



Newmark
SECURITY PLC

Report and Financial Statements

Year ended 30 April 2017



Company number: 3339998

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DIRECTORS, SECRETARY AND ADVISERS

Country of incorporation of parent company:	Great Britain
Legal form:	Public Limited Company
Directors:	M Dwek M-C Dwek B Beecraft M Rapoport R Waddington
Secretary and registered office:	B Beecraft, 91 Wimpole Street, London W1G 0EF
Company number:	3339998
Auditors:	BDO LLP, 2 City Place, Beehive Ring Road, Gatwick, West Sussex RH6 0PA
Nominated Adviser and Brokers:	Allenby Capital Limited, 3 St. Helens Place, London EC3A 6AB
Registrars:	Capita Asset Services, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU
Solicitors:	Bracher Rawlins LLP, 77 Kingsway, London WC2B 6SR

CHAIRMAN'S STATEMENT

Overview

Newmark is a leading provider of security systems in the UK. Through our subsidiaries, Grosvenor Technology and Safetell, we provide our customers with a range of specialist products and services for the security of assets and personnel.

Group revenue for the year from continuing operations was £16,036k (2016: £21,812k) representing a decrease of 26.5%. As stated in last years report, the strategy of material investment in new products, new customer acquisition and new geographies has taken longer to yield returns than originally anticipated. Although the opportunity pipeline has grown, the conversion into sales has been slower than expected. The continuing economic uncertainty has affected customer spending plans with proposed programmes being severely delayed or cancelled.

Revenue in the electronic division (Grosvenor Technology) decreased by 7.2% from £7,628k to £7,092k. The revenues from Janus, an access control system, continued to decline following Microsoft's discontinued support for the 16-bit operating system on which our software runs. Conversely revenues for our Sateon product range increased by 22% despite delays to our new Sateon Advance variant product release, an innovative modular approach to access control that is easily scalable for buildings of any size.

Revenue in the asset protection division (Safetell) decreased by 36.9% in the year from £14,184k to £8,944k as a result of the anticipated reduced contribution from time delay cash handling equipment sales to the Post Office, reduced orders in the lead up to and after the Brexit vote and subsequent budget cuts in all sectors. The fall in the value of the pound against the Euro resulted in the increased cost of imported products which reduced margin further.

Loss from operations for the year from continuing operations before exceptional items was £1,378k (2016: Profit £1,489k). There were a number of exceptional items including an impairment provision of development costs of £1,341k and impairment provision of goodwill of £2,229k, primarily due to the age of the goodwill and historical products and the current focus on the new product ranges, and redundancy costs of £285k. Loss from continuing operations after exceptional items was £5,233k (2016: Profit £1,489k). In addition the office in Hong Kong was closed in the year in view of the lack of revenue and the post-tax loss of this operation of £136k (2016: 291k) has been included in the consolidated income statement as a discontinued operation.

A full financial review of the results for the year is included within the Strategic Report on pages 5 to 10.

Dividend

In view of the results for the year, the Board has not recommended the payment of a dividend for the year ended 30 April 2017 (2016: 0.10 pence per share).

Employees

The Board would like to express its appreciation to all staff for their continuing efforts during this difficult year.

Outlook

Within the access control business, although many end-users have already migrated from Janus to Sateon, there are a number of large customers that are yet to make this transition. Therefore the opportunity exists for this to positively impact Sateon revenues in the current financial year.

Our new android terminal, GT-10, will simplify integrations for customers with android and browser based applications. This new product provides an opportunity to generate revenue in entirely new markets and Grosvenor has begun research across these markets to investigate the potential return on investment available, particularly focusing on sectors that offer 'as a service' (aaS) opportunities. A focus on near term goals has delayed research in these areas, however the Board remains confident in the upside value of these opportunities and intends to pursue these markets as soon as resources allow.

Within the asset protection division, Safetell already has a well-established blue chip customer list, particularly in the banking and finance sector, but is now expanding into other industries whilst offering a greater range of products across the board. Safetell has also entered into strategic partnerships with manufacturers of various additional security products manufactured within the UK and in Europe. Although these products have counter

terrorism applications, they are also marketed to existing customers and markets that see a need to improve security on their premises and increased safety for staff.

We expect continued growth in revenue from our new Sateon Advance access control system and counter terrorism products but, in view of the ongoing economic uncertainty, we expect that this will be a difficult trading year. In the longer term we look for continued growth in Sateon, revenue from our exciting new android terminal and recovery of sales in the asset protection division.

M DWEK
Chairman

14 September 2017

STRATEGIC REPORT

Business model

The Group is principally engaged in the design, manufacture and supply of products and services for the security of assets and personnel. The Group manages its operations through two divisions: Grosvenor Technology, its electronic division and Safetell, its asset protection division.

The electronic division comprises two main product streams, being the design and distribution of:

- access control (AC) systems (hardware and software); and
- workforce management systems (WFM) hardware, for time-and-attendance, shop-floor data collection, and access control systems.

Both activities have their own design teams creating products to meet the demands of their own markets and specific needs of customers. That said, the business increasingly sees synergies between the two lines of business as end user needs are driving convergence of both access control and workforce management. In addition centralised sales and marketing, purchasing, dispatch and finance functions supplement the requirements of both activities. Manufacturing is mainly performed by external contractors using our intellectual property.

The majority of our access control customers are security installation companies dealing directly with end users. For WFM equipment, the majority of our customers are value-added resellers (VARs) dealing with either installation companies or end users. The division also has the capability to work on special projects directly with end users, assisting with the design and specification of a system to meet specific customer requirements. These tend to be larger contracts where the end user needs to ensure that their specifications are fully met.

The asset protection division comprises two main product streams:

- Design and installation of fixed and reactive security screens, reception counters, cash management systems and associated physical security equipment; and
- Service and maintenance of the above equipment, as well as CCTV systems, automatic door operators, locks and other 3rd party equipment utilizing a national network of security vetted installers.

The certified security products provide protection against the five main forms of security risk namely armed robberies, manual forced entry or physical attacks against staff, protecting people against attackers utilizing firearms, protection against explosives and protection and containment of fire.

Each security risk requires unique products which are not always interchangeable and Safetell works with customers, security consultants and certification bodies to design, develop and test products to ensure their suitability and provide effective protection.

Safetell's work is mainly project based and each project has its own customer specific needs and requires close co-operation with architects and security consultants to develop cost effective security solutions.

Safetell has forged key relationships with suppliers of other security products that complement it's own range of products to provide a complete solution to customers and will continue to seek additional products to provide a single source supply of security products on projects.

Customers of the asset protection division range from leading blue-chip organisations to single sites, including banks and building societies, post offices, police forces, railway companies, local authorities and government departments, petrol outlets, hospitals, convenience stores, retailers and supermarket chains. The market varies across the product range.

Key performance indicators

	2016/17	2015/16
	£'000	£'000
Revenue from continuing operations	16,036	21,812
<i>Revenue growth is the prime measure of our economic output and is key to measuring shareholder return and the success of our growth strategy. Overall decrease in the year of 26.5% explained in the divisional sections below.</i>		
Gross profit before exceptional items from continuing operations	5,815	9,134

	2016/17 £'000	2015/16 £'000
Gross profit from continuing operations	4,474	9,134
Gross profit provides an indication of the quality of turnover growth and a measure of value added by the group, reflecting the quality of our design and sales and marketing functions.		
Gross profit percentage before exceptional items percentage from continuing operations	36.3%	41.9%
Gross profit percentage from continuing operations	27.9%	41.9%

Financial review

Revenue in the year decreased from £21.8m to £16.0m, a decrease of 26.5%, analysed as follows:

	2016/17 £'000	2015/16 £'000	Increase/ (decrease) %
Electronic division			
Access control	3,801	4,350	(12.8)
Workforce management	3,291	3,278	-
Total electronic division	7,092	7,628	(7.2)
Asset protection division			
Products	5,870	10,721	(45.2)
Service	3,074	3,463	(11.2)
Total asset protection division	8,944	14,184	(36.9)
TOTAL	16,036	21,812	(26.5)

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

Electronic division (Grosvenor Technology)

Overview

The significant investment that has been made in product development over the previous two years has resulted in major product releases. Both the Sateon Advance (access control) and GT-10 (Workforce Management solutions) offerings have received a very warm reception from the market and several potentially high volume new contracts are at an advanced stage of negotiation. Despite being newly launched, Sateon Advance was also short listed for an award at the prestigious Security and Fire Excellence Awards.

The expectation that Sateon Advance would quickly surpass revenue from older products has been met with Advance already enjoying greater commercial success than the older Sateon Pro system. A variant of the Advance platform has also been selected by an independent distributor of security and CCTV systems to power their own access control solution.

In the light of these new product launches the directors have impaired development costs by £1,341,000 and goodwill by £1,268,000 in relation to the electronic division. These impairments are considered to be against historical products that future revenues are not expected to cover as the directors focus on these new products.

Access Control

This was a difficult trading period as the company experienced reductions in revenues in its legacy access control platform, Janus, while revenue growth from its current Sateon offering was affected by the delayed release of the most recent variants.

Due to Microsoft and Intel migrating away from platforms and operating systems that support 16-bit applications such as Grosvenor's older Janus product line, the revenues from that product line continued to decline in line with expectations.

Significant investment was made during the year and the Sateon offering was bolstered by the launch of new hardware and software, released in the second half of the year under review as Sateon Advance. Sateon Advance V3.0 software is the fastest, most intuitive iteration of Sateon to date, dramatically increasing the speed of configuring doors and personnel. While revenues for this variant were slower to materialise than original expectations due to the delayed product release, revenues in the Sateon product range as a whole increased by 22% compared to the previous year to £1,956k. Early revenues and margin from the revised portfolio have been softer than earlier products due to our penetration pricing strategy.

The revenues from the Hong Kong operation unfortunately fell well short of expectations and as this position could not be predicted to significantly improve, the decision was taken to withdraw from Hong Kong and redeploy resource into regions of greater potential. This operation incurred an operating loss of £225K in the year which has therefore now been eliminated as a cost in future years. The net result has been included in the consolidated income statement as a discontinued operation.

The company has recently entered into a technology agreement with US based UniKey Technologies whose patented and proprietary platform provides a "frictionless at door experience" for the end user. It is anticipated that Grosvenor's first products incorporating UniKey technology will be seen later in the current calendar year. The product offering that features this embedded technology will transcend both access control and workforce management lines of business. This agreement is a perfect example of how Grosvenor can partner with one of the world's leading specialist technology providers to deliver innovative solutions and services to the UK market to enable the business to transition to a recurring revenue model.

Workforce Management WFM

Revenues for WFM were similar to the previous year. The natural slowdown of the rollout across the estate of one of the world's largest apparel retailers negated, to some extent, growth in some new and existing channel partners.

Development resource was focussed on the GT-10 employee terminal, launched as a Developer Kit towards the end of the first half. GT-10 has an Android based operating platform, allowing current and potential software partners to integrate seamlessly into their web-based offerings where they have existing Android based applications. Negotiations have commenced with several potential major WFM software providers in the US and Europe who have chosen to invest in adding their own software to the GT-10. The GT-10 is expected to enter mass production and be enhanced during the first half of the current financial year, in time for customers to complete their integration work and transition from their development phase to sales activity.

Negotiations continued during the year with some of the industry's largest software vendors with a view to supplying them with variants of the company's time and attendance terminals. In North America, business development activities increased to leverage the potential that exists for growing WFM revenues as it is felt the US market remains the region of greatest growth opportunity for both the existing IT series terminals and the GT-10.

Asset Protection Division (Safetell)

Revenue within this division decreased by 36.9 per cent, partly as a result of the reduced contribution from time delay cash handling equipment sales to the Post Office. Although Safetell received orders from various long-term customers in retail finance, petrol and food retailing sectors, reduced sales were experienced in the lead up to and after the Brexit vote as many customers put plans on hold. This trend continued with budget cuts in all sectors. The fall in the value of the pound against the Euro resulted in the increased cost of imported products which reduced margin further. The down turn in orders resulted in a reorganisation within the business which generated substantial cost savings.

During the year, new products were developed and certified to UK security standards with the focus on providing counter terror security equipment for staff and customer protection. A distribution agreement was entered into with Gunnebo UK to distribute their Security Doors and Partitioning range within the UK. This complements the existing Safetell product range and the increased product offering enables entry into new market sectors. A fixed price supply contract with a leading financial institution entered its third and final year and margins on this contract were reduced due to imported component price increases directly related to the pound/Euro exchange rate.

A programme of product re-certification to the latest security standards was embarked on in the last few months and will assist in moving the business forward as our focus is moved to the increased crime and threat of terrorism within the UK.

Service Division revenue was 11.2 per cent lower than the corresponding period last year. Sales have been challenging for the division as a result of the continuing branch closures that have occurred in the banking sector.

Pneumatic upgrades of Rising Screen systems now generate in excess of 10% of total service revenue, providing customers with an extended product life beyond 20 years. The new TC105 control panel utilised on the rising screen was introduced to the market and installed at many sites. This has proved very reliable and will replace the outdated Surefire control panel going forward. The TC105 software was developed by Grosvenor Technology and utilises Grosvenor's workforce management IT51 terminal.

Taxation

The tax credit for the year reflects the operating loss for the year and the losses have been carried forward.

Statement of financial position and cash flow

Grosvenor conducted a review of the value of product development costs that had been capitalised as development costs previously. The review focused on the expected future economic benefits of historical investments and the ability to use or sell the intangible asset in future years. Grosvenor has historically amortised intellectual property rich development costs over a seven year period and therefore many of the assets reviewed were several years old. With the launch of Sateon Advance and a reduction in market demand for older products and technologies that Sateon Advance has replaced, a write off of £1,341,000 on certain access control development costs was made. Development costs continued to be capitalised in accordance with the accounting policy but following the impairment review outlined above, the development costs within intangible assets on the balance sheet were £1,031,000 lower than the previous year.

In view of the lower level of sales of the historical product range in both divisions, there has also been an impairment of goodwill in the year of £2,229,000 which has been included within the consolidated income statement as an exceptional item. The impairment is considered to be against historical products whilst the future emphasis is on the new product ranges.

Trade receivables and payables were £479,000 and £184,000 respectively lower than the previous year reflecting both the lower revenue in the period and the timing of that revenue. Deferred income was £372,000 below the previous year due to the lower level of advance payments from customers.

Overall net assets decreased from £14,457,000 to £8,800,000.

Cash outflows from operating activities for the year was £975,000 (2016: inflow £1,758,000), reflecting the trading result for the year and the movement in receivables and payables summarized above. Overall there was a decrease in cash and cash equivalents of £2,938,000 (2016: increase £96,000).

Basic loss per share from continuing operations are shown in the income statement as 1.08 pence (2016: earnings 0.31 pence).

Strategy

Electronic division

The global markets for access control and workforce management are expected to continue to grow. Additionally, maturing Internet, wireless, embedded and cloud technologies continue to enable new deployment models and enticing opportunities for Grosvenor to increase its share of these markets within existing and new geographies.

While substantial progress was made towards refreshing the access control portfolio, products continue to be updated to meet market requirements. To sustain existing revenues and ensure future growth, the electronic division continues to invest in further new and updated products that will be introduced within the current and next financial year which are expected to deliver incremental growth and will provide resilient technology foundations for future years.

Grosvenor has identified that the Workforce Management leads the market for Access Control in valuing the benefits of the "as a Service" business and technology model. This model can be applied in several areas of Grosvenor's portfolios.

- Leasing rather than outright purchase of hardware; lowering customers' capital requirements and ensuring a 'long tail' of recurring revenue for Grosvenor.

- Hardware and software maintenance, driven by the need to ensure permanent availability and compliance with increasingly strict cyber and data protection regulation such as the EU General Protection Regulation that comes into force from May 2018.
- Software as a Service, lowering customers' capital, deployment and operational costs by eliminating setup costs and by sharing operational costs across multiple customers.
- Centralised remote hardware monitoring and support, helping to eliminate failures and lower the cost of unnecessary or unsuccessful service visits.
- Data as a Service, where customers devolve all responsibility for hardware, software and operational management to their supplier, instead simply subscribing to a data feed.

By investigating and developing propositions in each of these areas within receptive markets and extending the offer as markets mature, Grosvenor will transition from a purveyor of hardware to a full-service solution provider.

Access Control

The business intends to build upon the stronger foundation delivered by Sateon Advance to address significant upside opportunities within access control and adjacent markets. Grosvenor aims to augment its portfolio of first party products with a wider range of third party accessories. Grosvenor will also build upon the strong cyber credentials that are integral to the Sateon Advance platform to adopt a leadership position in cyber security and resilience as purchasing decisions are increasingly made by mainstream IT functions where cyber security and compliance is paramount.

Grosvenor's partnership with UniKey is expected to demonstrate how bolt-on services can be wrapped around traditional hardware sales. This approach is expected to enable Grosvenor to differentiate its offering in the short term while nurturing new buyer relationships and new buying habits. Once trust in the cloud has been garnered, the technology initially developed for the WFM market can be adapted and sold through these AC channels, to deliver a wider range of value added services.

Workforce Management

Labour costs in many sectors exceed 50% of operating expenses. A drive towards greater productivity and adoption of the latest self-service technologies within the Workforce Management and wider Human Resources software industries are driving a rapid shift in technologies. By adding the latest open Android technologies to the portfolio, customers can now leverage Grosvenor products to innovate more quickly share investments across mobile, Bring your own device (BYOD) and fixed terminal estates.

Grosvenor will continue to build upon existing core intellectual property and expertise to ensure its terminal products are well differentiated, performant and best in class to attract new customers. Key areas for differentiation include product durability and longevity, the scalable/secure management of biometric credentials such as fingerprints and the remote management of terminal estates.

Asset protection division

The strategy for this division is to broaden the customer base and product range. Safetell already has a well-established blue chip customer list, particularly in the banking and finance sector, but wants to extend to other sectors whilst at the same time offering a greater range of products within existing sectors. Specifically, following the trade and assets acquisition of CSI in November 2013, to address supermarket and retail chains particularly with ATM Pods, doors and walls, and fire exit doors. With the increase in terrorism in the UK, products have been developed and certified with the government CPNI blast resistant programme and existing products have been recertified to the latest BSEN 1522/23 (1999) ballistic standards. A programme of product certification with The Loss Prevention Certification Board (LPCB) will be completed in August 17, ensuring these products comply to the latest UK manual attack resistant standards. Due to the high cost of certification and testing, Safetell has entered into strategic partnerships with manufacturers of various additional security products manufactured within the UK and in Europe. Although these products are applicable to counter terrorism applications, the products are marketed to existing customers and markets who wish to target harden their premises and offer increased safety to staff.

Principal risks and uncertainties

Sales of new products

The Group has incurred substantial expenditure on new developments within the electronic division, and there is the uncertainty of future sales of new developments. The Group mitigates this risk by carrying out customer trials and ascertaining features required by customers.

Service agreements

The majority of service revenues within the asset protection division is from 2 or 3 year service agreements and there is the risk that these may not be renewed. The company has service level agreements with these customers which are closely monitored and holds regular meetings with those customers to check on their satisfaction levels. If the service agreements are not renewed it is likely that those customers would still require our services but would be charged on a call out basis.

Market conditions

The asset protection division product range is targeted at both the private (particularly financial, retail and construction sectors) and the public sector. Customer refurbishment programmes within the financial sector continues to act as an underlying positive trend for demand for many of the division's products. Our business is reliant on the timing of customer programmes and there is a risk that these may be delayed. The division mitigates this risk by a wide range of product offerings, continuous new product development and maintaining a close working relationship with its customers so that we are aware of any potential delays. Government cut backs and budget restraints due to the negative effect of the Brexit vote has impacted the order book and will continue to influence orders until more certainty is available during the Brexit negotiations regarding the UK's position within the European Union. Increased enquires from certain public-sector entities to target harden facilities against terrorist and criminal attack providers optimism that the budget restraints and cut backs are temporary.

Input prices and availability

Operating performance is impacted by the pricing and availability of its key inputs, which include electronic components, steel and security glass. The pricing of such inputs can be quite volatile at times due to supply and demand dynamics and the input costs of the supply base. The Group manages the effect of such demands through a rigid procurement process, long-term relationships with suppliers, economic purchasing, multiple suppliers and inventory management. Prices of imported products and components from the EU have been affected after the Brexit vote as a result of the fall in value of the pound and this uncertainty continues.

Quality control

There is the potential for functional failure of products when put to use, thereby leading to warranty costs and damage to our reputation. Quality control procedures are therefore an essential part of the process before the product is delivered to the customer. With the support of external audits the quality control systems are reviewed and improved on an on-going basis to ensure that the Group is addressing through a certification process which is undertaken by a recognised and reputable authority before being brought to market.

Approval

This Strategic Report was approved by order of the Board on 14 September 2017.

By order of the Board

B BEECRAFT
Company Secretary

REPORT OF THE DIRECTORS

The Directors submit their annual report and audited financial statements of the Group for the year ended 30 April 2017.

Financial results and dividends

The Board is proposing a dividend of Nil per share (2016: 0.10p per share).

Directors

The Directors who served during the year were as follows:

M Dwek
M-C Dwek
B Beecraft
M Rapoport
R Waddington

Details of the Directors' service contracts are shown in the Report of the Remuneration Committee on page 16.

M-C Dwek and R Waddington retire in accordance with the articles of association. M-C Dwek and R Waddington being eligible, offer themselves for re-election at the next annual general meeting.

Financial instruments

For full details of changes to the Group's management of its financial instruments and its general objectives, policies and processes in respect of financial instruments, please refer to note 19 to the financial statements on pages 40 to 42.

Credit risk

Credit risk is the risk of financial loss to the Group if a customer fails to meet its obligations, and the Group is mainly exposed to credit risk from credit sales. It is Group policy to assess the credit risk of new customers before supplying goods or services with purchase limits established for each customer, which represents the maximum open amount they can order without requiring approval.

A monthly review of the trade receivables' ageing analysis is undertaken and customers' credit is reviewed continuously. Customers that become "high risk" are placed on a restricted customer list, and future credit sales are made only with the approval of the local management otherwise pro forma invoices are raised requiring payment in advance.

Liquidity risk

Liquidity risk arises from the Group's management of working capital and the finance charges and principal repayments 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 finance director receives daily reports of balances on all bank accounts.

Market risk

Market risk arises from the Group's use of interest bearing, and foreign currency financial instruments. It is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in interest rates (interest rate risk), foreign exchange rates (currency risk) or other market factors (other price risk).

Foreign exchange risk

Foreign exchange risk arises when individual Group entities enter into transactions denominated in a currency other than their functional currency. Liabilities are settled with the cash generated from the individual group entities' operations in that currency wherever possible, otherwise the liabilities are settled in the functional currency of the group entities.

Likely future developments in the business of the company

Information on likely future developments in the business of the Group has been included in the Strategic Report.

Directors

Directors' interests

The beneficial and other interests of the Directors in the shares of the Company as at 1 May 2016 (or the date of their appointment to the Board, if later) and 30 April 2017 were as follows:

	Percentage holding at		
	30 April 2017	30 April 2017	30 April 2016
M Dwek ^(a)	12.6%	59,099,467	59,099,467
M Rapoport	4.9%	23,055,000	23,055,000

(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 2016 (or the date of their appointment to the Board, if later) and 30 April 2017 were as follows:

	Number of Ordinary Shares under the EMI Scheme	Number of Ordinary Shares under the EMI Scheme
	30 April 2017	30 April 2016
B Beecraft	5,000,000	5,000,000
M-C Dwek	15,416,082	15,416,082

	Share Warrants	Share Warrants
	30 April 2017	30 April 2016
M Dwek	–	21,750,000

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. The amount of development costs capitalised in the year was £1,182,000 (2016: £939,000).

Post balance sheet event

In May 2017, the Group's wholly owned subsidiary, Grosvenor Technology Limited, acquired a new office property for £1.2 million, funded 30% from the Company's existing cash reserves and 70% from a bank loan, which was for an initial five-year term with repayments and interest payable from month 13 onwards and carried interest at two per cent. above the base rate.

On 11 August the Group announced that it had exchanged contracts for a sale and leaseback arrangement for the same property. The property was sold for £1.525 million, after incurring refurbishment costs, part of which will be used for the repayment of the bank loan. The lease arrangement is for a period of 15 years with stipulated increases to the annual rental rate at the five and ten year anniversaries of the commencement of the lease contract. The sale and lease back was completed on 5 September 2017.

Going concern

Based on the Group's latest trading expectations and associated cash flow forecasts, the Directors have considered the cash requirements and are confident that the Company and the Group will be able to continue to operate for the next twelve months following approval of these financial statements. If there is a delay to new product launches and trading falls below expectations there may be a need for funding and the Chairman has provided a letter of support confirming financial support by way of subscription in cash of loan notes up to the value of £1,000,000. The provision of the loan notes will be subject to the Company and the Chairman entering into a separate loan note instrument. The directors are confident this would be sufficient to cover any shortfall and having assessed all of the above, therefore consider that the Company and Group will be able to meet its liabilities as they fall due for the foreseeable future and it is on this basis that the Directors consider it appropriate to prepare the financial statements on a going concern basis.

Share option schemes

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

The Remuneration Committee has administered and operated the scheme. Further details of the share option schemes are set out in note 26 to the financial statements on page 46.

Corporate governance

Under the AIM rules the Group is not obliged to implement the provisions of the UK Corporate Governance Code ("the Code"). However the Group is committed to applying the principles of good governance as appropriate to a Group of this size.

At 30 April 2017, the Board comprised a Non-Executive Chairman, two Executive Directors and two 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 Chief Executive Officer 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.

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 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 the Remuneration Committees, comprising independent Non-Executive Directors. Each committee has written terms of reference.

The Audit Committee, now comprising R Waddington, M Dwek and M Rapoport, 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 Dwek and R Waddington 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 16.

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 annual report, 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.

Approval

This Directors Report was approved by order of the Board on 14 September 2017.

By order of the Board

B BEECRAFT
Company Secretary

14 September 2017

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 2017 comprised three existing Non-Executive Directors, Maurice Dwek, Michel Rapoport and Robert Waddington.

Maurice Dwek was chairman of 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 Et 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.

Robert Waddington is a chartered accountant who has worked for many years in investment banking and has experience of the betting and gaming, property investment and engineering industries through his past non-executive directorships.

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.

The Company entered into a service agreement on 12 April 2013 with Ms M-C Dwek which may be terminated by either party serving twelve months' notice.

Director's emoluments

Emoluments of the directors (including pension contributions) of the Company during the year ended 30 April 2017 were as follows:

	Consultancy/ management agreement £'000	Salary £'000	Fees £'000	Other benefits £'000	Total £'000	Pension contributions £'000	Total including pension contributions £'000
Executive Directors							
M-C Dwek	–	193	–	14	207	25	232
B Beecraft	–	163	–	–	163	–	163
Non-Executive Directors							
M Dwek ^(a)	80	–	–	23	103	–	103
M Rapoport	–	–	25	–	25	–	25
R Waddington	–	–	25	–	25	–	25
	<u>80</u>	<u>356</u>	<u>50</u>	<u>37</u>	<u>523</u>	<u>25</u>	<u>548</u>
2016	<u>80</u>	<u>350</u>	<u>50</u>	<u>46</u>	<u>526</u>	<u>22</u>	<u>548</u>

The directors' share interests are detailed in the Report of the Directors on page 12.

(a) The Company paid a consultancy fee of £80,000 (2016: £80,000) to Arbury Inc., a company 51 per cent. owned by M Dwek. Emoluments of the highest paid director were £207,000 (2016: £215,000).

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 2017, which comprise the consolidated statement of financial position and parent company statement of financial position, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of cash flows, the consolidated and parent company 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 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 Financial Reporting Council's (FRC'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 Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

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 2017 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company 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, based on the work undertaken in the course of the audit:

- the information given in the strategic report and directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements;
- the strategic report and directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In light of the knowledge and understanding of the Group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic or directors' report.

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.

Kevin Cook (senior statutory auditor)
For and on behalf of BDO LLP, statutory auditor

Gatwick
United Kingdom

14 September 2017

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

CONSOLIDATED INCOME STATEMENT
for the year ended 30 April 2017

	Note	2017 £'000	2016 £'000
Revenue	2	16,036	21,812
Cost of sales (2017: including £1,341,000 exceptional development cost impairment (2016: £Nil))		(11,562)	(12,678)
Gross profit		<u>4,474</u>	<u>9,134</u>
Administrative expenses (2017: including £285,000 exceptional redundancy cost and £2,229,000 exceptional impairment goodwill (2016: £Nil))		(9,707)	(7,645)
(Loss)/profit from operations before exceptional items		(1,378)	1,489
Exceptional impairment provision of goodwill	11 & 12	(2,229)	-
Exceptional impairment provision of development costs	11	(1,341)	-
Exceptional redundancy cost	3	(285)	-
(Loss)/profit from operations	3	(5,233)	1,489
Interest received		5	11
Finance costs	6	(13)	(13)
(Loss)/profit before tax		(5,241)	1,487
Tax credit	7	141	31
(Loss)/profit for the year from continuing operations		(5,100)	1,518
(Loss) of discontinued operation net of tax	9	(136)	(291)
(Loss)/profit for the year		<u>(5,236)</u>	<u>1,227</u>
Attributable to:			
- Equity holders of the parent		<u>(5,236)</u>	<u>1,227</u>
(Loss)/earnings per share			
- Basic (pence)	8	<u>(1.11p)</u>	<u>0.26p</u>
- Diluted (pence)	8	<u>(1.11p)</u>	<u>0.25p</u>
(Loss)/earnings per share from continuing operations			
- Basic (pence)	8	<u>(1.08p)</u>	<u>0.31p</u>
- Diluted (pence)	8	<u>(1.08p)</u>	<u>0.30p</u>

The notes on pages 24 to 46 form part of these financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the year ended 30 April 2017

	2017 £'000	2016 £'000
(Loss)/profit for the year	(5,236)	1,227
Items that will or may be reclassified to profit or loss:		
Foreign exchange gains on retranslation of overseas operations	48	9
Total comprehensive income for the year	<u>(5,188)</u>	<u>1,236</u>
Attributable to:		
– Equity holders of the parent	<u>(5,188)</u>	<u>1,236</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
at 30 April 2017

Company number: 3339998

	Note	2017 £'000	2016 £'000
ASSETS			
Non-current assets			
Property, plant and equipment	10	656	738
Intangible assets	11	5,598	8,859
Total non-current assets		<u>6,254</u>	<u>9,597</u>
Current assets			
Inventories	14	1,646	1,406
Trade and other receivables	15	3,286	3,715
Cash and cash equivalents		1,370	4,299
Total current assets		<u>6,302</u>	<u>9,420</u>
Total assets		12,556	19,017
LIABILITIES			
Current liabilities			
Trade and other payables	16	3,282	3,971
Other short term borrowings	17	79	99
Corporation tax liability		-	1
Provisions	21	100	-
Total current liabilities		<u>3,461</u>	<u>4,071</u>
Non-current liabilities			
Long term borrowings	18	98	64
Provisions	21	100	100
Deferred tax	22	97	325
Total non-current liabilities		<u>295</u>	<u>489</u>
Total liabilities		<u>3,756</u>	<u>4,560</u>
TOTAL NET ASSETS		<u>8,800</u>	<u>14,457</u>
Capital and reserves attributable to equity holders of the company			
Share capital	23	4,687	4,687
Share premium reserve		553	553
Merger reserve		801	801
Foreign exchange difference reserve		(125)	(173)
Retained earnings		2,844	8,549
		<u>8,760</u>	<u>14,417</u>
Non-controlling interest		<u>40</u>	<u>40</u>
TOTAL EQUITY		<u>8,800</u>	<u>14,457</u>

The financial statements were approved by the Board of Directors and authorised for issue on 14 September 2017.

M Dwek
Director

The notes on pages 24 to 46 form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
for the year ended 30 April 2017

	Note	2017 £'000	2017 £'000	2016 £'000	2016 £'000
Cash flow from operating activities					
Net (loss)/profit after tax		(5,236)		1,227	
Adjustments for:					
Depreciation, amortisation and impairment	10 & 11	4,848		1,201	
Net interest expense		8		2	
Income tax credit	7	(230)		(31)	
Operating cash flows before changes in working capital		(610)		2,399	
Decrease/(increase) in trade and other receivables		458		(706)	
(Increase)/decrease in inventories		(232)		35	
(Decrease) in trade and other payables		(586)		(115)	
Cash generated from operations			(970)		1,613
Income taxes (paid)/received			(5)		145
Cash flows from operating activities			(975)		1,758
Cash flow from investing activities					
Payments for property, plant & equipment		(211)		(205)	
Sale of property, plant & equipment		15		43	
Capitalised development expenditure	11	(1,182)		(945)	
			(1,378)		(1,107)
Cash flow from financing activities					
Share issues		-		89	
Repayment of finance lease creditors		(108)		(182)	
Dividends paid	24	(469)		(460)	
Net interest paid		(8)		(2)	
			(585)		(555)
Net (decrease)/increase in cash and cash equivalents					
			(2,938)		96
Cash and cash equivalents at beginning of year			4,299		4,202
Exchange gain on cash and cash equivalents			9		1
Cash and cash equivalents at end of year			1,370		4,299
				2017	2016
				£'000	£'000
Cash and cash equivalents for purposes of the statement of cash flow comprises:					
Cash available on demand				1,370	4,299
Significant non-cash transactions are as follows:					
<i>Financing activities</i>					
Assets acquired under finance leases				125	90

The notes on pages 24 to 46 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	Non-controlling interest £'000	Total equity £'000
1 May 2015	4,602	549	801	(182)	7,782	40	13,592
Profit for the year	-	-	-	-	1,227	-	1,227
Other comprehensive income	-	-	-	9	-	-	9
Total comprehensive income for the year	-	-	-	9	1,227	-	1,236
Contributions by and distributions to owners							
Dividends (note 24)	-	-	-	-	(460)	-	(460)
Share issues	85	4	-	-	-	-	89
Total contributions by and distributions to owners	85	4	-	-	(460)	-	(371)
30 April 2016	4,687	553	801	(173)	8,549	40	14,457
1 May 2016	4,687	553	801	(173)	8,549	40	14,457
Loss for the year	-	-	-	-	(5,236)	-	(5,236)
Other comprehensive income	-	-	-	48	-	-	48
Total comprehensive loss for the year	-	-	-	48	(5,236)	-	(5,188)
Contributions by and distributions to owners							
Dividends (note 24)	-	-	-	-	(469)	-	(469)
Total contributions by and distributions to owners	-	-	-	-	(469)	-	(469)
30 April 2017	4,687	553	801	(125)	2,844	40	8,800

NOTES FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 April 2017

1. Accounting policies

Newmark Security PLC (the "Company") is a public limited company registered in England & Wales. The consolidated financial statements of the Company for the year ended 30 April 2017 comprise the Company and its subsidiaries (together referred to as the "Group").

Basis of preparation

The consolidated financial statements have been prepared on a historical cost basis.

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

New standards, interpretations and amendments effective from 1 May 2017

The amendments and interpretations to published standards that have an effective date on or after 1 May 2017 or later periods have not been adopted early by the Group and are not expected to materially affect the Group when they do come in to effect, with the exception of IFRS 16 and potentially IFRS 9 & IFRS 15. IFRS 16 will result in the leases disclosed in note 25 becoming finance leases and being recognised in the statement of financial position. The directors are still assessing the impact, if any, of IFRS 9 & IFRS 15 on the financial statements. None of the other standards are expected to have a material impact.

Going concern

Based on the Group's latest trading expectations and associated cash flow forecasts, the Directors have considered the cash requirements and are confident that the Company and the Group will be able to continue to operate for the next twelve months following approval of these financial statements. If there is a delay to new product launches and trading falls below expectations there may be a need for funding and the Chairman has provided a letter of support confirming financial support by way of subscription in cash of loan notes up to the value of £1,000,000. The provision of the loan notes will be subject to the Company and the Chairman entering into a separate loan note instrument. The directors are confident this would be sufficient to cover any shortfall and having assessed all of the above, therefore consider that the Company and Group will be able to meet its liabilities as they fall due for the foreseeable future and it is on this basis that the Directors consider it appropriate to prepare the financial statements on a going concern basis.

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 comprising the Chief Executive Officer and Group Finance Director.

Revenue

Revenue is stated net of value added tax. Sales of equipment including hardware and software are recognised when the customer takes legal ownership. Service, maintenance and licence revenue is spread evenly over the term of the contract and the proportion of such related to the period after 30 April is included within deferred income on the consolidated statement of financial position. Other sales include installation and refurbishment work which

are recognised on completion of work. Revenue is accounted for as accrued income where service and maintenance work has been completed for a customer but not yet invoiced.

Basis of consolidation

The group financial statements consolidate the results of the company and all of its subsidiary undertakings drawn up to 30 April 2017. Subsidiaries are entities controlled by the group. The company controls a subsidiary if all three of the following elements are present: power over the subsidiary; exposure to variable returns from the subsidiary; and the ability of the investor to use its power to affect those variable returns. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

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.

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 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 cost of sales line item in the income statement for research and development and in the administration line for goodwill. 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

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 statement of financial position

date. Exchange differences arising on the retranslation of unsettled monetary assets and liabilities are similarly recognised immediately in the income statement.

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 statement of financial position;
- (ii) income and expenses are translated at average exchange rates; and
- (iii) all resulting exchange differences are recognised as a separate component of equity.

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

All of the Group's financial assets are categorised as loans and receivables.

The Group's financial assets comprise trade and other receivables, cash and cash equivalents. Trade and other receivables are measured initially at fair value and subsequently at amortised cost using the effective interest rate method, less provision for impairment. Appropriate allowances for estimated irrecoverable amounts are recognised in profit and loss when there is objective evidence that the asset is impaired, (such as significant financial difficulties on the part of the counterparty or default or significant delay in payment) that the Group will be unable to collect all of the amounts due under the terms receivable, the amount of such a provision being the difference between the net carrying amount and the present value of the future expected cash flows associated with the impaired receivable. For trade receivables, which are reported net, such provisions are recorded in a separate allowance account with the loss being recognised within administrative expenses in the consolidated statement of comprehensive income. On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision.

Financial liabilities

Financial liabilities are obligations to pay cash and are recognised when the Group becomes a party to the contractual provisions of the instrument. The Group's financial liabilities comprise trade payables, other payables and other short term borrowings. All financial liabilities are measured initially at fair value and subsequently at amortised cost using the effective interest method.

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 statement of financial position 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.

Licences, patents, trade marks and copyright

Costs associated with licences, 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 statement of financial position date.

Deferred taxation

Deferred tax assets and liabilities are recognised where the carrying amount of an asset or liability in the statement of financial position 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 statement of financial position 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.

Depreciation is provided on all 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:

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 statement of financial position date, taking into account the risks and uncertainties surrounding the obligation.

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 statement of financial position.

Borrowing costs

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

Dividends

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

Pension costs

Contributions to the company's defined contribution pension scheme are charged to the consolidated income statement in the year in which they become payable.

Holiday pay accrual

A liability is recognised to the extent of any unused holiday pay entitlement which has accrued at the balance sheet date and carried forward to future periods. The is measured at the undiscounted salary costs of the future holiday entitlement so accrued at the balance sheet date.

Non-controlling interests

Non-controlling interests are recognised at the Group's proportionate share in the recognised amounts of the acquiree's identifiable net assets. The total comprehensive income of non-wholly owned subsidiaries is attributed to owners of the parent and to the non-controlling interests in proportion to their relative ownership interests.

Discontinued operations

The results of operations closed or disposed of during the year are included in the consolidated statement of comprehensive income up to the date of closure or disposal.

A discontinued operation is a component of the Group's business that represents a separate major line of business or geographical area of operations that has been closed or disposed of.

Discontinued operations are presented in the consolidated statement of comprehensive income as a single line which comprises the post-tax profit or loss of the discontinued operation less costs to sell or on disposal of the assets constituting discontinued operations.

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 as detailed in note 12.

(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 these assets are made using the historical, commercial and technical experience of senior members of the management team.

2. Revenue

Revenue arises from:	2017	2016
	£'000	£'000
Electronic division		
Sale of goods	6,740	7,219
Provision of services	352	409
Asset protection division		
Sale of goods	5,870	10,721
Provision of services	3,074	3,463
	<u>16,036</u>	<u>21,812</u>

3. (Loss)/profit from continuing operations

This has been arrived at after charging/(crediting):

	2017	2016
	£'000	£'000
Staff costs (note 4)	8,902	8,781
Exceptional redundancy costs	285	-
Depreciation of property, plant and equipment		
– owned assets	267	262
– leased assets	138	156
Amortisation of intangible assets	873	783
Impairment provision of goodwill	2,229	-
Impairment provision of development costs	1,341	-
Foreign exchange differences	(16)	(42)
Operating lease expense		
– Plant and machinery	72	64
– Property	295	342
Auditors remuneration:		
Audit fees payable to the company's auditor for the audit of:		
– Company annual accounts	10	9
– Group annual accounts	13	13
Other fees payable to the Company's auditors:		
– Subsidiary companies	81	67
– Tax compliance	21	46
(Profit) on disposal of tangible non-current assets	(33)	(48)
	<u>8,902</u>	<u>8,781</u>

Exceptional redundancy cost

Certain redundancy costs were incurred as part of a restructuring within the businesses to reduce costs in the light of the results for the year.

4. Staff costs

Staff costs (including the Executive Directors) comprise:

	2017	2016
	£'000	£'000
Wages and salaries	7,700	7,616
Defined contribution pension cost	381	296
Employer's national insurance contributions and similar taxes	821	869
	<u>8,902</u>	<u>8,781</u>

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

	2017	2016
	No.	No.
Management, sales and administration	56	58
Production	102	100
	<u>158</u>	<u>158</u>

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

	2017	2016
	£'000	£'000
Salaries	797	854
Defined contribution pension costs	109	84
Employers national insurance contributions and similar taxes	98	95
	<u>1,004</u>	<u>1,033</u>

The emoluments of the Directors of the parent company are set out in the Report of the Remuneration Committee on page 16.

5. 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 WFM hardware only, for time-and-attendance, shop-floor data collection, and access control systems. This division contributed 44 per cent. (2016: 35 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 56 per cent. (2016: 65 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. Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker.

Measurement of operating segment profit or loss from operations before tax excludes non-recurring losses such as goodwill impairment, and also excludes the effects of share based payments.

Segment assets and liabilities exclude group company balances.

	Electronic	Asset	Total
	2017	Protection	2017
	£'000	2017	£'000
		£'000	£'000
<i>Revenue</i>			
Total revenue	7,092	8,944	16,036
Revenue from external customers	<u>7,092</u>	<u>8,944</u>	<u>16,036</u>
Finance cost	1	4	5
Depreciation	125	261	386
Amortisation	873	–	873
Impairment provision	1,341	–	1,341
Segment (loss)/profit before income tax from continuing activities	(2,049)	130	(1,919)
Loss before income tax of discontinued operation	(225)	–	(225)
Total (loss)/profit before income tax	<u>(2,274)</u>	<u>130</u>	<u>(2,144)</u>
Additions to non-current assets	1,296	156	1,452
Reportable segment assets	6,062	2,761	8,823
Reportable segment liabilities	1,469	2,052	3,521

	Electronic 2016 £'000	Asset Protection 2016 £'000	Total 2016 £'000
Revenue			
Total revenue	7,628	14,184	21,812
Revenue from external customers	<u>7,628</u>	<u>14,184</u>	<u>21,812</u>
Finance cost	-	2	2
Depreciation	122	271	393
Amortisation	783	-	783
Segment (loss)/profit before income tax from continuing activities	(161)	2,809	2,648
Loss before income tax of discontinued operation	(291)	-	(291)
Total (loss)/profit before income tax	<u>(452)</u>	<u>2,809</u>	<u>2,357</u>
Additions to non-current assets	1,005	231	1,236
Reportable segment assets	6,776	7,168	13,944
Reportable segment liabilities	1,632	2,822	4,454

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

	2017 £'000	2016 £'000
Revenue		
Total revenue for reportable segments	16,036	21,812
	<u>2017 £'000</u>	<u>2016 £'000</u>
Profit or loss after income tax expense		
Total profit or loss for reportable segments	(1,919)	2,648
Corporation taxes	141	31
Parent company salaries and related costs	(522)	(509)
Other parent company costs	(571)	(652)
Impairment provision of goodwill	(2,229)	-
(Loss)/profit after income tax expense (continuing activities)	<u>(5,100)</u>	<u>1,518</u>
	<u>2017 £'000</u>	<u>2016 £'000</u>
Assets		
Total assets for reportable segments	8,823	13,944
PLC	998	109
Goodwill on consolidation	2,735	4,964
Group's assets	<u>12,556</u>	<u>19,017</u>
Liabilities		
Total liabilities for reportable segments	3,521	4,454
PLC	235	106
Group's liabilities	<u>3,756</u>	<u>4,560</u>

	Reportable segment totals 2017 £'000	PLC 2017 £'000	Group totals 2017 £'000	Reportable segment totals 2016 £'000	PLC 2016 £'000	Group totals 2016 £'000
Other material items						
Capital expenditure	1,452	66	1,518	1,236	4	1,240
Depreciation and amortisation	1,258	20	1,278	1,176	25	1,201
Impairment of development costs	1,341	-	1,341	-	-	-
Impairment of goodwill	-	2,229	2,229	-	-	-

Geographical information:

	External revenue by location of customers		Non-current assets by location of assets	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
UK	13,008	18,299	6,243	9,573
Netherlands	357	265	-	-
Sweden	6	124	-	-
Belgium	362	206	-	-
Austria	163	145	-	-
Other Europe	278	379	-	-
USA	1,340	1,473	11	24
Middle East	359	704	-	-
Other countries	163	217	-	-
	<u>16,036</u>	<u>21,812</u>	<u>6,254</u>	<u>9,597</u>

Revenue from one customer totalled £3,508,000 (2016: £5,502,000). There are no other customers that account for more than 10% of Group revenue.

6. Finance costs

	2017 £'000	2016 £'000
<i>Finance costs</i>		
Finance leases	13	13
	<u>13</u>	<u>13</u>

7. Tax expense

	2017 £'000	2017 £'000	2016 £'000	2016 £'000
<i>Current tax expense</i>				
<i>Continuing businesses</i>				
UK corporation tax on (loss)/profits for the year	8		-	
Adjustment for over provision in prior periods	(10)		(21)	
		(2)		(21)
<i>Deferred tax expense</i>				
Origination and reversal of temporary differences	(247)		3	
Adjustment for over provision in prior periods	19		(13)	
		(228)		(10)
Total tax credit		<u>(230)</u>		<u>(31)</u>

	2017 £'000	2016 £'000
Income tax credit from continuing operations	(141)	(31)
Income tax credit from discontinued operations	(89)	–
	<u>(230)</u>	<u>(31)</u>

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

	2017 £'000	2016 £'000
(Loss)/profit for the year	(5,236)	1,227
Income tax credit (including income tax on discontinued operation)	(230)	(31)
(Loss)/profit before income tax	<u>(5,466)</u>	<u>1,196</u>
Expected tax (credit)/charge based on the standard rate of corporation tax in the UK of 19.92 per cent. (2016: 20 per cent.)	(1,088)	239
Research and development allowances	(304)	(245)
Effects on profits of other items not deductible for tax purposes	514	18
Utilisation and recognition of previously unrecognised tax losses	–	(22)
Deferred tax not recognised	659	60
Change in tax rate	(20)	(47)
Adjustment to tax charge in respect of previous periods	9	(34)
Total tax credit	<u>(230)</u>	<u>(31)</u>

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

	2017 £'000	2016 £'000
Management expenses	357	750
Trading losses	4,179	2,227

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

	2017 £'000	2016 £'000
Management expenses	61	135
Trading losses	712	401

8. (Loss)/earnings per share

	Continuing		Discontinued		Total	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000	2017 £'000	2016 £'000
<i>Numerator</i>						
(Loss)/earnings used in basic and diluted EPS	<u>(5,100)</u>	<u>1,518</u>	<u>(136)</u>	<u>(291)</u>	<u>(5,236)</u>	<u>1,227</u>
<i>Denominator</i>					No.	No.
Weighted average number of shares used in basic EPS					468,732,316	464,249,624
Weighted average number of dilutive share warrants					–	14,050,885
Weighted average number of dilutive share options					2,733,509	10,470,065
Weighted average number of shares for diluted EPS					<u>471,465,825</u>	<u>488,770,574</u>

The total number of options in issue is disclosed in note 26.

The basic earnings per share before exceptional items 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:

	2017 pence	2016 pence
Basic (loss)/earnings per share from continuing operations – basic	(1.08)	0.31
Impairment provision of development costs	0.29	–
Impairment provision of development costs	0.47	–
Exceptional redundancy costs	0.06	–
(Loss)/earnings per share from continuing operations before exceptional items	<u>(0.26)</u>	<u>0.31</u>
	2017 £'000	2016 £'000
Reconciliation of earnings		
(Loss)/profit from continuing operations used for calculation of basic earnings per share	(5,100)	1,518
Impairment provision of development costs	1,341	–
Impairment provision of goodwill	2,229	–
Exceptional redundancy costs	285	–
(Loss)/earnings from continuing operations before exceptional items	<u>(1,245)</u>	<u>1,518</u>

9. Discontinued operations

In October 2016, the Group closed its operation in Hong Kong. The post-tax loss of discontinued operations was determined as follows:

Result of discontinued operations

	2017 £'000	2016 £'000
Revenue	26	11
Costs	(251)	(302)
Tax credit	89	–
(Loss) for the year	<u>(136)</u>	<u>(291)</u>

Basic and diluted loss per share from discontinued operations

	2017 pence	2016 pence
Basic and diluted loss per share	<u>(0.03)</u>	<u>(0.06)</u>

Statement of cash flows

The statement of cash flows include the following amounts relating to discontinued operations:

	2017 £'000	2016 £'000
Operating activities	(184)	(317)
Investing activities	3	(11)
Net cash outflow from discontinued operations	<u>(181)</u>	<u>(328)</u>

The consolidated income statement has been re-presented to reflect the discontinued operation.

10. Property, plant and equipment

	Short leasehold improvements £'000	Plant, machinery and motor vehicles £'000	Computers, fixtures and fittings £'000	Total £'000
<i>At 30 April 2016</i>				
Cost	561	1,000	1,441	3,002
Accumulated depreciation	(408)	(766)	(1,090)	(2,264)
Net book value	<u>153</u>	<u>234</u>	<u>351</u>	<u>738</u>
<i>At 30 April 2017</i>				
Cost	549	864	1,400	2,813
Accumulated depreciation	(478)	(635)	(1,044)	(2,157)
Net book value	<u>71</u>	<u>229</u>	<u>356</u>	<u>656</u>
<i>Year ended 30 April 2016</i>				
Opening net book value	229	354	322	905
Translation differences	-	-	(1)	(1)
Additions	10	116	169	295
Disposals	-	(42)	(1)	(43)
Depreciation	(86)	(194)	(138)	(418)
Closing net book value	<u>153</u>	<u>234</u>	<u>351</u>	<u>738</u>
<i>Year ended 30 April 2017</i>				
Opening net book value	153	234	351	738
Translation differences	-	-	2	2
Additions	-	165	171	336
Disposals	-	(9)	(6)	(15)
Depreciation	(82)	(161)	(162)	(405)
Closing net book value	<u>71</u>	<u>229</u>	<u>356</u>	<u>656</u>

The net book value of plant, machinery and motor vehicles for the Group includes an amount of £198,265 (2016: £176,445) in respect of assets held under finance leases and hire purchase contracts. The related depreciation charge on these assets for the year was £138,532 (2016: £155,823).

11. Intangible assets

	Goodwill £'000	Development costs (internally generated) £'000	Licences, patents and copyrights £'000	Total £'000
<i>At 30 April 2016</i>				
Cost	6,872	9,201	45	16,118
Amortisation	–	(3,774)	(38)	(3,812)
Impairment provision	(1,908)	(1,539)	–	(3,447)
Net book value	<u>4,964</u>	<u>3,888</u>	<u>7</u>	<u>8,859</u>
<i>At 30 April 2017</i>				
Cost	6,872	7,143	45	14,060
Amortisation	–	(1,406)	(39)	(1,445)
Impairment provision	(4,137)	(2,880)	–	(7,017)
Net book value	<u>2,735</u>	<u>2,857</u>	<u>6</u>	<u>5,598</u>
<i>Year ended 30 April 2016</i>				
Opening net book value	4,964	3,731	2	8,697
Additions				
– Internally developed	–	939	6	945
Amortisation	–	(782)	(1)	(783)
Closing net book value	<u>4,964</u>	<u>3,888</u>	<u>7</u>	<u>8,859</u>
<i>Year ended 30 April 2017</i>				
Opening net book value	4,964	3,888	7	8,859
Additions				
– Internally developed	–	1,182	–	1,182
Amortisation	–	(872)	(1)	(873)
Impairment provision	(2,229)	(1,341)	–	(3,570)
Closing net book value	<u>2,735</u>	<u>2,857</u>	<u>6</u>	<u>5,598</u>

The impairment in the period of £1,341,000 represents internally generated development costs, which no longer satisfy the criteria for capitalisation as listed on page 27 as a consequence of the redevelopment of the product design.

The Group has no contractual commitments for development costs (2016: £Nil).

All development costs have a finite useful economic life.

12. Goodwill and impairment

The carrying amount of goodwill is allocated to the cash generating units (CGU's) as follows:

	Goodwill carrying amount	
	2017 £'000	2016 £'000
Electronic division	2,735	4,003
Asset protection division	–	961
	<u>2,735</u>	<u>4,964</u>

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 2022. The discount rate that was applied was 18 per cent. and 16 per cent. for the electronic division and asset protection division respectively (2016: 16 per cent. and 13 per cent. respectively), representing the pre-tax discount rate that reflects the current market assessment of the time value of money and risk specific to the asset.

The impairment review undertaken in 2017 for the asset protection division resulted in a full impairment of goodwill of £961,000 (2016: Nil). Revenue from the product range associated with the acquisition of the asset protection division has been declining and is being replaced by the introduction of new products, and as such it is no longer considered appropriate to retain the £961,000 goodwill as an intangible asset.

The impairment review undertaken in 2017 for the electronic division resulted in an impairment charge of £1,268,000 (2016: Nil). Within the electronic division, it is anticipated that the mid-tier access control market will yield growth for the sale of the Sateon range and the workforce management market will yield growth from the GT-10 Android based terminal. Similarly to the asset protection division, the impairment charge has therefore arisen from the development of these products replacing revenues relation to historical products associated with the original acquisition of the electronic division.

The average annual revenue growth rate for cash flows from operating activities for the electronic division for the period within the formal budgets is 8 per cent. (2016: 17 per cent.). The projected cash flows beyond the formal budgeted period are based on an extrapolation of the budgeted cash flows at a growth rate of 14 per cent. (2016: 1 per cent.). The growth rate reflects the introduction of new products.

Following the impairment the carrying value of goodwill is now equal to the recoverable amount and any changes in the growth rates stated above would result in a change in the impairment provision.

13. Subsidiaries

The 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. ^(2b)	The Netherlands	100%	Holding
Vema N.V. ^(2c)	The Netherlands	98%	Dormant
Vema UK Limited ^(2c)	Great Britain	100%	Dormant
Grosvenor Technology Limited	Great Britain	100%	Trading
Grosvenor Technology Hong Kong Limited	Hong Kong	100%	Trading
Newmark Group Limited	Great Britain	100%	Dormant
Sateon Limited	Great Britain	100%	Dormant
ATM Protection (UK) Limited ^(2d)	Great Britain	86.7%	Non-trading
ATM Protection Limited ^(2e)	Great Britain	86.7%	Non-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

(3) The registered office for all the companies incorporated in Great Britain is 91 Wimpole Street, London W1G 0EF apart from Safetell Limited, Safetell International Limited and Safetell Security Screens Limited registered office is Unit 46, Fawkes Avenue, Dartford, Kent DA1 1JQ.

Grosvenor Technology LLC registered office is 3009 Green Street Florida USA.

Grosvenor Technology Hong Kong Limited registered office is Unit 1902, Prosperity Place, 6 Shing Yip Street Kuon Tong, Kowloon Hong Kong.

14. Inventories

	2017 £'000	2016 £'000
Raw materials and consumables	419	763
Work-in-progress	138	105
Finished goods and goods for resale	1,089	538
	<u>1,646</u>	<u>1,406</u>

Finished goods include an amount of £Nil (2016: £Nil) carried at fair value less costs to sell. The amount of inventories consumed in the year was £5,191,000 (2016: £7,847,000). The amount of inventory write downs in the year was £8,000 (2016: £21,000). There are no inventories recoverable after 12 months (2016: £Nil).

15. Trade and other receivables

	2017 £'000	2016 £'000
Trade receivables	2,767	3,220
Less: provision for impairment of trade receivables	(46)	(20)
Trade receivables (net)	<u>2,721</u>	<u>3,200</u>
Other receivables	101	45
Accrued income	153	19
Prepayments	311	451
	<u>3,286</u>	<u>3,715</u>

At 30 April 2017 trade receivables of £413,000 (2016: £496,000) were past due but not impaired. The ageing analysis of these receivables is as follows:

	2017 £'000	2016 £'000
30 days past due	299	334
60 days past due	44	63
90 days past due	65	36
Over 90 days past due	5	63
	<u>413</u>	<u>496</u>

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

	2017 £'000	2016 £'000
Opening balance	20	24
Increase/(decrease) in provisions	32	(3)
Receivable written off during the year	(6)	(1)
Closing balance	<u>46</u>	<u>20</u>

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 receivables based on regular review of ageing and communication with customers.

16. Trade and other payables – current

	2017 £'000	2016 £'000
Trade payables	1,095	1,279
Other tax and social security taxes	504	657
Other payables	164	81
Deferred income	705	1,077
Accruals	693	771
Holiday pay provision	121	106
	<u>3,282</u>	<u>3,971</u>

17. Other short term borrowings

	2017 £'000	2016 £'000
Finance lease creditor (note 25)	79	99
	<u>79</u>	<u>99</u>

Information about fair values on the financial liabilities is given in note 20.

18. Long term borrowings

	2017 £'000	2016 £'000
Finance lease creditor (note 25)	98	64
	<u>98</u>	<u>64</u>

Information about fair values on the financial liabilities is given in note 20. All finance leases are denominated in sterling.

19. Financial instruments

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 financial risks the details of which are disclosed in the directors report on page 11.

Financial Instruments

Categories of financial assets and financial liabilities are detailed below:

	Loans and receivables	
	2017 £'000	2016 £'000
Current financial assets		
Trade and other receivables	2,822	3,245
Cash and cash equivalents	1,370	4,299
Total current financial assets	<u>4,192</u>	<u>7,544</u>

	Financial liabilities measured at amortised cost	
	2017	2016
	£'000	£'000
Current financial liabilities		
Trade and other payables	1,259	1,360
Loans and borrowings	79	99
Total current financial liabilities	1,338	1,459
Non-current financial liabilities		
Loans and borrowings	98	64
Total non-current financial liabilities	98	64
Total financial liabilities	1,436	1,523

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 and other receivables
- cash at bank
- 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.

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

	2017	2016
	£'000	£'000
Up to 3 months	1,281	1,389
3 to 6 months	20	26
6 to 12 months	37	24
Later than 1 year and not later than 5 years	98	84
	1,436	1,523

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.

Functional currency of individual entity

As of 31 December the Group's net exposure to foreign exchange risk was as follows:

	Pounds sterling		Dollar		Euro		Other	
	2017	2016	2017	2016	2017	2016	2017	2016
Net foreign currency financial assets/ (liabilities)								
Pound sterling	-	-	64	287	(34)	(40)	-	-
Dollar	-	-	-	-	-	-	-	-
Other	-	-	-	-	(5)	-	18	17
Total	-	-	64	287	(39)	(40)	18	17

The effect of a 10 per cent. strengthening of the Euro and Dollar against Sterling at the statement of financial position date on the Euro/Dollar denominated trade and other 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 £17,000 (2016: £51,000). A 10 per cent. weakening in the exchange rates would, on the same basis, have decreased pre-tax profit and decreased net assets by £14,000 (2016: £42,000).

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 cash-to-adjusted-capital ratios at 30 April 2017 and at 30 April 2016 were as follows:

	2017 £'000	2016 £'000
Loans and borrowings	177	163
Less: cash and cash equivalents	(1,370)	(4,299)
Net cash	(1,193)	(4,136)
Total equity	8,800	14,457
Cash to adjusted capital ratio	13.6%	28.6%

20. Financial assets and liabilities

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

	Rate 2017 %	Period 2017 Years	Rate 2016 %	Period 2016 Years
Sterling	2.1	1.0	2.8	0.9

Fair values

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

	Book value 2017 £'000	Fair value 2017 £'000	Book value 2016 £'000	Fair value 2016 £'000
Finance lease creditor	177	193	163	176
	177	193	163	176

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 2017 and 2016 are equal to their book value.

21. Provisions

	Leasehold dilapidations £'000
At 1 May 2016	100
Charged to income statement	100
At 30 April 2017	200
Due within one year or less	100
Due after more than one year	100
	200

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 17 per cent. (2016: 18 per cent.).

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

	Group	
	2017 £'000	2016 £'000
Liability		
At 1 May	325	335
Income statement	(228)	(10)
At 30 April	<u>97</u>	<u>325</u>

Deferred tax assets have been recognised in respect of all temporary timing differences giving rise to deferred tax assets if 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)	Charged/ (credited) to income
	2017 £'000	2017 £'000
Accelerated capital allowances	(192)	(25)
Other temporary and deductible differences	402	(258)
Available losses	(113)	55
	<u>97</u>	<u>(228)</u>
	Liability/ (Asset)	Charged/ (credited) to income
	2016 £'000	2016 £'000
Accelerated capital allowances	(167)	(63)
Other temporary and deductible differences	660	(20)
Available losses	(168)	73
	<u>325</u>	<u>(10)</u>

There are unrecognised deferred tax assets as listed in note 7, which have not been recognised due to the uncertainty of the timing of future profits.

23. Share capital

	2017		2016	
	Number	£	Number	£
<i>Ordinary shares of 1p each</i>				
<i>Allotted, called up and fully paid</i>				
At 1 May	468,732,316	4,687,323	460,182,316	4,601,823
Exercise of share options in year	-	-	1,050,000	10,500
Exercise of warrants in year	-	-	7,500,000	75,000
	<u>468,732,316</u>	<u>4,687,323</u>	<u>468,732,316</u>	<u>4,687,323</u>
<i>Authorised</i>				
At beginning and end of year	<u>1,015,164,192</u>	<u>10,151,642</u>	<u>1,015,164,192</u>	<u>10,151,642</u>

In November 2011, the Company raised a facility of up to £300,000 through the issue of a 10% secured loan note ("Loan Note") with certain Directors of the Company. The Loan Notes actually issued were subsequently repaid in full during the year ended 30 April 2012. In addition to the Loan Note, the Company entered into a warrant instrument with the Loan Note holders whereby the Company granted 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 25 November 2016 at an exercise price of 1 pence ("the Warrants") 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. As at 30 April 2017 there were Nil (2016: 21,750,000) warrants outstanding. Maurice Dwek, Non-Executive Chairman, has Nil warrants outstanding (2016: 21,750,000).

24. Reserves

The share premium account represents the excess of the subscription price 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.

Foreign exchange reserve represents the cumulative exchange differences on the retranslation of foreign operations.

Dividends

	2017 £'000	2016 £'000
Final dividend of 0.10 pence (2016: 0.10 pence) per ordinary share paid during the year relating to the previous year's results	<u>469</u>	<u>460</u>

The directors are proposing a final dividend of Nil pence per ordinary share (2016: 0.10 pence) totalling £Nil (2016: £469,000).

25. Leases

Finance leases

Future lease payments are due as follows:

	Minimum lease payments 2017 £'000	Interest 2017 £'000	Present value 2017 £'000
Not later than one year	88	9	79
Later than one year and not later than five years	105	7	98
	<u>193</u>	<u>16</u>	<u>177</u>

	Minimum lease payments 2016 £'000	Interest 2016 £'000	Present value 2016 £'000
Not later than one year	107	8	99
Later than one year and not later than five years	69	5	64
	<u>176</u>	<u>13</u>	<u>163</u>

The present value of future lease payments are analysed as:

	2017 £'000	2016 £'000
Current liabilities	79	99
Non-current liabilities	98	64
	<u>177</u>	<u>163</u>

All finance leases arise on motor vehicles which are denominated in sterling and tend to be for a period of 36 months.

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.

The total future value of minimum lease payments due is as follows:

	Property 2017 £'000	Other 2017 £'000	Property 2016 £'000	Other 2016 £'000
Not later than one year	197	96	293	54
Later than one year and not later than five years	708	147	418	143
Later than five years	134	–	160	13
	<u>1,039</u>	<u>243</u>	<u>871</u>	<u>210</u>

26. Share-based payment

In April 2007, 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.

Date of Grant	Subscription Price payable	No. of options
October 2007	1.50p	1,000,000
August 2013	1.375p	12,363,636
November 2013	1.45p	6,000,000
August 2014	1.825p	1,909,589
September 2015	3.325p	1,142,857
May 2016	2.92p	5,000,000

The remaining weighted average contractual lives for both Approved and Unapproved Options under this scheme were 7.1 years (2016: 7.6 years).

The share based remuneration expense for equity settled schemes was £Nil (2016: £Nil).

There are no share based payment expenses for the year and therefore no further IFRS 2 disclosures are given.

27. Related party transactions

Details of directors' remuneration are given in the Report of the Remuneration Committee on page 16.

28. Post balance sheet event

In May 2017, the Group's wholly owned subsidiary, Grosvenor Technology Limited, acquired a new office property for £1.2 million, funded 30% from the Company's existing cash reserves and 70% from a bank loan, which was for an initial five-year term with repayments and interest payable from month 13 onwards and carried interest at two per cent. above the base rate.

On 11 August the Group announced that it had exchanged contracts for a sale and leaseback arrangement for the same property. The property was sold for £1.525 million, after incurring refurbishment costs, part of which will be used for the repayment of the bank loan. The lease arrangement is for a period of 15 years with stipulated increases to the annual rental rate at the five and ten year anniversaries of the commencement of the lease contract. The sale and lease back was completed on 5 September 2017.

COMPANY STATEMENT OF FINANCIAL POSITION
at 30 April 2017 – UK GAAP Financial Statements

Company number: 3339998

	Note	2017 £'000	2017 £'000	2016 £'000	2016 £'000
Fixed assets					
Investment in subsidiaries	3		17,121		18,428
Tangible assets	4		52		5
			<u>17,173</u>		<u>18,433</u>
Current assets					
Debtors	5	2,917		4,549	
Cash and cash equivalents		3		68	
		<u>2,920</u>		<u>4,617</u>	
Creditors: amounts falling due within one year	6	<u>(13,447)</u>		<u>(11,690)</u>	
Net current liabilities			<u>(10,527)</u>		<u>(7,073)</u>
Total assets less current liabilities			6,646		11,360
Amounts falling due after one year					
Long term borrowings	7		(46)		-
Net assets			<u>6,600</u>		<u>11,360</u>
Capital and reserves					
Called up share capital	8		4,687		4,687
Share premium account			553		553
Merger reserve			801		801
Profit and loss account			559		5,319
Shareholder's funds			<u>6,600</u>		<u>11,360</u>

The Company's loss for the current year was £4,291k (2016: profit 1,579k)

The notes on pages 49 to 52 form part of these financial statements.

These financial statements were approved by the Board of Directors and authorised for issue on 14 September 2017.

M Dwek
Director

COMPANY STATEMENT OF CHANGES IN EQUITY

	Share capital £'000	Share premium £'000	Merger reserve £'000	Retained earnings £'000	Total equity £'000
1 May 2015	4,602	549	801	4,200	10,152
Comprehensive income for the year					
Profit and total comprehensive income for the year	-	-	-	1,579	1,579
Contributions by and distributions to owners					
Dividends	-	-	-	(460)	(460)
Share issues	85	4	-	-	89
Total contributions by and distributions to owners	85	4	-	(460)	(371)
30 April 2016	4,687	553	801	5,319	11,360
1 May 2016	4,687	553	801	5,319	11,360
Comprehensive income for the year					
Loss and total comprehensive loss for the year	-	-	-	(4,291)	(4,291)
Contributions and distributions to owners					
Dividends	-	-	-	(469)	(469)
Total contributions and distributions to owners	-	-	-	(469)	(469)
	4,687	553	801	559	6,600

**NOTES FORMING PART OF THE FINANCIAL STATEMENTS OF THE COMPANY
for the year ended 30 April 2017**

1. Accounting policies

Basis of preparation

The financial statements have been prepared in accordance with Financial Reporting Standard 100 Application of Financial Reporting Requirements ("FRS 100") and Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101").

Disclosure exemptions adopted

In preparing these financial statements the company has taken advantage of all disclosure exemptions conferred by FRS 101. Therefore these financial statements do not include:

- Certain comparative information as otherwise required by EU endorsed IFRS;
- Certain disclosures regarding the company's capital;
- A statement of cash flows;
- The effect of future accounting standards not yet adopted;
- Disclosure of related party transactions with other wholly owned members of the Group headed by Newmark Security PLC; and
- The disclosure of the remuneration of key management personnel.

In addition, and in accordance with FRS 101 further disclosure exemptions have been adopted because equivalent disclosures are included in the company's consolidated financial statements. These financial statements do not include certain disclosures in respect of:

- Share based payments;
- Financial instruments; and
- Impairment of assets.

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 profit for the year ended 30 April 2017 is disclosed in the Statement of Financial Position.

Property, plant and equipment

Items of property, plant and equipment are recognised at cost.

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	– 33 per cent. per annum straight line
Fixtures and fittings	– 10 per cent. per annum straight line
Motor vehicles	– 33 per cent. per annum straight line

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 paid. In the case of final dividends, this is when approved by the shareholders at the AGM.

Investments

Investments in subsidiary undertakings are stated at cost less provision for impairment, if any. The carrying values are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

Intercompany balances

Balances between group companies which reflect trading and funding activity are short term. Balances between group companies are interest free and due on demand.

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 investment in subsidiaries*

The Company tests annually whether investments in subsidiaries have suffered any impairment in accordance with the accounting policy stated above.

The recoverable amounts have been determined based on value-in-use calculations. These calculations require the use of estimates as detailed in note 12 of the Group accounts.

(b) *Estimated impairment of group company balances*

The Company revises the solvency and future trading forecasts of subsidiaries to determine whether the group company balances have suffered any impairment.

2. Staff costs

	2017 £'000	2016 £'000
Wages and salaries	439	436
Defined contribution pension cost	25	22
Employer's national insurance contributions and similar taxes	58	51
	<u>522</u>	<u>509</u>
	2017 Number	2016 Number
The average number of employees, including directors, during the period was:		
Office and management	<u>3</u>	<u>3</u>

3. Investment in subsidiaries

Cost	£'000
At 1 May 2016	18,869
Capitalisation of group loan in year	<u>3,000</u>
At 30 April 2017	<u>21,869</u>
Impairment provision	
At 1 May 2016	441
Provision in year	<u>4,307</u>
At 30 April 2017	<u>4,748</u>
Net book value at 30 April 2017	<u>17,121</u>
Net book value at 30 April 2016	<u>18,428</u>

The subsidiaries of Newmark Security PLC are listed in note 13 of the Group financial statements.

The annual impairment reviews indicated that provisions were necessary against the cost of investment in subsidiaries for the electronic division as the directors focus on the new product ranges replacing the historical products.

4. Tangible assets

	Short leasehold improvements £'000	Motor vehicles £'000	Computers Fixtures & Fittings £'000	Total £'000
<i>Cost</i>				
At 1 May 2016	12	43	30	85
Additions in the year	-	66	-	66
Disposals	(12)	(43)	(21)	(76)
At 30 April 2017	-	66	9	75
<i>Depreciation</i>				
At 1 May 2016	12	43	25	80
Disposals	(12)	(43)	(21)	(76)
Charge for the year	-	16	3	19
At 30 April 2017	-	16	7	23
<i>Net book value</i>				
At 30 April 2017	-	50	2	52
At 30 April 2016	-	-	5	5

5. Debtors

	2017 £'000	2016 £'000
Amount due from group undertakings	2,869	4,513
Other debtors	33	10
Prepayments	15	26
	<u>2,917</u>	<u>4,549</u>

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

6. Creditors: amounts falling due within one year

	2017 £'000	2016 £'000
Amount due to group undertakings	13,265	11,546
Other taxation and social security	16	31
Other payables	5	15
Other short term borrowing	5	-
Accruals	156	98
	<u>13,447</u>	<u>11,690</u>

7. Long term borrowings

	2017 £'000	2016 £'000
Finance lease creditor	46	–

The finance lease arises on a motor vehicle which is denominated sterling and is for a period of 36 months.

	Minimum Lease payments 2017 £'000	Interest 2017 £'000	Present value 2017 £'000
Not later than one year	9	4	5
Later than one year and not later than five years	50	4	46
	<u>59</u>	<u>8</u>	<u>51</u>

8. Share capital

	2017		2016	
	Number	£	Number	£
<i>Allotted, called up and fully paid:</i>				
At 1 May	468,732,316	4,687,323	460,182,316	4,601,823
Exercise of share options in year	–	–	1,050,000	10,500
Exercise of warrants in year	–	–	7,500,000	75,000
	<u>468,732,316</u>	<u>4,687,323</u>	<u>468,732,316</u>	<u>4,687,323</u>
<i>Authorised</i>				
At beginning and end of year	<u>1,015,164,192</u>	<u>10,151,642</u>	<u>1,015,164,192</u>	<u>10,151,642</u>

In November 2011, the Company raised a facility of up to £300,000 through the issue of a 10% secured loan note ("Loan Note") with certain Directors of the Company. The Loan Notes actually issued were subsequently repaid in full during the year ended 30 April 2012. In addition to the Loan Note, the Company entered into a warrant instrument with the Loan Note holders whereby the Company granted 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 25 November 2016 at an exercise price of 1 pence ("the Warrants") 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. As at 30 April 2017 there were Nil (2016: 21,750,000) warrants outstanding. Maurice Dwek, Non-Executive Chairman, has Nil warrants outstanding (2016: 21,750,000).

9. Commitments under operating leases

The total future value of minimum lease payments due is as follows:

	2017 Land and buildings £'000	2016 Land and buildings £'000
Not later than one year	29	–
Later than one year and not later than five years	–	148
Later than five years	–	–

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 Grosvenor Suite, Millennium Hotel, 44 Grosvenor Square, London W1K 2HP on 17 October 2017 at 11.00 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 11.00 a.m. on 15 October 2017.

Notice is hereby given that the Annual General Meeting of the above-mentioned company ("**the Company**") will be held at Grosvenor Suite, Millennium Hotel, 44 Grosvenor Square, London W1K 2HP on 17 October 2017 at 11.00 a.m.

You will be asked to consider and pass the resolutions below. Resolutions 6 and 7 (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 2017 together with the reports of the directors and auditors thereon.

2. Rotation and retirement of director

To re-elect Marie-Claire Dwek as a director of the Company, who is retiring by rotation in accordance with the articles of association of the Company.

3. Rotation and retirement of director

To re-elect Robert Waddington as a director of the Company, who is retiring by rotation in accordance with the articles of association of the Company.

4. Appointment of auditors

To re-appoint BDO LLP of 2 City Place, Beehive Ring Road, Gatwick, West Sussex RH6 0PA 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.

5. Remuneration of directors

THAT the remuneration of the directors be approved as set out in the accounts for the year ended 30 April 2017.

Special Resolutions

6. 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 32 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, save that in the case of the cancellation and re-grant of options under the terms of an employee share scheme or otherwise, the cancelled options shall not be counted so that the aggregate nominal amount of equity securities which the directors are empowered to allot shall be reduced only by the number of any unexercised options in existence from time to time, any shares acquired on the exercise of options and any shares allotted under the authority of this resolution 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 resolution revokes and replaces all unexercised authorities previously granted to the directors to allot shares or grant rights to subscribe for or to convert any security into shares, but without prejudice to any allotment of shares or grant of rights already made, offered or agreed to be made pursuant to such authorities.

7. Disapplication of pre-emption rights

THAT, subject to the passing of the resolution 6 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 6, as if section 561(1) of the 2006 Act did not apply to any such allotment, provided that this power shall:

- 7.1. be limited to the allotment of equity securities up to an aggregate nominal amount of £450,000;
- 7.2. save that in the case of the cancellation and re-grant of options under the terms of an employee share scheme or otherwise, the cancelled options shall not be counted so that the aggregate nominal amount of equity securities which the directors are empowered to allot shall be reduced only by the number any unexercised options in existence from time to time, any shares acquired on the exercise of options and any shares allotted during the period set out in paragraph 7.3 below; and
- 7.3. 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
91 Wimpole Street
London W1G 0EF

Registered in England and Wales No. 3339998

14 September 2017

Notes to the Notice of Annual General Meeting

1. Members that are entitled to attend and vote at the Annual General Meeting as set out in paragraph 6, 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 11.00 a.m. on 15 October 2017.
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 as at close of business on 15 October 2017 (or, in the event of any adjournment as at close of business 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 13 September 2017 (being the last business day prior to the publication of this Notice) the Company's issued share capital consists of 468,732,316 ordinary shares of 1p each, carrying one vote each. Therefore, the total voting rights in the Company as at 13 September 2017 are 468,732,316.
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 (ID RA10) by 11.00 a.m. on 15 October 2017. 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 its 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 its 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 91 Wimpole Street, London W1G 0EF from 14 September 2017 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 91 Wimpole Street, London W1G 0EF.

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.

