Newmark
SECURITY PLC

Report and Financial Statements

Year ended 30 April 2019

Company number: 3339998

Newmark
SECURITY PLC

INDEX

DIRECTORS, SECRETARY AND ADVISERS

Country of incorporation of parent company:	England and Wales
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, 31 Chertsey Street, Guildford, Surrey GU1 4HD
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 electronic and physical security systems through its subsidiaries, Grosvenor Technology Limited and Safetell Limited which are UK based and Grosvenor Technology LLC which is based in the US. All companies have a well-established customer base. The Group aims to help address some of the major challenges facing corporations in an environment of ever-increasing global security concerns, as well as helping to reduce carbon output and meet sustainability goals.

The Group strategy is focused on delivering growth through the development of new products and services, often supporting country specific customer requirements.

Group revenue for the year from continuing operations was £19,583k (2018: £16,052k). In last year's annual report the Board expressed the view that there should be revenue growth in the electronic division during the year under review following the completion of two major new supply agreements and that this would result in improved financial results. The Board is pleased to announce a return to profitability in the year.

Revenue in the electronic division (Grosvenor) increased by 37.9 % from £7,960k to £10,979k. 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. Overall sales of access control increased by 6.0%. Sales of Human Capital Management globally increased by 67.8%, 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) increased by 6.3% from £8,092k to £8,604k with a 1.3% decrease in products sales mainly due to reduced revenue from high street banks and building societies. Revenue from the service business however increased by 17.9%.

Profit from operations for the year from continuing operations before exceptional items was £644k (2018: loss £1,039k). There were exceptional items in the year for redundancy costs of £352k (2018: £140k) and last year there was also an impairment provision of development costs of £698k. The impairment of development costs related to amounts previously capitalised for older versions of the Sateon platform which had been superseded. Profit from continuing operations after exceptional items was £292k (2018: loss £1,877k). In addition the remaining costs net of taxation of the Hong Kong office closed previously has been included in the consolidation income statement as a discontinued operation £6k (2018: £113k).

A full financial review of the results for the year is included within the Strategic Report on pages 10 to 16.

Dividend

The Board has not recommended the payment of a dividend for the year ended 30 April 2019 (2018: £Nil).

Directors

Brian Beecraft is retiring on 31 October after 21 years with the Group. The Board would like to thank him for his tremendous efforts over that period and wish him a happy retirement. Graham Feltham has joined the Company and will be appointed as Group Finance Director from Brian's retirement. The Board is pleased to welcome Graham to the Group.

Employees

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

Outlook

In the electronic division, the trend to generating more revenues from its HCM activities is set to be maintained, particularly as the long-anticipated growth in sales in North America continues. The Board believes that there will be medium-long term growth in both the divisions' core markets and it is expected that revenues will continue to grow in the recently launched Janus C4 Access Control offering.

In both Access Control and HCM, the ambition remains to generate a greater proportion of recurring revenues. In the short-medium term, it is likely that this will be more prevalent in the HCM sector where provision of Software-as-a-Service (SaaS) will increase in the future from the modest levels in 2018/19 resulting from this new development, particularly as the divisions' value-add in terms of data protection is recognised by new and existing partners.

The asset protection division will benefit from the recent restructuring in the future. The products division will concentrate on increasing the range of physical security products with continued product development and certification. The development of staff remains at the heart of this strategy within the service division as the UK based team of field-based technicians supports an increasing number of third-party products not related to Safetell's traditional core business. Additional resources have been deployed to bolster a sales and marketing effort to pursue this strategy and early stage negotiations with potential partners are initially positive.

The Board is encouraged by the Group's return to profitability and looks forward to the remainder of the year with confidence.

M DWEK
Chairman

18 September 2019

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.

The Chairman is responsible for Corporate Governance in the Group.

There were no key governance related matters that occurred in the year and no significant changes in governance arrangements.

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.

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

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.

The board members attend AGMs and welcome shareholder attendance.

Our corporate broker maintains a dialogue with our institutional investors and arranges meetings with the Executive Directors as required.

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.

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 principal 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 2019, 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.

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 four 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 commit the time necessary to meet their responsibilities as directors.

There were two meetings of both the audit and remuneration committee during the year, both of which were attended by all members of those committees.

All of the Non-Executive 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 23 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.

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 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. Michel thus brings to the board his experience from holding senior positions in similar industries, and his knowledge of operating in US markets which is particularly relevant given the growth in revenue from that source in the current year.

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. Robert therefore contributes his experience from holding senior positions in different businesses as well as his financial and accounting knowledge.

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. Marie-Claire regularly attends training course and modules for executive development e.g. Cranfield University. Any changes in the business environment are monitored and researched closely within management level with the CEO. Strategic responses are formed accordingly and executed with Board approval. Trade journals and news articles are used to keep abreast of current market conditions.

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 and brings a wealth of experience in financial accounting to the Board.

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.

Brian Beecraft is retiring on 31 October 2019 and Graham Feltham was appointed as Group Financial Director designate on 9 September 2019.

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

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

The Group aims to have a corporate culture that keeps staff satisfied in their roles and fully motivated so that staff retention levels are high, and absenteeism is low. All senior management are aware of our culture. Staff are encouraged to submit ideas and suggestions as to how this can be achieved. The Group also tries to ensure that the staff have the appropriate life style benefits and are provided with appropriate development training, both internally and externally.

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.

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.

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.

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 is included in the Report of the Directors.

The terms of reference of the Remuneration Committee are included on the company web site. Its composition, duties and main activities during the year is included in the Report of the Remuneration Committee.

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

The matters reserved for the Board are set out under Principle 5.

The Board will continue to monitor the governance framework in line with the Group's plans for growth and will make further adjustments and improvements as required.

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.

The remuneration committee report is on page 21 and an overview of the audit committee's duties and activities during the year are on page 19.

M DWEK

18 September 2019

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 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 the 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 utilising 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 provision of 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

	2018/19 £'000	2017/18 £'000
Revenue from continuing operations	**19,583**	**16,052**
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	**7,765**	**5,792**
Gross profit from continuing operations	**7,705**	**5,094**
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	**39.7%**	**36.1%**
Gross profit percentage from continuing operations	**39.3%**	**31.7%**

Financial review

Revenue in the year was £19.6m analysed as follows:

	2018/19 £'000	2017/18 £'000	Increase/ (decrease)
Electronic division			
Access control	4,071	3,842	6.0%
Human capital management	6,908	4,118	67.8%
Total electronic division	10,979	7,960	37.9%
Asset protection division			
Products	4,810	4,874	(1.3%)
Service	3,794	3,218	17.9%
Total asset protection division	8,604	8,092	6.3%
TOTAL	**19,583**	**16,052**	**22.0%**

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)

Human Capital Management (HCM)

Revenues from HCM increased by 67.8% from £4,118k to £6,908k. The split we identified between North American and other HCM solutions providers, in terms of their specific needs and drivers, continues. This has allowed the business to be much more tailored in its approach to each market and that strategy continues to bear fruit.

In the US, where the HCM sector (and consequently each of its sub-sectors) is larger, growth has been aided by increasing the scope of services offered, particularly in the areas of data protection and management. HCM providers are now choosing Grosvenor to provide a range of services on a subscription Software-as-a-Service (SaaS) basis and this is expected to increase revenues from the modest levels achieved since its inauguration in late 2018/19. These services allow our clients to add greater value to their end-user clients and better aligns our commercial model with that of our customers' downstream sales model, which itself is often on a subscription basis.

Elsewhere, the HCM sector remains less mature and of smaller scale. In Europe, for example, HCM providers often look to adjacent technology sectors to allow them to offer additional services downstream. Grosvenor's Access Control line of business has been a further driver of revenues within the HCM customer base as synergies between the product and services offerings have facilitated our cross-sale approach.

US revenues increased by 167% to £4,515k (2018: £1,689k) and has provided the most success and opportunities. While data-collection edge devices (hardware) remain at the heart of the offering, our data protection and edge-device management software services are becoming increasingly important in the purchase decision criteria of our clients.

In the rest of the world, HCM revenues remained broadly constant at £2,393k (2018: £2,429k). There were no significant major end-user projects, which have been a feature of prior periods, but organic growth was shown across the majority of existing clients. Negotiations began with several large HCM providers based in Europe and Australia, with a view to providing a range of hardware and software as a service, and those negotiations will continue into the current financial year.

The US continues to provide exciting opportunities for both software and hardware sales and is expected to continue to grow in the current financial year. Investment in the region continues to be increased and it is anticipated that both headcount and market will be increased in the forthcoming periods to ensure this opportunity is realised.

Access Control

Overall, AC revenues increased 6.0% to £4,071k (2018: £3,842k).

As reported last year, the legacy Janus platform has now been retired and the End-User upgrade programme to the later Sateon platform has now been completed. The decline in Janus revenues, however, was less pronounced than in the previous period, with sales at £1,218k (2018: £1,254k), a decrease of 2.9%. Revenues are expected to continue to decline in future periods in line with the reduced demand for the legacy hardware.

Following the trend seen in previous periods, Sateon revenues grew 8.9%, reaching £2,818k (2018: £2,588k). As anticipated, the final release of this AC platform was made available during the year and no further development is being carried out other than essential maintenance. The focus is now on maintaining revenues at the current level with existing customers.

Towards the end of the financial year Grosvenor released its new platform Janus C4, an Integrated Security Management and Access Control product aimed at the increasing industry demand for single-platform, multi-discipline solutions. The software was developed in collaboration with a third party company and utilises the Grosvenor Advance hardware that has proved successful on the Sateon platform.

Asset Protection Division (Safetell)

Revenue in the year increased by 6.3% to £8,604k (2018: £8,092k) analysed as follows:

	2018/19 £'000	2017/18 £'000	Increase/ (decrease)
Products	4,810	4,874	(1.3%)
Service	3,794	3,218	17.9%
Total	**8,604**	**8,092**	**6.3%**

Safetell increased revenue by 6.3% with products revenue declining only slightly despite increased competition and depletion of traditional niche products. The sales of products to public sector markets continued to be affected by a lack of investment as a direct result of budgets cuts and Brexit uncertainty. As the market contracted, we experienced increased pressure from customers to reduce prices whilst we saw an increase in the number of competitors.

Products division

Products revenue decreased by 1.3% with revenue from high street banks and building societies decreasing by 33.4% and 23.8% respectively compared to last year as they move away from fortress counters to open plan branches. Revenue from sales of time delayed cash handling equipment to the Post Office increased 16.7% due to orders received as part of the Post Office's Network Development Programme. As this programme is completed, this revenue stream will reduce. Revenue from other cash handling sales increased as a result of a programme of work for a long-term customer. Revenue of Security Doors decreased by 17.5% as our work is project based and we are reliant on customers and markets having programmes of work. All other product groups decreased by 7%. As in the previous year, revenue 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.

As a result of declining sales in this division and the lack of repeat programmes of refurbishment from our long-term and traditional customers, a business reconstruction plan was implemented in the last quarter of the year and resulted in staff reduction and other cost saving measures. Unprofitable customers and product groups have been removed and increased marketing efforts will concentrate on sales of supply only products and projects that fall within Safetell's traditional product offering. As part of the cost savings, the Kempston warehouse has been closed and plans are in place to consolidate the warehouse and main offices in Dartford which will be completed by the end of December 2019.

Despite developing new products that are certified to UK security standards, sales of counter terror security equipment for staff and customer protection have not increased and the lack of sales is due to reduced spending by Corporate and Public sectors as a result of continued uncertainty caused by Brexit. We however believe that product certification to UK security standards is important to maintain as the standards are updated as security risks change and this ensures that the Safetell product range provides protection against all the latest security threats and forms of attack. Safetell provides its products predominately to the UK market and these standards are favoured ahead of European and other international security standards and certification. In anticipation of this Safetell will continue with its programme of selected product certification for bullet, blast and manual attack. Product margins continue to be affected by the increased costs of raw materials and imported components and we expect this trend to continue.

Service division

The Service Division continued its bank branch upgrade work and delivered sales 17.9% higher than those reported last year. This was against a backdrop of a general reduction in bank and building society sites in the high street. Overheads were reduced by 1.7% as the business managed its field resource with less head office involvement now that the Enterprise Resource Planning ("ERP") system has been fully embedded. Margins were slightly diminished by two percentage points as a result of entering new markets which are non-niche and consequently more competitive. The strategy going forward continues to be to develop within new markets and resource has been introduced to further these aims.

Taxation

The tax charge for the year reflects the operating profit for the year and the partial utilisation of losses brought forward.

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 £24k higher than the previous year with capitalised expenditure of £333k partly offset by amortisation of £309k.

Inventories increased from £1,608k to £2,599k due to the requirement to hold stock in an escrow account under one of the new supply agreements and the requirement to purchase stock and build finished goods for sales after the year end.

Trade receivables were £140k higher than the previous year reflecting both the timing of the increased revenue and the timing of payments by customers across the two divisions.

Trade payables increased from £1,066k to £1,565k as a result of the increased stock holding referred to above.

Overall net assets increased from £6,924k to £7,114k.

Cash inflow from operating activities for the year was £360k (2018: outflow £195k), reflecting the improved trading result for the year and the movements in working capital referred to above. Overall there was a decrease in cash and cash equivalents of £29k (2018: £297k) as a result of investment in intangibles to support new products, offset partially by funds from the invoice discounting facility and capital expenditure acquired on hire purchase.

Basic earnings per share from continuing operations are shown in the income statement as 0.04 pence (2018: basic loss per share 0.38 pence).

Divisional Strategy Electronic division

Grosvenor is focused on delivering growth through the development of new products providing customers with business efficiency, peace of mind and flexibility through innovative technology. Our multi-regional exposure to customer needs informs both product design and ongoing product maintenance.

Grosvenor's diverse and evolving edge device product portfolio, of both access control and human capital management hardware solutions, means we are well positioned to capitalise on the crossover between these two aspects of electronic and data 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. It is expected that this will deliver greater shareholder value over time as both quantity and quality of earnings increase through this strategy.

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, Europe, the Middle East and Africa ("EMEA") and access control generally, we are leveraging market growth and emerging trends and opportunities driven by both legislative and technological change.

HCM

Cloud and Software Platforms

Across 2018 and 2019 to date Grosvenor continued to invest in developing the Cloud SaaS Platform - 'GT Services'. Utilising Microsoft's 'Azure' Cloud PaaS (Platform as a Service), GT Services offer a highly secure and scalable platform to manage Grosvenor Time Clocks, securely enrol, transmit/disseminate and store Personal Identifiable Information including Biometric Templates ('PII'). GT Services encompasses a powerful set of Clock and Data management tools to remotely provision, configure, manage and maintain Clocks. This significantly lowers the cost of ownership, providing users with proactive service irrespective of geography.

Our connected GT Services SaaS platform offers existing partners a compelling migration option from legacy 'on premise' solutions. Usage data collected from these edge devices provides analytical data and metrics on product usage, driving proactive maintenance and product roadmap design.

A key industry driver is currently, and is likely to remain, the regulation and legislation around PII. As the proliferation of biometric data-capture continues, how this data is treated remains an evolving situation. The EU and other regions operating under General Data Protection Regulation ('GDPR') currently has one standard approach to handling PII. The US however, has varying legislation on a state-by-state basis, thus causing significant challenges for HCM practitioners operating 'cross-state'.

Over the current financial year, Grosvenor will continue to invest in the development of the GT Services platform focusing on key pain points for our channel partners of PII security and regulatory compliance with GDPR and state-by-state biometric legislation in the US. This will offer key features such as recording consent of PII enrolment, encrypted storage and transmission of PII and tools to both facilitate information requests and erasure of unwanted PII. Grosvenor is now focusing all development of these services into Cloud based GT Services and as a result will no longer develop legacy on premise solutions.

The GT Services platform to be developed over the current financial year will build on this and offer a solution onto which future value-added services will be added. This abstracted and extensible approach offers an almost unlimited ability to integrate with other HCM partners software solutions, through Cloud to Cloud or Cloud to On Prem mechanisms. Putting security, redundancy and flexibility at the core of this platform is key to its broad appeal as a vehicle for partner value added solutions.

Hardware Platforms

Grosvenor also continues to invest in developing its range of Time Clocks and this remains a key pillar of HCM growth strategy. The GT10 Android based platform has seen significant success and Grosvenor continues to build out the value-added software suite which accompanies the Android clock.

The GT4 mid-range Linux offering was launched in the second quarter of 2019. This will offer a significantly enhanced user experience, capacity and performance gain over the IT31 which it supersedes, and which will be discontinued in due course.

Grosvenor believes that the innovative approach being taken to managing this connected estate of edge devices also offers significantly improved performance and data security whilst reducing production costs. This strategy intertwines with the business's desire to transition to a SaaS business model as customers increasingly derive additional benefit from having Grosvenor hardware continuously cloud connected.

Access Control

Software Platforms – Janus C4

In February 2019 Grosvenor launched the Janus C4 Access Control product. This Integrated Security Solution comes to the market with several key innovations, designed to provide an open integration platform with highly extensible architecture. This is fast following a growing industry trend to extend traditional 'narrow' Access Control solutions to broader integrated security management systems.

Access Control Hardware Platforms – Advance

The Advance hardware platform remains a key pillar in Grosvenor's Access Control offering. The Advance hardware platform is modular and multipurpose and now spans several distinct Grosvenor Access Control software offerings; Sateon Advance, Janus C4 and Cloud Enabled OEM variant.

The Advance hardware platform, with embedded Linux operating system has enabled Grosvenor to develop powerful "Open Protocol" industry standard Rest Application Programmer Interfaces ('API's) for third party integration. This facilitates support for the latest secure Open Supervised Device Protocol ('OSDP'). OSDP is the most contemporary and secure encrypted and performant reader solution available in the global Access Control market. Janus C4 and Advance OEM both fully support the OSDP standards.

Another key development for the current financial year includes built-in RS485 Protocol communications to support legacy wiring infrastructure, thus making the solution capable of being retrofitted into existing legacy buildings as well as the very latest "IP" or "Cloud" infrastructures.

Asset protection division

Safetell is one of the industry leaders with 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 stagnant as a direct result of the uncertainties created by the prolonged Brexit negotiations despite the ever increasing threat of terrorism and crime that should place security high on the priority list for both the Public and Private sector clients. Safetell will use this lull in the market to consolidate resources and staff, review products and service offering and update product certification to ensure readiness for a return to normal after the UK's proposed exit from the European Union.

Safetell intends to develop a strategic business model based on a continuous improvement of skills and processes and apply all requirements of its 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 aims 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 resist ant 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 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 strategic expenditure on new developments within the electronic division, based on market intelligence but a risk exists due to the dynamic nature of the market itself. 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 are from 1 to 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 offering 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. The continuing uncertainty over the possibility of Brexit continues to affect the budgets of customers and consequently the level of our order books.

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 18 September 2019.

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 2019.

Financial results and dividends

The Board is proposing a dividend of Nil per share (2018: 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 21.

M-C Dwek and M Rapoport retire in accordance with the articles of association. M-C Dwek and M Rapoport 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 52 to 55.

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.

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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 2018 (or the date of their appointment to the Board, if later) and 30 April 2019 were as follows:

	Percentage holding at 30 April 2019	30 April 2019	30 April 2018
M Dwek[(a)]	12.6%	59,099,467	59,099,467
M Rapoport	4.9%	23,055,000	23,055,000
R. Waddington	0.19%	900,000	–

(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.

Since 30 April 2019 R Waddington has acquired a further 900,000 shares so that his total beneficial interest is now 1,800,000 Ordinary Shares, representing 0.38 per cent of the total issued share capital of the Company. In addition since the year end M-C Dwek has acquired 2,500,000 Ordinary Shares representing 0.53 per cent of the total issued share capital of the Company.

The interests of Directors in Share Option Schemes operated by the Company at 1 May 2018 (or the date of their appointment to the Board, if later) and 30 April 2019 were as follows:

	Number of Ordinary Shares under the EMI Scheme 30 April 2019	Number of Ordinary Shares under the EMI Scheme 30 April 2018
B Beecraft	4,000,000	4,000,000
M-C Dwek	15,416,802	15,416,802

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 £333,000 (2018: £332,000).

Going concern

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 58.

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 2018,
- Agreement of the independence of the auditors and their planning report for the year end financial statements including the proposed audit fees and non-audit services,
- Reviewing and approving the audited annual report and accounts for the year ended 30 April 2019,
- 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 development costs capitalised,
- Impairment reviews of the underlying businesses,
- Impact of the new accounting standards being IFRS 9, IFRS 15 and IFRS 16,
- Forecasts and going concern note to the financial statements.

Remuneration Committee

The Remuneration Committee comprises M Rapoport, M Dwek and R Waddington and 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 pages 21 and 22 and the terms of reference are on the web site.

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 18 September 2019.

By order of the Board

B BEECRAFT
Company Secretary

18 September 2019

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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 2019 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 pages 7 and 8.

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 2019 were as follows:

	Consultancy/ management agreement £'000	Salary £'000	Fees £'000	Bonus £'000	Other benefits £'000	Total £'000	Pension contributions £'000	Total including pension contributions £'000
Executive directors								
M-C Dwek	–	193	–	79	14	286	24	310
B Beecraft	–	163	–	–	–	163	–	163
Non-Executive directors								
M Dwek[(a)]	80	–	–	–	30	110	–	110
M Rapoport	–	–	25	–	–	25	–	25
R Waddington	–	–	25	–	–	25	–	25
	80	356	50	79	44	609	24	633
2018	80	356	50	–	40	526	24	550

Emoluments of the highest paid director were £286,000 (2018: £207,000).

The directors' share interests are detailed in the Report of the Directors on page 18.

(a) The Company paid a consultancy fee of £80,000 (2018: £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

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 2019 which comprise the consolidated income statement, the consolidated statement of comprehensive income, the consolidated and parent company statements of financial position, the consolidated statement of cash flows, the consolidated and parent company statements of changes in equity and the 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 101 *Reduced Disclosure Framework* (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 2019 and of the Group's profit 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.

Revenue recognition *(Note 1 and 2)*

Key audit matter

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 based on the new requirements of IFRS15. The Group has a number of different revenue streams which must be assessed against the revenue recognition criteria of the standard. Information on revenue recognition under IFRS15 is set out in the accounting policies on pages 34 and 35.

Audit response

We analysed the nature of each revenue stream to check each performance obligation had been appropriately identified and that revenue for each was appropriately recognised on a point in time basis or over time basis as required by IFRS15. We checked a sample of items covering each of the different revenue streams recorded in the period to supporting documentation to check that revenue has been recognised in accordance with the standard at a point in time or over time.

Based on the work performed as above, the treatment of revenue is considered appropriate and in accordance with IFRS15.

Impairment of goodwill *(Note 1 and 12)*

Key audit matter

Accounting standards require management to review the carrying value of goodwill and assess for impairment on an annual basis. Management exercise significant judgement in determining the underlying assumptions used in the impairment review including the discount rate, forecast results of profits and cash flows and the growth rate applied into perpetuity. There is a potential risk due to the uncertainties surrounding these judgements, and as an area of significant focus for the audit this has been concluded as a key audit matter.

Audit response

We have obtained the impairment review prepared by management. The value in use calculations are based on forecast cash flows for the next 5 years followed by a calculation for cash flows into perpetuity that have been discounted to present value, using a discount rate determined by management. We have considered the key assumptions used in the preparation of forecasts based on our knowledge of the business and discussions with the directors. The forecast cash flows have been reviewed for reasonableness and we have compared the results for the current year to prior year forecasts to assess the accuracy of management's historic assumptions. We have compared the discount rate and growth rate applied in the model to external benchmarks. In addition, we have used internal valuation specialists to support our consideration of the key assumptions, such as discount rates and long term growth assumptions, used in the preparation of forecasts. We have also applied reasonable sensitivities to both the discount rate and growth rate applied for the into perpetuity calculation.

Based on our work we consider that the assessment made by the directors that there is no impairment of goodwill is reasonable.

Capitalisation of development expenditure *(Note 1 and 11)*

Key audit matter

All development expenditure arising in the Group that meets set criteria detailed within the relevant accounting standard 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 the recognition of the costs to be capitalised and also in respect of the future economic benefit arising from the capitalised asset. Given the importance of this matter to the audit and the judgements involved we consider that this is also a key audit matter.

Audit response

We have tested a sample of costs capitalised to supporting documentation to check that the costs met the capitalisation criteria as set out in the accounting standards. We have reviewed the forecast profitability for a sample of the capitalised assets to ensure that all capitalised cost is expected to be fully recovered in the future.

Based on our work we consider that the costs capitalised as development expenditure meet the requirements of the accounting standard and are supported by forecasts of future profitability from the related products.

Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. 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 £195k (2018: £160k), which was determined with reference to a benchmark of revenue, which is considered to be of most interest to the users of the financial statements.

Whilst materiality for the financial statements as a whole was £195k, each significant component of the group was audited to a lower level of materiality which is used to determine the financial statement areas that are included within the scope of our audit and the extent of sample sizes used during the audit. Component materiality ranged from £78k to £146k.

The materiality for the Parent company was set at £123k (2018: £120k) which was calculated at 2% of net assets as this is a non-trading holding company (2018: 2% of net assets, capped at 75% of group materiality).

Performance materiality is the application of materiality at the individual account or balance level set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole. Performance materiality was set at 75% (2018: 75%) of the above materiality level for both the Group and Parent company. 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 audit differences in excess of £4k (2018: £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

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. Our audit work at each of these components was executed at levels of materiality applicable to the relevant components, 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 Report and Financial Statements, 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, 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 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: 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.

Nick Poulter (Senior Statutory Auditor)

For and on behalf of BDO LLP, Statutory Auditor

Guildford, UK
18 September 2019

Newmark
SECURITY PLC

CONSOLIDATED INCOME STATEMENT
for the year ended 30 April 2019

	Note	2019 £'000	2018 £'000
Revenue	2	19,583	16,052
Cost of sales (2019: including £60,000 exceptional redundancy cost (2018: including £698,000 exceptional development cost impairment))		(11,878)	(10,958)
Gross profit		7,705	5,094
Administrative expenses (2019: including £292,000 exceptional redundancy costs (2018: £140,000))		(7,413)	(6,971)
Profit/(loss) from operations before exceptional items		644	(1,039)
Exceptional impairment provision of development costs	11	–	(698)
Exceptional redundancy cost	3	(352)	(140)
Profit/(loss) from operations	3	292	(1,877)
Finance costs	6	(72)	(50)
Profit/(loss) before tax		220	(1,927)
Tax (charge)/credit	7	(25)	172
Profit/(loss) for the year from continuing operations		195	(1,755)
Profit/(loss) of discontinued operation net of tax	9	(6)	(113)
Profit/(loss) for the year		189	(1,868)
Attributable to:			
– Equity holders of the parent		189	(1,868)
Earnings/(loss) per share			
– Basic (pence)	8	0.04	(0.40p)
– Diluted (pence)	8	0.04	(0.40p)
Earnings/(loss) per share from continuing operations			
– Basic (pence)	8	0.04	(0.38p)
– Diluted (pence)	8	0.04	(0.38p)

The notes on pages 33 to 58 form part of these financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the year ended 30 April 2019

	2019 £'000	2018 £'000
Profit/(loss for the year)	189	(1,868)
Items that will or may be reclassified to profit or loss:		
Foreign exchange gains on retranslation of overseas operations	1	(8)
Total comprehensive income for the year	190	(1,876)
Attributable to:		
– Equity holders of the parent	190	(1,876)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
at 30 April 2019

Company number: 3339998

	Note	2019 £'000	2018 £'000
ASSETS			
Non-current assets			
Property, plant and equipment	10	491	378
Intangible assets	11	4,753	4,734
Total non-current assets		5,244	5,112
Current assets			
Inventories	14	2,599	1,608
Trade and other receivables	15	3,262	2,834
Cash and cash equivalents		1,041	1,069
Total current assets		6,902	5,511
Total assets		12,146	10,623
LIABILITIES			
Current liabilities			
Trade and other payables	16	3,987	3,051
Other short term borrowings	17	796	491
Total current liabilities		4,783	3,542
Non-current liabilities			
Long term borrowings	18	149	53
Provisions	21	100	100
Deferred tax	22	–	4
Total non-current liabilities		249	157
Total liabilities		5,032	3,699
TOTAL NET ASSETS		7,114	6,924
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		(132)	(133)
Retained earnings		1,165	976
		7,074	6,884
Non-controlling interest		40	40
TOTAL EQUITY		7,114	6,924

The financial statements were approved by the Board of Directors and authorised for issue on 18 September 2019.

M Dwek
Director

The notes on pages 33 to 58 form part of these financial statements.

Newmark
SECURITY PLC

CONSOLIDATED STATEMENT OF CASH FLOWS
for the year ended 30 April 2019

	Note	2019 £'000	2019 £'000	2018 £'000	2018 £'000
Cash flow from operating activities					
Net profit/(loss) after tax		189		(1,868)	
Adjustments for:					
Depreciation, amortisation and impairment	10 & 11	619		1,582	
Net interest expense		72		50	
Gain on sale of property, plant and equipment		(32)		(21)	
Income tax charge/(credit)	7	25		(80)	
Operating cash flows before changes in working capital		873		(337)	
Increase/(decrease) in trade and other receivables		(414)		453	
Increase/(decrease) in inventories		(991)		38	
Increase/(decrease) in trade and other payables		937		(349)	
Cash generated from operations			405		(195)
Income taxes paid			(45)		–
Cash flows from operating activities			360		(195)
Cash flow from investing activities					
Payments for property, plant & equipment		(196)		(1,576)	
Sale of property, plant & equipment		53		1,525	
Capitalised intangible assets	11	(333)		(368)	
			(476)		(419)
Cash flow from financing activities					
Proceeds from bank loan		–		840	
Repayment of bank loan		–		(840)	
Repayment of finance lease creditors		(87)		(80)	
Proceeds from invoice discounting		246		447	
Net interest paid		(72)		(50)	
			87		317
Net decrease in cash and cash equivalents			(29)		(297)
Cash and cash equivalents at beginning of year			1,069		1,370
Exchange gain on cash and cash equivalents			1		(4)
Cash and cash equivalents at end of year			1,041		1,069

	2019 £'000	2018 £'000
Cash and cash equivalents for purposes of the statement of cash flow comprises:		
Cash available on demand	1,041	1,069
Significant non-cash transactions are as follows:		
Financing activities		
Assets acquired under finance leases	242	–

The notes on pages 33 to 58 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital £'000	Share premium £'000	Merger reserve £'000	Foreign exchange reserve £'000	Retained earnings £'000	Amounts attributable to owners of the parent £'000	Non-controlling interest £'000	Total equity £'000
1 May 2017	4,687	553	801	(125)	2,844	8,760	40	8,800
Loss for the year	–	–	–	–	(1,868)	(1,868)	–	(1,868)
Other comprehensive income	–	–	–	(8)	–	(8)	–	(8)
Total comprehensive loss for the year	–	–	–	(8)	(1,868)	(1,876)	–	(1,876)
30 April 2018	4,687	553	801	(133)	976	6,884	40	6,924
1 May 2018	4,687	553	801	(133)	976	6,884	40	6,924
Profit for the year	–	–	–	–	189	189	–	189
Other comprehensive income	–	–	–	1	–	1	–	1
Total comprehensive income for the year	–	–	–	1	189	190	–	190
30 April 2019	4,687	553	801	(132)	1,165	7,074	40	7,114

Newmark
SECURITY PLC

NOTES FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 April 2019

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 2019 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 EU endorsed 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 2018

New standards impacting the Group that have been adopted in the Group annual financial statements for the year ended 30 April 2019, and which have rise to changes in the Company's accounting policies are:

- IFRS 9 Financial Instruments (IFRS 9); and
- IFRS 15 Revenue from Contacts with Customers (IFRS 15)

IFRS 9 has introduced a new classification approach for financial assets and liabilities. The categories of financial assets are now reduced from four to three categories - measured at amortised cost, fair value through other comprehensive income or fair value through profit and loss. The new classifications have had no difference on measurement as all financial assets and financial liabilities held by the Group remain at amortised cost. The standard also prescribes an "expected credit loss" model for determining the basis for providing for bad debts. The Group applied the fully retrospective transition method and concluded that there was no material impact on the Group financial statements due to the adoption of IFRS 9.

IFRS 9 has introduced a new impairment model which is applicable for financial assets including inter-company debtors for the parent company. Applying this to the financial assets held, there has been no change to the level of provisions applied. Further details of the impairment policy can be seen under the financial assets accounting policy on page 36.

IFRS 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. Effective for periods beginning on or after 1 January 2018, IFRS 15 has superseded the previous revenue recognition guidance including IAS 18 revenue, IAS 11 construction contracts and the related interpretations. Based on management's review of IFRS 15 under the fully retrospective transition method, revenue recognition under IFRS 15 is materially consistent with previous practice for the group's revenue recognition and there was no material impact on the financial statements due to the adoption of IFRS 15.

Under IAS 18, revenue was recognised at the point that the risks and rewards were transferred to the customer. Management have performed an assessment of the contracts for all revenue streams as IFRS 15 requires an assessment to the distinct performance obligations and when control passes to the customer. It has been concluded that the point the control passes to the customer is the same as risks and rewards under IAS 18 and, therefore, there is no impact on the figures or the timing of recognition of revenue.

New standards, interpretation and amendments not yet effective

There are a number of standards, amendments to standards, and interpretations which have been issued by the IASB that are effective in future accounting periods that the Group has decided not to adopt early. All standards, with the exception of IFRS 16 Leases (mandatorily effective for periods beginning on or after 1 January 2019) are not expected to have a material impact on the Group's profit or loss.

IFRS 16 Leases

Adoption of IFRS 16 will result in the Group recognising right of use assets and lease liabilities for all contracts that are, or contain, a lease. For leases currently classified as operating leases, under current accounting requirements the Group does not recognise related assets or liabilities, and instead spreads the lease payments on a straight line basis over the lease term, disclosing in its annual financial statements the total commitment.

The Board has decided it will apply the modified retrospective adoption method in IFRS 16, and, therefore, will only recognise leases on the balance sheet as at 1 May 2019. In addition it has been decided to measure right-of-use assets by reference to the measurement of the lease liability on that date. This will ensure there is no immediate impact to net assets on that date. At 30 April 2019 operating lease commitments amounted to £1,382k (see note 25), which is not expected to be materially different to the anticipated position on 30 April 2020 or the amount which is expected to be disclosed at 30 April 2020. Assuming the Group's lease commitments remain at this level, the effect of discounting those commitments is anticipated to result in right-of-use assets and lease liabilities of approximately £1.2m being recognised on 30 April 2020. However further work still needs to be carried out to determine whether and when extension and termination options are likely to be exercised, which will result in the actual liability recognised being higher than this.

Instead of recognising an operating expense for its operating lease payments, the Group will instead recognise interest on its lease liabilities and amortisation on its right-of-use assets. This will increase reported EBITDA by the amount of its current operating lease cost, which for the year ended 30 April 2019 was approximately £465k.

Going concern

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

Performance obligations and timing of revenue recognition

The majority of the group's revenue is derived from selling hardware with revenue recognised at a point in time when control of the goods has transferred to the customer. This is generally when the goods are delivered to the customer. However, for export sales, control might also be transferred when delivered either to the port of departure or port of arrival, depending on the specific terms of the contract with a customer. There is limited judgement needed in identifying the point control passes: once physical delivery of the products to the agreed location has occurred, the group no longer has physical possession, usually will have a present right to payment (as a single payment on delivery) and retains none of the significant risks and rewards of the goods in question. For one key customer in the Asset Protection Division, goods are sold on a bill and hold arrangement. The goods are held in the warehouse until physical delivery is made although control is deemed to have passed as the customer has the ability to direct the use of these goods and obtain the benefit of these. The customer also insures the goods until the time they take physical possession.

Software sales are recognised when the license key is given to the customer, as the customer has a right to use the group's intellectual property as it exists at a point in time when the licence is granted (a 'passive' license). There is ongoing support provided but this is a distinct separate performance obligation, and provided under a separate contract. There are no significant upgrades provided that are fundamental to the ongoing use of the license by the customer.

The group provides support and service contracts to customers, which are invoiced separately to the goods and software noted above and are considered to be distinct performance obligations. The revenue from support and service contracts in the electronic division is recognised over time as the customer simultaneously receives and consumes the benefits of the service over the life of the contract. The revenue is recognised straight line over the life of the contract.

In the asset protection division, most service revenue is recognised at a point in time and is based on the work completed in any given month. For some smaller contracts it is recognised over time where it is the case that the customer simultaneously receives and consumes the benefits of the service over the life of the contract. This revenue is recognised straight line over the life of the contract.

The group also provide maintenance and installation services. Revenue for maintenance contracts is recognised at a point in time, as and when maintenance work is performed for the customer and is based on the level of work required at that time. Revenue for installation services is also recognised at a point in time, when the work has been completed. Where there is an additional fee for project management relating to the installation, this is treated as one performance obligation and invoiced when the installation is complete.

Determining the transaction price

The group's revenue is derived from fixed price contracts for each revenue stream and therefore the amount of revenue to be earned from each contract is determined by reference to those fixed prices.

Allocating amounts to performance obligations

For most contracts, there is a fixed unit price for each product or service sold, with reductions given for bulk orders placed at a specific time. Therefore, there is no judgement involved in allocating the contract price to allocate to each revenue stream sold to one customer. Where a customer orders more than one service (i.e. product, installation and ongoing service), the Group is able to determine the split of the total contract price between each revenue stream by reference to each standalone selling price (all revenue streams are capable of being, and are, sold separately).

Payment terms

Payment for all revenue streams noted above is due between 30 and 60 days after the invoice is raised. For all revenue recognised at a point in time, the invoice is raised when the product or service has been supplied. Deferred income arises where invoices relate to maintenance visits for several sites and not all have been visited at year end.

For service revenue recognised over time, the invoice is raised on a monthly basis for most customers.

Basis of consolidation

The group financial statements consolidate the results of the company and all of its subsidiary undertakings drawn up to 30 April 2019. 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. Other non-financial assets are subject to impairment tests whenever events or changes in circumstances indicate that their carrying value may not be recoverable. 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 measured at amortised cost.

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. Impairment provisions for current and non-current trade receivables are recognised based on the simplified approach within IFRS 9 using a provision matrix in the determination of the lifetime expected credit losses. During this process the probability of the non-payment of the trade receivables is assessed. This probability is then multiplied by the amount of the expected loss arising from default to determine the lifetime expected credit loss for the trade receivables. For trade receivables, which are reported net, such provisions are recorded in a separate provision account with the loss being recognised within cost of sales 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.

Impairment provisions for receivables from related parties and loans to related parties are recognised based on a forward looking expected credit loss model. The methodology used to determine the amount of the provision is based on whether there has been a significant increase in credit risk since initial recognition of the financial asset. For those where the credit risk has not increased significantly since initial recognition of the financial asset, twelve month expected credit losses along with gross interest income are recognised. For those for which credit risk has increased significantly, lifetime expected credit losses along with the gross interest income are recognised. For those that are determined to be credit impaired, lifetime expected credit losses along with interest income on a net basis are recognised.

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 firmware development costs were amortised over seven years being the period the Group expected 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 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 of seven years.

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

The Group has disaggregated revenue into various categories in the following table which is intended to:

- depict how the nature, amount, timing of revenue are affected by economic date and the relationship with the revenue segment information above.

	Electronic division		Asset protection division		Group	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Products (includes hardware and software)	10,126	7,111	3,670	3,676	13,796	10,787
Installation	291	322	1,141	1,198	1,432	1,520
Support contracts and service	562	527	3,793	3,218	4,355	3,745
	10,979	7,960	8,604	8,092	19,583	16,052

Timing of transfer of goods and services

	2019 £'000	2018 £'000
Point of time (despatch or installation)	18,813	15,331
Over time	770	721
	19,583	16,052

Primary Geographic Markets	2019 £'000	2018 £'000
UK	12,832	12,084
USA	4,515	1,689
Belgium	978	547
Netherlands	469	456
Middle East	259	340
Sweden	117	198
Switzerland	108	123
Ireland	70	146
Other	235	469
	19,583	16,052

3. Profit/(loss) from continuing operations

This has been arrived at after charging/(crediting):	2019 £'000	2018 £'000
Staff costs (note 4)	7,931	7,967
Exceptional redundancy costs	352	140
Depreciation of property, plant and equipment		
– owned assets	183	243
– leased assets	122	107
Amortisation of intangible assets	314	534
Impairment provision of development costs	–	698
Foreign exchange differences	34	22
Operating lease expense		
– Plant and machinery	106	104
– Property	359	343
(Profit) on disposal of tangible non-current assets	(32)	(21)

	2019 £'000	2018 £'000
Auditors remuneration:		
Audit fees payable to the Company's auditor for the audit of:		
– Company annual accounts	19	18
– Group annual accounts	19	14
Other fees payable to the Company's auditors:		
– Audit of subsidiary companies	46	48
– Tax compliance	29	25
– Other services	43	1
	156	106

Exceptional redundancy cost

Certain redundancy costs were incurred as part of a restructuring within the businesses to reduce costs particularly the business reconstruction within the asset protection division.

4. Staff costs

Staff costs (including the Executive Directors) comprise:	2019 £'000	2018 £'000
Wages and salaries	6,823	6,905
Defined contribution pension cost	388	330
Employer's national insurance contributions and similar taxes	720	732
	7,931	7,967

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

	2019 No.	2018 No.
Management, sales and administration	41	43
Production	87	99
	128	142

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

	2019 £'000	2018 £'000
Salaries	939	932
Defined contribution pension costs	153	158
Employers national insurance contributions and similar taxes	102	101
	1,194	1,191

The emoluments of the Directors of the parent company are set out in the Report of the Remuneration Committee on page 21.

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 56.1 per cent. (2018: 49.6 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 43.9 per cent. (2018: 50.4 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 2019 £'000	Asset Protection 2019 £'000	Total 2019 £'000
Revenue			
Total revenue	10,979	8,604	19,583
Revenue from external customers	10,979	8,604	19,583
Finance cost	50	10	60
Depreciation	87	194	281
Amortisation	314	–	314
Impairment provision	–	–	–
Segment profit before income tax from continuing activities	1,035	321	1,356
Loss before income tax of discontinued operation	(6)	–	(6)
Segment profit before income tax	1,029	321	1,350
Additions to non-current assets	454	310	764
Disposals of non-current assets	–	21	21
Reportable segment assets	9,216	3,113	12,329
Reportable segment liabilities	2,499	1,984	4,483

	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	7,351	3,214	10,565
Reportable segment liabilities	1,554	1,716	3,270

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

	2019 £'000	2018 £'000
Revenue		
Total revenue for reportable segments	19,583	16,052

	2019 £'000	2018 £'000
Profit or loss before income tax expense		
Total profit or loss for reportable segments	1,356	(855)
Parent company salaries and related costs	(596)	(525)
Other parent company costs	(540)	(547)
Profit/(loss) before income tax expense	220	(1,927)
Corporation taxes	(25)	172
Profit/(loss) after income tax expense (continuing activities)	195	(1,755)

	2019 £'000	2018 £'000
Assets		
Total assets for reportable segments	12,329	10,565
PLC (bank overdraft set off against other group cash balances in consolidated figures)	(183)	58
Group's assets	12,146	10,623
Liabilities		
Total liabilities for reportable segments	4,483	3,270
PLC	549	429
Group's liabilities	5,032	3,699

	Reportable segment totals 2019 £'000	PLC 2019 £'000	Group totals 2019 £'000	Reportable segment totals 2018 £'000	PLC 2018 £'000	Group totals 2018 £'000
Other material items						
Capital expenditure	764	7	771	1,942	2	1,944
Disposals non-current assets	21	–	21	1,525	–	1,525
Depreciation and amortisation	595	24	619	859	25	884
Impairment of development costs	–	–	–	698	–	698

Geographical information:

	Non-current assets by location of assets 2019 £'000	2018 £'000
UK	5,243	5,109
USA	1	3
	5,244	5,112

There were no customers that account for more than 10% of Group revenue (2018: revenue from one customer in the asset protection division totalled £2,005,000).

6. Finance costs

	2019 £'000	2018 £'000
Finance costs		
Finance leases	17	18
Invoice discounting	55	28
Bank	–	4
	72	50

7. Tax expense

	2019 £'000	2019 £'000	2018 £'000	2018 £'000
Current tax expense				
Continuing businesses				
UK corporation tax on loss for the year	42		–	
Adjustment for over provision in prior periods	3		13	
		45		13
Deferred tax expense				
Origination and reversal of temporary differences	(20)		(118)	
Adjustment for over provision in prior periods	–		25	
		(20)		(93)
Total tax credit		25		(80)

	2019 £'000	2018 £'000
Income tax charge/(credit) from continuing operations	25	(172)
Income tax charge/(credit) from discontinued operations	–	92
	25	(80)

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:

	2019 £'000	2018 £'000
Profit/(loss) for the year	189	(1,868)
Income tax charge/(credit) (including income tax on discontinued operation)	25	(80)
Profit/(loss) before income tax	214	(1,948)
Expected tax credit based on the standard rate of corporation tax in the UK of 19.0 per cent. (2018: 19.0 per cent.)	41	(370)
Research and development allowances	(82)	(273)
Effects on profits of other items not deductible for tax purposes	(3)	186
Deferred tax not recognised	30	284
Losses brought forward	(5)	–
Losses eliminated	–	54
Adjustment to tax charge in respect of previous periods	3	39
Overseas taxes paid	41	–
Total tax charge/(credit)	25	(80)

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

	2019 £'000	2018 £'000
Management expenses	199	377
Trading losses	5,178	5,328

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

	2019 £'000	2018 £'000
Management expenses	34	64
Trading losses	880	905

8. Earnings/(loss) per share

	Continuing		Discontinued		Total	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Numerator						
Profit/(loss) used in basic and diluted EPS	195	(1,755)	(6)	(113)	189	(1,868)

	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	–	–
Weighted average number of shares for diluted EPS	468,732,316	468,732,316

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:

	2019 pence	2018 pence
Basic earnings/loss per share from continuing operations – basic and diluted	0.04	(0.38)
Impairment provision of development costs	–	0.15
Exceptional redundancy costs	0.08	0.03
Earnings/(loss) per share from continuing operations before exceptional items	0.12	(0.20)

	2019 £'000	2018 £'000
Reconciliation of earnings		
Profit/(loss) from continuing operations used for calculation of basic and diluted earnings per share	195	(1,755)
Impairment provision of development costs	–	698
Exceptional redundancy costs	352	140
Profit/(loss) from continuing operations before exceptional items	547	(917)

9. Discontinued operations

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

Result of discontinued operations

	2019 £'000	2018 £'000
Revenue	–	–
Costs	(6)	(21)
Tax credit	–	(92)
(Loss) for the year	(6)	(113)

Basic and diluted loss per share from discontinued operations

	2019 pence	2018 pence
Basic and diluted loss per share	–	(0.02)

Statement of cash flows

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

	2019 £'000	2018 £'000
Operating activities	(6)	(113)
Investing activities	–	–
Net cash outflow from discontinued operations	(6)	(113)

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 2018					
Cost	–	559	840	1,440	2,839
Accumulated depreciation	–	(538)	(736)	(1,187)	(2,461)
Net book value	–	21	104	253	378
At 30 April 2019					
Cost	–	612	833	1,347	2,792
Accumulated depreciation	–	(553)	(594)	(1,154)	(2,301)
Net book value	–	59	239	193	491
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
Year ended 30 April 2019					
Opening net book value	–	21	104	253	378
Translation differences	–	–	1	–	1
Additions	–	54	292	92	438
Disposals	–	–	(21)	–	(21)
Depreciation	–	(16)	(137)	(152)	(305)
Closing net book value	–	59	239	193	491

The net book value of plant, machinery and motor vehicles for the Group includes an amount of £236,311 (2018: £91,750) in respect of assets held under finance leases and hire purchase contracts. The related depreciation charge on these assets for the year was £122,338 (2018: £106,514).

11. Intangible assets

	Goodwill £'000	Development costs (internally generated) £'000	Licences, patents and copyrights £'000	Total £'000
At 30 April 2018				
Cost	6,872	7,475	44	14,391
Amortisation	–	(1,936)	(6)	(1,942)
Impairment provision	(4,137)	(3,578)	–	(7,715)
Net book value	2,735	1,961	38	4,734
At 30 April 2019				
Cost	6,872	7,808	44	14,724
Amortisation	–	(2,245)	(11)	(2,256)
Impairment provision	(4,137)	(3,578)	–	(7,715)
Net book value	2,735	1,985	33	4,753
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
Year ended 30 April 2019				
Opening net book value	2,735	1,961	38	4,734
Additions				
– Internally developed	–	291	–	291
– External costs	–	42	–	42
Amortisation	–	(309)	(5)	(314)
Impairment provision	–	–	–	–
Closing net book value	2,735	1,985	33	4,753

At 30 April 2018, the Group recognized that future access control revenues would be seen through sales of the variant of the Sateon platform (Sateon Advance), the Janus C4 platform that was introduced in the year ended 30 April 2019 and the Advance range of hardware. The Group took the decision at that time, following an impairment review, to write off £698k, which related to sums capitalised for previous, older versions of the Sateon platform which had been superseded by then.

The Group has no contractual commitments for development costs (2018: £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 2019 £'000	Goodwill carrying amount 2018 £'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 2024. The discount rate that was applied was 16 per cent. for the electronic division (2018: 16 per cent.), 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 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 8 per cent. (2018: 7 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 7 per cent. (2018: 8 per cent.). The growth rate reflects the introduction of new products. The gross margin assumed in the forecasts is 38% (2019: 35.5%) with improvement due to product mix and material cost savings. The impairment review applied sensitivities reducing the long term growth rate to 1 per cent. which indicated no impairment. If the discount rate is increased to 20 per cent., there is no impairment. 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 up to 35 per cent. in forecast sales of the new product line would not result in an impairment.

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%	Dormant
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%	Dormant
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%	Dormant
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

	2019 £'000	2018 £'000
Raw materials and consumables	1,373	588
Work-in-progress	85	100
Finished goods and goods for resale	1,141	920
	2,599	1,608

Finished goods include an amount of £Nil (2018: £Nil) carried at fair value less costs to sell. The amount of inventories consumed in the year was £7,506,000 (2018: £5,645,000). The amount of inventory write downs in the year was £76,000 (2018: £Nil). There are no inventories recoverable after 12 months (2018: £Nil).

15. Trade and other receivables

	2019 £'000	2018 £'000
Trade receivables	2,439	2,327
Less: provision for impairment of trade receivables	(16)	(44)
Trade receivables (net)	2,423	2,283
Other receivables	389	30
Accrued income	61	187
Prepayments	373	334
Deferred tax asset	16	–
	3,262	2,834

At 30 April 2019, £2,138k (2018 £1,236k) of trade receivables had been sold to a provider of invoice discounting services. The Group is committed to underwrite any of the debts transferred and therefore continues to recognise the debts sold within trade receivables until the debtors repay or default. Since the trade receivables continue to be recognised, the business model of the Group is not affected. The proceeds from transferring the debts of £693k (2018: £447k) are included in other financial liabilities until the debts are collected or the Group makes good any losses incurred by the service provider.

The Group applies the IFRS 9 simplified approach to measuring expected credit losses using a lifetime expected credit loss provision for trade receivables and contract assets. To measure expected credit losses on a collective basis, trade receivables and contract assets are grouped based on similar credit risk and aging. The contract assets have similar risk characteristics to the trade receivables for similar types of contracts.

The Group applies the IFRS 9 simplified approach to measuring expected credit losses using a lifetime expected credit loss provision for trade receivables and contract assets. To measure expected credit losses on a collective basis, trade receivables and contract assets are grouped based on similar credit risks and aging. The contract assets have similar risk characteristics to the trade receivables for similar types of contracts.

The expected loss rates for the asset protection division are based on the historical credit losses experienced over the three year period prior to the period end, the risk profile of the customer mix and the assumption that this mix will not change significantly. Credit insurance also exists for those customers where it is believed that there might be a credit risk.

The expected loss rates for the electronic division are also based on the historical credit losses experienced over the three year period prior to the period end, the ageing of debtors, the credit control procedures which are in place and the type of business customer which is not expected to change significantly. Where necessary for customers with a different risk profile and for new customers, the customer's most recent financial and any forward looking information is reviewed on an individual basis.

The historical loss rates are then reviewed for current and forward-looking information on macroeconomic factors affecting the Group's customers which are not expected to change significantly in the geographic areas in which those customers are based.

At 30 April 2019 trade receivables of £553,000 (2018: £404,000) were past due but not impaired. The ageing analysis of these receivables is as follows:

	Current £'000	30 days past due £'000	60 days past due £'000	120 days past due £'000	Total £'000
Gross carrying amount	1,886	313	224	16	2,439
Loss provision	–	–	–	(16)	(16)
Expected loss ratio	0%	0%	0%	100%	0.7%

The loss provision is not based on the ageing alone.

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

	2019 £'000	2018 £'000
Opening balance	44	46
Increase in provisions	42	11
Receivable written off during the year	(70)	(13)
Closing balance	**16**	**44**

The movement on the provision for impaired receivables has been included in the administrative expense line in the income statement.

16. Trade and other payables – current

	2019 £'000	2018 £'000
Trade payables	1,565	1,066
Other tax and social security taxes	528	596
Other payables	88	93
Deferred income	614	678
Accruals	1,116	521
Holiday pay provision	76	97
	3,987	3,051

All deferred income brought forward in 2017 and 2018 has been recognised as revenue in 2018 and 2019.

17. Other short term borrowings

	2019 £'000	2018 £'000
Finance lease creditor (note 25)	103	44
Invoice discount account	693	447
	796	491

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

	2019 £'000	2018 £'000
Finance lease creditor (note 25)	149	53
	149	53

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 17.

Financial Instruments

Categories of financial assets and financial liabilities are detailed below:

	Amortised cost 2019 £'000	Amortised cost 2018 £'000
Current financial assets		
Trade and other receivables	2,812	2,313
Cash and cash equivalents	1,041	1,069
Total current financial assets	**3,853**	**3,382**

	Financial liabilities measured at amortised cost 2019 £'000	Financial liabilities measured at amortised cost 2018 £'000
Current financial liabilities		
Trade and other payables	1,653	1,159
Accruals	1,116	521
Loans and borrowings	796	491
Total current financial liabilities	**3,565**	**2,171**
Non-current financial liabilities		
Loans and borrowings	149	53
Total non-current financial liabilities	**149**	**53**
Total financial liabilities	**3,714**	**2,224**

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 and cash equivalents
- trade and other payables
- invoice discounting
- lease liabilities

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.

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's policy is to ensure that the Group has sufficient funds to meet its liabilities when they become due. The Group has one major central bank facility under which any overdrafts can be offset against cash balances held by other subsidiaries. Both Grosvenor Technology and Safetell have invoice discounting facilities. The Group Finance Director receives daily reports of all bank and invoice discount accounts, and the balance of the invoice discount facility which is available.

Budgets are prepared by each subsidiary and approved by the Group Board so that the cash requirements of the Group facility are anticipated and revised forecasts will be produced for any major variances from budget

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

	2019 £'000	**2018 £'000**
Up to 3 months	2,374	1,620
3 to 6 months	28	14
6 to 12 months	47	16
Later than 1 year and not later than 5 years	149	53
	2,598	1,703

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 financial review of potential new customers, including where possible, external credit ratings, before goods or services are supplied and credit terms are agreed for each customer. 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. Credit insurance is obtained by Safetell when considered appropriate.

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 exposed to currency risk on financial liabilities which are denominated in currencies other than sterling and this risk is measured against costs of purchasing in foreign currencies. The Group is also exposed to currency risk on the translation of profits generated in the US.

Functional currency of individual entity

As of 30 April the net exposure to foreign exchange risk in currencies other than the functional currency of that operating company was as follows:

	Pounds sterling		**Dollar**		**Euro**		**Other**	
	2019	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**
Net foreign currency financial assets/ (liabilities)								
Pound sterling	–	–	343	149	(438)	(96)	–	3
Total	–	–	343	149	(438)	(96)	–	3

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 decrease in pre-tax profit for the year and decrease of net assets of £9,000 (2018: £6,000). A 10 per cent. weakening in the exchange rates would, on the same basis, have increased pre-tax profit and increased net assets by £11,000 (2018: £5,000).

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 2019 and at 30 April 2018 were as follows:

	2019 £'000	**2018 £'000**
Loans and borrowings	945	544
Less: cash and cash equivalents	(1,041)	(1,069)
Net borrowings	(96)	(525)
Total equity	7,114	6,924
Net borrowings to adjusted capital ratio	1.3%	7.6%

The improvement in the net borrowings to adjusted capital ratio was in line with Group policy.

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 2019 %	**Period 2019 Years**	**Rate 2018 %**	**Period 2018 Years**
Sterling	5.9	2.2	6.4	1.8

Fair values

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

	Book value 2019 £'000	**Fair value 2019 £'000**	**Book value 2018 £'000**	**Fair value 2018 £'000**
Invoice discounting	693	693	447	447
Finance lease creditor	252	267	97	104
	945	960	544	551

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 2019 and 2018 are equal to their book value.

21. Provisions

	Leasehold dilapidations £'000
At 1 May 2018 and 30 April 2019	100
Due after more than one year	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. (2018: 17 per cent.).

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

	Group	
	2019	**2018**
	£'000	**£'000**
Asset/(liability)		
At 1 May	(4)	(97)
Income statement	20	93
At 30 April	16	(4)

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) 2019 £'000	**Charged/ (credited) to income 2019 £'000**
Accelerated capital allowances	(213)	(24)
Other temporary and deductible differences	333	–
Available losses	(136)	4
	(16)	(20)

	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)

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

	2019 Number	2019 £	2018 Number	2018 £
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.

25. Leases

Finance leases

Future lease payments are due as follows:

	Minimum lease payments 2019 £'000	Interest 2019 £'000	Present value 2019 £'000
Not later than one year	110	7	103
Later than one year and not later than five years	156	7	149
	266	14	252

	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

The present value of future lease payments are analysed as:

	2019 £'000	2018 £'000
Current liabilities	103	44
Non-current liabilities	149	53
	252	97

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 2019 £'000	Other 2019 £'000	Property 2018 £'000	Other 2018 £'000
Not later than one year	335	63	317	82
Later than one year and not later than five years	795	189	820	74
Later than five years	–	–	–	–
	1,130	252	1,137	156

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 4.3 years (2018: 5.9 years).

The total number of share options outstanding at 30 April 2019 was 24,416,082 (2018: 24,416,082). The total number of exercisable share options outstanding at 30 April 2019 was 21,416,082 (2018: 20,273,225). The weighted average exercise price of the outstanding share options at 30 April 2019 was 1.71p (2018: 1.71p).

The share based remuneration expense for equity settled schemes was £Nil (2018: £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 21.

Newmark
SECURITY PLC

COMPANY STATEMENT OF FINANCIAL POSITION
at 30 April 2018 – UK GAAP Financial Statements

Company number: 3339998

	Note	2019 £'000	2019 £'000	2018 £'000	2018 £'000
Fixed assets					
Investment in subsidiaries	3		16,619		16,619
Tangible assets	4		14		30
			16,633		16,649
Current assets					
Debtors	5	2,546		3,663	
Cash and cash equivalents		–		15	
		2,546		3,678	
Creditors: amounts falling due within one year	6	(12,960)		(14,148)	
Net current liabilities			(10,414)		(10,470)
Total assets less current liabilities			6,219		6,179
Amounts falling due after one year					
Long term borrowings	7		(33)		(38)
Net assets			6,186		6,141
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			145		100
Shareholder's funds			6,186		6,141

The Company's profit for the current year was £45k (2018: loss £459k)

The notes on pages 61 to 64 form part of these financial statements.

These financial statements were approved by the Board of Directors and authorised for issue on 18 September 2019.

M DWEK
Director

18 September 2019

COMPANY STATEMENT OF CHANGES IN EQUITY

	Share capital £'000	Share premium £'000	Merger reserve £'000	Retained earnings £'000	Total equity £'000
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)
30 April 2018	4,687	553	801	100	6,141
1 May 2018	4,687	553	801	100	6,141
Comprehensive income for the year					
Profit and total comprehensive income for the year	–	–	–	45	45
30 April 2019	4,687	553	801	145	6,186

NOTES FORMING PART OF THE FINANCIAL STATEMENTS OF THE COMPANY
for the year ended 30 April 2019

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 2019 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. Impairment provisions for intercompany balances are recognised based on a forward looking expected credit loss model. The methodology used to determine the amount of the provision is based on whether there has been a significant increase in credit risk since initial recognition of the financial asset. For those where the credit risk has not increased significantly since initial recognition of the financial asset, twelve month expected credit losses along with gross interest income are recognised. For those for which credit risk has increased significantly, lifetime expected credit losses along with the gross interest income are recognised. For those that are determined to be credit impaired, lifetime expected credit losses along with interest income on a net basis are recognized.

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

	2019 £'000	2018 £'000
Wages and salaries	480	435
Defined contribution pension cost	25	25
Employer's national insurance contributions and similar taxes	63	65
	568	525

	2019 Number	2018 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 2018 and 30 April 2019	21,869
Impairment provision	
At 1 May 2018	5,250
Provision in year	–
At 30 April 2019	5,250
Net book value at 30 April 2019	16,619
Net book value at 30 April 2018	16,619

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

The annual impairment reviews indicated that no provisions were necessary against the cost of investment in subsidiaries.

4. Tangible assets

	Motor vehicles £'000	Computers Fixtures & Fittings £'000	Total £'000
Cost			
At 1 May 2018	66	7	73
Additions in the year	–	8	8
Disposals	–	(4)	(4)
At 30 April 2019	66	11	77
Depreciation			
At 1 May 2018	38	5	43
Disposals	–	(4)	(4)
Charge for the year	22	2	24
At 30 April 2019	60	3	63
Net book value			
At 30 April 2019	6	8	14
At 30 April 2018	28	2	30

5. Debtors

	2019 £'000	2018 £'000
Amount due from group undertakings	2,535	3,650
Prepayments	11	13
	2,546	3,663

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

6. Creditors: amounts falling due within one year

	2019 £'000	2018 £'000
Bank overdraft	208	–
Amount due to group undertakings	12,236	13,763
Other taxation and social security	239	229
Other payables	12	3
Other short term borrowing	8	8
Accruals	257	145
	12,960	14,148

7. Long term borrowings

	2019 £'000	2018 £'000
Finance lease creditor	33	38

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

	Minimum Lease payments 2019 £'000	Interest 2019 £'000	Present value 2019 £'000
Not later than one year	9	1	8
Later than one year and not later than five years	34	1	33
	43	2	41

8. Share capital

	2019		2018	
	Number	£	Number	£
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:

	2019 Land and buildings £'000	2018 Land and buildings £'000
Not later than one year	54	29
Later than one year and not later than five years	33	–
	87	29

Newmark
SECURITY PLC

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)

NEWMARK SECURITY PLC

NOTICE OF ANNUAL GENERAL MEETING

If you do not propose to attend the Annual General Meeting to be held at Hard Rock Hotel, Green 3 Meeting Room, Great Cumberland Place, London W1H 7DL on 18 October 2019 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 16 October 2019.

Notice is hereby given that the Annual General Meeting of the above-mentioned company ("**the Company**") will be held at Hard Rock Hotel, Green 3 Meeting Room, Great Cumberland Place, London W1H 7DL on 18 October 2019 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 2019 together with the reports of the directors and auditors thereon.

2. **Rotation and retirement of director**

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

3. **Rotation and retirement of director**

   To re-elect Michel Rapoport 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 31 Chertsey Street, Guildford, Surrey GU1 4HD 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 2019.

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

18 September 2019

Notice of Meeting Notes:

The following notes explain your general rights as a shareholder and your right to attend and vote at this Meeting or to appoint someone else to vote on your behalf.

1. To be entitled to attend and vote at the Meeting (and for the purpose of the determination by the Company of the number of votes they may cast), shareholders must be registered in the Register of Members of the Company at close of trading on September 2019. 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.

2. Shareholders, or their proxies, intending to attend the Meeting in person are requested, if possible, to arrive at the Meeting venue at least 20 minutes prior to the commencement of the Meeting at 11 am (UK time) on 18 October 2019 so that their shareholding may be checked against the Company's Register of Members and attendances recorded.

3. Shareholders are entitled to appoint another person as a proxy to exercise all or part 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 Meeting provided that each proxy is appointed to exercise the rights attached to a different ordinary share or ordinary shares held by that shareholder. A proxy need not be a shareholder of the Company.

4. In the case of joint holders, where more than one of the joint holders purports to appoint a proxy, only the appointment submitted by the most senior holder will be accepted. Seniority is determined by the order in which the names of the joint holders appear in the Company's Register of Members in respect of the joint holding (the first named being the most senior).

5. A vote withheld is not a vote in law, which means that the vote will not be counted in the calculation of votes for or against the resolution. If no voting indication is given, your proxy will vote or abstain from voting at his or her discretion. Your proxy will vote (or abstain from voting) as he or she thinks fit in relation to any other matter which is put before the Meeting.

6. You can vote either:

   - by logging on to www.signalshares.com and following the instructions;
   - You may request a hard copy form of proxy directly from the registrars, Link Asset Services on Tel: 0371 664 0391. Calls cost 12p per minute plus your phone company's access charge. Calls outside the United Kingdom will be charged at the applicable international rate. Lines are open between 09:00 – 17:30, Monday to Friday excluding public holidays in England and Wales.
   - in the case of CREST members, by utilising the CREST electronic proxy appointment service in accordance with the procedures set out below.

   In each case the appointment of a proxy must be received by Link Asset Services at 34 Beckenham Road, Beckenham, Kent, BR3 4TU by 11 am on 16 October 2019.

7. If you return more than one proxy appointment, either by paper or electronic communication, the appointment received last by the Registrar before the latest time for the receipt of proxies will take precedence. You are advised to read the terms and conditions of use carefully. Electronic communication facilities are open to all shareholders and those who use them will not be disadvantaged.

8. The return of a completed form of proxy, electronic filing or any CREST Proxy Instruction (as described in note 11 below) will not prevent a shareholder from attending the Meeting and voting in person if he/she wishes to do so.

9. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the Meeting (and any adjournment of the Meeting) by using the procedures described in the CREST Manual (available from www.euroclear.com/site/public/EUI). 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.

10. In order for a proxy appointment or instruction made by means of CREST 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 instructions, as described in the CREST Manual. The message must be transmitted so as to be received by the issuer's agent (ID RA10) by 11 am on 16 October 2019. For this purpose, the time of receipt will be taken to mean 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.

11. 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(s), 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. 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. Any corporation which is a shareholder can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a shareholder provided that no more than one corporate representative exercises powers in relation to the same shares.

13. As at 17 September 2019 (being the latest practicable business day prior to the publication of this Notice), the Company's ordinary issued share capital consists of 468,732,316 ordinary shares, carrying one vote each. Therefore, the total voting rights in the Company as at 17 September 2019 are 468,732,316.

14. Under Section 527 of the Companies Act 2006, shareholders meeting the threshold requirements set out in that section have the right to require the Company to publish on a website a statement setting out any matter relating to: (i) the audit of the Company's financial statements (including the Auditor's Report and the conduct of the audit) that are to be laid before the Meeting; or (ii) any circumstances connected with an auditor of the Company ceasing to hold office since the previous meeting at which annual financial statements and reports were laid in accordance with Section 437 of the Companies Act 2006 (in each case) that the shareholders propose to raise at the relevant meeting. The

Company may not require the shareholders requesting any such website publication to pay its expenses in complying with Sections 527 or 528 of the Companies Act 2006. Where the Company is required to place a statement on a website under Section 527 of the Companies Act 2006, it must forward the statement to the Company's auditor not later than the time when it makes the statement available on the website. The business which may be dealt with at the Meeting for the relevant financial year includes any statement that the Company has been required under Section 527 of the Companies Act 2006 to publish on a website.

15. Any shareholder attending the Meeting has the right to ask questions. The Company must cause to be answered any such question relating to the business being dealt with at the Meeting but no such answer need be given if: (a) to do so would interfere unduly with the preparation for the Meeting or involve the disclosure of confidential information; (b) the answer has already been given on a website in the form of an answer to a question; or (c) it is undesirable in the interests of the Company or the good order of the Meeting that the question be answered.

16. The following documents are available for inspection during normal business hours at the registered office of the Company on any business day from the date of this Notice until the time of the Meeting and may also be inspected at the Meeting venue, as specified in this Notice, from 10 am on the day of the Meeting until the conclusion of the Meeting:

    copies of the Directors' letters of appointment or service contracts.

17. You may not use any electronic address (within the meaning of Section 333(4) of the Companies Act 2006) provided in either this Notice or any related documents (including the form of proxy) to communicate with the Company for any purposes other than those expressly stated.

A copy of this Notice, and other information required by Section 311A of the Companies Act 2006, can be found on the Company's website at www.newmarksecurity.com