Newmark
SECURITY PLC

Report and Financial Statements

Year ended 30 April 2018

Company number: 3339998

Newmark
SECURITY PLC

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Newmark SECURITY PLC

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, 5 St. Helens Place, London EC3A 6AB
Registrars:	Link 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 Limited and Safetell Limited, 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 £16,052k (2017: £16,036k). In last year's annual report the Board expressed the view that it expected a difficult trading year in view of the ongoing economic uncertainty and this unfortunately proved to be the case.

Revenue in the electronic division (Grosvenor) increased by 12.2% from £7,092k to £7,960k. As in previous years, the decline in the legacy Janus range of access control products has been compensated for by the growth in the Sateon range driven by the release of the latest 'Advance' variant in the second half of the previous financial year. Overall sales of access control increased by 1.1%. Sales of Workforce Management globally increased by 25.1%, driven by additional sales relating to announcements made during the period regarding supply agreements to strategic partners and organic growth, particularly in the US business.

Revenue in the asset protection division (Safetell) decreased by 9.5% from £8,944k to £8,092k with a 17.0% decrease in products sales mainly due to the decreased revenue from time delayed cash handling equipment sales to the Post Office. Revenue from the service business however increased by 4.7%.

Loss from operations for the year from continuing operations before exceptional items was £1,039k (2017: £1,378k). There were exceptional items in the year for redundancy costs of £140k (2017: £285k) and impairment provision of development costs of £698k (2017: £1,341k). The impairment of development costs relates to amounts previously capitalised for older versions of the Sateon platform which have now been superseded. There was another exceptional item in the year ended 30 April 2017 consisting of an impairment provision of goodwill of £2,229k, primarily due to the age of the goodwill and historical products and the focus on the new product ranges. Loss from continuing operations after exceptional items was £1,877k (2017: £5,233k). In addition the remaining costs net of taxation of the Hong Kong office closed in the previous year has been included in the consolidation income statement as a discontinued operation £113k (2017: £136k).

A full financial review of the results for the year is included within the Strategic Report on pages 10 to 17.

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 2018 (2017: £Nil).

Employees

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

Outlook

The Janus upgrade programme has continued to contribute to access control revenues as end users, faced with platform obsolescence through technology advances, migrate to Sateon. Development work on the Sateon Advance platform has now been completed as the current product is considered to be fully mature and technically robust. A new and additional Access Control platform is currently being developed in collaboration with a third-party supplier of Integrated Security Management systems (ISM) to take advantage of the growing desire for fully integrated security and building management systems. It is anticipated that this new offering will be brought to market in the second half of 2018/19 and will sit alongside Sateon as two distinct platforms. In Human Capital Management (formerly called Workforce Management Systems), the GT-10 terminal continues to provide major opportunities with new and existing partners. Supply agreements have been executed in the year under review with two major software partners and a Linux port of the Android based terminal is currently being developed. The IT31 is to undergo a mid-life refresh which is anticipated to create new revenue opportunities and increase contribution with existing clients.

During the year, new products were developed in the asset protection division with the focus on providing counter terror security equipment for staff and customer protection.

A programme of product re-certification to the latest UK security standards which started in the previous financial year was continued and, when completed, will assist in moving the business forward as our focus is moved to the increased level of crime and threat of terrorism within the UK. The final element of the certification process will be completed in the first half of the current year.

The Board expects revenue growth in the electronic division following the completion of the two major supply agreements referred to above, and recovery of sales in the asset protection division boosting both the current and future years. The development of the new access control platform being developed with the supplier of ISM systems should also be completed in the year. The Board expects improved financial results for the current year.

M DWEK
Chairman

3 October 2018

CHAIRMAN'S CORPORATE GOVERNANCE STATEMENT

The Board and its Committees have a fundamental role in the governance framework by using their wide experience in providing independent challenge and support and ensuring that good governance is promoted across the different businesses within the Group. The Board is responsible for the success of the Group and providing leadership within the framework of existing controls and ensures that its duties to shareholders and other stakeholders are understood.

We have adopted the Quoted Companies Alliance Corporate Governance Code ("QCA Code") to assist in putting into place an effective corporate governance framework which will deliver results. Your Board understands that good governance is one of the foundations of its sustainable growth strategy.

Details on how the Company applies the principles of the QCA Code are set out below.

Principle 1: Establish a strategy and business model which promote long-term value for shareholders

Newmark is a leading provider of electronic and physical security systems through its subsidiaries, Grosvenor Technology Limited and Safetell Limited, in the UK with exports to Europe and USA, and worldwide through our established customer base. The Company aims to help address some of the major challenges facing corporations in an environment of ever-increasing global security concerns and add value for all of our stakeholders through partnership and innovation. We will continue to develop exceptional and secure products backed up by industry leading support. The Company strategy is focused on delivering growth through the development of new products, providing its customers with much-needed peace of mind whilst also improving business efficiency and flexibility through innovative technology. The three core markets served, Electronic Access Control, Human Capital Management (HCM) and Counter Terror Equipment, are anticipated by industry analysts to grow significantly in the medium to long-term. The company takes a 'deep and narrow' approach in each of these markets through the provision of products and services that are highly developed and specialist, thus delivering tangible added-value to its downstream partners and creating barriers to entry to potential competitors.

Grosvenor Technology's products are at the cutting edge of access control and human capital management technology. The business is well positioned to capitalise on the crossover between these two aspects of electronic security and continued investment ensures that it stays at the forefront of this marketplace. Long term strategies are in place to increase recurring revenues through the provision of more cloud-based services on an ongoing basis, particularly in the HCM sector. This is envisaged to deliver greater shareholder value over time as both quantity and quality of earnings increase through this strategy.

Safetell is one of the industry leaders in a number of high-demand physical security products and is perfectly placed to service the industry. The market for asset security products and services is fast growing with the ever-increasing threat of terrorism and crime placing security high on the priority list for corporate clients. It is the policy of the Company to maintain the highest standards of product quality meeting statutory and regulatory requirements by the control of its sales, purchasing, production, delivery, installation and service activities.

Principle 2: Seek to understand and meet shareholder needs and expectations

The Company engages with shareholders through a variety of traditional and digital media. In addition to regulatory announcements and reports, the Company communicates through a variety of channels. The CEO participates in periodic interviews with online investor news platforms and channels as well as giving weekly non-material updates on social media platforms. The Company makes announcements in industry, trade and general business publications and through RNS feeds.

Our broker's research is freely available on its website and circulated in the same way as it was previously. They continue to speak to investors and arrange investor meetings for our corporate clients when requested.

The website contains an overview of the markets operated in, the Company's vision and strategy and multi-media detail of the separate Physical Security and Electronic Divisions. Historic reports, statements, announcements and share price information are also accessible within the website.

Principle 3: Take into account wider stakeholder and social responsibilities and their implications for long-term success

The Company recognises that there are several resources and relationships that are considered to be strategically important. These include major clients and key suppliers and these relationships are managed at a senior level within each division with the most important receiving additional executive attention.

The Company further identifies the need to nurture and develop relationships with all stakeholder groups. Feedback is gathered from customers through sales and marketing functions with face to face key customer meetings. Regular supplier reviews are conducted to ensure the company's and vendor's needs and ambitions are met.

The Company recognises the importance of its employees to its achievements. Regular internal communication meetings are conducted across all sites to ensure employees are knowledgeable about a number of topics. Questions and suggestions are encouraged through a range of formal and informal channels directly to Divisional Managing Directors. These employee feedback channels have led to a number of tangible outputs and changes to working practices. Our staff expect to be able to work in a safe and comfortable environment, and to be provided with the necessary skills and knowledge to perform their work to the required standard. We provide ongoing training wherever required and conduct routine appraisals with the staff.

Revised employee handbooks have been issued to all staff during the year which include updated policies, amongst others, on the following:

- Equal opportunities including fair and equal pay
- Anti bribery commitment
- GDPR Data protection
- Bullying and harassment
- Whistle blowing

The Vehicle and Drivers Handbook has also been reviewed to ensure that our vehicles meet current CO2 emission parameters and steer away from diesel due to the impact on the environment. The Group contributes to the Apprenticeship Levy and works with local training providers to provide apprenticeship opportunities to young people.

Principle 4: Embed effective risk management, considering both opportunities and threats, throughout the organisation

The Board has overall responsibility for the Group's systems of internal control and risk management. The Board identifies the major business risks with management and establishes appropriate procedures to measure and manage those risks. These involve a system of measurement, control and reporting on a variety of internal and external factors. There are detailed procedures for the production of budgets covering profit and loss accounts, balance sheets and cash flows. Monthly subsidiary and group management accounts are produced with comparisons against budget and prior year.

Management also reports on major changes in the business environment including any possible impact on forecasts.

The principle risks and uncertainties associated with the business activities are set out in the Strategic Report on page 16.

Principle 5: Maintaining the Board as a well-functioning, balanced team led by the Chair

The Chairman's role is to ensure that the Board operates effectively to deliver the long term success of the Group. This includes ensuring that the Non-Executive Directors always have access to the executive management team to provide both support and challenge, all directors are able to express their views openly at Board meetings and that all directors are encouraged to bring independent judgement to bear on all issues. There are specific instructions in place for the timetable and content of Board papers so that the directors are properly briefed before the Board meetings. 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, to approve major capital expenditure and to review budgets.

At 30 April 2018, the Board comprised a Non-Executive Chairman, two Executive Directors and two Non-Executive Directors. 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.

All of the directors are considered to be independent apart from Maurice Dwek in view of his substantial shareholding in the Company. However the board considers that Mr Dwek brings a wealth of experience from across a range of businesses, as well as his knowledge of being a chairman of listed and other companies together with his experience of the electronic division gained over 21 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.

Principle 6: Ensure that between them the Directors have the necessary up-to-date experience, skills and capabilities

The CEO works closely with the senior management teams of the subsidiary companies to keep abreast of market trends, economic trends, technological advances and customer expectations to remain agile and adjust to the changing times. She meets with customers and suppliers on a regular basis. She also regularly attends security exhibitions in the UK and worldwide as well as forums, corporate and networking events, and keeps the Board up to date with all developments.

Changes in the business and economic environment are discussed fully at Board meetings. The Board is informed of changes in accounting requirements by the company auditors and in regulatory requirements by the NOMAD's via the Group Financial Director.

A brief summary of the career history of each of the directors is given below showing their vast experience in senior management positions across a wide variety of industries.

Maurice Dwek was the founder of the Dwek Group in 1963 as a distributor of PVC products with factories involved in engineering and other consumer products. The company was listed on LSE in 1973 and he was director of subsidiary companies and subsequently responsible for Group acquisitions and disposals. He disposed of this interest in 1988 through a management buyout. Subsequently he was chairman of Arlen PLC (electronics) and Owen & Robinson PLC (sports footwear, retailing and jewellery) and floated Newmark Security on the Alternative Investment Market of the London Stock Exchange in 1997 and was Executive Chairman until 2005.

Michel Rapoport held various senior positions in Ripolin (paint) in Paris between 1974-79 including President 1976-79. He then worked at Alcatel (telephony and electronics) 1979-91 including President Mailing and Shipping products division 1990-91. He moved to Pitney Bowes between 1991-95 where he was Chairman Pitney Bowes France and Vice President Pitney Bowes International. Michel was president and CEO of Mosler ($300m revenue physical and electronic security products and services) 1995-2001 and was President and CEO at Laroche Industries Inc., (chemical product manufacturer and distributor) between 2001 and 2005. He has been managing partner of SAR Industries (real estate holdings) since 2007.

Robert Waddington qualified as a Chartered Accountant in 1964. He was a director of Hambros Bank Ltd from 1984 to1997, and director/chairman of a number of private companies involved in engineering, property, and steel stockholding between 1996 and 2008. He was also a director from 1997 to 2006 of Stanley Leisure PLC, a UK Stock Exchange listed company operating in the Betting and Gaming industries.

Marie-Claire Dwek was marketing director of Newmark Technology Limited (specialised electronic security systems) 1996-2000, responsible for the planning, leadership and strategic marketing. Between 2002–2013 Marie-Claire was responsible for the management and investment in various property portfolios for Motcomb Estates and joined Newmark Security as Chief Executive officer in 2013.

Brian Beecraft qualified as a chartered Accountant in 1973 with Touche Ross and was a senior manager there until leaving in 1985 to become Group Chief Accountant at United Transport International (transport division of BET PLC with freight and passenger transport companies in UK, Europe and Africa). He left United Transport as Group Financial Controller, having been responsible for all aspects of financial control and accounting for the Group, after Rentokil acquired BET in 1994. He worked for himself providing freelance financial services until joining Newmark in 1998. During his career he has been involved in numerous acquisitions and disposals.

Marie-Claire Dwek and Brian Beecraft, as executive directors, are full time employees of the company. There are no minimum time commitments for the three non-executive directors who spend whatever time is required to fulfil their duties and responsibilities.

Principle 7: Evaluate Board performance based on clear and relevant objectives, seeking continuous improvement

The Chairman carried out an evaluation of the Board during the year and deemed that it was working satisfactorily in particular:

1) The good mix of skills and experience of the Board members,

2) The amount of challenge and expression of views at meetings,

3) The attendance of all the Company Board members at the subsidiary company Board meetings,

4) The level of information, both financial and operational, available prior to and at the Board meetings,

5) Matters arising at each meeting are followed up promptly and the results reported back to Board members.

The performance of the Board is kept under continuous review. The Board does not consider that it is appropriate to perform a more formal board appraisal process utilising third parties at the current date, taking into consideration the size and nature of the Company. However, this will be kept under review and the board will consider on an annual basis whether to implement a more formal appraisal process.

In view of the size of the Company, no consideration has been given to succession planning at this stage.

Principle 8: Promote a corporate culture that is based on ethical values and behaviours

The Group is committed to maintaining high standards for the environment, and our relationship with employees, customers and suppliers.

The Group is committed to being environmentally friendly and we have identified the key waste streams from our businesses so that the amount of landfill is reduced by separating waste into these different streams. Records are maintained as evidence that these forms of waste are separated and collected by licensed waste collection companies and these are reported at management meetings

Our efforts with stakeholder groups are detailed under principle 3 above.

All senior management members (including Group Human Resources manager) attend monthly management meetings, attended by both executive directors, to report on their department's activities and where relevant to highlight any issues with customers, suppliers, employee or other stakeholders.

Principle 9: Maintain governance structures and processes that are fit for purpose and support good decision making by the board

The Chief Executive Officer, Marie-Claire Dwek, is responsible for the day-to-day management of the business, developing the Group's strategy for discussion with the Board and then implementing that strategy. The Group Finance Director, Brian Beecraft, is responsible for the financial reporting of the Group and supporting the CEO in developing and implementing the Group strategy. The two executive directors have prime responsibility for engagement with shareholders.

The Non-Executive Directors, Michel Rapoport and Robert Waddington, are responsible for bringing their expertise and judgement in assisting in the development of strategy and measuring its performance, challenging the Executive Directors and reviewing their performance.

Board meetings are held a minimum of four times a year and the Board of the parent company also attend the Board meetings of the subsidiary companies on the same day. All members of the Board attended all the Board meetings held over the last year. The Board members also have discussions during the year on the progress of the Group and any particular issues which arise.

All directors are required to notify the Company Secretary of any conflicts of interest and there have been no such relationships declared.

The Audit Committee assists the Board and its terms of reference are included on the company web site. Its composition, duties and main activities during the year will be included in the Report of the Directors within the annual report to be issued shortly.

The terms of reference of the Remuneration Committee are included on the company web site. Its composition, duties and main activities during the year will be included in the Report of the Remuneration Committee within the annual report to be issued shortly.

There is no Nomination Committee. Given the size of the business, all senior appointments are considered by the Board as a whole.

Principle 10: Communicate how the company is governed and performing by maintaining a dialogue with shareholders and other relevant stakeholders

The Board communicates with shareholders through the annual report and accounts, interim report other regulatory announcements, the Annual General Meeting (AGM) and one-on-one meetings with both existing and potential shareholders. At the end of the Annual General Meeting shareholders are encouraged to express their views to the Directors. Corporate information is available to shareholders and other stakeholders on the Company website including details of the activities of the different businesses, and announcement. The Company also receives updates from its brokers on the views of shareholders.

M DWEK

3 October 2018

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
- human capital management (HCM) hardware (formerly called workforce management systems), 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 human capital 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 HCM 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 systems 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 for staff and customers against the four main forms of security risk namely physical attacks and abuse, bomb and blasts from explosive devices, protection against gun attacks and fire resistant protection incorporated within the products mentioned previously.

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 its own range of products to provide a complete security solution to customers and will continue to seek and develop suitable security 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

	2017/18 £'000	2016/17 £'000
Revenue from continuing operations	16,052	16,036
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 changes in the year are explained in the divisional sections below.		
Gross profit before exceptional items from continuing operations	5,792	5,815
Gross profit from continuing operations	5,094	4,474
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 from continuing operations	36.1%	36.3%
Gross profit percentage from continuing operations	31.7%	27.9%

Financial review

Revenue in the year was again £16.0m analysed as follows:

	2017/18 £'000	2016/17 £'000	Increase/ (decrease)
Electronic division			
Access control	3,842	3,801	1.1%
Human capital management	4,118	3,291	25.1%
Total electronic division	7,960	7,092	12.2%
Asset protection division			
Products	4,874	5,870	(17.0%)
Service	3,218	3,074	4.7%
Total asset protection division	8,092	8,944	(9.5%)
TOTAL	**16,052**	**16,036**	**0.1%**

There has been some overall improvement in gross margin in the year but those margins vary across product lines and customers.

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

Electronic division (Grosvenor Technology)

Overview

Overall, this was a 'turn-round' year for the electronic division. The investment made in product development in recent years has started to be repaid with double digit revenue growth. This increase in revenue, combined with a reduction in overheads in both the UK and US operations, has delivered a significant reduction in Grosvenor's losses.

Several potential high-volume supply agreements have been executed in HCM, and although these did not play any major part in the past year's results, they are expected to contribute significantly towards the overall revenue ambitions for the current year.

Sateon Advance has continued the encouraging start it displayed since its launch in the second half of the previous financial year and several more major opportunities for both Sateon Advance as a complete solution and the OEM variants of the Advance Access Control hardware are currently being investigated. Negotiations are currently underway with one of the UK's largest security systems integrators and several US based global Access

Control providers. Sateon Advance has delivered a large volume of new systems and displayed patterns of repeat business from customers throughout the UK, making it the most successful Sateon variant to date due to its innovative modular approach and simplified installation.

The research into opportunities for 'as a service' (aaS) revenues in new markets, facilitated through the provision of the GT-10 Android terminal, has shown that there is likely to be a higher return on investment in our existing markets by leveraging our core competences. Both HCM (particularly in the US) and to a lesser degree Access Control sectors, demonstrate a trend towards the downstream provision of cloud first and even cloud only services. Therefore, a decision has been taken to focus our aaS development on existing products, services and sectors, rather than diversified markets.

Access Control

As reported previously the decision had been made to retire the legacy Janus range with no new systems installed or operating licences issued and consequently revenue declined by 31.7% to £1,254k (2017: £1,837k). Market pricing for hardware for site extensions or replacements has been increased to reflect the higher costs of manufacturing and supporting legacy products in lower volumes and, therefore, it is anticipated that this product family will yield a greater gross margin contribution. Existing Janus systems will now require either an extended support agreement or upgrading to Sateon to ensure continuity of service to end users. The Janus to Sateon upgrade programme continues to help drive revenues for the latter.

Sateon has continued its robust growth trajectory with an increase of 31.8% to £2,588k (2017: £1,964k). Sateon Advance has proven to be the most successful variant of the product to date and continues to grow in terms of both revenues and number of systems installed. During the year a review was conducted on Sateon to test its feature set and technical stability versus market expectations and it was concluded that the product was mature and that all necessary development was complete. A final release including critical bug fixes was released in the first half of 2018/19.

Development work has continued to create non-proprietary variants of the Advance hardware range to allow it to be integrated with third party vendors' software. By adopting an 'open protocol' approach, incremental revenue is being generated as new channels are developed. As reported previously, a major European Workforce Management software provider has selected Advance as an OEM product to integrate with their proprietary access control solution. This partner's spend increased 80% to £710k in the year across the company. Negotiations are now underway with major global third party access control providers to supply this line as OEM products which would integrate with their various software platforms.

Grosvenor's collaboration with US based UniKey Technologies to launch a "frictionless door experience", was put on hold as UniKey's product development and delivery was slower than expected and failed to satisfy the Board's fiscal tests. The market for mobile and/or biometric credentials is dynamic and rapid, driven in part by consumer adoption of biometric technologies on smart devices. Grosvenor is taking a non-proprietary and open protocol stance and is able to integrate any third party 'point of entry' reader or device into either its Access Control or HCM range of products.

Human Capital Management (HCM)

Across the UK and US entities, revenues from HCM products and services increased by 25.1%. Research has shown that demands for products and services are split by region. In EMEA, HCM providers have a requirement for an Access Control offering as they seek additional revenues through diversification. In the US however, it is recognised that the HCM sector generally and its sub sections, are large enough for software vendors operating in those markets to meet their revenue ambitions by crossing into immediately adjacent spaces, rather than follow the broader diversification seen in their European counterparts.

This means that product development needs to have a clear regionalised strategy, as has been the case during this period. In addition to the Advance OEM Access Control hardware development (detailed in the previous section) that plays to the trends in Europe, development has focused on the provision of added services on a 'as a service' basis, increasingly cloud-based, that aid software vendors reap additional value from their hardware, post-deployment.

In the UK based operation, HCM revenues grew 18.4% to £2,926k (2017: £2,472k). The Linux based IT series sales increased 32.7% with organic growth being shown across the majority of clients. A new supply agreement with

Workforce Software, a HCM solution provider based in the UK and US, helped bolster these figures although revenues from this client will not reach full potential until future years.

The GT-10 continues to provide new opportunities in both the UK and US businesses. During the year under review a contract was signed to provide a variant of the GT-10 to a major European HCM partner and during 2018/19 this will become their flagship product. In the US, a supply agreement was reached with Ultimate Software, a leading US based provider of HCM solutions, to supply an OEM variant of the GT-10. The product will be known as the UltiPro and will host Ultimate Software's flagship SaaS solution that allows organizations to access greater people management functionality in the cloud. Revenues came on stream in June 2018.

The US based operation also experienced impressive organic growth, with increases in spend being seen in almost all of the client base so that revenues increased 45.5% to £1,192k (2017: £819k). As detailed in previous reports, the US HCM market is seen as holding significant potential for Grosvenor and it is pleasing that the increased investment in this region is yielding results.

Asset Protection Division (Safetell)

Revenue in the year decreased by 9.5% to £8,092k (2017: £8,944k) a decrease of 9.5% analysed as follows:

	2017/18 £'000	2016/17 £'000	Increase/ (decrease)
Products	4,874	5,870	(17.0%)
Service	3,218	3,074	4.7%
Total	**8,092**	**8,944**	**(9.5%)**

Products revenue decreased partly due to the decreased contribution from time delayed cash handling equipment sales to the Post Office so that cash handling equipment sales decreased by 42%. Overall, revenue in all other product groups increased by 12%. The revenue in the year was characterised by numerous small projects with the absence of larger longer term high value projects and, like the Service Division, continued to be affected by branch closures in the banking sector. Staff reduction and other measures in the second half of the year resulted in 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. The distribution agreement entered into with Gunnebo UK in the previous financial year to distribute their Security Doors and Partitioning range within the UK increased exposure into new markets but sales have been disappointing to date. This complements the existing Safetell product range and the increased product offering enables entry into new market sectors. A three-year fixed price supply contract with a leading financial institution ended in October but margins on this contract had been reduced due to imported component price increases directly related to the pound/Euro exchange rate.

A programme of product re-certification to the latest UK security standards which started in the previous financial year was continued which, when completed, will assist in moving the business forward as our focus is moved to the increased level of crime and threat of terrorism within the UK. The final element of the certification process will be completed in the second half of the current year.

Service revenue was 4.7% higher than the previous year. Safetell continues to upgrade old legacy systems as customers continue to invest in sites without the need to completely replace rising screens. Supporting new products with its multi skilled workforce continues unaltered. TC105 control system upgrades will continue as customers decide to reinvest in the protection that rising screens provide.

Taxation

The tax credit for the year reflects the operating loss for the year and the losses have been carried forward to be used against future profits.

Statement of financial position and cash flow

Development costs continued to be capitalised in accordance with the accounting policy and the development costs within intangible assets on the balance sheet were £896k lower than the previous year with capitalised expenditure of £332k more than offset by amortization £530k and an impairment provision £698k.

Trade receivables were £438k lower than the previous year reflecting both the timing of that revenue and the timing of payments by customers across the two divisions.

During the year, Grosvenor Technology agreed an invoice discounting facility with a maximum facility of £1m. The account is secured by a debenture on the assets of Grosvenor and a corporate guarantee and indemnity from the parent company and Safetell Limited. The invoice discount balance at the year end was £447k and is included in short term debt on the balance sheet.

Overall net assets decreased from £8,800k to £6,924k.

Cash outflow from operating activities for the year was £195k (2017: £1,008k), reflecting the improved trading result for the year and the movement in receivables referred to above. In May 2017, Grosvenor Technology acquired a new office property for £1.2m, funded from cash reserves and a bank loan £840k. After incurring refurbishment costs, Grosvenor entered into a sale and leaseback arrangement for the property in September 2017. Part of the proceeds were used to repay the bank loan in full. 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. Overall there was a decrease in cash and cash equivalents of £297k (2017: £2,938k).

Basic loss per share from continuing operations are shown in the income statement as 0.38 pence (2017: 1.08 pence).

Divisional Strategy

Electronic division

Grosvenor is focussed on delivering growth through the development of new products providing customers with peace of mind whilst also improving business efficiency and flexibility through innovative technology.

Grosvenor's products are at the cutting edge of access control and human capital management and the business is well positioned to capitalise on the crossover between these two aspects of electronic security. Continued investment ensures that the company stays at the forefront of this marketplace.

Long term strategies are in place to increase recurring revenues through the provision of more cloud-based services on an ongoing basis, particularly in the HCM sector. This is envisaged to deliver greater shareholder value over time as both quantity and quality of earnings increase through this strategy.

In the HCM markets, (predominately driven by the US based vendors) growth is driven not only by regulation and compliance but primarily by the technological drivers of high speed internet availability and the subsequent mass shift to Cloud based computing. This shift means that the traditionally challenging to serve and highly fragmented Small and Medium-Sized Business market is well within the reach of HCM providers leveraging a SaaS based business model.

Grosvenor is well positioned with a roadmap which builds on our core competencies of technical excellence, agility and customisable products with focus on HCM markets in the US and EMEA and access control generally, leveraging market growth and emerging trends and opportunities driven by both legislative and technological change.

Access Control

Software Platforms Janus C4 – A next generation Access Control and Integrated Security Management (ISM) System

The change in the market, with a move away from stand-alone access control solutions to integrated Access Control, Intruder, CCTV and Fire and Building Management into a single platform, represents the greatest area of growth in the electronic security market as end users see an open protocol approach, offering convenience and improved security provision. Having completed the development of the Sateon access control product, Grosvenor has taken the decision to bring an additional platform to market to sit alongside the Sateon offering and to take advantage of the broader ISM opportunity. Slovakian based Gamanet has been identified as having developed a world class ISM solution in its C4 product and the decision was reached to integrate an OEM variant with Grosvenor's Advance hardware to offer synergy between a full ISM solution partnered with world-class, modular hardware. Grosvenor will focus on the UK and EMEA markets with a modern and competitive solution that spans from a simple 2 door Access Control to full blown multisite ISM solutions with thousands of access points and multiple integrations. The decision to utilise a third-party developer with an existing product reduces project risk and decreases time to market. The company expects to launch the new solution towards the end of 2018/19 in parallel with the existing Sateon platform.

Hardware Advance Platform

The Advance hardware platform has been well received in the UK offering a unique blend of simplicity, ease of installation, flexibility in design of the overall solution and powerful Access Control functionality. The intelligent and standards-based architecture of the Advance platform offers a wealth of opportunity for further developing the hardware platform to meet evolving market needs. Each Advance controller is a powerful computer now able to connect securely over IP to both "On Premise" and "Cloud SaaS" based "head ends" thus future proofing the platform as businesses move from traditional "On Premise" to "Cloud SaaS" based provision. Grosvenor are already providing "Cloud" based variants of the Advance Platform to a major HCM and Access Control service provider based on the mainland of Europe and is in negotiations with several other potential customers.

The Company recognizes that future Access Control revenues will be seen through sales of the current variant of the Sateon platform (Sateon Advance), the Janus C4 platform that will be introduced in the current year, and the Advance range of hardware. The company has therefore taken the decision following an impairment review to write off £698k, which relates to sums capitalized for previous, older versions of the Sateon platform which have now been superseded.

HCM

Software Platforms

Grosvenor developed the Custom Exchange and Assist IT software suite over seven years ago, at the time designed to be an On-Premise deployment. These applications are hugely powerful solutions, key differentiators for Grosvenor encompassing advanced data management/transformation and terminal provisioning, remote diagnostics and service capability – designed to significantly reduce operating costs and improve ROI for partners.

Over 2018 and 2019, Grosvenor's roadmap propels those "On-Premise" solutions into even more powerful Cloud SaaS based offerings. The first two major clients to take advantage of this model are the European HCM partner mentioned previously and a blue chip UK high street retailer and both will be launched in 2018/19.

Over 18/19 and beyond Grosvenor will continue to invest and develop HCM software platforms with a Cloud and API first approach positioning the company as an accessible SaaS solution provider. This shift from "On Premise" to "Cloud SaaS" also affords the opportunity to move to an attractive business model where Software, Services and Terminals are 'bundled' as a Clock as a Service ("ClaaS") generating further recurring revenues.

Hardware Platforms

Grosvenor continues to invest in developing it's range of terminals and this remains a key pillar of our growth strategy. The GT10 Android terminal sales will grow during 2018-19 and the company will further develop this top end solution to include connection to the SaaS based remote management platform and rapid on terminal application development, offering partners a standardised Android alternative to the IT range. During the current financial year, the GT10 platform is also being ported to a Linux based offering, the IT71, thus offering existing "Linux only" partners access to the premium terminal connected to Grosvenor's SaaS and rapid application development software solutions. This dual platform approach offers maximum flexibility to a market which has traditionally utilised embedded Linux solutions but is now moving to Android as the benefits of an improved User Experience and Application portability/flexibility become ever more apparent.

Biometrics remains an area of key focus. During the year Grosvenor successfully integrated the world class Innovatrics Biometric API onto the GT10 and will include the integration on the IT71 terminal in late 2018. Suprema's SF6020 sensor has been added to the range of biometric options on the IT range significantly improving the competitiveness of the IT31 and IT51 terminals and allowing those products to be utilised on larger estates.

As cyber security concerns continue to increase, it is driving an arms race in terms of encryption needs and as such existing hardware is constantly under review to ensure processor and memory can support current and future cyber security overhead.

Asset protection division

Safetell is one of the industry leaders in a number of high-demand physical security products and is well placed to service this market. The market for physical security products and services is fast growing with the ever-increasing threat of terrorism and crime placing security high on the priority list for corporate clients.

Safetell intends to develop a strategic business model based on a continuous improvement of skills and processes and apply all requirements of our quality and environmental policies. The company's policy is to maintain the highest standards of product quality, meeting statutory and regulatory requirements by the control of its sales, purchasing, production, delivery, installation and service activities.

Safetell has developed a risk-based strategy which has been deployed, and along with identifying the owners of the risks, the company is able to quantify the levels of risk and the potential outcomes, if those risks were to materialise. All identified risks are monitored and managed by the company directors, senior management and process owners.

The strategy for the company is to broaden the customer base and product range and focus on security solutions encompassing all product groups. 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 Safetell will seek to address supermarket and retail chains particularly with ATM security related products, blast and ballistic proof doors and walls, and fire resistant 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 the second half of the current year, ensuring these products comply with 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 strengthen their security and provide 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.

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 continued to be affected after the Brexit vote as a result of the fall in value of the pound and this uncertainty continues.

The Board have been reviewing the potential impact of Brexit including looking at alternative sources of supply, as well as increasing stock levels in the short term until the outcome of the current negotiations become clearer. With this continuing uncertainty concerning the possible impact of the value of sterling and import tariffs following the conclusion of these negotiations, the Board continues to monitor the situation and the risks involved.

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 auditors 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 3 October 2018.

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 2018.

Financial results and dividends

The Board is proposing a dividend of Nil per share (2017: Nil 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 22.

M Dwek and B Beecraft retire in accordance with the articles of association. M Dwek and B Beecraft 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 51 to 53.

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 2017 (or the date of their appointment to the Board, if later) and 30 April 2018 were as follows:

	Percentage holding at 30 April 2018	30 April 2018	30 April 2017
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 2017 (or the date of their appointment to the Board, if later) and 30 April 2018 were as follows:

	Number of Ordinary Shares under the EMI Scheme 30 April 2018	Number of Ordinary Shares under the EMI Scheme 30 April 2017
B Beecraft	4,000,000	5,000,000
M-C Dwek	15,416,802	15,416,082

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 £332,000 (2017: £1,182,000).

Going concern

Since the year end a new invoice discounting facility of up to £1m has been established within the asset protection division, in addition to the existing facility within the electronic division. Based on the Group's latest trading, future expectations and associated cash flow forecasts, the Directors have considered the Group cash requirements and are confident that the Company and the Group will be able to continue trading for a period of at least twelve months following approval of these financial statements. Accordingly 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 & Custom'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 57.

Audit Committee

The Audit Committee comprises R Waddington, M Dwek and M Rapoport and a copy of its written terms of reference are included on the web site.

The audit committee principal duties are as follows:

- Reviewing and approving the interim results for the six months ended 31 October 2017,
- Agreement of the independence of the auditors and their planning report for the year end financial statements including the proposed audit fees,
- Reviewing and approving the audited annual report and accounts for the year ended 30 April 2018,
- Discussion with the external auditors of any accounting or financial issues arising in the course of their work,
- Discussion of the auditors assessment of the adequacy of internal controls.

The main areas of activity during the year included:

- Discussion of the amortisation rates applied to development costs,
- Development costs capitalised,
- Impairment reviews of the underlying businesses,
- Impact of the new accounting standards in particular IFRS9, IFRS 15 and IFRS 16,
- Presentation of exceptional items,
- Forecasts and going concern note to the financial statements.

Remuneration Committee

The Remuneration Committee comprises 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 22 and the terms of reference are on the web site.

Going concern

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 3 October 2018.

By order of the Board

B BEECRAFT
Company Secretary

3 October 2018

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 2018 comprised three existing Non-Executive Directors, Maurice Dwek, Michel Rapoport and Robert Waddington.

The relevant parts of the career history of the members of the remuneration committee are summarized in the Corporate Governance Report on page 7.

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 2018 were as follows:

	Consultancy/ management agreement £'000	Salary £'000	Fees £'000	Other benefits £'000	Total £'000	Pension contributions £'000	including pension contributions £'000
Executive directors							
M-C Dwek	–	193	–	14	207	24	231
B Beecraft	–	163	–	–	163	–	163
Non-Executive directors							
M Dwek[(a)]	80	–	–	26	106	–	106
M Rapoport	–	–	25	–	25	–	25
R Waddington	–	–	25	–	25	–	25
	80	356	50	40	526	24	550
2017	80	356	50	37	523	25	548

Emoluments of the highest paid director were £207,000 (2017: £207,000).

The directors' share interests are detailed in the Report of the Directors on page 19.

(a) The Company paid a consultancy fee of £80,000 (2017: £80,000) to Arbury Inc., a company 51 per cent. owned by M Dwek.

The number of approved Share options issued to the directors are as follows:

Name	No. of options	Date of grant	Subscription price payable
M-C Dwek	12,363,636	August 2013	1.375p
M-C Dwek	1,909,589	September 2014	1.825p
M-C Dwek	1,142,857	September 2015	3.325p
B G Beecraft	4,000,000	November 2013	1.45p

Newmark
SECURITY PLC

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF NEWMARK SECURITY PLC

Opinion

We have audited the financial statements of Newmark Security plc (the 'parent company') and its subsidiaries (the 'group') for the year ended 30 April 2018 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 notes to the financial statements, including a summary of significant accounting policies.

The financial reporting framework that has been applied in the preparation of the group 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 the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard in the United Kingdom and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 30 April 2018 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Impairment of goodwill and carrying value of investment in subsidiary companies (Note 1 and 12)

Accounting standards require management to review the carrying value of goodwill and assess the value annually for impairment. It is also required to assess the carrying value of investments for impairment. Management exercise significant judgement in determining the underlying assumptions used in the impairment review including the discount rate, operating margin and growth rate. There is a potential risk due to the uncertainties surrounding the forecasts and the level of judgement required in producing these. As an area of significant focus for the audit, this has been concluded as a key audit matter.

We have obtained the impairment review prepared by management. The value in use calculations are based on forecast cash flow discounted to present value, using a discount rate determined by management. The cash flow forecasts are based on 5 year forecasts to 2022. We agreed the inputs to supporting documentation and obtained evidence to support the forecast sales figures where necessary. We used valuation specialists to audit the assumptions and applied sensitivities to both the discount rate and growth rate. Based on the calculations no impairment in goodwill was identified.

Using the same assumptions and valuation specialists we considered the company value of the investment in the Electronic Division subsidiary. Based on this, a provision of £502k was identified which has been recorded in the financial statements.

Impairment of development expenditure (Note 1 and 11)

All costs arising in the Group that meet set criteria detailed within the accounting standards must be capitalised and amortised over the assets useful economic life from the date the asset is available for use. We consider there to be a risk over the capitalisation of development expenditure due to potential uncertainty in respect of the future economic benefit arising from the capitalised asset. This is therefore also a key audit matter.

We have received a full update on the development of all major products in Grosvenor Technology Limited through discussions with management and the Board. We have confirmed the future economic benefit by reference to forecasts, as reviewed in detail as part of the impairment review.

As detailed in Notes 11 and 12, there has been an impairment of intangible assets in the year in respect of older versions of one product line which have now been superseded, as there is no future economic benefit expected from these assets. We have reviewed management's rationale for this, including a review of forecasts evidencing no further economic benefit is expected. The value of other assets held on balance sheet has been considered by reference to forecasts and knowledge of the business strategy going forward to identify indicators of further impairment.

Revenue recognition (Note 1 and 2)

Revenue is recognised for the sale of equipment when the customer takes legal ownership of the goods. Service, maintenance and licence revenue is deferred and released evenly over the term of the contract. Revenue for installation and refurbishment work is recognised when the work is completed, as detailed in Note 1. Revenue recognition is considered a key audit matter on the basis there is a potential risk that revenue is not recognised in the correct period. There is a presumed risk of fraud in relation to revenue recognition due to the possibility that management may be motivated to achieve certain results.

We checked a sample of support and maintenance revenue recorded in the period to supporting documentation to ensure that services were recorded in the correct accounting period. We have also performed testing of invoices raised pre and post year end, agreeing to supporting documentation to ensure the revenue has been recognised in the correct period. We have obtained supporting documentation for a sample of deferred income items and checked that the deferral of such items is appropriate.

Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. For planning, we consider materiality to be the magnitude by which misstatement, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements. In order to reduce the probability that any misstatements exceed materiality to an appropriately low level, we use a lower materiality level, referred to as performance materiality, to determine the extent of testing needed. Importantly, misstatements below this level will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

The materiality for the Group financial statement as a whole was set at £160k (2017: £162k). This was determined with reference to a benchmark of revenue, and represents 1% of revenue (2017: 1.5% revenue). This was considered the most appropriate measurement given the trading nature of the business and the fluctuating profit levels. The materiality for the Parent company was set at £120k (2017: £120k) which was calculated at 2% of net assets, capped at 75% of group materiality (2017: 2% of net assets, capped at 75% of group materiality).

Performance materiality was set at 75% (2017: 75%) of the above materiality level. In setting performance materiality we considered a number of factors including the expected total value of known and likely misstatements (based on past experience and other factors), the amount of areas of estimation within the financial statement and the type of audit testing to be completed.

We agreed with the Audit Committee that we would report to them all individual audit differences in excess of £3k (2017: £3k). We also agreed to report differences below this threshold that, in our view, warranted reporting on qualitative grounds.

An overview of the scope of our audit

A description of the scope of an audit of financial statements provided on the FRC's website at www.frc.org.uk/auditscopeukprivate.

Our Group audit was scoped by obtaining an understanding of the Group and its environment, including the Group's system of internal control, and assessing the risks of material misstatement at the Group level. Audit work to respond to the assessed risks was performed directly by the Group audit engagement team which performed full scope audit procedures on each of the Group's component entities. Out audit work at each of these components was executed at levels of materiality applicable to the relevant componence, which in each instance was lower than Group materiality.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

Matters on which we are required to report by exception

In the 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 report or the directors' report.

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

- adequate accounting records have not been kept, 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.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on pages 20 and 21, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the parent 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 parent 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 parent company and the parent company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Kevin Cook (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor

Gatwick
3 October 2018

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

Newmark
SECURITY PLC

CONSOLIDATED INCOME STATEMENT
for the year ended 30 April 2018

	Note	2018 £'000	2017 £'000
Revenue	2	16,052	16,036
Cost of sales (2018: including £698,000 exceptional development cost impairment (2017: £1,341,000))		(10,958)	(11,562)
Gross profit		5,094	4,474
Administrative expenses (2018: including £140,000 exceptional redundancy costs) (2017: £285,000 and £2,229,000 exceptional impairment goodwill)		(6,971)	(9,707)
Loss from operations before exceptional items		(1,039)	(1,378)
Exceptional impairment provision of goodwill	11 & 12	–	(2,229)
Exceptional impairment provision of development costs	11	(698)	(1,341)
Exceptional redundancy cost	3	(140)	(285)
Loss from operations	3	(1,877)	(5,233)
Interest received		–	5
Finance costs	6	(50)	(13)
Loss before tax		(1,927)	(5,241)
Tax credit	7	172	141
Loss for the year from continuing operations		(1,755)	(5,100)
Loss of discontinued operation net of tax	9	(113)	(136)
Loss for the year		(1,868)	(5,236)
Attributable to:			
– Equity holders of the parent		(1,868)	(5,236)
Loss per share			
– Basic (pence)	8	(0.40p)	(1.11p)
– Diluted (pence)	8	(0.40p)	(1.11p)
Loss per share from continuing operations			
– Basic (pence)	8	(0.38p)	(1.08p)
– Diluted (pence)	8	(0.38p)	(1.08p)

The notes on pages 34 to 57 form part of these financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the year ended 30 April 2018

	2018 £'000	2017 £'000
Loss for the year	(1,868)	(5,236)
Items that will or may be reclassified to profit or loss:		
Foreign exchange gains on retranslation of overseas operations	(8)	48
Total comprehensive income for the year	(1,876)	(5,188)
Attributable to:		
– Equity holders of the parent	(1,876)	(5,188)

Newmark
SECURITY PLC

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
at 30 April 2018

Company number: 3339998

	Note	2018 £'000	2017 £'000
ASSETS			
Non-current assets			
Property, plant and equipment	10	378	656
Intangible assets	11	4,734	5,598
Total non-current assets		5,112	6,254
Current assets			
Inventories	14	1,608	1,646
Trade and other receivables	15	2,834	3,286
Cash and cash equivalents		1,069	1,370
Total current assets		5,511	6,302
Total assets		10,623	12,556
LIABILITIES			
Current liabilities			
Trade and other payables	16	3,051	3,282
Other short term borrowings	17	491	79
Provisions	21	–	100
Total current liabilities		3,542	3,461
Non-current liabilities			
Long term borrowings	18	53	98
Provisions	21	100	100
Deferred tax	22	4	97
Total non-current liabilities		157	295
Total liabilities		3,699	3,756
TOTAL NET ASSETS		6,924	8,800
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		(133)	(125)
Retained earnings		976	2,844
		6,884	8,760
Non-controlling interest		40	40
TOTAL EQUITY		6,924	8,800

The financial statements were approved by the Board of Directors and authorised for issue on 3 October 2018.

M Dwek
Director

The notes on pages 34 to 57 form part of these financial statements.

Newmark
SECURITY PLC

CONSOLIDATED STATEMENT OF CASH FLOWS
for the year ended 30 April 2018

	Note	2018 £'000	2018 £'000	2017 £'000	2017 £'000
Cash flow from operating activities					
Net loss after tax		(1,868)		(5,236)	
Adjustments for:					
Depreciation, amortisation and impairment	10 & 11	1,582		4,848	
Net interest expense		50		8	
Gain on sale of property, plant and equipment		(21)		(33)	
Income tax credit	7	(80)		(230)	
Operating cash flows before changes in working capital		(337)		(643)	
Decrease in trade and other receivables		453		458	
Decrease/(increase) in inventories		38		(232)	
(Decrease) in trade and other payables		(349)		(586)	
Cash generated from operations			(195)		(1,003)
Income taxes paid			–		(5)
Cash flows from operating activities			(195)		(1,008)
Cash flow from investing activities					
Payments for property, plant & equipment		(1,576)		(211)	
Sale of property, plant & equipment		1,525		48	
Capitalised intangible assets	11	(368)		(1,182)	
			(419)		(1,345)
Cash flow from financing activities					
Proceeds from bank loan		840		–	
Repayment of bank loan		(840)		–	
Repayment of finance lease creditors		(80)		(108)	
Proceeds from invoice discounting		447		–	
Dividends paid	24	–		(469)	
Net interest paid		(50)		(8)	
			317		(585)
Net decrease in cash and cash equivalents			(297)		(2,938)
Cash and cash equivalents at beginning of year			1,370		4,299
Exchange gain on cash and cash equivalents			(4)		9
Cash and cash equivalents at end of year			1,069		1,370

	2018 £'000	2017 £'000
Cash and cash equivalents for purposes of the statement of cash flow comprises:		
Cash available on demand	1,069	1,370
Significant non-cash transactions are as follows:		
Financing activities		
Assets acquired under finance leases	–	125

The notes on pages 34 to 57 form part of these financial statements.

Newmark
SECURITY PLC

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 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
1 May 2017	4,687	553	801	(125)	2,844	40	8,800
Loss for the year	–	–	–	–	(1,868)	–	(1,868)
Other comprehensive income	–	–	–	(8)	–	–	(8)
Total comprehensive loss for the year	–	–	–	(8)	(1,868)	–	(1,876)
Contributions by and distributions to owners							
Dividends (note 24)	–	–	–	–	–	–	–
Total contributions by and distributions to owners	–	–	–	–	–	–	–
30 April 2018	4,687	553	801	(133)	976	40	6,924

NOTES FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 April 2018

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 2018 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

IFRS 9 "Financial instruments"

The standard is effective for periods commencing on or after 1 January 2018. The standard requires the use of an expected credit loss model for the impairment of financial assets rather than an incurred loss model. A high level review has been carried out and the Company does not anticipate a significant impact in this respect as the Group has always made prudent provisions for accounts receivable which may not be recoverable, and our close knowledge of our customers the majority of whom we have worked with for many years. In addition the asset protection division has a selective policy of taking credit insurance where deemed appropriate. The first interim report to be prepared under IFRS 9 will be for the six months ended 31 October 2018.

IFRS 15 "Revenue from Contracts with Customers"

The standard is effective for periods commencing on or after 1 January 2018. The standard provides a principles based five-step model to recognise revenue when control over the goods or services is transferred to the customer.

A high level review has been carried out and the Company does not anticipate a significant impact in this respect. The first interim report to be produced under IFRS 15 will be for the six months ended 31 October 2018.

IFRS 16 "Leases"

The standard is effective for periods commencing on or after 1 January 2019.The standard provides a single lease model which requires lessees to recognise both right-of-use assets and lease liabilities for all leases except for low value items or where the lease term is less than 12 months. Under the standard the operating lease charges will be eliminated and deprecation and finance charges will be recognised in respect of the lease assets and liabilities. A high level review has been carried out and based on the operating leases in place at 30 April 2018, this would have resulted in the recognition of additional leased assets within property, plant and equipment and additional liabilities of £1m. Based on the operating leases in place at 30 April 2017 and 2018, this would have resulted in an increase in depreciation of £300k, increase in finance costs of £50k, and decrease in administrative expenses of £450k, thereby result in a net decrease in the loss before taxation.

Going concern

Since the year end a new invoice discounting facility of up to £1m has been established within the asset protection division, in addition to the existing facility within the electronic division. Based on the Group's latest trading, future expectations and associated cash flow forecasts, the Directors have considered the Group cash requirements and are confident that the Company and the Group will be able to continue trading for a period of at least twelve months following approval of these financial statements. Accordingly 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 2018. 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 including invoice discount account. 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 hardware and software development costs were 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.

From 1 May 2018, the Group's estimate has changed to write off software development costs over four years which is deemed to be a more accurate reflection of the useful economic life of the products developed.

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 cost judgement

Development costs on internally developed products are capitalised if it can be demonstrated that the expenditure meets the criteria set out on page 37. 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:	2018 £'000	2017 £'000
Electronic division		
Sale of goods	7,580	6,740
Provision of services	380	352
Asset protection division		
Sale of goods	4,874	5,870
Provision of services	3,218	3,074
	16,052	16,036

3. Loss from continuing operations

This has been arrived at after charging/(crediting):	2018 £'000	2017 £'000
Staff costs (note 4)	7,967	8,902
Exceptional redundancy costs	140	285
Depreciation of property, plant and equipment		
– owned assets	243	267
– leased assets	107	138
Amortisation of intangible assets	534	873
Impairment provision of goodwill	–	2,229
Impairment provision of development costs	698	1,341
Foreign exchange differences	22	(16)
Operating lease expense		
– Plant and machinery	104	72
– Property	343	295
(Profit) on disposal of tangible non-current assets	(21)	(33)
Auditors remuneration:		
Audit fees payable to the company's auditor for the audit of:		
– Company annual accounts	18	10
– Group annual accounts	14	13
Other fees payable to the Company's auditors:		
– Subsidiary companies	48	81
– Tax compliance	25	21
Exceptional redundancy cost	105	125

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:	2018 £'000	2017 £'000
Wages and salaries	6,905	7,700
Defined contribution pension cost	330	381
Employer's national insurance contributions and similar taxes	732	821
	7,967	8,902

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

	2018 No.	2017 No.
Management, sales and administration	43	56
Production	99	102
	142	158

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

	2018 £'000	2017 £'000
Salaries	932	797
Defined contribution pension costs	158	109
Employers national insurance contributions and similar taxes	101	98
	1,191	1,004

The emoluments of the Directors of the parent company are set out in the Report of the Remuneration Committee on page 22.

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 HCM hardware only, for time-and-attendance, shop-floor data collection, and access control systems. This division contributed 49.6 per cent. (2017: 44.2 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 50.4 per cent. (2017: 55.8 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.

Segment assets and liabilities exclude group company balances.

	Electronic 2018 £'000	Asset Protection 2018 £'000	Total 2018 £'000
Revenue			
Total revenue	7,960	8,092	16,052
Revenue from external customers	7,960	8,092	16,052
Finance cost	28	5	33
Depreciation	111	214	325
Amortisation	534	–	534
Impairment provision	698	–	698
Segment (loss)/profit before income tax from continuing activities	(1,234)	379	(855)
Loss before income tax of discontinued operation	(21)	–	(21)
Segment (loss)/profit before income tax	(1,255)	379	(876)
Additions to non-current assets	1,926	16	1,942
Disposals of non-current assets	1,525	–	1,525
Reportable segment assets	4,615	3,214	7,829
Reportable segment liabilities	1,554	1,716	3,270

	Electronic 2017 £'000	Asset Protection 2017 £'000	Total 2017 £'000
Revenue			
Total revenue	7,092	8,944	16,036
Revenue from external customers	7,092	8,944	16,036
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)
Segment (loss)/profit before income tax	(2,274)	130	(2,144)
Additions to non-current assets	1,296	156	1,452
Disposals of non-current assets	14	34	48
Reportable segment assets	6,062	2,761	8,823
Reportable segment liabilities	1,469	2,052	3,521

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

	2018 £'000	2017 £'000
Revenue		
Total revenue for reportable segments	16,052	16,036

	2018 £'000	2017 £'000
Profit or loss after income tax expense		
Total profit or loss for reportable segments	(855)	(1,919)
Parent company salaries and related costs	(525)	(522)
Other parent company costs	(547)	(571)
Impairment provision of goodwill	–	(2,229)
Loss before income tax expense	(1,927)	(5,241)
Corporation taxes	172	141
Loss after income tax expense (continuing activities)	(1,755)	(5,100)

	2018 £'000	2017 £'000
Assets		
Total assets for reportable segments	7,829	8,823
PLC	59	998
Goodwill on consolidation	2,735	2,735
Group's assets	10,623	12,556
Liabilities		
Total liabilities for reportable segments	3,270	3,521
PLC	429	235
Group's liabilities	3,699	3,756

	Reportable segment totals 2018 £'000	PLC 2018 £'000	Group totals 2018 £'000	Reportable segment totals 2017 £'000	PLC 2017 £'000	Group totals 2017 £'000
Other material items						
Capital expenditure	1,942	2	1,944	1,452	66	1,518
Disposals non-current assets	1,525	–	1,525	48	–	48
Depreciation and amortisation	859	25	884	1,258	20	1,278
Impairment of development costs	698	–	698	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	
	2018	2017	2018	2017
	£'000	£'000	£'000	£'000
UK	12,084	13,008	5,109	6,243
Netherlands	456	357	–	–
Sweden	198	6	–	–
Belgium	547	362	–	–
Austria	174	163	–	–
Ireland	146	73	–	–
Other Europe	291	205	–	–
USA	1,689	1,340	3	11
Middle East	340	359	–	–
Other countries	127	163	–	–
	16,052	16,036	5,112	6,254

Revenue from one customer in the asset protection division totalled £2,005,000 (2017: £3,508,000). There are no other customers that account for more than 10% of Group revenue.

6. Finance costs

	2018	2017
	£'000	£'000
Finance costs		
Finance leases	18	13
Invoice discounting	28	–
Bank	4	–
	50	13

7. Tax expense

	2018	2018	2017	2017
	£'000	£'000	£'000	£'000
Current tax expense				
Continuing businesses				
UK corporation tax on loss for the year	–		8	
Adjustment for over provision in prior periods	13		(10)	
		13		(2)
Deferred tax expense				
Origination and reversal of temporary differences	(118)		(247)	
Adjustment for over provision in prior periods	25		19	
		(93)		(228)
Total tax credit		(80)		(230)

	2018	2017
	£'000	£'000
Income tax charge/(credit) from continuing operations	(172)	(141)
Income tax charge/(credit) from discontinued operations	92	(89)
	(80)	(230)

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:

	2018 £'000	2017 £'000
Loss for the year	(1,868)	(5,236)
Income tax credit (including income tax on discontinued operation)	(80)	(230)
Loss before income tax	(1,948)	(5,466)
Expected tax credit based on the standard rate of corporation tax in the UK of 19.0 per cent. (2017: 19.92 per cent.)	(370)	(1,088)
Research and development allowances	(273)	(304)
Effects on profits of other items not deductible for tax purposes	186	514
Deferred tax not recognised	284	659
Change in tax rate	–	(20)
Losses eliminated	54	–
Adjustment to tax charge in respect of previous periods	39	9
Total tax credit	(80)	(230)

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

	2018 £'000	2017 £'000
Management expenses	377	357
Trading losses	5,328	4,179

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

	2018 £'000	2017 £'000
Management expenses	64	61
Trading losses	905	712

8. Loss per share

	Continuing		Discontinued		Total	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Numerator						
Loss used in basic and diluted EPS	(1,755)	(5,100)	(113)	(136)	(1,868)	(5,236)

	No.	No.
Denominator		
Weighted average number of shares used in basic EPS	468,732,316	468,732,316
Weighted average number of dilutive share options	–	2,733,509
Weighted average number of shares for diluted EPS	468,732,316	471,465,825

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:

	2018 pence	2017 pence
Basic loss per share from continuing operations – basic and diluted	(0.38)	(1.08)
Impairment provision of goodwill	–	0.47
Impairment provision of development costs	0.15	0.29
Exceptional redundancy costs	0.03	0.06
Loss per share from continuing operations before exceptional items	(0.20)	(0.26)

	2018 £'000	2017 £'000
Reconciliation of earnings		
Loss from continuing operations used for calculation of basic and diluted earnings per share	(1,755)	(5,100)
Impairment provision of development costs	698	1,341
Impairment provision of goodwill	–	2,229
Exceptional redundancy costs	140	285
Loss from continuing operations before exceptional items	(917)	(1,245)

9. Discontinued operations

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

Result of discontinued operations

	2018 £'000	2017 £'000
Revenue	–	26
Costs	(21)	(251)
Tax credit	(92)	89
(Loss) for the year	(113)	(136)

Basic and diluted loss per share from discontinued operations

	2018 pence	2017 pence
Basic and diluted loss per share	(0.02)	(0.03)

Statement of cash flows

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

	2018 £'000	2017 £'000
Operating activities	(113)	(184)
Investing activities	–	3
Net cash outflow from discontinued operations	(113)	(181)

10. Property, plant and equipment

	Freehold land and buildings £'000	Short leasehold improvements £'000	Plant, machinery and motor vehicles £'000	Computers, fixtures and fittings £'000	Total £'000
At 30 April 2017					
Cost	–	549	864	1,400	2,813
Accumulated depreciation	–	(478)	(635)	(1,044)	(2,157)
Net book value	–	71	229	356	656
At 30 April 2018					
Cost	–	559	840	1,440	2,839
Accumulated depreciation	–	(538)	(736)	(1,187)	(2,461)
Net book value	–	21	104	253	378
Year ended 30 April 2017					
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	–	71	229	356	656
Year ended 30 April 2018					
Opening net book value	–	71	229	356	656
Translation differences	–	–	1	(1)	–
Additions	1,509	10	–	57	1,576
Disposals	(1,504)	–	–		(1,504)
Depreciation	(5)	(60)	(126)	(159)	(350)
Closing net book value	–	21	104	253	378

The net book value of plant, machinery and motor vehicles for the Group includes an amount of £91,750 (2017: £198,265) in respect of assets held under finance leases and hire purchase contracts. The related depreciation charge on these assets for the year was £106,514 (2017: £138,532).

11. Intangible assets

	Goodwill £'000	Development costs (internally generated) £'000	Licences, patents and copyrights £'000	Total £'000
At 30 April 2017				
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	2,735	2,857	6	5,598
At 30 April 2018				
Cost	6,872	7,786	44	14,702
Amortisation	–	(1,998)	(6)	(2,004)
Impairment provision	(4,137)	(2,880)	–	(7,017)
Net book value	2,735	2,908	38	5,681
Year ended 30 April 2017				
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	2,735	2,857	6	5,598
Year ended 30 April 2018				
Opening net book value	2,735	2,857	6	5,598
Additions				
– Internally developed	–	332	–	332
– External costs	–	–	36	36
Amortisation	–	(530)	(4)	(534)
Impairment provision	–	(698)	–	(698)
Closing net book value	2,735	1,961	38	4,734

The Group recognizes that future access control revenues will be seen through sales of the current variant of the Sateon platform (Sateon Advance), the Janus C4 platform that will be introduced in the current year, and the Advance range of hardware. The Group has therefore taken the decision following an impairment review to write off £698k, which relates to sums capitalized for previous, older versions of the Sateon platform which have now been superseded.

The Group has no contractual commitments for development costs (2017: £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 2018 £'000	Goodwill carrying amount 2017 £'000
Electronic division	2,735	2,735
Asset protection division	–	–
	2,735	2,735

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 2023. The discount rate that was applied was 16 per cent. for the electronic division (2017: 18 per cent. for electronic division and 16 per cent. for asset protection division), 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. Revenue from the product range associated with the acquisition of the asset protection division had been declining and was being replaced by the introduction of new products, and as such it was no longer considered appropriate to retain the £961,000 goodwill as an intangible asset.

The annual revenue growth rate for cash flows from operating activities for the electronic division for the first period within the formal five year budget period is 7 per cent. (2017: 8 per cent.). The projected cash flows for the remaining four budgeted years are based on an extrapolation of the budgeted cash flows at a growth rate of 8 per cent. (2017: 14 per cent.). The growth rate reflects the introduction of new products. Thereafter the long term growth rate is 2 per cent. The impairment review applied sensitivities reducing the long term growth rate to 1 per cent. which indicated no impairment and 0 per cent. which showed an impairment of £10k. If the discount rate is increased to 18 per cent., there is no impairment. An increase to 19 per cent. results in an impairment of £97k. Sensitivities were also applied to the revenue forecast from the new product line in years 1-5 of the forecast period which showed that a reduction of 6 per cent. in forecast sales of the new product line resulted in an impairment of £92k. A reduction of 5 per cent. indicated no impairment.

The impairment review undertaken in 2017 for the asset protection division resulted in a full impairment of goodwill of £961,000. Revenue for the product range associated with the acquisition of the asset protection division had been declining and being replaced by the introduction of new products, and as such it was no longer considered appropriate to retain the good will as an intangible asset.

The impairment review undertaken in 2017 for the electronic division resulted in an impairment charge of goodwill of £1,268,000. It was anticipated that the mid-tier access control market would yield growth from the sale of the Sateon range and the workforce management market would yield growth form the Gt-10 Android terminal. The impairment charge therefore arose from the development of these products replacing revenues relating to historical products associated with the original acquisition of the electronic division.

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.	The Netherlands	100%	Holding
Vema N.V.[2b]	The Netherlands	98%	Dormant
Vema UK Limited[2c]	Great Britain	100%	Dormant
Grosvenor Technology Limited	Great Britain	100%	Trading
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 and the Netherlands 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

	2018 £'000	2017 £'000
Raw materials and consumables	588	419
Work-in-progress	100	138
Finished goods and goods for resale	920	1,089
	1,608	1,646

Finished goods include an amount of £Nil (2017: £Nil) carried at fair value less costs to sell. The amount of inventories consumed in the year was £5,645,000 (2017: £5,191,000). The amount of inventory write downs in the year was £Nil (2017: £8,000). There are no inventories recoverable after 12 months (2017: £Nil).

15. Trade and other receivables

	2018 £'000	2017 £'000
Trade receivables	2,327	2,767
Less: provision for impairment of trade receivables	(44)	(46)
Trade receivables (net)	2,283	2,721
Other receivables	30	101
Accrued income	187	153
Prepayments	334	311
	2,834	3,286

At 30 April 2018 trade receivables of £404,000 (2017: £413,000) were past due but not impaired. The ageing analysis of these receivables is as follows:

	2018 £'000	2017 £'000
30 days past due	249	299
60 days past due	109	44
90 days past due	31	65
Over 90 days past due	15	5
	404	413

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

	2018 £'000	2017 £'000
Opening balance	46	20
Increase in provisions	11	32
Receivable written off during the year	(13)	(6)
Closing balance	**44**	**46**

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

	2018 £'000	2017 £'000
Trade payables	1,066	1,095
Other tax and social security taxes	596	504
Other payables	93	164
Deferred income	678	705
Accruals	521	693
Holiday pay provision	97	121
	3,051	3,282

17. Other short term borrowings

	2018 £'000	2017 £'000
Finance lease creditor (note 25)	44	79
Invoice discount account	447	–
	491	79

The invoice discount account is secured by a debenture on all assets of Grosvenor Technology Limited, and a corporate guarantee and indemnity from the parent company and Safetell Limited.

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

18. Long term borrowings

	2018 £'000	2017 £'000
Finance lease creditor (note 25)	53	98
	53	98

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 18.

Financial Instruments

Categories of financial assets and financial liabilities are detailed below:

	Loans and receivables	
	2018 £'000	2017 £'000
Current financial assets		
Trade and other receivables	2,313	2,822
Cash and cash equivalents	1,069	1,370
Total current financial assets	**3,382**	**4,192**

	Financial liabilities measured at amortised cost	
	2018	**2017**
	£'000	**£'000**
Current financial liabilities		
Trade and other payables	1,159	1,259
Loans and borrowings	491	79
Total current financial liabilities	**1,650**	**1,338**
Non-current financial liabilities		
Loans and borrowings	53	98
Total non-current financial liabilities	**53**	**98**
Total financial liabilities	**1,703**	**1,436**

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
- invoice discounting

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:

	2018	**2017**
	£'000	**£'000**
Up to 3 months	1,620	1,281
3 to 6 months	14	20
6 to 12 months	16	37
Later than 1 year and not later than 5 years	53	98
	1,703	1,436

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 30 April the Group's net exposure to foreign exchange risk was as follows:

	Pounds sterling		Dollar		Euro		Other	
	2018	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**
Net foreign currency financial assets/ (liabilities)								
Pound sterling	–	–	149	64	(96)	(34)	3	–
Dollar	–	–	–	–	–	–	–	–
Other	–	–	–	–	–	(5)	–	18
Total	–	–	149	64	(96)	(39)	3	18

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 £6,000 (2017: £17,000). A 10 per cent. weakening in the exchange rates would, on the same basis, have decreased pre-tax profit and decreased net assets by £5,000 (2017: £14,000).

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 2018 and at 30 April 2017 were as follows:

	2018 £'000	**2017 £'000**
Loans and borrowings	544	177
Less: cash and cash equivalents	(1,069)	(1,370)
Net cash	(525)	(1,193)
Total equity	6,924	8,800
Cash to adjusted capital ratio	7.6%	13.6%

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 2018 %	Period 2018 Years	Rate 2017 %	Period 2017 Years
Sterling	6.4	1.8	2.1	1.0

Fair values

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

	Book value 2018 £'000	Fair value 2018 £'000	Book value 2017 £'000	Fair value 2017 £'000
Invoice discounting	447	447	–	–
Finance lease creditor	97	104	177	193
	544	551	177	193

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 2018 and 2017 are equal to their book value.

21. Provisions

	Leasehold dilapidations £'000
At 1 May 2017	200
Charged in year	(67)
Released in year	(33)
At 30 April 2018	100
Due within one year or less	–
Due after more than one year	100
	100

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. (2017: 17 per cent.).

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

	Group	
	2018	2017
	£'000	£'000
Liability		
At 1 May	97	325
Income statement	(93)	(228)
At 30 April	4	97

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) 2018 £'000	Charged/ (credited) to income 2018 £'000
Accelerated capital allowances	(189)	3
Other temporary and deductible differences	333	(69)
Available losses	(140)	(27)
	4	(93)

	Liability/ (Asset) 2017 £'000	Charged/ (credited) to income 2017 £'000
Accelerated capital allowances	(192)	(25)
Other temporary and deductible differences	402	(258)
Available losses	(113)	55
	97	(228)

Deferred tax assets have been recognised in respect of available losses which are expected to be matched against future trading profits.

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

	2018 Number	2018 £	2017 Number	2017 £
Ordinary shares of 1p each				
Allotted, called up and fully paid				
At 1 May	468,732,316	4,687,323	468,732,316	4,687,323
Authorised				
At beginning and end of year	1,015,164,192	10,151,642	1,015,164,192	10,151,642

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

	2018 £'000	2017 £'000
Final dividend of Nil pence (2017: 0.10 pence) per ordinary share paid during the year relating to the previous year's results	–	469

The directors are proposing a final dividend of Nil pence per ordinary share (2017: Nil) totalling £Nil (2017: £Nil).

25. Leases

Finance leases

Future lease payments are due as follows:

	Minimum lease payments 2018 £'000	Interest 2018 £'000	Present value 2018 £'000
Not later than one year	47	3	44
Later than one year and not later than five years	57	4	53
	104	7	97

	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
	193	16	177

The present value of future lease payments are analysed as:

	2018 £'000	2017 £'000
Current liabilities	44	79
Non-current liabilities	53	98
	97	177

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 2018 £'000	Other 2018 £'000	Property 2017 £'000	Other 2017 £'000
Not later than one year	317	82	197	96
Later than one year and not later than five years	820	74	708	147
Later than five years	–	–	134	–
	1,137	156	1,039	243

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
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	3,000,000

The remaining weighted average contractual lives for both Approved and Unapproved Options under this scheme were 5.9 years (2017: 7.1 years).

The total number of share options outstanding at 30 April 2018 was 24,416,082 (2017: 27,416,082). The total number of exercisable share options outstanding at 30 April 2018 was 20,273,225 (2017: 19,363,636). The weighted average exercise price of the outstanding share options at 30 April 2018 was 1.71p (2017: 1.79p).

The share based remuneration expense for equity settled schemes was £Nil (2017: £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 22.

Newmark
SECURITY PLC

COMPANY STATEMENT OF FINANCIAL POSITION
at 30 April 2018 – UK GAAP Financial Statements
Company number: 3339998

	Note	2018 £'000	2018 £'000	2017 £'000	2017 £'000
Fixed assets					
Investment in subsidiaries	3		16,619		17,121
Tangible assets	4		30		52
			16,649		17,173
Current assets					
Debtors	5	3,663		2,917	
Cash and cash equivalents		15		3	
		3,678		2,920	
Creditors: amounts falling due within one year	6	(14,148)		(13,447)	
Net current liabilities			(10,470)		(10,527)
Total assets less current liabilities			6,179		6,646
Amounts falling due after one year					
Long term borrowings	7		(38)		(46)
Net assets			6,141		6,600
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			100		559
Shareholder's funds			6,141		6,600

The Company's loss for the current year was £459k (2017: loss 4,291k)

The notes on pages 60 to 63 form part of these financial statements.

These financial statements were approved by the Board of Directors and authorised for issue on 2 October 2018.

M DWEK
Director

3 October 2018

Newmark
SECURITY PLC

COMPANY STATEMENT OF CHANGES IN EQUITY

	Share capital £'000	Share premium £'000	Merger reserve £'000	Retained earnings £'000	Total equity £'000
1 May 2016	4,687	553	801	5,319	11,360
Comprehensive income for the year					
Loss and total comprehensive income for the year	–	–	–	(4,291)	(4,291)
Contributions by and distributions to owners					
Dividends	–	–	–	(469)	(469)
Total contributions by and distributions to owners	–	–	–	(469)	(469)
30 April 2017	4,687	553	801	559	6,600
1 May 2017	4,687	553	801	559	6,600
Comprehensive income for the year					
Loss and total comprehensive income for the year	–	–	–	(459)	(459)
Total contributions and distributions to owners	–	–	–	(459)	(459)
30 April 2018	4,687	553	801	100	6,141

NOTES FORMING PART OF THE FINANCIAL STATEMENTS OF THE COMPANY
for the year ended 30 April 2018

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 2018 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 reviews the solvency and future trading forecasts of subsidiaries to determine whether the group company balances have suffered any impairment.

2. Staff costs

	2018 £'000	2017 £'000
Wages and salaries	435	439
Defined contribution pension cost	25	25
Employer's national insurance contributions and similar taxes	65	58
	525	522

	2018 Number	2017 Number
The average number of employees, including directors, during the period was:		
Office and management	3	3

3. Investment in subsidiaries

	£'000
Cost	
At 1 May 2017 and 30 April 2018	21,869
Impairment provision	
At 1 May 2017	4,748
Provision in year	502
At 30 April 2018	5,250
Net book value at 30 April 2018	16,619
Net book value at 30 April 2017	17,121

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. Details of the impairment review can be seen in note 12 to the Group accounts.

4. Tangible assets

	Motor vehicles £'000	Computers Fixtures & Fittings £'000	Total £'000
Cost			
At 1 May 2017	66	9	75
Additions in the year	–	2	2
Disposals	–	(4)	(4)
At 30 April 2018	66	7	73
Depreciation			
At 1 May 2017	16	7	23
Disposals	–	(4)	(4)
Charge for the year	22	2	24
At 30 April 2018	38	5	43
Net book value			
At 30 April 2018	28	2	30
At 30 April 2017	50	2	52

5. Debtors

	2018 £'000	2017 £'000
Amount due from group undertakings	3,650	2,869
Other debtors	–	33
Prepayments	13	15
	3,663	2,917

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	13,763	13,265
Other taxation and social security	229	16
Other payables	3	5
Other short term borrowing	8	5
Accruals	145	156
	14,148	13,447

7. Long term borrowings

	2018 £'000	2017 £'000
Finance lease creditor	38	46

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

	Minimum Lease payments 2018 £'000	Interest 2018 £'000	Present value 2018 £'000
Not later than one year	8	2	6
Later than one year and not later than five years	34	2	32
	42	4	38

8. Share capital

	2018 Number	2018 £	2017 Number	2017 £
Allotted, called up and fully paid:				
At 1 May	468,732,316	4,687,323	468,732,316	4,687,323
Authorised				
At beginning and end of year	1,015,164,192	10,151,642	1,015,164,192	10,151,642

9. Commitments under operating leases

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

	2018 Land and buildings £'000	2017 Land and buildings £'000
Not later than one year	29	29

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 Quebec Suite, Radisson Blu Portman, 22 Portman Square, London W1H 7BG on 30 October 2018 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 28 October 2018.

Notice is hereby given that the Annual General Meeting of the above-mentioned company ("**the Company**") will be held at Quebec Suite, Radisson Blu Portman, 22 Portman Square, London W1H 7BG on 30 October 2018 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 2018 together with the reports of the directors and auditors thereon.

2. Rotation and retirement of director

To re-elect Maurice 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 Brian Beecraft 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 2018.

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

3 October 2018

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 Link Asset Services, PXS, The Registry, 34 Beckenham Road, Beckenham, BR3 4TU no later than 11.00 a.m. on 28 October 2018.
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 28 October 2018 (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 2 October 2018 (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 2 October 2018 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 Link Asset Services (ID RA10) by 11.00 a.m. on 28 October 2018. 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 2 October 2018 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.