbroker, solicitor, accountant, or other professional adviser.

If you have sold or otherwise transferred all of your shares, please pass this document together with the accompanying documents to the purchaser or transferee, or to the person who arranged the sale or transfer so they can pass these documents to the person who now holds the shares.

NEWMARK SECURITY PLC

(incorporated and registered in England and Wales under number 3339998)

NOTICE OF ANNUAL GENERAL MEETING

If you do not propose to attend the Annual General Meeting to be held at Russell Room, Berkeley Square House, 17 Bruton Street, London W1J 6BD on 24 September 2012 at 10.00 a.m. please complete and submit a proxy form in accordance with the instructions printed on the enclosed form. The proxy form must be received no later than 10.00 a.m. on 20 September 2012.

Notice is hereby given that the Annual General Meeting of the above-mentioned company ("**the Company**") will be held at Russell Room, Berkeley Square House, 17 Bruton Street, London W1J 6BD on 24 September 2012 at 10.00 a.m.

You will be asked to consider and pass the resolutions below. Resolutions 7 and 8 (inclusive) will be proposed as special resolutions. All other resolutions will be proposed as ordinary resolutions.

Ordinary resolutions

1. **Annual report and financial statements**

   To receive and approve the accounts for the year ended 30 April 2012 together with the reports of the directors and auditors thereon.

2. **Rotation and retirement of directors**

   To re-elect Brian Beecraft and Nicholas Medlam as directors of the Company, who are retiring by rotation in accordance with the articles of association of the Company.

3. **Appointment of director**

   To re-appoint Ms Marie-Claire Dwek as a non-executive director of the Company in accordance with the articles of association of the Company, following her appointment since the annual general meeting of the Company held in 2011.

4. **Appointment of director**

   To re-appoint Mr Robert Waddington as a non-executive director of the Company in accordance with the articles of association of the Company, following his appointment since the annual general meeting of the Company held in 2011.

5. **Appointment of auditors**

   To re-appoint BDO LLP of 55 Baker Street, London W1U 7EU as auditors of the Company to hold office from the conclusion of the meeting until the conclusion of the next general meeting of the Company at which accounts are laid and to authorise the directors of the Company to determine their remuneration.

6. **Remuneration of directors**

   THAT the remuneration of the directors be approved as set out in the accounts for the year ended 30 April 2012.

Special Resolutions

7. Authority to allot

THAT, in accordance with section 551 of the Companies Act 2006 ("the 2006 Act"), the directors be generally and unconditionally authorised to allot shares in the Company up to an aggregate nominal amount of £1,500,000, being equal to approximately 89 per cent of the nominal amount of ordinary shares of the Company in issue on the latest practicable date prior to the printing of the Notice of the Annual General Meeting, provided that this authority shall, unless renewed, varied or revoked by the Company, expire on the earlier of the conclusion of the next following annual general meeting of the Company and 15 months from the passing of this resolution save that the Company may, before such expiry, make an offer or agreement which would or might require shares to be allotted and the directors may allot shares in pursuance of such offer or agreement notwithstanding that the authority conferred by this resolution has expired.

This authority is in substitution for all previous authorities conferred on the directors in accordance with section 80 of the Companies Act 1985 or section 551 of the 2006 Act.

8. Disapplication of pre-emption rights

THAT, subject to the passing of the resolution 7 above and in accordance with section 570 of the 2006 Act, the directors be generally empowered to allot equity securities (as defined in section 560 of the 2006 Act) pursuant to the authority conferred by resolution 7, as if section 561(1) of the 2006 Act did not apply to any such allotment, provided that this power shall:

8.1. be limited to the allotment of equity securities up to an aggregate nominal amount of £225,000; and

8.2. expire on the earlier of the conclusion of the next following annual general meeting of the Company and 15 months from the passing of this resolution (unless renewed, varied or revoked by the Company prior to or on that date) save 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 may allot equity securities in pursuance of any such offer or agreement notwithstanding that the power conferred by this resolution has expired.

By order of the Board
BRIAN BEECRAFT
Company Secretary
Newmark Security PLC
57 Grosvenor Street
London W1K 3JA

Registered in England and Wales No. 3339998

2 August 2012

Notes to the Notice of Annual General Meeting

1. Members are entitled to appoint a proxy to exercise all or any of their rights to attend and to speak and vote on their behalf at the meeting. A shareholder may appoint more than one proxy in relation to the Annual General Meeting provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that shareholder. A proxy need not be a shareholder of the Company. A proxy form which may be used to make such appointment and give proxy instructions accompanies this notice.
2. To be valid any proxy form or other instrument appointing a proxy must be received by post or (during normal business hours only) by hand at Capita Registrars, PXS, The Registry, 34 Beckenham Road, Beckenham, BR3 4TU no later than 10.00 a.m. on 20 September 2012.
3. The return of a completed proxy form, other such instrument or any CREST Proxy Instruction (as described in paragraph 9 below) will not prevent a shareholder attending the Annual General Meeting and voting in person if he/she wishes to do so.
4. The statement of the rights of shareholders in relation to the appointment of proxies in paragraphs 1 and 2 above does not apply to Nominated Persons. The rights described in those paragraphs can only be exercised by shareholders of the Company.
5. Any person to whom this notice is sent who is a person nominated under section 146 of the Companies Act 2006 to enjoy information rights (a "Nominated Person") may, under an agreement between him/her and the shareholder by whom he/she was nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the Annual General Meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he/she may, under any such agreement, have a right to give instructions to the shareholder as to the exercise of voting rights.
6. To be entitled to attend and vote at the Annual General Meeting (and for the purpose of the determination by the Company of the votes they may cast), Shareholders must be registered in the Register of Members of the Company at 6.00 p.m. on 20 September 2012 (or, in the event of any adjournment, 6.00 p.m. on the date which is two days before the time of the adjourned meeting). Changes to the Register of Members after the relevant deadline shall be disregarded in determining the rights of any person to attend and vote at the meeting.
7. As at 26 July 2012 (being the last business day prior to the publication of this Notice) the Company's issued share capital consists of 450,432,316 ordinary shares of 1p each, carrying one vote each. Therefore, the total voting rights in the Company as at 26 July 2012 are 450,432,316.
8. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so by using the procedures described in the CREST Manual. CREST Personal Members or other CREST sponsored members, and those CREST members who have appointed a service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.
9. In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specifications, and must contain the information required for such instruction, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or is an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by Capita Registrars (IDRA10) by 10.00 a.m. on 20 September 2012. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Application Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.
10. CREST members and, where applicable, their CREST sponsors, or voting service providers should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular message. Normal system timings and limitations will, therefore, apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member, or sponsored member, or has appointed a voting service provider, to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting system providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.
11. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.
12. Shareholders should note that it is possible that, pursuant to requests made by shareholders of the Company under section 527 of the Companies Act 2006, the Company may be required to publish on a website a statement setting out any matter relating to: (i) the audit of the Company's accounts (including the auditor's report and the conduct of the audit) that are to be laid before the Annual General Meeting; or (ii) any circumstance connected with an auditor of the Company ceasing to hold office since the previous meeting at which annual accounts and reports were laid in accordance with section 437 of the Companies Act 2006. The Company may not require the shareholders requesting any such website publication to pay its expenses in complying with sections 527 or 528 of the Companies Act 2006. Where the Company is required to place a statement on a website under section 527 of the Companies Act 2006, it must forward the statement to the Company's auditor not later than the time when it makes the statement available on the website. The business which may be dealt with at the Annual General Meeting includes any statement that the Company has been required under section 527 of the Companies Act 2006 to publish on a website.
13. A corporation which is a member can appoint one or more corporate representatives who may exercise, on its behalf, all its powers as a member provided that no more than one corporate representative exercises powers over the same share.
14. Voting on all resolutions will be conducted by way of a show of hands unless otherwise required.
15. The following documents will be available for inspection at 57 Grosvenor Street, London W1K 3JA from 2 August 2012 until the time of the Meeting and at the Meeting venue itself for at least 15 minutes prior to the Meeting until the end of the Meeting:
    (a) Copies of the service contracts of executive directors of the Company.
    (b) Copies of the letters of appointment of the non-executive directors of the Company.
    (c) Copies of the letter of appointment of the auditors of the Company.
    (d) Copies of the annual report and financial statements.

16. Except as provided above, members who have general queries about the Meeting should use the following means of communication (no other methods of communication will be accepted):

(a) by post to Newmark Security PLC 57 Grosvenor Street London W1K 3JA

You may not use any electronic address provided either:

(a) in this notice of annual general meeting; or

(b) any related documents (including the chairman's letter and proxy form),

to communicate with the Company for any purposes other than those expressly stated.