Report and Financial Statements

Year ended 30 April 2020

Newmark
SECURITY PLC

Company number: 3339998

About Newmark Security PLC

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Newmark's products have become the industry standard in people and data security and the Company benefits from long-term relationships with many blue-chip customers.

Marie-Claire Dwek
Chief Executive Officer

For over 30 years, Newmark Security has delivered long-term stakeholder value through the provision of products and services in the security and data sectors. We continuously invest in innovative technology and as a leading provider of electronic and physical security systems, the business is well positioned in specialist, high-growth markets.

Grosvenor Technology is a market leader in global access control and human capital management solutions - with more than 25 years of innovative engineering experience. Our product offering encompasses hardware, software and cloud-enabled products and services for customers of all sizes from all sectors. We specialise in providing innovative solutions and support that endure.

For over 30 years, Safetell has been providing innovative security solutions to end users across the public and private sectors. Products and services range from asset protection solutions to counter-terrorism deployments. Safetell works collaboratively with clients to design complete and value-added solutions which leads to long-standing relationships, high degrees of customer retention and significant proportions of repeat business.

Highlights

Financial highlights

Revenue was marginally behind last year as communicated in the interim report at

£18.77 million

2019: £19.58 million, a decrease of 4%

Gross profit increased to

39.7%

2019: 39.3%

Operating profit before exceptional items was

£604,000

2019: £638,000

Operating profit after exceptional items was

£305,000

2019: £286,000

Tax credit of

£896,000

2019: charge £25,000

Profit after tax for the year of

£1,127,000

2019: £189,000

Earnings per share of

0.24 pence

2019: 0.04 pence

Cash generated from operations before exceptional items

£1,267,000

2019: £518,000

Investment in development increased to

£886,000

2019: £333,000

Net Assets of

£8,302,000

2019: £7,114,000

Operational highlights

People and Data Management division

Revenues from Human Capital Management (HCM) increased by 32% to reach £9,142,000 (2019: £6,908,000)

- New US HCM contracts signed following the year end are good signs for the future

Access Control revenues grew by 4% to £4,215,000 (2019: £4,071,000)

- Existing Access Control Legacy Janus product revenue increased by 27% whilst Sateon revenue decreased by 19%
- The new platform Janus C4 was released at the end of the previous year. The Integrated Security Management and Access Control product provides a single-platform, multi discipline solution and reached £383,000 of revenue (2019: £35,000).

Physical Security Solutions division

- Revenue decreased by 37% to £5,410,000 (2019: 8,604,000) from the expected reduction on the Post Office Network Transformation project combined with the continued decrease in demand from high street banks and building societies.
- Following the main restructuring in the Physical Security Solutions division in the prior year a number of strategic reviews were carried out which have resulted in an improved product portfolio where we have seen some green shoots of future profitable growth

At a Glance

For over 20 years we have been delivering long-term stakeholder value through the provision of products and services in the security and data sectors.

Newmark SECURITY PLC

Annual revenue
£18.8m
(4%)

Grosvenor TECHNOLOGY

Safetell SECURITY | MAINTENANCE

Division - People and Data Management

Develops hardware and software that serves the Human Capital Management (HCM) and Access Control (AC) markets globally

Revenue	£13.4m	+22%
Gross margin	37.8%	-1.3 pp

Division - Physical Security Solutions

Designs, develops, installs and maintains a diverse range of physical security solutions to a wide range of sectors

Revenue	£5.4m	-37%
Gross margin	44.4%	+4.8 pp

Human Capital Management

Revenue
£9.2m
+32%

Access Control

Revenue
£4.2m
+4%

Products

Revenue
£2.7m
-44%

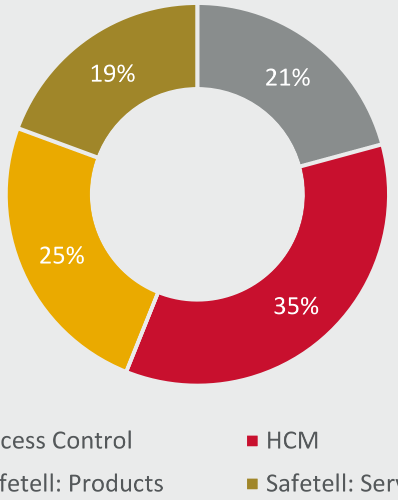
Services

Revenue
£2.7m
-28%

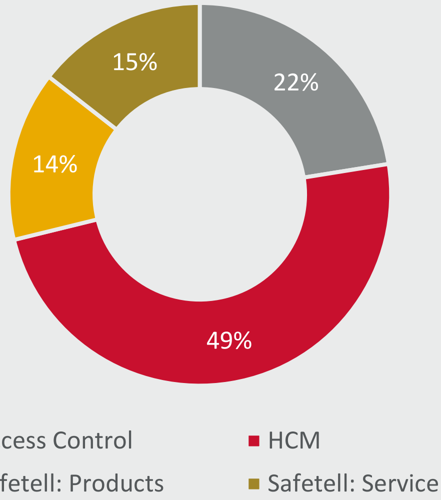
Revenue split by division and line of business

Revenue in total has remained consistent year on year however strong growth in HCM has been countered by an expected reduction in Safetell products and services.

2019



2020



115
Employees

5
Locations

610
Customers

A new beginning... Grosvenor Technology invests further in cloud technology

From Vancouver to Vienna, Washington to Warsaw, we already manage thousands of hardware devices globally but this is only the start of our journey. Our connected estate is set to continue to grow exponentially in the years ahead as we transition to a recurring revenue 'as a service' business model. GT Connect delivers device management, data management and identity management, all via the cloud.

This enables the clocks to ensure they are up to date with the relevant software and middleware to provide a seamless service and compliant with ever changing data protection legislation for storage and use of personally identifiable data ("PII"). This image shows Grosvenor's connected estate of clocks which has grown by 54% to 4,651 connected clocks over the past year.

Newmark
SECURITY PLC

Strategic Report

Report and Financial Statements

Year ended 30 April 2020

Maurice Dwek
Chairman

Whilst the current year results will be adversely affected by COVID-19, I remain confident that there will be medium to long-term growth in both our divisions' core markets. In the People and Data Management division, we continue to build a greater proportion of recurring revenues, in line with our long-term strategy. In particular, the provision of Software-as-a-Service (SaaS) in the HCM sector is likely to increase further, as the value we can add in enhancing data protection is recognised by new and existing partners. Our Physical Security Solutions division continues to benefit from last year's restructure, as we increase the range of products we offer, through new product development and certification. With increasing crime rates and the continued threat of terrorism, our management team has also identified new markets and customers that will firmly position Safetell for future growth.

Chairman’s Statement

Overview

It has been a year of real progress for Newmark Security, in which we have refocused the strategic direction of the Company, rebranded our US operation, and positioned ourselves for future growth.

Continued progress and profitability

I am pleased to report a period of continued profitability for the Group this year, which has been helped by good growth in our sales in North America. The US represents a lucrative market for our People and Data Management division, and our US business, Grosvenor Technology LLC, has been rebranded as 'GT Clocks', allowing us to market the business and trade under a name that is more relevant for the US market. It puts a renewed focus on the provision of timeclocks, alongside the relevant services we can provide to both manage and maintain the devices remotely and, importantly, ensure the secure management of our clients' data.

Following a business reorganisation of our Physical Security Solutions division, Safetell, at the end of the 2019 financial year, we have seen the division delivering improved gross margins that have added to the profitability of the Group this year, despite lower revenue.

Performance in line with management’s expectations

Overall performance across the Group during the year has been in line with expectations, with revenue for the year from operations slightly down at £18,767,000 (2019: £19,583,000), despite COVID-19 impacting trading in the last two months of the financial year. Profit from operations was £305,000 (2019: £286,000). Revenue in the People and Data Management division (Grosvenor) increased by 22% from £10,979,000 to £13,357,000, while revenue in the Physical Security Solutions division (Safetell) decreased by 37% from £8,604,000 to £5,410,000. A full Financial Review of our results is included within the Strategic Report on pages 20 to 22.

Our people and the response to COVID-19

Although it only affected the latter part of our financial year, the COVID-19 pandemic had a major impact on our people and the business, both operationally and financially, particularly in the final month before year end. The Board has been extremely pleased with the rapid response from our management team, and the way they have acted to keep our people and communities safe, protect and maintain jobs and protect the business.

I would like to take this opportunity to express the Board’s appreciation to all colleagues for their tremendous efforts during the year, especially in the light of recent challenges. We have a strong leadership team, and this has made a real difference as we continue to prove ourselves as an established leader in markets of increasing importance in the areas of data and physical security.

Board and governance

The Board and its Committees maintain a robust governance framework, using individuals’ experience to provide independent challenge and ensure that good governance is promoted across the Group. We follow the Quoted Companies Alliance Corporate Governance Code (“QCA Code”), and details on how the Company applies the principles of the QCA Code are set out in our Corporate Governance section on pages 30 to 33.

As reported at half year, our Group Finance Director, Brian Beecraft, retired during the year. Following a short handover with Brian, Graham Feltham became Group Finance Director in October 2019.

I was also pleased to welcome Terence Yap as a new Independent Non-Executive Director in May 2020. He has more than 25 years' experience in various industries, including Telecommunications, Security and Smart Cities Development, and is the Chairman of Guardforce AI, a group focusing on delivering technologically innovative security solutions within the Asia Pacific region. Terence further enhances the balance of Directors and the skill sets available to the Board, and we will benefit greatly from his strategic advice as we plan the next phase of Newmark's growth.

Going concern

The Board continues to have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. There will be an impact on the business due to the COVID-19 crisis, as described above and elsewhere in this report. However, we have worked closely with our bank (HSBC) and secured financing via the Coronavirus Business Interruption Loan Scheme ("CBILS") government-backed loan to the value of £2 million, with opportunities to extend invoice financing and overdraft facilities if required. Overall, the business has performed better than our own forecasting had suggested during the COVID-19 period and we are optimistic that this trend will continue in these uncertain times. With the post year end securing of two significant customer agreements, with more in the pipeline, this puts us in a good position for the next 12 months.

Dividend

The Board is not recommending the payment of a dividend for the year ended 30 April 2020 (2019: £Nil).

Outlook

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Our Physical Security Solutions division continues to benefit from last year's restructure, as we increase the range of products we offer, through new product development and certification. With increasing crime rates and the continued threat of terrorism, our leadership team has also identified new markets and customers that will firmly position Safetell for future growth.

Maurice Dwek
Chairman
8 September 2020

Chief Executive Officer’s Review

Overview

We strengthened our presence in high-growth, specialist markets in data and security during the 12 months to 30 April 2020. Following the impact of the COVID-19 pandemic, we are also developing “new workplace” solutions that are helping organisations to rethink the way they work.

Building a sustainable business

Our products have become the industry standard in people and data security and Newmark Security benefits from long-term relationships with many blue-chip customers and is generating a greater proportion of its revenues from recurring services. That is reflected in a good set of results for the year, and is helping us to build a business that has long-term stability and sustainability at its core.

We were pleased with our performance in the year, despite the impact of COVID-19 at the end of the financial year. We saw a continued increase in revenue within the People and Data Management division of 22% to £13,357,000 (2019: £10,979,000). This included revenue from Human Capital Management (HCM), which was up 32% to £9,142,000 (2019: £6,908,000), and revenue from Access Control, which increased by 4% to £4,215,000 (2019: £4,071,000). Revenue in the Physical Security Solutions division decreased by 37% to £5,410,000 (2019: £8,604,000), following the changes we made at Safetell last year. Improved margins and cost efficiencies meant that Group operating profit before exceptional items was consistent at £604,000 (2019: £638,000) and which resulted in an operating profit after exceptional items of £305,000 (2019: 286,000).

Grosvenor Technology performed very well this year while the restructure and strategic turnaround at Safetell in the UK has positioned that business for growth. We are introducing new products that will help us increase our reach to more customers in new markets, and I believe we have excellent growth potential across all our businesses.

The impact of COVID-19

The COVID-19 virus has had an enormous impact on economic and personal life around the world. It affected Newmark in the last few months of our financial year, contributing to the modest drop in revenue compared to last year. While we have seen slowdowns in some sectors, such as retail and hospitality, other sectors have remained steady, or even buoyant.

Despite incredibly challenging conditions, the Group continued to trade in all divisions. Like most businesses, we had to take very quick action, and I'm immensely proud of the way our people worked extremely hard to handle different kinds of pressures. They adapted brilliantly to new ways of working, while we also took the difficult decision to furlough up to 30% of our colleagues at the height of the crisis. By employing technology to ensure our remaining colleagues were able to work seamlessly from home, we maintained productivity levels throughout and supported the opening of 40 new accounts.

As the world changed, we knew we had to change too. Safetell, who have years of experience in supplying screens and products for banking and the Post Office, created a product line of hygiene screens and security hatches, which were sold to organisations such as Amazon and Travis Perkins. We also developed new security portals with temperature and touchless sensors. Grosvenor Technology has received enquiries from clients globally looking for new ways to interact with access control door readers and traditional timeclocks. As a consequence, we are now marketing a range of existing and new touchless solutions, such as proximity cards and facial recognition.

Additional details on the impact of COVID-19 on our business and people is on page 11.

Overview of Divisional Performance

People and Data Management division – continued good performance

Following its significant growth trend over the last few years, Grosvenor Technology continued to perform well this year and is the focus of our investment strategy in the development of new products and services.

Human Capital Management (HCM) – US operations driving growth

Our HCM sales in North America delivered the most significant growth this year. This growth was in line with our expectations, as our major US clients continued the roll-out of Grosvenor Technology's "next generation" hardware.

During the year, we rebranded our US business as "GT Clocks", which has enabled us to create marketing that is more specific and relevant for our US customers.

Grosvenor's UK-based HCM business, which serves the rest of the world outside of North America, also saw a growth in sales, due to a general uplift across a number of mostly European customers, as opposed to significant growth from any single client.

We are supporting the growth of the division with increased investment in new products and services, developing our HCM software platforms with a Cloud and Application Programming Interface ("API") first approach. A Cloud and API first approach prioritises utilising a Cloud infrastructure along with APIs to provide seamless connectivity between back-end and front-end systems for customers. This development is focused on providing added services on a Software as a Service (SaaS) basis, which enables us to create additional value from our hardware post-deployment. This also allows for a business model where software, services and terminals are bundled as a "Clock as a Service" ("ClaaS") offering, generating long-term recurring revenue potential.

Access Control – move toward an integrated platform

Overall, we delivered revenue growth in Access Control this year, in part due to price increases in the market. We launched our new Security Management System ("SMS"), Janus C4, which was developed in conjunction with our software development partner based in Slovakia.

The market is moving away from stand-alone Access Control solutions, towards integrated Access Control, Intruder, CCTV, Fire and Building Management, all provided within a single platform. I believe Janus C4 represents an excellent opportunity for growth, and the solution has been well received by both existing and prospective customers. As with all new Access Control sales there is an inevitable lag between pipeline generation and an upturn in revenue and to help decrease this lag and to further support clients adopting the Janus C4 platform, we have invested in additional training resource.

To rapidly adapt to COVID-19 working environments, we launched several training courses as online webinars, a move that has been very popular with installation engineers. While the majority of our Janus C4 customers and prospects have been new clients, many of our traditional customers have begun to consider Janus C4 as a natural next step and some Sateon clients began to migrate to Janus C4 during the period, a trend we expect to continue at additional pace in future years.

The development of Sateon software is now limited to critical bug fixes and maintenance, although Sateon product family sales continue to be bolstered by sales of the OEM variant, used as a component within our customers offering, of the Sateon Advance. This allows third parties to use the hardware in a non-proprietary way on their own access control platforms. We added a second OEM customer during the year and continue to explore further options with global third-party access control providers.

Physical Security Solutions division – progress following strategic review

While Safetell generated considerably lower revenue than last year, the business achieved increased margins and performed in line with internal expectations. This slowdown resulted from the expected reduction in the volume of work as the Post Office Network Transformation programme came to an end, as well as lower demand from high street banks and buildings societies and less project work coming into Safetell's service division.

Safetell has been dominant for many years in the rising screen market, but we have long recognised the need to diversify its customer base and product range. That is why we carried out a full-scale review of the division and, last year, we implemented significant changes, combining the product and service divisions and aligning divisional resources into central teams to create a much leaner organisation that offers real value to our customers.

During the year, the reorganisation started to bear fruit, and this is reflected in our improved performance, delivering improved gross margins that have added to the profitability of the Group. With increases in crime rates and the continued threat of terrorism, I am confident the division is well placed to make the most of opportunities for growth over the next few years and to gain market share.

Further details on our divisional performance can be found on pages 16 to 19.

People

I would like to convey my personal thanks to all of our colleagues for playing their part in what has overall been a successful year for Newmark Security. The changes at Safetell saw Anton Pieterse, the division's Managing Director, leave the Group in November 2019. I would like to thank Anton for his long period of service, and I warmly welcome Paul Lovell to the role. Paul joined the Group in 1991 working in various capacities and, as an accountant who qualified with KPMG, he has a wealth of experience that will benefit and support Safetell as it enters a new period of growth.

Looking ahead

With lockdown only now beginning to ease, the year has started slowly. Some clients are understandably taking longer to commit to activities, or postponing them for an indefinite period. However, we have many projects ongoing and there are many more we hope to win again when the time is right. I believe we have adapted well, both in terms of being able to continue to trade and proactively implement strategies that have led to Safetell and Grosvenor Technology receiving new enquiries to cater for the new workplaces being created by many businesses.

Both divisions are well positioned for a post COVID-19 world, with existing strategies becoming more relevant than ever before. Providing safe and secure workplaces will remain a key objective globally for organisations of every shape and size and we will continue to invest to meet this need. It remains difficult to say exactly how the market will develop over the next 12 months, but we've done what was needed – we've reduced cost in the business, we've protected our workforce, and we have continued to adapt to the needs of our customers. The year ahead will be challenging owing to the COVID-19 impact, but I am sure we have the right strategy, the best people, and the resources we need to build a solid platform for future sustainable growth.

Marie-Claire Dwek
Chief Executive Officer
8 September 2020

COVID-19 Impact

People

First priority was keeping our people safe

- Implemented working from home as a standard
- Expanded use of Microsoft Teams which the Group already had in place
  - Leadership teams implemented daily Teams meetings
  - Regular Company-wide communications via Teams
- Warehouse, installation/service work only carried out with social distancing and safety in mind

Trading

Slowdown in customers projects and therefore reduction in turnover

Supply chain delay for new products for Physical Security Solutions division

Minor delays on supply chain and fulfilment for People and Data Management division

Remedial action taken

- Furlough – up to 30% of employees furloughed at the most critical times
- Remainder took 10% pay cut for three months
- Development spending reviewed and re-prioritised

Balance sheet

Short-term actions to secure cashflow implemented:

- Utilising government initiatives e.g. “Time to Pay”
- Extended cash forecasting period
- Keeping close contact with customers and reviewing risk profiles
- Extended supplier payment terms with the suppliers’ support

Community

Safetell – examined alterations to current products

- hygiene screens
- temperature reading portals

Grosvenor – responded quickly in pipeline and operations

- HCM development of facial recognition
- NHS priority line implemented
- Online training for AC installers on our products with 338 virtual training sessions delivered

Risks

Going concern stress tested – developed COVID-19 forecasting model including performance and resourcing

Identified cash being the ultimate risk factor following payment of UK Government “Time to Pay”

Tracked extent of downturn and recovery using “Funds Generated KPI” from UK daily invoicing

Explored financing options available

- Considered acceleration of US invoice discounting – not utilised but under consideration
- Consideration given to raising funds via an equity placing – Board decision not to utilise
- Potential on increasing overdraft facility and extending existing UK invoice discounting – not utilised
- Worked closely with HSBC for CBILS facility which was successfully obtained for £2 million over six years on a fixed rate

Longer term impact

Proven our durability and agility in the market

More demand for safe and secure workplaces with a premium on contactless environments

Potential strategic opportunities for consolidation in the markets we operate in

Proven we have a resilient and hardworking workforce who will go the extra mile

Business Model

Key resources

Longevity and experience:

Newmark has been providing products and services for over 20 years and is recognised as being an innovator within the sectors it serves.

Our people:

Our people are dedicated, passionate specialists in their field.

Established relationships:

Newmark has longstanding and deep relationships right along the value chain, whether that's with suppliers, installers, resellers or customers. We value our relationships and understand the long-term benefits and opportunities they can bring.

Investment:

Newmark continues to invest in research and development allowing it to stay ahead of the curve and ensure the highest levels of secure technologies for its customers. We have sustained investment in emerging technologies and markets through the years and this has allowed us to remain current, competitive and positioned for growth.

Value creation

We provide solutions – not just products:

Newmark designs, manufactures and provides solutions for our customers. We form long-term partnerships with our customers through provision of consultancy advice and service and maintenance agreements for our products.

Specialist products and services:

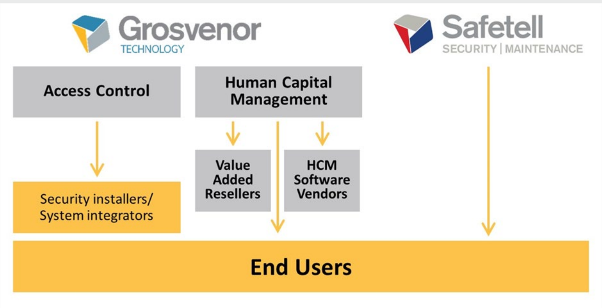
We take good positions in high growth sectors, providing specialist products and services to our customers. The Company is continually innovating in fields such as biometrics, Cloud services and mobile authentication to ensure its products are at the forefront of the sectors it operates in.

Drive efficiency through innovation:

Every business seeks to create an environment in which it can operate more efficiently and with greater levels of productivity. Achieving these goals, while providing smart, safe and secure workspaces is the added-value that Newmark Security brings.

Our customers

Safetell provides its products and services directly to the end users. While Grosvenor Technology provides some products and services directly to end users, it's more common to trade through a channel of specialist providers of broader services. In access control, this is through security installers or systems integrators and in HCM it's through software houses or Value Added Resellers ("VARs").



Outputs

Long-term partnerships:

The Company benefits from long-term relationships with many blue-chip customers.

Recurring revenue streams:

Our longer-term strategy is to build a business that generates a greater proportion of its revenues from recurring services over time. We will achieve this through encouraging subscription services and continuing to invest in the cloud provision of both our software and hardware.

Contactless Solutions

....to operate in a contactless environment

Facial recognition

In May 2020, we introduced the Facial Recognition feature within our clock hardware range. This functionality combined with our biometric data hosting services delivers a powerful value proposition to our partner network that is secure and reliable. Our customers and their employees have insisted in increasing safety measures in workplace environments. It is paramount to provide a contactless element as well as to continue accurately identifying our customer's employees without the need for physical contact.

Access control

Our vast Access Control portfolio for over 30 years offers a wide range of product solutions, many of which can be retrofitted into existing systems. We support the use of mobile credentials via user's smartphone which removes the requirement for Access Control cards or encountering a reader in order to gain access.

Furthermore, we offer contactless exit release buttons which provides further safety measure in working environments for employers and employees. Our Access Control hardware has the capability to integrate with automatic doors therefore, amalgamated with mobile readers and contactless exit release buttons, providing a comprehensive "hands-free" solution without impacting the security of the building.

Portal entrance systems

We are also pleased to offer our partners circle or square based security portals, with single person passage checking system and abandoned object detection system. An ideal entrance control solution for airports, banks, corporate buildings, embassies, prisons, data centres, jewellers, leisure centres and high-value areas. Combined with thermal sensors, they offer a highly secure method of ensuring employees showing a high temperature can be restricted from entering the workplace.

Facial detection system and body temperature analysis

Contactless solutions

As a specialist in management of employees, we are extremely pleased to be able to leverage our decades of experience and knowledge across every business division to suit these new challenging requirements. Our agility to adapt to the changing market needs has helped us deliver better and more relevant solutions such as mobile enabled readers, contactless exit release buttons integrating into automatic doors or even a combination of all the above technologies to achieve safe and frictionless entry or exit from a building.

Leadership Team

Marie-Claire Dwek
Chief Executive Officer

Graham Feltham
Group Finance Director

People and Data Management division

Andy Rainforth
Managing Director, Grosvenor Technology

Patrick Brennan
Director of Sales & Digital Operations, Grosvenor Technology

Colin Leatherbarrow
Technical Director, Grosvenor Technology

Physical Security Solutions division

Paul Lovell
Managing Director, Safetell

Sean McCrory
Sales & Projects Director, Safetell

Newmark
SECURITY PLC

Our Divisions

Report and Financial Statements

Year ended 30 April 2020

People and Data Management division

(previously Electronic division)

Divisional revenue	2020 £'000	2019 £'000	Increase/ (decrease) £'000	Percentage change %
People and Data Management division				
Legacy Janus	1,549	1,218	331	27%
Sateon Advance	2,283	2,818	(535)	(19%)
Janus C4	383	35	348	994%
Total Access control	**4,215**	**4,071**	**144**	**4%**
HCM Rest of World	3,238	2,393	845	35%
HCM US	5,904	4,515	1,389	31%
Total HCM	**9,142**	**6,908**	**2,234**	**32%**
Division total	**13,357**	**10,979**	**2,378**	**22%**

Grosvenor Technology enjoyed another year of growth across both its lines of business and regions, but primarily driven by our Human Capital Management (HCM) business in North America. In this region, where we rebranded as GT Clocks we continued to see strong performance as the relevance of our specialist offering gained traction in the sector. The growth trend we have enjoyed in recent years in this region means our US based business generated 44% of our total revenues for this division.

We have received new enquiries from new and existing HCM vendors looking not just for hardware, but for an organisation that can facilitate people-data security solutions. As US state-by-state legislature pertaining particularly to biometric data evolves, we are well positioned to take advantage of this growing demand for data security and management. First and foremost, however, we have built a reputation for highly reliable and performant hardware and during this period we opened or continued negotiations with several 'Tier 1' HCM solutions providers considering their next generation 'timeclocks' decisions. We have successfully concluded one negotiation with a new 'Tier 1' vendor and, with our support, one of our HCM solution partners also closed another agreement to supply a major international retailer through an existing partner in the first half of FY2020/21 potentially worth up to $3.8million over the next two to three years. The news of the merger between Ultimate Software and Kronos, which we expect will result in a transfer of orders away from us over time to the Kronos clock, is disappointing, however we have benefited from this relationship and will continue to work with Ultimate into the foreseeable future. As in previous reports, we still feel the HCM business in the Americas is our area of greatest opportunity and during the period we increased our business development resource to leverage this.

In our Rest of World HCM business, we also experienced significant growth, increasing revenues by 35% as we have continued to grow the strong partnerships with our existing HCM clients, many of which have increased their spend with us. Although this growth has largely come from hardware sales, we again have seen increased enquiries for our subscription 'data management' services, a trend we expect to see continue in 2020/21.

US MARKET:

GT CLOCKS
PEOPLE AND DATA MANAGEMENT

UK AND ROW MARKET:

Grosvenor
TECHNOLOGY

From left to right 1) IT11, 2) GT4, 3) IT51, 4) GT10

Our range of clocks offer increasing levels of functionality and performance to operate in a wide range of environments across various end user sectors.

To cater for and drive this growing need, we intend to continue to invest in developing our offering from a Cloud first, to an eventual cloud only methodology. We remain fully committed to offering a suite of services to ensure people-data of all types is completely secure, whether at rest or in transit and we expect this to be a major recurring revenue generator for years to come.

The period also saw us launch a new mid-tier device (GT4), which we expect to replace sales of its predecessor timeclock in this market sector, as well as creating sales from new clients globally. Following the year end we have received our first major contract for the GT4, from a US client committed to purchasing a minimum of 3,000 devices and some allied services in the next three years valued in excess of $1million.

We have also shown positive movement in Access Control (AC) revenues achieving growth of 4% across our three product families.

As reported last year, the Sateon platform is considered mature and complete, with development efforts limited to essential bug fixes and maintenance. The last iteration of this platform however, Sateon Advance, is still purchased by many AC installers and integrators and many of these still install this product into new projects. This helped limit the decline in sales to 19% and the line played an important role in sustaining overall AC revenues as we gain traction in our new product line Janus C4. Our legacy AC range, Janus, continues to maintain its sales.

The majority of our sales, marketing and training activities have been linked to promotion of our new product line, Janus C4, and as a consequence we have seen the burgeoning sales begin to gain traction. Janus C4 isn't "just another" AC product. Developed in collaboration with a Slovakian Security Management System ("SMS") software business it utilises the same class-leading hardware as our popular Sateon Advance product, but has been designed to take advantage of the market trend towards the integration of traditionally disparate offerings such as CCTV, Fire Safety, Intrusion Detection and Energy Management, to create a completely seamless, single platform solution that protects buildings and the people within them, at the same time as reducing energy consumption and carbon emissions.

> The HCM business in the Americas is our area of greatest opportunity and during the period we increased our business development resource to leverage this
>
> **Andy Rainforth** – Managing Director, Grosvenor Technology

Physical Security Solutions division

(previously Asset Protection division)

Divisional revenue	2020 £'000	2019 £'000	Increase/ (decrease) £'000	Percentage change %
Physical Security Solutions division				
Products	2,695	4,810	(2,115)	(44%)
Service	2,715	3,794	(1,079)	(28%)
Division total	**5,410**	**8,604**	**(3,194)**	**(37%)**

At Safetell, we create safe and secure workplaces for our customers – designing, installing and maintaining a diverse range of physical security solutions to a wide range of sectors.

Our security products and services are used in many environments, including:

- NHS
- Finance, Safety Deposit Centres and Jewellers
- Education and Local authorities
- Corporate buildings
- Stadia, Leisure and Hospitality
- Retail, ATM and Petrol Forecourts
- Government, Police and Prisons
- Data Centres and Utilities

A transitional year for our Physical Security Solutions division

While Safetell is best known for supplying and installing fast rising screens in the banking sector, our team of industry experts are here to provide a professional service and a personal response to all our customers' needs. We carried out a full-scale review and reorganisation of the division last year and are making good progress in expanding our product range and widening our customer base.

However, Safetell remains a business in transition, having generated significantly lower revenue this year – largely due to the end of the Post Office Network Transformation programme, and lower volumes in our traditional client base of banks and building societies. During the reorganisation, we combined our product and service divisions, and aligned our divisional resources into central teams, to create a much leaner organisation that offers even better value to our customers. This has helped us to improve our gross margins and maintain performance in line with expectations prior to the impact of COVID-19.

A simplified, more agile and responsive organisation

Transforming our Safetell business has dramatically reduced overheads, while simplifying reporting lines and management structures. This has allowed for quicker and better decision making, and we are building a much more agile and responsive operation, which has already been tested during the COVID-19 crisis. Many of our clients operate from critical locations, such as hospitals, retail sites, financial hubs, and major buildings (e.g. the Shard in London). Within a week of lockdown in March, we were designing and supplying new screens and products to meet their urgent needs during the pandemic.

> "As we evolve our product portfolio, we are experiencing positive responses from our customers resulting in good growth in both our quote bank and order book
>
> **Sean McCrory** – Sales & Projects Director, Safetell

The growth opportunity - what makes Safetell different?

The continuing threats of crime and terrorism have made physical security a priority for businesses in most sectors, while additional concerns around COVID-19 have increased demand for new and innovative solutions, as we have all been forced to adapt to new ways of working together. While we do not foresee a significant overall growth in the market for physical security products and services, we are ideally placed to make the most of the growth opportunities ahead and to gain market share.

We are building long-term relationships that our customers can trust by offering:

- Bespoke design capability to help select the most appropriate solutions to meet various business needs
- Professional and experienced project management teams with specialist knowledge of demanding site conditions and high-risk locations
- Specialist installation teams dedicated to working in disciplined and challenging environments
- Aftersales support and extended lifetime warranties to maintain our products to the highest standards

As Safetell emerges as a leaner but more energetic and flexible organisation, we believe we are one of the few businesses of our type to offer a one-stop shop approach in a fragmented market.

Our new website puts a firm focus on our expanding product range, and the wide range of bespoke services that gives us a competitive advantage in the market.

We know that most customers will come to us with a requirement for a single product, rather than a 'solution', but that can quickly become an opportunity to upsell. We have extensive expertise in every product we sell, with highly qualified and experienced technical engineers who can create the bespoke designed solutions that will ultimately save our customers money and make them safer.

> We are expanding into new markets, winning new clients, and looking to take market share away from our competitors. We offer our customers competitive pricing combined with a market-leading single supplier proposition. And there's so much more for us to go for – especially in the government and public sector. I am confident that we can achieve good revenue growth in the coming years.

Paul Lovell – Managing Director, Physical Security Solutions division

This is how we build long-standing client relationships. Unlike most of our direct competitors, our people are multi-skilled, and we build ongoing revenue streams through our follow-up services, which include locksmiths, pneumatic experts, CCTV/speech systems and much more. We are even able to install third-party products where necessary and support them via a service contract.

While the expansion of the business may not initially come directly from our service business, we believe that as our product sales increase, this will drive the integrated service business. Most of the products we are installing now will generate service work for Safetell, particularly those products with mechanical aspects, rather than traditional static elements like screens. This service offering will help us build recurring revenue streams and deepen our relationships with customers.

Our fully certified product portfolio is designed to meet the changing needs of our customers:

Building security

Manual attack and ballistic resistant cash counters, windows and moving security screens

Bullet resistant doors and partitions

Security portals

Asset protection

Customised cash and asset storage and protection

Cash and speech transfer units

Storage functions to reduce risk of harm or damage to a secure environment

Entrance control

Certified secure portals and revolving doors

Integrated speed gates to control the flow of staff and visitors to buildings

Door automation and remote locking solutions

Other products

Counterterror and target hardening solutions

Range of 'touchless' security solutions

Other standard and bespoke physical products and services

Financial Review

Revenue

Group revenue reduced by 4% to £18.77million (2019: £19.58million). The revenue performance has arrived as expected at a marginal reduction to last year which, given the impact to the Group in April 2020 from COVID-19 and the year of transition for our Physical Security Solutions division, has been a strong performance. Further commentary and discussion can be found in the divisional sections.

Key performance indicators

Revenue	2020 £'000	2019 £'000	Increase/ (decrease) £'000	Percentage change %
People and Data Management division				
Access control	4,215	4,071	144	3.5%
HCM	9,142	6,908	2,234	32.3%
	13,357	**10,979**	**2,378**	**21.7%**
Physical Security Solutions division				
Products	2,695	4,810	(2,115)	(44.0%)
Services	2,715	3,794	(1,079)	(28.4%)
	5,410	**8,604**	**(3,194)**	**(37.1%)**
Group revenue	**18,767**	**19,583**	**(816)**	**(4.2%)**

Gross profit margins have remained consistent at 39.7% (2019: 39.3%). Physical Security Solutions division obtained a gross profit of 44.4% (2019: 39.6%) and People and Data Management division reaching 37.8% (2019: 39.1%) the combined weighting of margins and product mix has resulted in the margins remaining consistent with last year.

	2020 £'000	2019 £'000	Increase/ (decrease) £'000	Percentage change %
Gross profit before exceptional items	**7,449**	**7,765**	(316)	(4.1%)
Gross profit before exceptional items percentage	39.7%	39.7%		
Gross profit	**7,449**	**7,705**	(256)	(3.3%)
Gross profit percentage	39.7%	39.3%		

Operating expenses and average employees

Operating expenses before exceptional items have fallen by 4.1% to £6.85million (2019: £7.13million). This has mainly been the result of the restructuring exercise in the Physical Security Solutions division carried out in the previous year resulting in a fall in average employees by 27% to 53 (2019: 73) countered by the growth in the People and Data Management division mainly in development with further roles in sales, customer services and marketing resulting in an increase of 13% to 59 employees (2019: 52). Overall average employees have fallen 10% to reach 115 (2019: 128) with a resulting 12% reduction in wages and salaries of £952,000 to £6,979,000 (2019: £7,931,000).

Exceptional costs

During the year exceptional costs of £299,000 (2019: £352,000) were incurred with £167,000 (2019: £352,000) from a continuation of streamlining and realignment of positions mainly in Safetell. Other exceptional costs of £132,000 (2019: nil) were incurred with £82,000 of asset impairment as Safetell vacated one of the division's leased properties. A further £50,000 incurred on a Group rationalisation project which commenced during the year with an objective of making the Group fit for purpose and efficient. The overarching objective is to reduce the number of companies from 17 to 4 unless management identifies a requirement to keep any of the companies that are currently dormant.

Profitability

Profit before tax grew by £17,000 to £231,000 (2019: £214,000). At the interim an improved level of profitability was expected compared to last year, which has been realised. COVID-19 reduced April revenues by an estimated £400,000 which resulted in an estimated fall in gross profit of £200,000. Without the impact of COVID-19 the performance of the Group would have been significantly improved and exceeded the expectations set at the time of announcement of the half year results.

Taxation

A tax credit of £896,000 (2019: charge £25,000) was recognised in the year. This resulted from a current tax credit of £583,000 (2019: charge £45,000) which was recognised following the review of the R&D claim process in the second half of the year. This resulted in a tax credit of £612,000 being a current year claim of £176,000 and revised claims for prior years of £436,000. An additional element of the claim related to research and development expenditure claim ("RDEC") which resulted in a £75,000 credit shown within operating profit. A deferred tax credit of £313,000 (2019: £20,000) was driven by the recognition of a deferred tax asset relating to losses of £450,000 countered by other movements of (£137,000).

Earnings per share

Earnings per share increased by 0.20p to 0.24p (2019: 0.04p). The increase in earnings per share is mainly attributed to the current tax credit and the recognition of deferred tax assets supported by a consistent year on year profit before tax.

Balance sheet

Net assets have increased by £1,188,000 to £8,302,000 (2019: £7,114,000). This is mainly derived from an increased investment in development of £553,000 and an increase in current and deferred tax assets of £1,000,000. Other working capital movements contributed by a reduction in debtors of £269,000 and a reduction in trade and other payables of £741,000 of which £239,000 of the reduction related to a payment of prior year restructuring at Safetell and the remainder is due to a reduction in trading activities around the year end somewhat impacted by COVID-19. Invoice discounting was utilised by an additional £212,000 to £905,000 (2019: 693,000) with the Group's cash position falling by £421,000. The introduction of IFRS 16 Leases created additional assets of £766,000 and an associated additional liability related to leases previously classified as operating of £848,000 at the end of the year.

Research & development

The Group has increased its investment by £540,000 to £873,000 (2019: £333,000) in the People and Data Management division. The investment has been focused on the cloud development of GT Connect, our SaaS platform. Clock development continued with enhancements to our existing GT10 offering and we are excited to have started development work on our next generation device. We have continued to work with our software partner on our new Janus C4 access control product. With the onset of COVID-19 we have reviewed the extent of our development work and prioritised to safeguard our cash expenditure.

Cashflow

During the year we have reduced our cash levels by £421,000 to £620,000 (2019: £1,041,000). Cash generated from operations before exceptional items increased by £749,000, however this excludes payments of £415,000 of lease liability payments now classified in financing activities following the adoption of IFRS 16. Adjusting for this movement, the like-for-like increase year on year is £334,000. Exceptional cash payments were made in regard to both prior and current year employment termination costs of £362,000 (2019: £113,000). With other minor variances and the additional investment in R&D of £553,000 the Group had a resulting decrease in cash of £421,000.

Post balance sheet events

Following a detailed review of the potential impact of COVID-19 on the business Newmark Security PLC entered into a Coronavirus Business Interruption Loan Agreement with HSBC for a loan facility of £2,000,000 at a fixed rate of 4.69% for a period of six years with the first year being interest free under the Business Interruption Payment Scheme.

“

Financial management of the Group during this challenging time has been a priority. With our new facility in place we can fully focus on developing the business and building future growth.

Graham Feltham – Group Finance Director

Principal Risks and Uncertainties

Risk management is integral to the way the Board and leadership team manage the Group and each divisional Managing Director monitors and reports on their most significant risks on a continuing basis. Risks are reviewed by the Board on a quarterly basis and actions are taken as appropriate to provide reasonable mitigation against those risks.

The principal risks facing the business, the potential impact and mitigating actions are detailed below:

COVID-19 risk

The risk of a prolonged outbreak or further lockdowns could result in a period of depressed trading activity and delays in customer projects. The impact is somewhat reduced by the geographic spread and the nature of our customers. Commercially we have been sensitive to the evolving demands of our customers but we also operationally monitor activity levels for support and new business. The Group Finance Director monitors cashflows and potential financing opportunities and discusses these regularly with the Board in order to support the reduced cash generation from lower levels of trading.

Sales of new products

The Group has incurred substantial strategic expenditure on new developments within the People and Data Management division, based on market intelligence. Due to the dynamic nature of the market itself there is a risk of the market needs moving on during the development process. 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 Physical Security Solutions division are from one to three year service agreements and there is the risk that these may not be renewed due to cost reduction programmes, by managing the contract externally or by utilising in-house resource. 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 without an overriding contract resulting in less certainty over future revenues. 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.

Market conditions

The Physical Security Solutions 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 continue 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 continuing uncertainty over the possibility of both the COVID-19 outbreak and Brexit could continue to affect the level of demand for our products. 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 and ensure that our product range is relevant for our customers' requirements. The division has constantly reviewed the resourcing levels and has adjusted as necessary to protect cash and profitability.

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 following the Brexit vote as a result of the fall in value of the pound and this uncertainty continues.

The Board has 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 becomes 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 quality auditors the quality control systems are reviewed and improved on an ongoing basis to ensure that the Group is addressing this risk through a certification process which is undertaken by a recognised and reputable authority before being brought to market.

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 and regular cash forecasts in order to assess the required level of short-term financing to draw down on.

Market risk

Market risk 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 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.

S172 statement

The revised UK Corporate Governance Code applies to accounting periods beginning on or after 1 January 2019. The Companies Regulations 2018 require Directors to explain how they considered the interests of key stakeholders and the broader matters when performing their duty to promote the success of the Company under s172. This includes considering the interest of other stakeholders which will have an impact on the long-term success of the Company. This s172 statement, which is reported for the first time, explains how the Directors acted accordingly.

Long term impact of Board decisions

- The decisions of the Board, and with wider business, are reflected within budgets and five year plans. These are then flexed and updated for changing environments
- Formally the Board consist of a PLC Board however each quarter the PLC Board combines with the Exec teams of each division for presentations and strategic discussions

Interest of our employees

- Wider team meetings used to ensure understanding and engagement in business priorities
- Fair dealings and management of issues and grievances
- Significant emphasis placed on employee safety enhanced regarding Covid-19 outbreak
- Employee questionnaires utilised to engage and obtain sentiment
- Focus on the right people in the right role with good support - training programmes and succession planning in place

Interest of other stakeholders

- Regular updates and meetings with HSBC
- Communications with customers and suppliers focus over last 12 months
- Trade shows and exhibitions with our own stands utilised to engage with our customer base
- Online training initiated for Installers
- Launched new websites

Promote success to our shareholders

Act fairly between shareholders

- Regular updates and announcements provided to the market
- Closely engage with Allenby, our brokers to ensure fair practices are in place
- Attendance on retail events, such as Mello, provides engagement with investors with the presentations made available on our website
- Utilise investor relations and financial PR experts to support when needed

High standards of business conduct

- Significant focus on understanding our customers needs and providing solutions is the ethos behind how we operate
- Group HR operates seamlessly across the divisions and acts truly to ensure fit for purpose practices are in place
- Finance is integrated with decision making and ensures adequate controls are in place

Impact of community and environment

- Provide solutions to facilitate the proper usage of Personally Identifiable Information ("PII") when utilising our products
- Commence a programme for measuring and improving the impact we have on the community and the environment

Key Board decisions

1. The Board approved the recruitment of a new Finance Director with an incentive package focused on increasing the value of the business over the next three years. Our brokers, Allenby, and our auditors, BDO, were consulted through the process with other meetings held with the Board and divisional executive management. Including these stakeholders in the process ensured that the right balance of technical skillset and personality fit was identified in order to deliver the appropriate level of financial rigor and information to external stakeholders such as our shareholders.

2. The Board approved the review of the R&D tax claim process which included obtaining external expert resource. This resulted in a substantially increased current year claim and a resubmission of a prior year claim resulting in a £0.5million cash benefit. Discussions were held by the Group Finance Director with both our tax advisers, BDO, and leadership team as well as R&D consultants to ascertain whether it was appropriate to review the R&D claims process and the type of support required to ensure compliance with legislation.

3. As a result of the potential impact of COVID-19 the Board approved the decisions to actively furlough, implement a 10% pay cut for those not furloughed for three months and obtain a £2million bank loan facility with HSBC. The decision to furlough and reduce pay was made in consultation and in agreement with staff. The investment in R&D was prioritised with some development put on hold whilst the impact on cash was being assessed. The CEO and Group Finance Director worked extensively with the leadership teams to assess the impact on trading activities and implement remedial actions and also with HSBC to identify the potential level of financing required.

Approval

The Strategic Report was approved by order of the Board on 8 September 2020. By order of the Board.

G Feltham
Company Secretary

Newmark security is

The security solution group

Newmark Security is the leading provider of electronic and physical security systems – our products protect your personnel and guarantee the safety of your assets

Newmark
SECURITY PLC

Corporate Governance

Report and Financial Statements

Year ended 30 April 2020

Chairman’s Introduction

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.

The Board

The Chairman welcomes Terence Yap, appointed to the Board on 12 May 2020, who brings an array of relevant experience within the security industry. 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 – Chairman

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 the London Stock Exchange 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.

Marie-Claire Dwek – Chief Executive Officer

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 2002–13 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 the leadership team and 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.

Graham Feltham – Group Finance Director

Graham Feltham is a Fellow Chartered Accountant qualifying in 2000 whilst working with Ernst & Young. Subsequent to Ernst & Young, Graham worked at Belron International Ltd, the world's largest vehicle glass repair and replacement company. Following his time at Belron, Graham spent approximately five years at StatPro Group plc, an AIM listed software development group, as European Financial Controller and Group Financial Controller, where he managed the external financial reporting and performance and analysis teams. Following StatPro, Graham spent over four years as Group Financial Controller of Safetykleen Group, a private equity owned group specialising in a recurring book of business in surface cleaners and with annual revenues of over £235 million. Graham played a key role in the sale of Safetykleen by Warburg Pincus to Apax Partners for £800 million in 2017.

Michel Rapoport – Non-Executive Director

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 ($300million 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 – Non-Executive Director

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.

Terence Yap – Non-Executive Director

Terence Yap, a Singapore citizen resident in Hong Kong, is currently the Chairman of Guardforce AI Co Ltd, a group focusing on delivering technologically innovative security solutions within the Asia Pacific region. Prior to this he was Chief Executive of Guardforce Cash Solutions (Thailand) a leading security solution provider with more than 12,000 international employees. From 2006 to 2014 he was Chief Financial Officer of China Security and Surveillance Technology, Inc which was listed on both the NYSE and Dubai International Financial Exchange. Throughout his career Terence has developed specific skill sets regarding change management, investor relations, capital market operations and corporate restructuring. Terence has over 25 years' experience in the telecommunications and security sectors and is a member of the Hong Kong Security Services Training Board, a Fellow member of the Hong Kong Institute of Directors, a Fellow member of the Chartered Management Institute (UK) and a member of the Australian Institute of Company Directors.

Governance Principles

We have adopted the 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 Security is a leading provider of people and data management and physical security solutions 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 23 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 regular non-material updates on social media platforms. The Company makes announcements in industry, trade and general business publications and through RNS feeds.

Subject to COVID-19 restrictions, the Board members attend Annual General Meetings (“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 Solutions and People and Data Management divisions. Historic reports, statements, announcements and share price information are also accessible within the website (https://newmarksecurity.com).

Principle 3: Take into account wider stakeholder and social responsibilities and their implications for long-term success (see s172 section)

The Company recognises that there are several resources and relationships that are considered to be strategically important. These include major clients, key suppliers and our banking partners 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 vendors' 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 23. See the impact of COVID-19 on page 11.

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 2020, the Board comprised a Non-Executive Chairman, two Executive Directors and two Non-Executive Directors. Subsequent to the year end, Terence Yap was appointed as an additional Non-Executive Director. 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 AGM. 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.

For the year under review 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 People and Data Management 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 Graham Feltham, as Executive Directors, are full-time employees of the Company. There are no minimum time commitments for the 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 leadership 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 NOMADs via the Group Financial Director.

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 retired on 31 October 2019 and Graham Feltham joined Newmark Security on 9 September 2019 and was appointed to the Board on 31 October 2019 as Group Finance Director. 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 lifestyle benefits and are provided with appropriate development training, both internally and externally.

All senior leadership team 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, Graham Feltham, 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, Robert Waddington and Terence Yap 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 website. Its composition, duties and main activities during the year are included in the Directors' Report. The terms of reference of the Remuneration Committee are included on the Company website. Its composition, duties and main activities during the year are included in the Directors' Remuneration Report. 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 AGM and one-on-one meetings with both existing and potential shareholders. At the end of the AGM 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 corporate brokers on the views of shareholders.

The Directors' remuneration report is on pages 38 to 40 and an overview of the Audit Committee's duties and activities during the year are on pages 35 and 36 and on the Corporate Governance section of the Company's website.

M Dwek, Chairman
8 September 2020

Directors' Report

The Directors submit their Annual Report and audited financial statements of the Group for the year ended 30 April 2020.

Financial results and dividends

The Board is proposing a dividend of Nil per share (2019: Nil per share).

Directors

The Directors who served during the year and to the date of signing were as follows:

M Dwek

M-C Dwek

G Feltham
(Appointed 31 October 2019)

M Rapoport

R Waddington

T Yap
(Appointed 12 May 2020)

B Beecraft
(Resigned 31 October 2019)

Details of the Directors' service contracts are shown in the Directors' Remuneration Report on page 38. M Dwek and R Waddington retire in accordance with the articles of association. M Dwek and R Waddington being eligible, offer themselves for re-election at the next AGM.

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 18 to the financial statements.

Likely future developments in the business of the Company

Information on likely future developments and subsequent events in the business of the Group has been included in the Strategic Report and in note 26 "Subsequent events".

Directors

Directors' interests

The beneficial and other interests of the Directors in the shares of the Company as at 30 April 2019 (or the date of their appointment to the Board, if later) and 30 April 2020 were as follows:

	Percentage holding at 30 April 20	30 April 2020	30 April 2019
M Dwek [(a)]	20.2%	94,799,467	59,099,467
M Rapoport [(b)]	4.9%	23,055,000	23,055,000
R Waddington	0.7%	3,300,000	900,000
M-C Dwek	0.5%	2,500,000	-
G Feltham	0.2%	800,000	-

(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.
(b) M Rapoport purchased an additional 35,500,000 shares In June 2020 resulting in a total shareholding of 12.5%, being 58,555,000 shares

The interests of Directors in Share Option Schemes operated by the Company at 30 April 2019 (or the date of their appointment to the Board, if later) and 30 April 2020 were as follows:

	Number of Ordinary Shares under the EMI Scheme 30 April 2020	Number of Ordinary Shares under the EMI Scheme 30 April 2019
B Beecraft	-	4,000,000
M-C Dwek	28,668,274	15,416,802
G Feltham	5,900,000	-

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

Research and Development

The Group is committed to ongoing R&D. 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 £877,000 (2019: £333,000). This is discussed further in the Financial Review.

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 12 months following approval of these financial statements.

In August 2021, the Group secured a £2million financing facility from its bankers, HSBC, via the CBILS. This loan is for a term of six years, with the first year being interest, repayment and covenant free under the Business Interruption Payment scheme. The covenant requires the Group to deliver a pre-debt service cashflow of 1.2 times the level of debt service commencing for the year end 30 April 2022. Along with existing cash of circa £1.25million as at 31 July 2020 and existing overdraft facility of £200,000 this loan financing provides the Group with a healthy cash plus overdraft position of circa £3.45million which the Directors believe is more than adequate to continue trading. Other sources of financing were reviewed with HSBC such as extending the UK invoice discounting from 85% to 100% coverage, commencing invoice discounting within the US, as well as increasing the current overdraft facility from £200,000 to £400,000. The Group is currently operating ahead of expectations, with the first quarter coming in ahead of budget and a number of new wins secured, expected to provide further headroom, and therefore have been able to recommence on-hold development projects without the need to pursue these additional financing options further, however they remain available to the Group subject to the standard approval processes. The forecasts assumed a short-term reduction in trading due to the UK lockdown earlier in the year, along with remedial actions implemented to support the Group's cash position. Remedial actions undertaken relate to staff furlough, staff pay cuts, rent reductions, re-prioritisation of development expenditure, deferral of payments to HMRC and reduced overhead expenditure.

Further scenario testing and sensitivity analysis was completed to model various severe but possible COVID-19 scenarios, specifically additional lockdowns and prolonged periods of customer uncertainty. Directors have assessed that the most likely impact on the Group of these scenarios would be a reduction in revenue receipts. It was assessed that the Group could absorb the impact of approximately a prolonged 20% reduction in forecast receipts and associated materials cost outflows over the next 12 months to September 2021 without implementing any cost cutting measures. This percentage increases to up to 30% when the cost saving impact of previously utilised remedial actions are taken resulting in a 10-15% saving of cash outflows. Finally Directors modelled the impact of a second, more severe lockdown period, noting that the Group could sustain shorter periods of revenue and material cost reductions of up to 80%.

Owing to the Group's effectiveness in reacting to the first lockdown and in the, hopefully unlikely, event of a second national lockdown we are extremely confident that the Group would be able to respond quickly and effectively with remote working and detailed review of resourcing requirements. Accordingly, the Directors consider it appropriate to prepare the financial statements on a going concern basis.

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 website. The Audit Committee principal duties are as follows:

- Reviewing and approving the interim results for the six months ended 31 October 2019.
- 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 2020.

- 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 changes to accounting standards, disclosures and strategic report requirements being s172 and IFRS 16.

- Review and discussion of going concern and forecasts including the impact of COVID-19.

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 Directors' Remuneration Report is set out on pages 38 to 40 and the terms of reference are on the website.

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 and the Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law).

- 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 AGM.

Approval

This Directors Report was approved by order of the Board on 8 September 2020.

By order of the Board

G Feltham
Company Secretary
8 September 2020

Directors’ Remuneration Report

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 2020 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 summarised in the Corporate Governance section on pages 28 and 29.

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 9 September 2020 with Mr Feltham which may be terminated by either party serving six months’ notice.

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

Directors' emoluments

Emoluments of the Directors (including pension contributions) of the Company during the year ended 30 April 2020 were as follows:

	Consultancy agreement £'000	Salary £'000	Fees £'000	Bonus £'000	Other benefits* £'000	Total £'000	Pension £'000	Total including pension £'000
Executive Directors								
M-C Dwek	-	191	-	77	30	**298**	24	**332**
G Feltham	-	80	-	10	4	**94**	4	**98**
B Beecraft	-	89	-	-	-	**89**	-	**89**
Non-Executive Directors								
M Dwek [(a)]	80	-	-	-	32	**112**	-	**112**
M Rapoport	-	-	25	-	-	**25**	-	**25**
R Waddington	-	-	25	-	-	**25**	-	**25**
2020	**80**	**360**	**50**	**87**	**66**	**643**	**28**	**671**
2019	**80**	**356**	**50**	**79**	**44**	**609**	**24**	**633**

*Includes £13,000 for share options expense

Emoluments of the highest paid Director were £291,000 (2019: £286,000).

The Directors' share interests are detailed in the Directors' Report on page 34.

(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.

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 24 to the financial statements.

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 [(1)]	12,363,636	August 2013	1.8p
M-C Dwek [(1)]	1,909,589	September 2014	1.8p
M-C Dwek [(1)]	1,142,857	September 2015	1.8p
M-C Dwek [(2)]	7,312,500	October 2019	1.8p
M-C Dwek [(2)]	5,939,692	October 2019	1p
G Feltham [(2)]	5,900,000	October 2019	1.7p

(1) During the year historic options were cancelled for M-C Dwek and new replacement options were granted in their place in October 2019. These options are treated as modified as most elements remain consistent with the cancelled options such as vesting periods with the only change being the subscription price payable.
(2) Additional options were granted during the year.

Approval

This Remuneration Report was approved by order of the Board on 8 September 2020.

By order of the Board

G Feltham
Company Secretary
8 September 2020

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 2020 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 cashflows and the consolidated and parent company statements of changes in equity and notes to the financial statements, including a summary of significant accounting policies.

The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the Parent Company financial statements is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 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 2020 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.

Key audit matter	How we addressed the key audit matter in the audit
Revenue recognition (Notes 1 and 2) As detailed in note 1, the Group's revenue relates to the sale of products and services recognised at a point in time (delivery), and services recognised over time. There is a risk around the identification of performance obligations and application of IFRS 15 for material new and existing contracts, and ensuring revenue around the year end is recognised in the appropriate period. We therefore determine the recognition of revenue to be a key audit matter.	Our audit work included, but was not restricted to, the following: – We reviewed management's assessment of the separable performance obligations attached to a sample of revenue contracts against the requirements of IFRS 15 and sample tested sales transactions over the period to confirm appropriate and consistent revenue recognition policies had been applied – We sample tested revenue transactions from the sale of support and maintenance services in the final month of the audit period and the first month of the new financial year, tracing to delivery notes or confirmation of service completion to confirm the timing and amount of revenue recognised. – We selected a sample of products dispatched in the final month of the year and first month post year end from the goods dispatched notes listing and confirmed the timing and associated performance obligations had been applied correctly. – We sample tested deferred revenue relating to support contracts, recalculating expected revenue and deferred revenue based on contract performance obligations and the status of work performed at year end. – We tested a sample of post year-end credit notes to related invoices to check that revenue was recognised in the correct period. – We reviewed material manual journals to revenue to confirm that they had been posted in line with normal business transactions or supporting evidence obtained from management. Key observation: We did not identify any indicators to suggest that revenue has not been recognised appropriately in accordance with IFRS 15.
Existence and valuation of inventory (Notes 1 and 13) BDO were unable to attend year end stock takes in relation to the main UK locations (Grosvenor Technology Limited and Safetell Limited) due to the lock-down restrictions imposed as a result of COVID-19. Other stock counts outside of the UK (Grosvenor Technology Limited international sites	Our audit work included, but was not restricted to, the following: – We discussed possible options regarding stock take attendance within the UK with management in advance of the year end and agreed an alternative approach to physical attendance at the year-end stock take. – We were able to virtually attend management's year end stock take via Microsoft Teams at Grosvenor Technology Limited's UK warehouse in Poole to provide some level of assurance as to procedures being followed during the count process. We then attended a follow up count in person on 11 June 2020 and

and Grosvenor Technology LLC) were performed by third parties at year end.

Although alternative procedures were planned, we assessed that there was an increased risk that sufficient and appropriate assurance would not be obtained over the existence of inventory.

Additionally, we assessed that there was a heightened risk due to the possible impacts of COVID-19 on the Group's ability to sell or utilise stock, increasing the valuation (provisions risk) risk at year end.

Due to the difficulties in verifying the stock quantities at the year end and the possible impact of COVID-19 on the valuation of stock, we considered this area to be a key audit matter.

performed roll back procedures, testing the movements in and out of the warehouse since the year end for our sample, to reconcile to the year end figures.

- We attended a post year end count at Safetell Limited in person on 1 June 2020 and performed procedures to reconcile to the year end figures, testing the movements in and out of stock since the year end where applicable.
- We obtained the year end third party stock count reports for Grosvenor Technology LLC and for the Grosvenor Technology Limited international sites and reconciled these reports to year end stock listings. We considered the competence and independence of the third parties providing the report.
- We reviewed provision calculations with reference to the impact of COVID-19 on sales post year-end and future sales, stock usage reports, specific provisions included for old product lines and analytical review of changes to prior year. We completed sample testing comparing book value with post year-end sales value.

Key observation: We did not identify and material issues with the existence of stock at the year end or with management's calculation of stock provisions.

Recoverability of goodwill and non-current assets Group (Note 1, 10)

Recoverability of Parent Company Investment in subsidiaries – Parent Company (Note 1, 3)

The Group's accounting policy in relation to impairment of goodwill and intangible assets is included within note 1 and further explained in note 10 of the group financial statements. The Parent Company's accounting policy on investment in subsidiaries is included within Company note 1.

Accounting standards require management to perform an impairment review annually to consider possible impairment in goodwill and consider whether there are any indicators of impairment impacting other group non-current assets and investments in subsidiaries balance in the parent company.

Our audit work included, but was not restricted to, the following:

- We have assessed management's impairment review: we recalculated the CGU component's value in use using our calculated discount rate, based on applicable gearing, risk and equity premiums, and methodology in line with accounting standards and compared these values against the CGU component value and the investment in subsidiaries value
- We have challenged and assessed the reasonableness of the CGU component level FY21 budgets and expected growth rate assumptions within the impairment models through discussions with management, comparisons to the industry and, where appropriate, agreement to supporting documentation and historical trends.
- We have performed sensitivity analysis over the key assumptions used by management, specifically the discount rate, long term growth rate and operating profit, and reviewed the disclosures in group note 10 and parent company note 3 of the parent company against accounting standard requirements, including the impact of changes in key assumptions.

Key observation: We did not identify anything to suggest that management's impairment review failed to identify indicators

Management exercise significant judgement in determining the underlying assumptions used in the impairment review of the two operating cash generating units (CGUs). These assumptions include the discount rate, the forecast operating margins and the growth rate. There was increased uncertainty over operating results in the short to medium term due to COVID-19.

Because of the judgements exercised by management over this area we determined it to be a key audit matter.

impacting the recoverability of goodwill and non-current assets in the group or investments in subsidiaries in the parent.

Going concern (Note 1)

Management's assessment of the possible impact of the COVID-19 on their assessment of future cash flows and headroom against available facilities has been disclosed in note 1 of the group financial statements.

Due to the increased uncertainties in forecasting and budgeting as a result of COVID-19, we identified going concern to be a key audit matter.

Our audit work included, but was not restricted to, the following:

- We obtained and reviewed relevant documentation to support the £2m business interruption loan value and key terms approved in July 2020 and received in August 2020
- We reviewed FY20 results against budgets as an indicator of management budget accuracy
- We reviewed management's 5 year budgets split by division and parent company, including a detailed assessment and discussion of assumptions made relating to revenue growth, gross margins and overheads year on year movements.
- We performed a detailed review of management's monthly cash flow base case to September 2021, against audit evidence from our review of the FY21 budget and FY20 audit actuals.
- We completed a detailed review and performed additional scenario testing of management stress testing.
- We compared the cash requirements shown by the forecasts above to the available facilities of the group, including the £2m business interruption loan noted above
- We reviewed the disclosures in the financial statement against best practice guidance and accounting standards.

Key observation: Our observations are set out in the conclusions relating to going concern section of our report. We consider the disclosures included within Note 1 of the financial statements to be appropriate.

Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. We consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements. In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower materiality level, performance materiality, to determine the extent of testing needed. Importantly, misstatements below these levels 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 statements as a whole was set at £188,000 (2019: £195,000). This was determined on the basis of 1% (2019: 1.0%) of revenue, which is considered to be of primary interest to the users of the financial statements.

Performance materiality was set at £133,000 (2019: £146,250) being 71% (2019: 75%) of materiality, taking into account various factors including the expected total value of known and likely misstatements, brought forward misstatements, the number of material estimates, the spread of results within the group and the expected use of sample testing.

Where financial information from components was audited separately, component materiality levels were set for this purpose at lower levels up to a maximum of 71% (2019: 75%) of Group materiality and ranged between 35%-71% of Group Materiality, £66,000 to £133,000.

The materiality for the Parent Company financial statements, which primarily operates as a holding company, was set at £102,000 (2019: 123,000), which represents 54% (2019: 63%) of group materiality, to address the aggregation risk across components. Performance materiality for the Parent Company was set at £71,400 (2019 - £92,250), being 70% (2019: 75%) of materiality taking into account various factors including the expected total value of known and likely misstatements, brought forward misstatements, and the number of material estimates.

We agreed with the Audit Committee that we would report to them all individual audit differences in excess of £3,800 (2019: 4,000). 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, and full scope audit procedures were performed on all four operating entities within the group, which were considered to be the significant components of the group. Analytical procedures were carried out where relevant on the non-significant components. All work was carried out by the group audit team.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the Annual 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 by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of Directors

As explained more fully in the Directors' responsibilities statement set out on page 36, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website: 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.

BDO LLP

Nick Poulter (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
Guildford, UK
8 September 2020

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

Financial Statements

Consolidated Income Statement for the Year end 30 April 2020

	Notes	2020 £'000	2019 £'000
Revenue	2	18,767	19,583
Cost of sales (2019 includes £60,000 exceptional redundancy costs)		(11,318)	(11,878)
Gross profit		7,449	7,705
Administrative expenses (includes exceptional costs of £299,000 (2019:£292,000))		(7,144)	(7,419)
Profit from operations before exceptional items		604	638
Exceptional redundancy costs	3	(167)	(352)
Other exceptional costs	3	(132)	-
Profit from operations	3	305	286
Finance costs	6	(74)	(72)
Profit before tax		231	214
Tax credit/(charge)	7	896	(25)
Profit for the year		1,127	189
Attributable to:			
- Equity holders of the parent		1,127	189
Earnings per share			
- Basic (pence)	8	0.24	0.04
- Diluted (pence)	8	0.24	0.04

Consolidated Statement of Comprehensive Income

	2020 £'000	2019 £'000
Profit for the year	1,127	189
Foreign exchange on the retranslation of overseas operation	26	1
Total comprehensive income for the year	**1,153**	**190**
Attributable to:		
- Equity holders of the parent	**1,153**	**190**

The notes on pages 51 to 82 form part of these financial statements.

Consolidated Statement of Financial Position at 30 April 2020

	Notes	2020 £'000	2019 £'000
Assets			
Non-current assets			
Property, plant and equipment	9	1,262	491
Intangible assets	10	5,234	4,753
Deferred tax	7	329	16
Total non-current assets		**6,825**	**5,260**
Current assets			
Inventory	13	2,544	2,599
Trade and other receivables	14	3,664	3,246
Cash and cash equivalents		620	1,041
Total current assets		**6,828**	**6,886**
Total assets		**13,653**	**12,146**
Liabilities			
Current liabilities			
Trade and other payables	15	3,246	3,987
Other short-term borrowings	16	1,351	796
Total current liabilities		**4,597**	**4,783**
Non-current liabilities			
Long term borrowings	17	654	149
Provisions	20	100	100
Total non-current liabilities		**754**	**249**
Total liabilities		**5,351**	**5,032**
Total Net assets		**8,302**	**7,114**
Capital and reserves attributable to equity holders of the Company			
Share capital	21	4,687	4,687
Share premium reserve		553	553
Merger reserve		801	801
Foreign exchange difference reserve		(106)	(132)
Retained earnings		2,327	1,165
Total attributed to equity holders		**8,262**	**7,074**
Non-controlling interest		**40**	**40**
Total equity		**8,302**	**7,114**

The financial statements were approved by the Board of Directors and authorised for issue on 8 September 2020. Company number: 3339998.

G Feltham
Director

The notes on pages 51 to 82 form part of these financial statements.

Consolidated Statement of Cash Flows

For the year ended 30 April 2020

	Notes	2020 £'000	2019 £'000
Cash flow from operating activities before exceptional items			
Net profit after tax from ordinary activities		1,127	189
Adjustments for: depreciation, amortisation and impairment		1,022	619
Exceptional items*		299	352
Interest expense		74	72
Gain on sale of property, plant and equipment		(58)	(32)
Share-based payment	24	13	-
Income tax (credit)/expense	2	(896)	25
Operating profit before changes in working capital and provisions		**1,581**	**1,225**
Decrease/(Increase) in trade and other receivables		290	(414)
Decrease/(Increase) in inventories		71	(991)
(Decrease)/increase in trade and other payables		(675)	698
Cash generated from operations before exceptional items		**1,267**	**518**
Exceptional items	15	(362)	(113)
Cash generated from operations after exceptional items		**905**	**405**
Income taxes paid	7	-	(45)
Cash flows from operating activities		**905**	**360**
Cash flow from investing activities			
Acquisition of property, plant and equipment	9	(150)	(196)
Sale of property, plant and equipment		43	53
R&D expenditure	10	(886)	(333)
		(993)	**(476)**
Cash flow from financing activities			
Principal paid on lease liabilities (2019: finance lease payments)	23	(475)	(87)
Proceeds from invoice discounting	16	212	246
Interest paid on lease liabilities	23	(44)	(17)
Interest paid		(30)	(55)
		(337)	**87**
Decrease in cash and cash equivalents		**(425)**	**(29)**
Cash and cash equivalents at beginning of year		1,041	1,069
Exchange differences on cash and cash equivalents		4	1
Cash and cash equivalents at end of year		**620**	**1,041**

*Exceptional items for 2019 have been represented to show cash paid during the year and allocated from the movement in trade and other payables. Trade and other payables increase of £698,000 was previously stated at £937,000 with £239,000 being the unpaid exceptional items.

The notes on pages 51 to 82 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
At 30 April 2019	**4,687**	**553**	**801**	**(132)**	**1,165**	**7,074**	**40**	**7,114**
Impact of IFRS 16 Lease transition (note 23)	-	-	-	-	22	22	-	22
At 1 May 2019 as restated	**4,687**	**553**	**801**	**(132)**	**1,187**	**7,096**	**40**	**7,136**
Profit for the year	-	-	-	-	1,127	1,127	-	1,127
Other comprehensive income	-	-	-	26	-	26	-	26
Total comprehensive income for the year	-	-	-	26	1,127	1,153	-	1,153
Transactions with owners								
Share-based payment	-	-	-	-	13	13	-	13
As at 30 April 2020	**4,687**	**553**	**801**	**(106)**	**2,327**	**8,262**	**40**	**8,302**
At 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
As at 30 April 2019	**4,687**	**553**	**801**	**(132)**	**1,165**	**7,074**	**40**	**7,114**

The notes on pages 51 to 82 form part of these financial statements.

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 2020 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 2019

New standards impacting the Group that have been adopted in the Group annual financial statements for the year ended 30 April 2020, and which have given rise to changes in the Company's accounting policies are:

- IFRS 16 Leases issued January 2016 and effective for annual periods beginning on or after 1 January 2019 see note 23

No new standards that are not yet effective have been early adopted or are expected to have a material impact on the Group's profit or loss.

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 12 months following approval of these financial statements.

In August 2021, the Group secured a £2million financing facility from its bankers, HSBC, via the CBILS. This loan is for a term of 6 years, with the first year being interest, repayment and covenant free under the Business Interruption Payment scheme The covenant requires the Group to deliver a pre-debt service cashflow of 1.2 times the level of debt service commencing for the year end 30 April 2022. Along with existing cash of circa £1.25million as at 31 July 2020 and existing overdraft facility of £200,000 this loan financing provides the Group with a healthy cash plus overdraft position of circa £3.45 million which the Directors believe is more than adequate to continue trading. Other sources of financing were reviewed with HSBC such as extending the UK invoice discounting from 85% to 100% coverage, commencing invoice discounting within the US, as well as increasing the current overdraft facility from £200,000 to £400,000. The Group is currently operating ahead of expectations, with the first quarter coming in ahead of budget and a number of new wins secured, expected to provide further headroom, and therefore have been able to recommence on-hold development projects without the need to pursue these additional financing options further, however they remain available to the Group subject to the standard approval processes. The forecasts assumed a short-term reduction in trading due to the UK lockdown earlier in the year, along with remedial actions implemented to support the Group's cash position. Remedial actions undertaken relate to staff furlough, staff pay cuts, rent reductions, re-prioritisation of development expenditure, deferral of payments to HMRC and reduced overhead expenditure.

Further scenario testing and sensitivity analysis was completed to model various severe but possible COVID-19 scenarios, specifically additional lockdowns and prolonged periods of customer uncertainty. Directors have assessed that the most likely impact on the Group of these scenarios would be a reduction in revenue receipts. It was assessed that the Group could absorb the impact of approximately a prolonged 20% reduction in forecast receipts and associated materials cost outflows over the next 12 months to September 2021 without implementing any cost cutting measures. This percentage increases to up to 30% when the cost saving impact of previously utilised remedial actions are taken resulting in a 10-15% saving of cash outflows. Finally Directors modelled the impact of a second, more severe lockdown period, noting that the Group could sustain shorter periods of revenue and material cost reductions of up to 80%.

Owing to the Group's effectiveness in reacting to the first lockdown and in the, hopefully unlikely, event of a second national lockdown we are extremely confident that the Group would be able to respond quickly and effectively with remote working and detailed review of resourcing requirements. 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.

Basis of consolidation

The Group financial statements consolidate the results of the Company and all of its subsidiary undertakings drawn up to 30 April 2020. 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.

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 Physical Security Solutions 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 licence 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" licence). 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 licence 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, Software-as-a-Service (SaaS) contracts in the People and Data Management 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 Physical Security Solutions division, most service revenue is recognised at a point in time and is based on the Company fulfilling its performance obligations with work completed in any given month. For some smaller contracts a regular fee is charged for a period of service rather than per visit and is therefore recognised over time.

The Group also provides 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. Accrued income is recognised following a service visit that requires an application process to be adhered to under the main contract spanning 1-3 years. Once the application process is finalised an invoice is raised and the value is removed from accrued income.

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

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 (i.e. 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 CGU (i.e. 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 CGUs 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 R&D 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 main functional currency of the Group's operating entities.

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, accrued income, cash and cash equivalents. Trade and other receivables, excluding VAT 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 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 overheads in the consolidated statement of comprehensive income. On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision.

Financial liabilities

Financial liabilities are obligations to pay cash and are recognised when the Group becomes a party to the contractual provisions of the instrument. The Group's financial liabilities comprise trade payables, other payables, and 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.

Leases

IFRS 16 was adopted 1 May 2019 without restatement of comparative figures. For an explanation of the transitional requirements that were applied see note 23.

The following policies apply subsequent to the date of initial application, 1 May 2019. Lease liabilities are measured at the present value of the contractual payments due to the lessor over the lease term, with the discount rate determined by reference to the rate inherent in the lease unless (as is typically the case) this is not readily determinable, in which case the Group's incremental borrowing rate on commencement of the lease is used. Variable lease payments are only included in the measurement of the lease liability if they depend on an index or rate. In such cases, the initial measurement of the lease liability assumes the variable element will remain unchanged throughout the lease term. Other variable lease payments are expensed in the period to which they relate.

On initial recognition, the carrying value of the lease liability also includes:

- amounts expected to be payable under any residual value guarantee;
- the exercise price of any purchase option granted in favour of the Group if it is reasonably certain to assess that option;
- any penalties payable for terminating the lease, if the term of the lease has been estimated on the basis of termination option being exercised.

Right of use assets are initially measured at the amount of the lease liability, reduced for any lease incentives received, and increased for:

- lease payments made at or before commencement of the lease;
- initial direct costs incurred; and
- the amount of any provision recognised where the Group is contractually required to dismantle, remove or restore the leased asset (typically leasehold dilapidations)

Subsequent to initial measurement lease liabilities increase as a result of interest charged at a constant rate on the balance outstanding and are reduced for lease payments made. Right of use assets are amortised on a straight-line basis over the remaining term of the lease or over the remaining economic life of the asset if, rarely, this is judged to be shorter than the lease term. When the Group revises its estimate of the term of any lease (because, for example, it re-assesses the probability of a lessee extension or termination option being exercised), it adjusts the carrying amount of the lease liability to reflect the payments to make over the revised term, which are discounted using a revised discount rate. The carrying value of lease liabilities is similarly revised when the variable element of future lease payments dependent on a rate or index is revised, except the discount rate remains unchanged. In both cases an equivalent adjustment is made to the carrying value of the right of use asset, with the revised carrying amount being amortised over the remaining (revised) lease term. If the carrying amount of the right of use asset is adjusted to zero, any further reduction is recognised in profit or loss.

All leases are accounted for by recognising a right of use asset and a lease liability except for:

- Leases of low value assets; and
- Leases with a duration of 12 months or less.

Internally generated intangible assets (R&D 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 are 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.

Software development costs are written off over four years which is deemed to be an 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, trademarks and copyright

Costs associated with licences, patents, trademarks, copyrights etc. are capitalised as incurred and are amortised over the expected life of the asset of seven years or to another period if specified in the contract.

Taxation

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

R&D claims are made each year on the basis that the Group overcomes technological uncertainties. This work is carried out for the internal development of hardware and software in the Groups own products and services that it sells and also carries out this work on behalf of other companies. The internal development R&D claim results in a deduction that can be used to reduce tax payable or shown as a credit within current tax, at a reduced rate, as a cash tax credit. Where the Group performs the R&D on behalf of other companies a RDEC is claimed whereby a credit is received within administration costs as reducing the costs to serve.

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 unless the tax is adjusted regarding a previous period whereby the appropriate rate is used accordingly.

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;
- 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	**–**	**25-33 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 included within the overall cost of the right of use asset and 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. This is measured at the undiscounted salary costs of the future holiday entitlement and 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.

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.

Estimates

(a) Estimate - value in use of CGUs

The Group tests annually whether goodwill, intangible and tangible assets have suffered any impairment, in accordance with the accounting policy stated above. The recoverable amounts of CGUs have been determined based on value in use calculations. These calculations require the use of estimates as detailed in note 11.

(b) Estimate - value of recognised deferred tax relating to losses

The Group tests the recoverability of tax losses based on recent results combined with management's projections. Management reviews profitability over a period of five years and assesses the utilisation of tax losses prior to being in a position of tax paying. Management uses judgement to estimate the quantum of taxable losses that will be utilised and recognises a deferred tax asset as appropriate. See note 7.

Judgements

(a) Judgement - development costs

Development costs on internally developed products are capitalised if it can be demonstrated that the expenditure meets the criteria set out on page 57. 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 data and the relationship with the revenue recognition policy above.

	People and Data Management division		Physical Security Solutions division		Group	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Product sales (includes hardware and software)	12,635	10,126	2,054	3,670	14,689	13,796
Installation	96	291	641	1,141	737	1,432
Support, service and SaaS contracts						
Recurring revenue - point in time	-	-	2,500	3,585	2,500	3,585
Recurring revenue - over time	626	562	215	208	841	770
	13,357	**10,979**	**5,410**	**8,604**	**18,767**	**19,583**
Revenue recognised as follows						
Point in time	12,731	10,417	5,195	8,396	17,926	18,813
Over time	626	562	215	208	841	770
	13,357	**10,979**	**5,410**	**8,604**	**18,767**	**19,583**

Support, service and SaaS contracts have a recurring nature to the contracts whereby the customer has purchased products along with a contract usually spanning 12 – 36 months for maintenance and call-outs, warranty, technical support or for SaaS contracts – device, data and identity management services. The nature of certain contracts such as support, maintenance and SaaS are consumed over the course of the contract whereas the customer benefits from service and call-out obligations at the time of delivery.

Primary geographic markets

	2020 £'000	2019 £'000
UK	9,872	12,832
USA	6,224	4,515
Belgium	1,010	978
The Netherlands	690	469
Middle East	349	259
Sweden	5	117
Switzerland	55	108
Ireland	63	70
Other	499	235
	18,767	**19,583**

3. Profit from operations

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

	Note	2020 £'000	2019 £'000
Staff costs	4	6,979	7,931
Exceptional redundancy costs		167	352
Exceptional costs relating to Group rationalisation project		50	-
Exceptional impairment of an onerous right of use asset		82	-
Depreciation of property, plant, and equipment			
- owned assets	9	147	183
- Leased assets (2019: assets under finance leases)	9	471	122
Amortisation of intangibles assets	10	405	314
Foreign exchange differences		62	34
Operating lease expense			
- Plant and machinery		-	106
- Property		-	359
(Profit) on disposal of tangible non-current assets		(21)	(32)

Auditors remuneration:	2020 £'000	2019 £'000
Audit fees payable to the Company's auditor for the audit of:		
- Company annual accounts	15	19
- Group annual accounts	33	19
Other fees payable to the Company's auditors:		
- Audit of subsidiary companies	44	46
- Tax compliance	30	29
- Other services (shown above as Group rationalisation project)	50	43
	172	**156**

Exceptional costs

During the year exceptional costs of £299,000 (2019: £352,000) were incurred with £167,000 (2019: £352,000) from a continuation of streamlining and realignment of positions mainly in Safetell. Other exceptional costs of £132,000 (2019: nil) were incurred with £82,000 of asset impairment as Safetell vacated one of the division's leased properties. A further £50,000 incurred on a Group rationalisation project which commenced during the year with an objective of making the Group fit for purpose and efficient. The overarching objective is to reduce the number of companies from 17 to 4 unless management identifies a requirement to keep any of the companies that are currently dormant.

4. Staff costs

Staff costs (including the Executive Directors and excluding exceptional redundancy costs) comprise:	2020 £'000	2019 £'000
Wages and salaries	6,008	6,823
Share options expense	13	-
Defined contribution pension costs	353	388
Employer's National Insurance contributions and similar taxes	605	720
	6,979	**7,931**

The average numbers employed (including the Executive Directors) were:	2020 No.	2019 No.
Management, sales and administration	56	41
Production	59	87
	115	**128**

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

	2020 £'000	2019 £'000
Salaries*	1,243	939
Defined contribution pension costs	123	153
Employers National Insurance contributions and similar taxes	156	102
Share options expense	13	-
	1,535	**1,194**

The emoluments of the Directors of the Parent Company are set out in the Directors' remuneration report on page 39.

*Includes termination costs of £90,000.

5. Segment information

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

The Group has two main reportable segments:

- People and Data Management division (previously called the 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 71.2 per cent. (2019: 56.1 per cent.) of the Group's revenue.

- Physical Security Solutions division (previously called the 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 28.8 per cent. (2019: 43.9 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.

	People and Data Management division 2020 £'000	Physical Security Solutions division 2020 £'000	Total 2020 £'000
Revenue from external customers	**13,357**	**5,410**	**18,767**
Finance cost	50	24	74
Depreciation	324	280	604
Amortisation	405	-	405
Segment profit before income tax	**1,623**	**(12)**	**1,611**
Additions to non-current assets	999	132	1,131
Disposal of non-current assets	-	159	159
Reportable segment assets	10,250	2,961	13,211
Reportable segments liabilities	3,022	1,782	4,804

	People and Data Management division 2019 £'000	Physical Security Solutions division 2019 £'000	Total 2019 £'000
Revenue from external customers	**10,979**	**8,604**	**19,583**
Finance cost	50	10	60
Depreciation	87	194	281
Amortisation	314	-	314
Segment profit before income tax	**1,035**	**321**	**1,356**
Additions to non-current assets	454	310	764
Disposal of non-current assets	-	21	21
Reportable segment assets	9,216	3,113	12,329
Reportable segments liabilities	2,499	1,984	4,483

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

	2020 £'000	2019 £'000
Revenue		
Total revenue for reportable segments	18,767	19,583
Profit or loss before income tax expense		
Total profit or loss for reportable segments	1,611	1,356
Parent Company salaries and related costs	(755)	(596)
Other Parent Company costs	(625)	(540)
Profit before income tax expense	231	220
Corporation taxes	896	(25)
Profit after income tax expense	**1,127**	**195**
Assets		
Total assets for reportable segments	13,211	12,329
Parent company assets *	442	(183)
Group's assets	**13,653**	**12,146**
Liabilities		
Total liabilities for reportable segments	4,804	4,483
Parent company liabilities	547	549
Group's liabilities	**5,351**	**5,032**

*PLC bank overdraft is set off against other Group cash balances and has therefore been included within the asset line owing to an offsetting arrangement that is in place with HSBC.

There was one customer that accounted for more than 10% of Group revenue at £3.5 million (2019: no customer had greater than 10% of revenue).

Geographical information:

	Non-current assets by location of assets	
	2020 £'000	**2019** £'000
UK		
USA	6,456	5,243
	40	1
	6,496	**5,244**

	Reportable segment totals 2020 £'000	PLC 2020 £'000	Group totals 2020 £'000	Reportable segment totals 2019 £'000	PLC 2019 £'000	Group Totals 2019 £'000
Other material items						
Additions to non-current assets	1,131	43	**1,174**	764	7	**771**
Disposals non-current assets	159	66	**225**	21	-	**21**
Depreciation and amortisation	1,009	14	**1,023**	595	24	**619**

6. Finance costs

	2020 £'000	2019 £'000
Lease interest cost (2019: finance lease interest)	44	17
Invoice discounting	30	55
	74	**72**

7. Tax and deferred tax

	2020 £'000	2019 £'000
Current tax expense		
UK corporation tax on profit for the year	(176)	42
Overseas corporation tax	29	3
Adjustment to provision in prior periods	(436)	-
	(583)	**45**
Deferred tax expense		
Origination and reversal of temporary differences	137	(20)
Recognition of previously unrecognised deferred tax assets	(450)	-
	(313)	**(20)**
Total tax (credit)/charge	**(896)**	**25**

The reasons for the differences 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:

	2020 £'000	2019 £'000
Profit for the year	1,127	189
Income tax charge/(credit) for the year	(896)	25
Profit before income tax	**231**	**214**
Expected tax credit based on the standard rate of corporation tax in the UK of 19.0 per cent. (2019: 19.0 per cent)	44	41
R&D allowances	(176)	(82)
Effects on profits on items not taxable or deductible for tax purposes	23	(3)
Recognition of previously unrecognised deferred tax assets	(450)	-
Utilisation of unrecognised deferred tax	61	-
Temporary differences on deferred tax liabilities	35	25
Different tax rates applied in overseas jurisdictions	3	41
Adjustments for tax credit relating to previous periods	(436)	3
Total tax (credit)/charge	**(896)**	**25**

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

	2020 £'000	2019 £'000
Management expenses	185	199
Trading losses	4,678	5,178
	4,863	**5,377**

A deferred tax asset has not been recognised for the following	2020 £'000	2019 £'000
Management expenses	-	34
Trading losses	338	744
	338	**778**

Deferred tax

Deferred tax is calculated in full on temporary differences under the liability method using a tax rate of 19 per cent. (2019: 17 per cent.)

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

	Total	Accelerated capital allowances	Other temporary and deductible differences	Available losses
Asset/(liability)				
At 1 May 2019	16	213	(333)	136
Income statement (charge)/credit	313	(28)	(109)	450
At 30 April 2020	**329**	**185**	**(442)**	**586**
Asset/(liability)				
At 1 May 2018	(4)	189	(333)	140
Income statement (charge)/credit	20	24	-	(4)
At 30 April 2019	**16**	**213**	**(333)**	**136**

Deferred tax assets have been recognised in respect of available losses which are expected to be matched against future trading profits. Management reviews the estimate mid-year and assesses whether latest projections impact the level of recognised deferred tax. Management allows for a fluctuation in projections and applies a level of cautiousness to recognition so that it allows for profit fluctuations. A 10% fluctuation in future profitability could result in a change of £150,000 to the recognition of deferred tax.

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

8. Earnings per share (EPS)

	2020 £'000	2019 £'000
Numerator		
Profit used in basic and diluted EPS	1,127	189
Denominator		
Weighted average number of shares used in basic EPS	468,732,316	468,732,316
Weighted average number of dilutive share options	3,449,903	-
Weighted average number of shares used in diluted EPS	**472,182,219**	**468,732,316**

The total number of share options are disclosed in note 24. The weighted average number of dilutive share options relate to options, without any performance criteria, issued in the year with an exercise price being less than the average mid-market price.

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:

Earnings per share - basic and diluted	0.24	0.04
Exceptional costs	0.06	0.08
Earnings per share before exceptional items	**0.30**	**0.12**

Reconciliation of earnings

Profit for calculation of basic and diluted earnings per share	1,127	189
Exceptional costs	299	352
Profit before exceptional items	**1,426**	**541**

9. Property, plant and equipment

	Right of use land and buildings £'000	Right of use plant, machinery and motor vehicles £'000	Leasehold improvements £'000	Plant, machinery and motor vehicles £'000	Computer, fixtures and fittings £'000	Total £'000
Cost						
Balance at 1 May 2019	-	-	612	833	1,347	2,792
Adjustments on transition to IFRS16	973	654	-	(425)	-	1,202
Additions	-	138	74	-	76	288
Disposals	-	(96)	-	(126)	(3)	(225)
Net exchange differences	2	1	-	1	6	10
Balance at 30 April 2020	**975**	**697**	**686**	**283**	**1,426**	**4,067**
Depreciation						
Balance at 1 May 2019	-	-	(553)	(594)	(1,154)	(2,301)
Adjustments on transition to IFRS16	-	(189)	-	189	-	-
Impairment	(82)	-	-	-	-	(82)
Disposals	-	74	-	126	3	203
Net exchange differences	(2)	-	-	(1)	(4)	(7)
Depreciation	(272)	(199)	(14)	(1)	(132)	(618)
Balance at 30 April 2020	**(356)**	**(314)**	**(567)**	**(281)**	**(1,287)**	**(2,805)**
Net book value						
30 April 2020	**619**	**383**	**119**	**2**	**139**	**1,262**
Cost						
Balance at 1 May 2018	-	-	559	840	1,440	2,839
Additions	-	-	53	292	92	437
Disposals	-	-	-	(301)	(185)	(486)
Net exchange differences	-	-	-	2	-	2
Balance at 30 April 2019	**-**	**-**	**612**	**833**	**1,347**	**2,792**
Depreciation						
Balance at 1 May 2018	-	-	(538)	(736)	(1,187)	(2,461)
Disposals	-	-	-	280	185	465
Net exchange differences	-	-	-	(1)	-	(1)
Depreciation	-	-	(15)	(137)	(152)	(304)
Balance at 30 April 2019	**-**	**-**	**(553)**	**(594)**	**(1,154)**	**(2,301)**
Net book value						
30 April 2019	**-**	**-**	**59**	**239**	**193**	**491**

For 2019 the net book value of plant, machinery and motor vehicles for the Group includes an amount of £236,000 in respect of assets held under leases and hire purchase contracts. The related depreciation charge on these assets for the year was £122,000.

10. Intangible assets

		Goodwill £'000	Development costs £'000	Licences, patents and copyrights £'000	Other £'000	Total £'000
Gross carrying amount						
Balance at 1 May 2019		6,872	7,808	44	-	14,724
Additions - internally developed		-	497	-	-	497
Additions - external costs		-	376	4	9	389
Balance at 30 April 2020		**6,872**	**8,681**	**48**	**9**	**15,610**
Amortisation and impairment						
Balance at 1 May 2019		(4,137)	(5,823)	(11)	-	(9,971)
Amortisation		-	(399)	(6)	-	(405)
Balance at 30 April 2020	*	**(4,137)**	**(6,222)**	**(17)**	**-**	**(10,376)**
Carrying amount 30 April 2020		**2,735**	**2,459**	**31**	**9**	**5,234**
Gross carrying amount						
Balance at 1 May 2018		6,872	7,475	44	-	14,391
Additions - internally developed		-	291	-	-	291
Additions - external costs		-	42	-	-	42
Balance at 30 April 2019		**6,872**	**7,808**	**44**	**-**	**14,724**
Amortisation and impairment						
Balance at 1 May 2018		(4,137)	(5,514)	(6)	-	(9,657)
Amortisation		-	(309)	(5)	-	(314)
Balance at 30 April 2019	*	**(4,137)**	**(5,823)**	**(11)**	**-**	**(9,971)**
Carrying amount 30 April 2019		**2,735**	**1,985**	**33**	**-**	**4,753**

*Balance includes impairment provisions for goodwill of £4,137,000 and Development costs of £3,578,000 totalling £7,715,000.

The Group has no contractual commitments for development costs (2019: £Nil).

11. Goodwill and impairment

The carrying amount of goodwill is allocated to the CGUs as follows:

	2020 £'000	2019 £'000
People and Data Management division	2,735	2,735
	2,735	**2,735**

The recoverable amounts have been determined from value in use calculations based on cash flow projections from formally approved projections covering a five year period to 30 April 2025. The value in use exceeded the carrying value by £7.5 million. The discount rate that was applied was 15 per cent. for the People and Data Management division (2019: 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 People and Data Management division for the first period within the formal five year period (the "budget") is a reduction of 30% related to the impact of COVID-19 (2019: growth of 8 per cent.). The projected cash flows for the remaining four budgeted years have a compound annual growth rate of 12 per cent. (2019: 7 per cent.). The compound annual revenue growth rate for the year ended April 2020 to the year ended April 2025 is growing at a 4% rate. The growth rate reflects the impact of customer expansion supported by existing products and products nearing completion of development. The gross margin assumed in the forecasts is 34% to 40% (2019: 38%) 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. In order for the carrying value to equate to the value in use the discount rate would need to increase by 27%.

12. 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 (*)	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	86.70%	Non-trading
ATM Protection Limited	(2e)	Great Britain	86.70%	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 offices for Group companies are as follows:

For all the companies incorporated in Great Britain and The Netherlands the registered office 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.

13. Inventories

	2020 £'000	2019 £'000
Raw materials and consumables	1,425	1,357
Work in progress	132	84
Finished goods and goods for resale	1,337	1,447
Less provision for slow moving and obsolete stock	(350)	(289)
	2,544	**2,599**

	2020 £'000	2019 £'000
Opening provision	(289)	(303)
Stock written off	40	23
Provided for in year	(101)	(9)
Closing provision	**(350)**	**(289)**

The amount of inventories consumed in the year was £7,658,000 (2019: £7,506,000).

14. Trade and other receivables

	2020 £'000	2019 £'000
Trade receivables	2,296	2,439
Less provision for impairment	(54)	(16)
Trade receivables (net)	2,242	2,423
Other receivables	223	389
Accrued income	150	61
Prepayments	362	373
Corporation tax recoverable	687	-
	3,664	**3,246**

At 30 April 2020 £896,000, (2019 £2,138,000) of trade receivables had been sold to a provider of invoice discounting services. The Group is committed to secure 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 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 expected loss rates for the Physical Security Solutions 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 People and Data Management 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 normally not expected to change significantly in the geographic areas in which those customers are based. In consideration of the potential COVID-19 impact a detailed review of exposures was undertaken which resulted in an increase the loss provision and expected loss ratio based on the risk associated with our sole traders or small business customers. This reflects the risk that some may fall into administration although this is somewhat mitigated by various government initiatives to support the economy through this period.

At 30 April 2020 trade receivables of £300,000 (2019: £537,000) 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
As at 30 April 2020					
Gross carrying amount	1,975	220	63	38	2,296
Loss provision	(33)	(2)	(2)	(17)	(54)
Expected loss ratio	**(1.7%)**	**(0.9%)**	**(3.2%)**	**(44.7%)**	**(2.4%)**
As at 30 April 2019					
Gross carrying amount	1,886	313	224	16	2,439
Loss provision	-	-	-	(16)	(16)
Expected loss ratio	**0.0%**	**0.0%**	**0.0%**	**(100.0%)**	**(0.7%)**

Certain contracts require an applications process to be followed whereby the services are carried out, validated with the customer and then invoiced. These amounts are recorded as accrued income collected in the year, without impairment, prior to validation and following the service. These total £150,000 (2019: 61,000) and are not included in the above table.

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

	2020 £'000	2019 £'000
Opening balance	16	44
Increase in provisions	38	42
Receivables written off during the year	-	(70)
Closing balance	**54**	**16**

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

15. Trade and other payables

	2020 £'000	2019 £'000
Trade payables	1,316	1,565
Other tax and social security	579	528
Other payables	167	88
Deferred income	480	614
Accruals	604	1,116
Holiday pay provision	70	76
Corporation tax payable	30	-
	3,246	**3,987**

All deferred income brought forward has been fully recognised in the current and prior year.

Reconciliation of exceptional items included within trade and other payables:

	2020 £'000	2019 £'000
Brought forward	(239)	-
Charge in the year	(299)	(352)
Paid	362	113
Non cash impairment of right of use property	82	-
Carried forward	**(94)**	**(239)**

16. Short-term borrowings

	2020 £'000	2019 £'000
Lease creditor (2019: finance lease creditor) (note 23)	446	103
Invoice discount account	905	693
	1,351	796

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 19.

17. Long-term borrowings

	2020 £'000	2019 £'000
Lease creditor (2019: finance lease creditor) (note 23)	654	149
	654	149

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

18. 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 Strategic Report on page 23.

Financial instruments

Categories of financial assets and liabilities are detailed below:

	Amortised cost	
	2020	**2019**
	£'000	£'000
Current financial assets		
Trade and other receivables*	2,416	2,812
Cash and cash equivalents	620	1,041
Total current financial assets	**3,036**	**3,853**

*Includes accrued income and excludes VAT receivable.

	Financial liabilities measured at amortised cost	
	2020	**2019**
	£'000	£'000
Current financial liabilities		
Trade and other payables	1,483	1,653
Accruals	604	1,116
Loans and borrowings	1,351	796
Total current financial liabilities	**3,438**	**3,565**
Non-current financial liabilities		
Loans and borrowings	654	149
Total non-current financial liabilities	**654**	**149**
Total financial liabilities	**4,092**	**3,714**

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, apart from as mentioned within the expected credit loss review in note 14, its objectives, policies and processes for managing those risks or the methods used to measure them from previous periods unless otherwise stated in this note.

Principal financial instruments

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

- Trade receivables, other receivables excluding VAT and accrued income
- Cash and cash equivalents including overdrafts
- 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 UK subsidiaries. Both Grosvenor Technology Limited and Safetell Limited have invoice discounting facilities. The Group Finance Director receives daily reports of all bank and invoice discount accounts, and the balance of the available invoice discount facility.

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:

	2020	**2019**
	£'000	£'000
Up to 3 months	3,111	2,374
3 to 6 months	119	28
6 to 12 months	239	47
Later than 1 year and not later than 5 years	684	149
	4,153	**2,598**

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.

In line with Group policy potential new customers are subject to a financial review, including where possible, external credit ratings, before goods or services are supplied. This is used to set credit terms and purchase limits (representing the maximum open amounts they can order without requiring approval) 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. A review of the existing credit loss exposure can be found in note 14.

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:

	US Dollar		Euro	
	2020	**2019**	**2020**	**2019**
	£'000	£'000	£'000	£'000
Net foreign currency financial assets/(liabilities)	283	343	(226)	(438)
Pound Sterling	**283**	**343**	**(226)**	**(438)**

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 £52,000 (2019: £9,000). A 10 per cent. weakening in the exchange rates would, on the same basis, have increased pre-tax profit and increased net assets by £63,000 (2019: £11,000).

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 were as follows:

	2020 £'000	2019 £'000
Loans and borrowings [1]	2,005	945
Less cash and cash equivalents	(620)	(1,041)
Net borrowings	**1,385**	**(96)**
Total equity	**8,302**	**7,114**
Net borrowings to adjusted capital ratio	16.7%	(1.3%)
[1] Loans and borrowings excluding lease liability	905	
	(620)	
	285	
Adjusted net borrowings to adjusted capital ratio	3.4%	

On 1 May 2019 the lease liability was recognised relating to the implementation of IFRS 16. Therefore, for the current year both ratios are shown including and excluding the lease liability. The ratio for 2019 includes the finance lease liability.

19. 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 2020	Period 2020 Years	Rate 2019	Period 2019 Years
Sterling	**5.45%**	**1.93**	**5.90%**	**2.2**

Fair values

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

	Book value 2020 £'000	Fair value 2020 £'000	Book value 2019 £'000	Fair value 2019 £'000
Lease liabilities (2019: finance lease liabilities)	1,100	1,160	252	267
	1,100	**1,160**	**252**	**267**

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 2020 and 2019 are equal to their book value.

20. Provisions

	Leasehold dilapidations £'000
As at 1 May 2019 and 30 April 2020	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.

21. Share capital

	2020 Number	2020 £	2019 Number	2019 £
Ordinary shares of 1p each				
Allotted, called up and fully paid				
At 30 April	**468,732,316**	**4,687,323**	**468,732,316**	**4,687,323**
Authorised				
At 30 April	**1,015,164,192**	**10,151,642**	**1,015,164,192**	**10,151,642**

22. 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.

23. Leases

The Group's liabilities relating to leased assets are as follows:

	2020
Existing liability described as finance leases	(252)
Recognised under transition rules IFRS 16 Leases	(1,180)
1 May 2019 restated	(1,432)
Additions	(143)
Interest payments	44
Interest expense	(44)
Lease payments	475
Closing balance	**(1,100)**

The Group mainly enters into leases for properties, vehicles and office equipment such as photocopiers. In the assessment of the right of use asset valuation management considers available extension and termination options and applies the most likely contract end date that will be utilised.

The lease liability repayment profile is shown below:

	Total £'000	Within 1 year £'000	1-2 years £'000	2-3 years £'000	3-4 years £'000	4-5 years £'000
Lease payments	1,160	478	382	230	64	6
Finance charges	60	32	19	8	1	-
Net present values	**1,100**	**446**	**363**	**222**	**63**	**6**

The nature of the right of use assets contracts are described below:

	No of right of use assets leased	Range of remaining term (years)	Average remaining lease term	No of leases with extension option	No of leases with option to purchase	No of leases with variable payments linked to index	No of leases with termination option
Office building	5	2-3	2-4 years	-	-	-	-
Vehicles	22	0 to 5	1-2 years	-	11	-	-
Other equipment	4	1-4	2-3 years	-	-	-	-

See note 9 for further disclosures of the Group's right of use assets. There are no significant short-term or variable lease expense payments. Extension options have not been utilised when determining the lease liability with the lease term being considered to the earliest of a break clause or the end of the contract.

On implementation of IFRS 16 Leases the modified retrospective approach was adopted, where leases were measured from lease commencement using the discount rate applicable at the date of transition on 1 May 2019. Practical expedients were taken for short-term leases that had less than one year remaining and low value leases. The Group recognised the following adjustments through reserves. The weighted average discount rate was 3.2%.

	Property, plant and equipment	Lease liabilities	Reserves
As at 30 April 2019	491	(252)	1,165
Right of use asset recognised	1,202	(1,180)	22
As at 1 May 2019	**1,693**	**(1,432)**	**1,187**

	Total £'000
Minimum operating lease commitment at 30 April 2019	1,382
Short term lease not included in IFRS 16 transition	(30)
Less effect of discounting using the incremental borrowing rate as at 1 May 2019	(172)
Lease liability for leases classified as operating under IAS 17	1,180
Leases previously classified as finance under IAS 17	252
	1,432

24. Share-based payments

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 three 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	2020 Subscription price payable (pence)	2020 No. of options	Subscription price (pence)	Movement	2019 Subscription price payable (pence)	2019 No. of options
1	August 2013	1.800	12,363,636		-	1.375	12,363,636
2	November 2013	-	-	1.450	(6,000,000)	1.450	6,000,000
1	August 2014	1.800	1,909,589		-	1.825	1,909,589
1	September 2015	1.800	1,142,857		-	3.325	1,142,857
2	May 2016	2.920	2,000,000	2.920	(1,000,000)	2.920	3,000,000
3	October 2019	1.800	7,312,500	1.800	7,312,500	-	-
3	October 2019	1.000	5,939,692	1.000	5,939,692	-	-
3	October 2019	1.700	5,900,000	1.700	5,900,000	-	-
	Weighted average share prices	**1.72**	**36,568,274**	**1.44**	**12,152,192**	**1.71**	**24,416,082**

1 Share options modified in October 2019 by cancelling and issuing new options retaining the same traits as the cancelled share options with an updated subscription price at a weighted average impact of 0.22p
2 Change reflects cancelled share options for scheme leavers at a weighted average share price of 1.66p
3 New share options issued at a weighted average share price of 1.52p

The remaining weighted average contractual lives for both approved and unapproved options under this scheme were 6.3 years (2019: 4.3 years). The total number of exercisable share options outstanding at 30 April 2020 was 17,847,630 (2019: 21,416,082). The share-based remuneration expense for equity settled schemes was £13,000 (2019: £Nil).

25. Related party transactions

Details of Directors' remuneration are given in the Directors' Remuneration report on page 39.

26. Subsequent events

Following a detailed review of the potential impact of COVID-19 on the business Newmark Security PLC entered into a Coronavirus Business Interruption Loan Agreement with HSBC for a loan facility of £2,000,000 at a fixed rate of 4.69% for a period of six years with the first year being interest free under the Business Interruption Payment Scheme.

Company Statement of Financial Position

At 30 April 2020 Financial Statements
Company number: 3339998

	Note	2020 £'000	2020 £'000	2019 £'000	2019 £'000
Fixed assets					
Investment in subsidiaries	3		16,619		16,619
Tangible assets	4		34		14
Intangible assets	4		9		-
Deferred tax asset			35		-
			16,697		16,633
Current assets					
Debtors	5	3,402		2,546	
Creditors: amounts falling due within one year	**6**	**(13,795)**		**(12,960)**	
Net current liabilities			(10,393)		(10,414)
Total assets less current liabilities			**6,304**		**6,219**
Amounts falling due after one year					
Long term borrowings	7		(22)		(33)
Net assets			**6,282**		**6,186**
Capital and reserves					
Called up share capital	8		4,687		4,687
Share premium account	8		553		553
Merger reserve	8		801		801
Profit and loss account			241		145
Shareholder's funds			**6,282**		**6,186**

The Company's profit for the current year was £83,000 (2019: profit £45,000).

The notes on pages 85 to 89 form part of these financial statements.

These financial statements were approved by the Board of Directors and authorised for issue on 8 September 2020.

G Feltham
Director
8 September 2020

Company Statement of Changes in Equity

	Share capital £'000	Share premium £'000	Merger reserve £'000	Retained earnings £'000	Total equity £'000
1 May 2018	4,687	553	801	100	6,141
Comprehensive income for the year					
Income and total comprehensive income for the year	-	-	-	45	45
30 April 2019	**4,687**	**553**	**801**	**145**	**6,186**
1 May 2019	4,687	553	801	145	6,186
Comprehensive income for the year					
Income and total comprehensive income for the year	-	-	-	83	83
Comprehensive income	**4,687**	**553**	**801**	**228**	**6,269**
Transaction with owners					
Share-based payments	-	-	-	13	13
30 April 2020	**4,687**	**553**	**801**	**241**	**6,282**

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"). All policies are the same for the Group and Company except as noted.

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 2020 is £83,000 (2019: £45,000).

Tangible and intangible assets

Items of property, plant and equipment and intangible website costs 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	– over the term of the lease, usually three years on a straight-line basis.
Website costs are amortised	– 33 per cent. per annum straight line

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, 12 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.

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

Where indicators of an impairment exist the carrying value is compared to the recoverable amount to identify the extent of the impairment.

The recoverable amounts are determined based on value in use calculations. These calculations require the use of estimates as detailed in note 3 of the Company 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

Staff costs (including the Executive Directors) comprise:	2020 £'000	2019 £'000
Wages and salaries	502	480
Defined contribution pension costs	30	25
Employer's National Insurance contributions and similar taxes	66	63
	598	**568**

The average numbers employed (including the Executive Directors) were:	2020 No.	2019 No.
Office and management	3	3
	3	**3**

3. Investments in subsidiaries

	2020 £'000
Cost	
At 1 May 2019 and 30 April 2020	21,869
Impairment provision	
At 1 May 2019 and 30 April 2020	5,250
Net book value	
At 30 April 2020 and 2019	16,619

The subsidiaries of Newmark Security PLC are listed in note 12 of the Group financial statements.

Impairment reviews were completed for operating CGUs of People and Data Management division and the Physical Security Solutions division. The recoverable amounts have been determined from value in use calculations based on cash flow projections from formally approved projections covering a five year period to 30 April 2025. The discount rate that was applied was 15 per cent. (2019: 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.

For People and Data Management division the value in use exceeded the carrying value by £7.0 million. The annual revenue growth rate for cash flows from operating activities for the first period within the formal five year period (the “budget”) is a reduction of 30% related to the impact of COVID-19 (2019: growth of 8 per cent.). The projected cash flows for the remaining four budgeted years are based on an extrapolation of the budgeted cash flows at a growth rate of 12 per cent. (2019: 7 per cent.). The compound annual revenue growth rate for the year ended April 2020 to the year ended April 2025 is growing at a 4% rate. The gross margin assumed in the forecasts is 34% to 40% (2019: 39%).

For the Physical Security Solutions division the value in use exceeded the carrying value by £1.5 million. The annual revenue growth rate for cash flows from operating activities for the first period within the formal five year period (the “budget”) is a reduction of 6% related to the impact of COVID-19 (2019: growth of 8 per cent.). The projected cash flows for the remaining four budgeted years are based on an extrapolation of the budgeted cash flows at a compound annual growth rate of 13 per cent. (2019: 7 per cent.). The compound annual revenue growth rate for the year ended April 2020 to the year ended April 2025 is growing at a 11% rate. The gross margin assumed in the forecasts is 43% to 45% (2019: 40%)

The growth rate reflects the impact of customer expansion supported by existing products and products nearing completion of development. The gross margin improvement is 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 18 per cent., there is no impairment. In order for the carrying value to equate to the value in use the discount rate would need to increase by 3.5% for the Physical Security Solutions division and 11.75% for the People and Data division.

4. Tangible and intangible assets

	Right of use motor vehicles £'000	Computers fixtures and fittings £'000	Total tangible assets £'000	Intangible website costs £'000
Cost				
Balance at 1 May 2019*	66	11	77	-
Additions	34	-	34	9
Disposals	(66)	-	(66)	-
Balance at 30 April 2020	**34**	**11**	**45**	**9**
Depreciation		`		
Balance at 1 May 2019	(60)	(3)	(63)	-
Disposals	66	-	66	-
Depreciation	(10)	(4)	(14)	-
Balance at 30 April 2020	**(4)**	**(7)**	**(11)**	**-**
Net book value 30 April 2020	**30**	**4**	**34**	**9**
Cost				
Balance at 1 May 2018	66	7	73	-
Additions	-	8	8	-
Disposals	-	(4)	(4)	-
Balance at 30 April 2019	**66**	**11**	**77**	**-**
Depreciation				
Balance at 1 May 2018	(38)	(5)	(43)	-
Disposals	-	4	4	-
Depreciation	(22)	(2)	(24)	-
Balance at 30 April 2019	**(60)**	**(3)**	**(63)**	**-**
Net book value 30 April 2019	**6**	**8**	**14**	**-**

*The opening balances have been recategorised following IFRS 16 implementation.

5. Debtors

	2020 £'000	2019 £'000
Amount due from Group undertakings	3,386	2,535
Prepayments	16	11
	3,402	**2,546**

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

6. Creditors: amounts falling due within one year

	2020 £'000	2019 £'000
Bank overdraft*	1,455	208
Amount due to Group undertakings	11,814	12,236
Other taxation and social security	210	239
Other payables	-	12
Lease creditor (2019: finance lease creditor)	8	8
Accruals	308	257
	13,795	**12,960**

*The overdraft relates to a Group composite overdraft facility, which is in a net cash positive position at the year end and there is a legal right and intention to settle this net.

7. Long-term borrowings

	2020 £'000	2019 £'000
Lease creditor (2019: finance lease creditor)	22	33
	22	**33**

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

The lease transition disclosures are made within note 23 of the Group.

8. Share capital

	2020		2019	
	Number	**£**	**Number**	**£**
Ordinary shares of 1p each				
Allotted, called up and fully paid				
At 30 April	**468,732,316**	**4,687,323**	**468,732,316**	**4,687,323**
Authorised				
At 30 April	**1,015,164,192**	**10,151,642**	**1,015,164,192**	**10,151,642**

A description of reserves is included in note 22 of the Group notes.

Newmark
SECURITY PLC

Shareholder information

Report and Financial Statements

Year ended 30 April 2020

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

If you are in any doubt as to any aspect of the proposals referred to in this document or as to the action you should take, you should seek your own advice from a stockbroker, solicitor, accountant, or other professional adviser. If you have sold or otherwise transferred all of your shares, please pass this document together with the accompanying documents to the purchaser or transferee, or to the person who arranged the sale or transfer so they can pass these documents to the person who now holds the shares.

Newmark Security PLC

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

Notice of Annual General Meeting

The Directors have made the difficult decision to restrict access to the AGM in accordance with the Company's articles of association. The access restriction applies to all shareholders, not including Directors. The decision has been made in light of the COVID-19 pandemic and in the interests of the safety and wellbeing to both the Directors and Shareholders. The Annual General Meeting will be held on 13 October 2020 at 11.00 a.m. at 91 Wimpole Street, London, W1G 0EF. The AGM will comprise only the formal votes for each resolution set out in this notice. Shareholders are strongly encouraged to vote via completion of a Form of Proxy, and to appoint the chairman of the meeting as proxy to ensure votes are counted. Any Shareholders who have any questions related to the business of the AGM should submit these to investorrelations@newmarksecurity.com and the Directors will ensure that a response is provided either individually or via the Company's website.

Notice is hereby given that the Annual General Meeting of the above-mentioned company ("the Company") will be held on 13 October 2020 at 11.00 a.m. You will be asked to consider and pass the resolutions below. Resolution 7 will be proposed as special resolution. 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 2020 together with the reports of the Directors and auditors thereon.

2. Rotation and retirement of Director

To re-elect Maurice Dwek as a Director of the Company, who is retiring by rotation in accordance with the Articles of Association of the Company.

3. Rotation and retirement of Director

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

4. Appointment of auditors

To re-appoint BDO LLP of 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 2020.

Special business

Ordinary resolution

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.

Special resolution

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

Graham Feltham, Company Secretary
Newmark Security PLC
91 Wimpole Street London W1G 0EF
Registered in England and Wales No. 3339998
8 September 2020

Notice of meeting notes:

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

1. To be entitled to 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 9 October 2020. Changes to the Register of Members after the relevant deadline shall be disregarded in determining the rights of any person to vote at the Meeting. Owing to the AGM being "closed" then all voting must be made in accordance with the instructions in note 6.

2. Shareholders, or their proxies, intending to ask questions must send these questions and evidence of shareholding to investorrelations@newmarksecurity.com at least 20 minutes prior to the commencement of the Meeting at 11 am (UK time) on 13 October 2020 so that their shareholding may be checked against the Company's Register of Members and questions recorded.

3. Shareholders are entitled to appoint another person as a proxy to exercise all or part of their rights to 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. Owing to the AGM being "closed" then all voting must be made in accordance with the instructions in note 6.

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 if calling from the United Kingdom, or +44 (0) 371 664 0391 if calling from outside of the United Kingdom, or email Link at enquiries@linkgroup.co.uk. Calls will be charged at local rate. Calls outside the United Kingdom will be charged at the applicable international rate. The lines are open between 9.00 a.m. – 5.30 p.m., 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.

7. In each case the appointment of a proxy must be received by Link Asset Services at 34 Beckenham Road, Beckenham, Kent BR3 4TU by 11.00 am on 9 October 2020.

8. 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.

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 11.00 am on 9 October 2020. 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 15 September 2020 (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 15 September 2020 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 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. Any shareholder intending to ask questions must send these questions and evidence of shareholding to investorrelations@newmarksecurity.com at least 20 minutes prior to the commencement of the Meeting at 11 am (UK time) on 13 October 2020.

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 upon email request from to investorrelations@newmarksecurity.com at least 20 minutes prior to the commencement of the Meeting at 11.00 am (UK time) on 13 October 2020:

    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.

Directors, Secretary and Advisers

Country of incorporation of Parent Company	England and Wales
Legal form	Public Limited Company
Directors	M Dwek M-C Dwek G Feltham M Rapoport R Waddington T Yap
Secretary and registered office	G Feltham 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

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