Newmark
SECURITY PLC

# Report & Financial Statements

YEAR ENDED
30 APRIL **2023**

*Our mission is* ***to protect human capital in safe spaces by creating trusted ecosystems in the workplace using best-in-class security products enabled by SaaS-based cloud control and enterprise-class services.***

*With our 2025 strategy firmly in focus, we continue to take bold steps to achieving our goals, demonstrating resilience to global impacts, a long-term sustainable business model and a strong will to win.*

*Marie-Claire Dwek, CEO*

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# ABOUT NEWMARK SECURITY

*Newmark helps organisations to protect human capital in safe spaces, with secure cloud control of their people's access, time keeping and identity data at work.*

**Safe. Seamless. Secure.**

**Newmark Security PLC (AIM:NWT) delivers long-term shareholder value through the provision of products and services in the security and enterprise data sectors. From its locations in the UK and North America, Newmark operates through subsidiary businesses that are well-positioned in specialist, high-growth markets with a reputation for innovation and quality leadership established through 25-years of engineering excellence.**

**Grosvenor Technology** serves the Access Control and Human Capital Management markets globally, providing cloud-controlled solutions that combine hardware, software and services to collect and secure people's access, time keeping and identity data at work. These solutions help companies maintain privacy, ensure compliance and reduce operating costs, and are increasingly provisioned as-a-service through recurring subscriptions.

**Safetell** provides physical security installations and services to numerous end-users across the public and private sectors, with a broad product portfolio ranging from Entrance Control and Automatic Doors to a wide array of Building and Asset Protections solutions. Safetell works collaboratively with clients to design complete security solutions which builds long-standing relationships, high degrees of customer retention and significant proportions of repeat business.

As a leading provider of electronic and physical security systems, Newmark's products and services have become the industry standard in people and data security in the workplace. Our solutions help organisations to ensure people feel *safe* in their environment, can *seamlessly* access workspaces to be productive, and have the essential reassurance that their identity data is kept *securely*, in compliance with the most stringent data protection measures.

Newmark benefits from long-term relationships with many blue-chip customers and incremental partnerships with influential software vendors, particularly in North America. By continuously investing in innovative technology for high-growth security markets that focus on protecting human capital, the Newmark strategy is generating an increasing proportion of its revenues from recurring services, building a business that has long-term stability and sustainability at its core.

# AT A GLANCE

Year ended 30 April 2023

Revenue

£20.3m

+6% (2022: £19.1m)

People & Data Management
*Division*

£15.6m

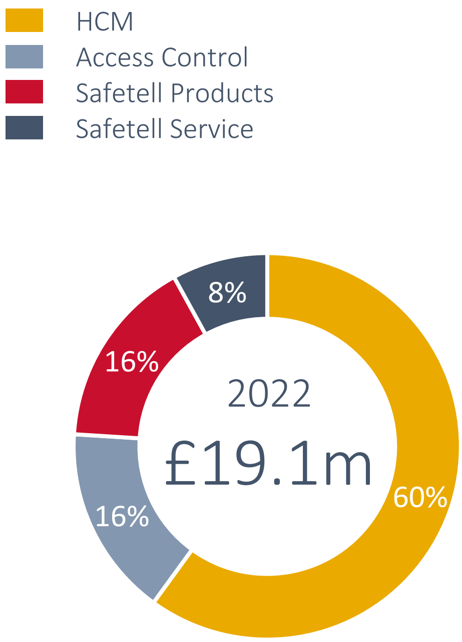
+7% (2022: £14.6m)

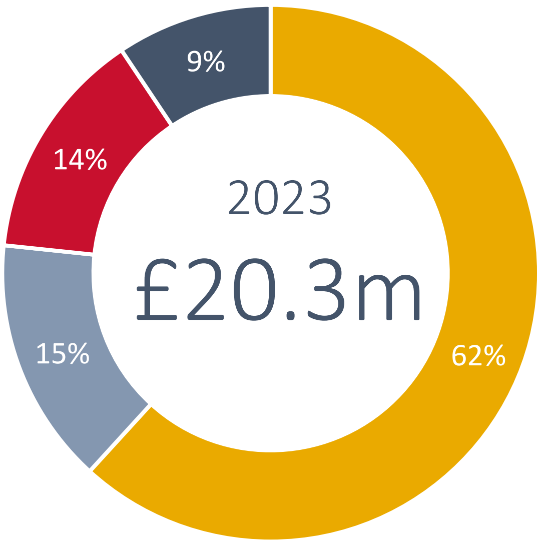
Physical Security Solutions
*Division*

£4.7m

+3% (2022: £4.6m)

## Revenue split by division and line of business




Employees

99

-4% (2022: 103)

Locations

5

(2022: 5)

# HIGHLIGHTS

Year ended 30 April 2023

| Revenue | Gross profit margin | EBITDA |
|---|---|---|
| £20.3m | 37.6% | £1.5m |
| +6.1% (2022: £19.1m) | +4.1% pts (2022: 33.5%) | +4,900% (2022: £0.03m) |
| Operating profit/(loss) *before exceptional items* | Profit/(loss) after tax | Earnings/loss) per share |
| £0.3m | £0.4m | 3.8p |
| (2022: Loss £1.1m) | (2022: Loss £0.8m) | (2022: Loss 0.3 pence) |
| Cash generated from operations *before exceptional items* | Investment in development | Net assets |
| £1.7m | £0.5m | £7.9m |
| (2022: -£1.4m) | (2022: £0.8m) | (2022: £7.6m) |
| People & Data Management *Division Revenue* | HCM *Revenue* | Access Control Revenue *Revenue* |
| £15.6m | £12.6m | £3.0m |
| +7% (2022: £14.6m) | +10% (2022: £11.4m) | -3% (2022: £3.1m) |
| Annual Recurring Revenue *from HCM SaaS and ClaaS* | Access Control – Janus C4 Revenue | |
| £2.1m | £1.7m | |
| +133% (2022: £0.9m) | +108% (2022: £0.8m) | |
| Physical Security Solutions *Division Revenue* | Products *Revenue* | Service *Revenue* |
| £4.7m | £2.8m | £1.9m |
| +3% (2022: £4.6m) | -9% (2022: £3.1m) | +31% (2022: £1.5m) |

# Strategic Report

# CHAIRMAN'S STATEMENT

## Overview

As we see a slow but steady recovery in the macro environment, I am absolutely delighted to report another year of strong performance, made possible by the resolute commitment and focus of our talented Newmark teams, as they continue to execute our 2025 Growth Strategy. As a result, during the year we made substantial progress in our mission to grow recurring revenues and services, enabled by key technology investments, achieving an overall increase in revenues and returning the business to full-year profitability. This careful balancing act is not to be under-estimated and is a testament to the leadership team's skill and efforts across the business.

Most notably, our focus on software has been a key evolutionary step in our strategy, enabling the business to target a large and growing market in people and data security, and is the result of several years of product and service innovation that now gives us a valuable strategic advantage in our journey ahead.

Once again, our proactive approach has demonstrated our ability to manage the business for the long-term, building credibility with new clients and strengthening existing relationships through services that set us apart in how we are able to comprehensively meet their needs. Our ability to provide technical solutions that include both hardware, software and services without requiring us to physically attend a site is a huge advantage and will continue to be an important factor as we scale.

With high confidence in our solutions and a client-focused strategy, we are driving our business forward with disciplined execution. We will remain agile and continue to prioritise our investments to create sustainable growth, converting the many opportunities we have already identified, expanding our network of partners, and embedding our range of solutions as subscriptions that we can jointly promote.

This has been a very impressive year, demonstrating the market-fit of our solutions and the relevance of our recurring business model. Strengthened by the increasing traction we are achieving in software-based services, we have once again positioned ourselves ideally for another tremendous opportunity to convert this effort into incremental revenue growth across North America, the UK, Europe and the Rest of World markets.

## Board and governance

The Board and its Committees continue to maintain a robust governance framework, led by our Chief Financial Officer, Paul Campbell-White, supported by an experienced leadership team 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 28 to 33.

## 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. We remain in a stable position as the slow but steady global post-pandemic recovery continues, although cash remains a key focus. Once again, we have taken steps to mitigate the supply chain challenges we face by retaining some additional inventory and further innovating to help mitigate the global shortage of components we need to build our products.

During the year the Group increased its UK invoice financing facility by £0.5 million to £2.3 million. This, together with an overdraft facility of £0.2 million has helped finance the Group's working capital needs in the year to 30 April 2023 (FY23). In July 2023 the overdraft facility was increased to £0.4 million to provide additional working capital headroom as the Group delivers its strategic growth plan.

The Group's next covenant to be tested for the £2 million HSBC CBILs facility will be for the year ended 30 April 2024 (FY24) and requires the Group to deliver a pre-debt service cashflow of 1.2 times the level of debt service. The latest forecast of the Group results in exceeding the debt service covenant test by 48% and will be tested again when a revised forecast is completed in October.

The Group is currently trading ahead of this forecast and continues to generate operating cashflows in FY24.

We are optimistic that our growth will continue in the next 12 months, supported by the investments we have made in FY23. A full analysis of the Group's going concern assessment is included in the Directors' Report on page 34. Accordingly, the directors consider it appropriate to prepare the accounts on a going concern basis.

## Dividend

The Board is not recommending the payment of a dividend for the year ended 30 April 2023 (2022: £Nil).

## Outlook

The Group has again demonstrated great resilience in the face of continued uncertainty affecting the macro-economic environment in the UK and internationally. I am absolutely delighted with the progress we have made this year. Despite continued inflationary pressures, we look forward with great optimism, particularly for the accelerating growth of our human capital management (HCM) business through new and growing partnerships in North America, Europe and the Rest of the World. We are already benefitting from the execution of our 2025 Growth Strategy and will continue to build a greater proportion of recurring revenues in the year ahead.

Our Physical Security Solutions division, Safetell, is also now well-positioned to make a greater contribution to this strategy, by growing its services to achieve national scale efficiencies as well as optimising its product portfolio and improving its competitive position with broader manufacturing and supply chain options. Already underway, these initiatives will see it continue to advance its share of the Entrance Control and Automatic Door servicing market by pressing its advantage, offering complete security solutions with services that bring rapid response to customers' needs, as well as targeting new market opportunities with an enhanced sales and marketing team.

I remain entirely convinced of the strategy and outlook for growth. We have worked hard to put ourselves in a strong position in each of our respective markets and this is beginning to show rewards that will be in further evidence in the year ahead.

On behalf of the Board, I would like to extend my thanks for all the hard work and dedication shown by our teams in what has been a highly productive year, overcoming key challenges with enormous resolve and driving forward with great confidence in addressing an exciting market opportunity that is expanding quickly. I look forward to a successful year ahead.

Maurice Dwek
Chairman

25 September 2023

# BUSINESS MODEL

## SECURE CLOUD CONTROL

*SOFTWARE-AS-A-SERVICE*

- *COMPATIBLE IOT DEVICES*
- *REAL-TIME STATUS*
- *DEVICE DIAGNOSTICS*
- *BI DASHBOARDS*
- *SECURE DATA PROCESSING*
- *PII CLOUD VAULT*
- *AUDIT TRAIL*


## TIMECLOCK CONTROL

*CLOCK-AS-A-SERVICE*

- *GT CONNECT*
- *GT8 / GT10 TIMECLOCK*
- *TECHNICAL SUPPORT*
- *DEVICE MANAGEMENT*
- *DATA SERVICES*

GT8 Timeclock

GT10 Timeclock

## ACCESS CONTROL

*SOLUTIONS*

- *JANUS C4*
- *ACCESS CONTROL DEVICES*
- *TECHNICAL SUPPORT*
- *DEVICE MANAGEMENT*
- *DATA SERVICES*

Door, OSDP & I/O Blades

Single & Multi-Blade Controllers


## SERVICES

CREATING TRUSTED ECOSYSTEMS IN THE WORKPLACE WITH SECURE CLOUD CONTROL

**Remote Device Management**

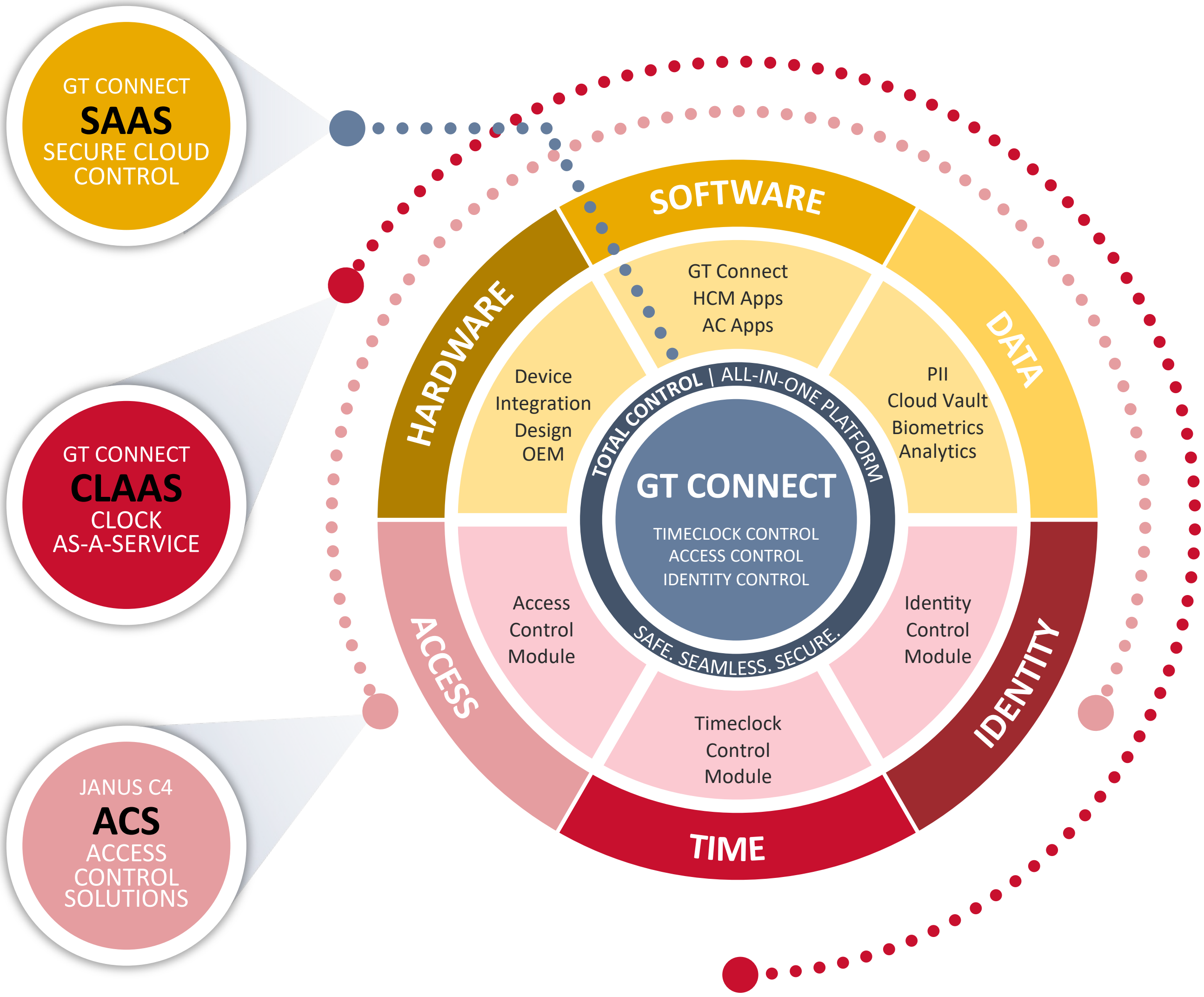
Manage and configure your networked devices centrally. Keep them up-to-date and secure with a single click. Includes remote setup assistance and expert support.

**Technical Support**

GT Connect is supported by our dedicated Technical Support team. Expert troubleshooting of technical problems with guaranteed SLA response times to resolve issues quickly.

**Remote Device Diagnostics**

Access to our cloud diagnostic platform. Your team can provide ultimate support and service to customers with advanced tools, eliminating engineer visits and reducing downtime.




■ **Identity Management**
Biometric and personal data can be managed, distributed and backed-up securely and automatically across networked devices to assist in compliance with data protection laws.

■ **Data Management**
Simplify integrations from your devices to your enterprise software with ease using our cloud-to-cloud platform. Data is transferred via a single encrypted connection keeping your operational costs low.

■ **System Management**
Seamless backup and recovery services ensure your data is always secure, always available and automatically backed up in the cloud, providing unrivalled protection against data loss.

**GT CONNECT**

Secure cloud control of all compatible devices and the data they collect

**GT PROTECT**

Lifetime hardware warranty that protects your devices with the option to let us manage them for you

Safetell
SECURITY | MAINTENANCE


# PHYSICAL SECURITY SOLUTIONS

***PRODUCT PORTFOLIO***

## Building Security

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

Bullet resistant doors and partitions

Security portals

## Entrance Control

Certified secure portals and revolving doors

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

Automatic doors and remote locking solutions

## 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

## Other Products

Counter-terror and target hardening solutions

A range of ‘touchless’ security solutions

Other standard and bespoke physical products and services

**Complete security solutions**

*Safetell is the UK’s leading provider and installer of fully-integrated physical security solutions with accredited products, comprehensive services, certified maintenance engineers and responsive customer support **– all in one place.***

# CHIEF EXECUTIVE OFFICER'S REVIEW

## Overview

This was another year of solid execution and progress against our strategic plan, with key improvements across the business driven by the significant efforts of the whole team, and strong business unit performances within both our People and Data Management and Physical Security divisions.

Last year's innovation efforts, in particular the development and adaptation of products and services aimed at generating increasing and new recurring revenues, has produced extremely positive results.

Specifically, the launch of GT Connect has enabled us to begin to realise our vision to create larger trusted ecosystems in the workplace that more broadly connect security device hardware with our secure cloud services, including Bring Your Own Device (BYOD) tablets and third-party products that greatly extend the reach of our solutions.

This key software enhancement enables us to push forward with our strategy, executing with a collective focus to attach services to all our products and this is yielding a dramatic increase in the recurring proportion of our revenues, creating a critical foundation and with much further growth to come.

Broadening our product portfolio once again this year, our expert teams have deployed innovative configuration and design techniques to adapt existing products and increase the range of our offering, creating a new low-cost clock solution that will challenge a hitherto under-served segment of the market with greatly enhanced cloud services.

Our sales and commercial teams have also been hard at work, progressing a very exciting pipeline of new HCM partners. With several in advanced discussions, we have been busy lining up a strong and diverse spread of revenue streams to replace the anticipated loss of UKG in the second half of FY23 who, following the 2020 merger with clock competitor, Kronos, were always clear on their intention to pursue an independent market strategy. The fact that they have used our services and products this far is testament to the quality of services provided by our team.

As a mark of the progress we have made with our strategy and strongly anticipated growth, we relocated Grosvenor's US headquarters to a much larger facility in Florida, and brought third-party logistics in-house. With triple the floor space and a greatly improved location, this gives us excellent headroom for growth in both staff and inventory capacity, as momentum continues to build.

Although the macro environment continues to be challenging, with weaker exchange rates causing some downside in foreign exchange and rising costs due to inflation, these have been partially offset by necessary and inevitable price increases.

Our supply chain continues to show resilience to global impacts, such as the war in Ukraine, but this has placed greater pressure on retaining our stock of components across a wider range of devices as our product range continues to grow and develop. By significantly enhancing our focus on inventory and supply chain management over the last three years, we have been able to create a strong competitive position, and this is one from which we can fully support our customers and meet all the commitments we have undertaken.

I was especially delighted that Safetell returned to growth once more. As the first step in its transformation, it achieved a modest increase in FY23 with further growth to come as projects and contracts delayed by Covid began to recover. However, these projects have been operating significantly behind schedule, causing some delays in sales of security products that tend to be fitted at the tail end of infrastructure and building projects. These delays were offset by the rise in demand for security screens and the significant increase in income from services. During the year, Safetell developed a redesigned, cost-effective retail attack-resistant screen for convenience stores, and this has been subject to strong demand, having rolled out over £1 million of installations for major UK retailers and built a pipeline of over £2 million for installations for FY24. Our strategic aim, to gather more service contracts, is also progressing very strongly with commercial discussions with several major high street brands at an advanced stage. We have learnt to navigate a number of new post-pandemic approval procedures instituted by major brands, whilst this has slightly extended sales cycles, at the same time this has added further competitive advantage, giving us much increased confidence for the year ahead.

## Performance

Group revenue has grown once again, increasing by 6% year-on-year to £20.3 million with gross margin increasing substantially, up 19% to £7.6 million.

This performance was primarily driven by continued success in HCM sales, up by 10% to £12.6 million, with a greatly improved gross margin contribution, up 32% to £6.0 million. At the centre of this success is the rapidly growing high margin recurring services contribution with Software-as-a-Service (SaaS) and Clock-as-a-Service (ClaaS) annual recurring revenues (ARR) increasing by 133% to £2.1 million by April 2023. As our clear strategic priority, we expect growth in HCM to accelerate in FY24 with further significant gains in annual recurring revenues.

Our Access Control business declined slightly by 3% year-on-year to £3.0 million as it underwent an important re-balancing, transitioning away from the end-of-life legacy Janus product, with revenues declining by £1 million, and towards the new Janus C4 Access Control product, with those sales increasing to £1.7 million, representing an outstanding growth rate of 108%. Together with a small 5% increase in sales of Sateon Advance to £1.1 million and the new Janus C4 Ultra product in the pipeline, the future growth outlook in Access Control is extremely positive.

Safetell revenues grew modestly by 3% to £4.7 million benefitting from its new leadership and numerous re-organisation measures which started to take effect. These are expected to have a greater impact as we move forward. With a number of exciting national opportunities in the pipeline and expected to come through in FY24, this puts the business in a very strong position to plan for more aggressive growth in the year ahead.

## Financial

The Group's cash at 30 April 2023 was £0.6 million (2022: £0.2 million).

This increase was due to a significant improvement in operation cashflows driven by higher revenues, increased gross margin percentage and lower overheads. During FY22, we implemented a programme of strict cost control and increased prices to mitigate the effect of higher componentry and freight costs. With a full year of these price rises and cost savings taking effect, this resulted in improved performance in FY23 as we began to use our recent investments in products and infrastructure to accelerate growth.

Supply chain challenges have also been successfully managed by building inventory to satisfy ongoing customer demand. The inventory levels are expected to ease in FY24, allowing for further cash flow generation.

With the oversight of our CFO, Paul Campbell-White, we continue to exercise strong governance and appropriate commercial controls, ensuring that sound financial discipline underpins our operations, and all investment decisions continue to align with our strategic goals as we accelerate towards our 2025 strategy.

## Outlook

***People and Data Management division - Grosvenor Technology***

Looking ahead to FY24, we anticipate further substantial growth as we continue to build on the positive momentum we have achieved in all our geographic markets. With our existing approach demonstrating clear success, the challenge ahead will be to accelerate the pace with the appropriate discipline required to scale effectively across every region, and in particular through our expanded presence in North America.

Our clear intention is to gain an increasing share of the enormous opportunity we have created as a market leader in secure cloud solutions for Human Capital Management and innovative products for Access Control. Our priority will be to continue leveraging GT Connect, our enhanced services, and a broader range of products as we look to further secure long-term HCM partnerships and onboard new customers. These efforts will further increase recurring revenues, driving towards an even more ambitious ARR target.

Similarly, we will drive growth in Access Control across public and private markets with our recently expanded sales team and with further investment in next-generation control, completing the development of Janus C4 Ultra, a new product which is already creating significant new interest and opportunity.

I am extremely grateful for the leadership of Colin Leatherbarrow, and his talented senior team, for their ongoing commitment to the highest professional standards, demonstrating great skill in execution and driving an excellent full-year performance. This has been an exemplary first year for Colin as MD, stepping up from his former role as CTO in November 2022, bringing his expert focus to Grosvenor's technical and commercial operations and making a wholeheartedly positive impact right across the business. As the business expands, I am confident we have the right team to guide this division to the success it deserves.

***Physical Security Solutions division - Safetell***

With new leadership and renewed strategic focus on growing services, the team has been busy rebuilding its operations to enable it to scale nationally. Looking ahead, the priority continues to be securing national servicing contracts, enabling efficient, profitable operations across a growing team of high quality, professionally certified engineers and service personnel.

With new projects beginning to regain their pre-pandemic momentum and new partnerships being secured, the business will also continue to optimise its product portfolio and improve its competitive position, with broader manufacturing and supply chain options already in place for FY24.

Already underway, these initiatives will see it target larger contracts in entrance control, build new national scale relationships for our Autodoor Service Department and convert the significant pipeline we have created for retail attack-resistant screens as we seek to further extend our long-established banking experience to meet the growing demand for security screens across retailers of all sizes.

By offering complete security solutions with services that bring rapid response to customers' needs, as well as targeting new market opportunities with an enhanced sales and marketing team, I am equally grateful to Nick Shannon and his leadership team for achieving revenue growth after a number of years of decline, and in challenging conditions. Safetell now stands ideally placed for further solid growth in the year ahead.

## Strategy

With data security and compliance driving strong market demand, this is an opportunity which we will actively pursue to capitalise on the trust in our operations and reputation for engineering excellence that we have established over three decades.

Compliance with data remains a strong underpinning core value, and the business will seek to leverage this in winning new HCM SaaS recurring revenue business in both the North American, European and Rest of World markets.

Our strategic aim remains to increase recurring revenues and make the powerful evolution from hardware to hardware-enabled software and services, based on providing 'secure cloud control'. This strategy is already being realised, and it will continue to be the core focus underpinning all our growth initiatives as we seek to use our expertise in data security to generate sustainable, high quality revenue streams that will scale and extend, over and beyond the product lifecycle, into the longer-term.

Our valuable objective remains. By offering secure cloud control of people's access, time keeping and identity data at work, we are shifting the strategic value paradigm, raising the customer focus from its former dependency on hardware 'clocks' and 'access terminals', to one that empowers the intelligent enterprise. Through our solutions, customers will gain the capability to enable and connect a broad range of internet-enabled devices securely in the cloud with unified software control – creating a trusted ecosystem in the workplace.

As our business model evolution to hardware-enabled software-as-a-service gathers pace, our focus remains on winning trusted, long-term partnerships fulfilled by our unique combination of best-in-class products with market leading software and expert, specialist support services that put customers in control.

In an increasingly risk-aware enterprise environment, our strategic focus and approach are opening a substantial market opportunity in which we now occupy a commanding position with key partners. Our aim in FY24 is to accelerate how we scale this model across an expanded partnership channel, securing greater market share and converting our hard-earned competitive advantage as we continue to execute our 2025 growth strategy reassured by the essential feedback of our many happy customers.

**Marie-Claire Dwek**
Chief Executive Officer

25 September 2023

OUR DIVISIONS –

# PEOPLE AND DATA MANAGEMENT

## Revenue information

| £'000 | 2023 | 2022 | Increase/ (decrease) | Percentage change |
|---|---|---|---|---|
| HCM North America | 8,830 | 8,726 | 104 | 1% |
| HCM Rest of World | 3,721 | 2,716 | 1,005 | 37% |
| **Total HCM** | **12,551** | **11,442** | **1,109** | **10%** |
| Janus C4 | 1,729 | 833 | 896 | 108% |
| Sateon Advance | 1,063 | 1,010 | 53 | 5% |
| Legacy Janus | 231 | 1,274 | (1,043) | (82%) |
| **Total Access Control** | **3,023** | **3,117** | **(94)** | **(3%)** |
| **Division Total** | **15,574** | **14,559** | **1,015** | **7%** |

## Performance overview

Grosvenor Technology (Grosvenor) continues to be a market leader in time, data capture and access solutions for Human Capital Management and Access Control, helping organisations to protect and manage their most valuable assets – people in the workplace.

Once again, it has been another solid year with top line revenue growth of 7% to £15.6 million, primarily driven by strong growth of the HCM business and our expanding relationships with software partners, which have been particularly strengthened in the European market.

The year has been a clear illustration of the value of executing on our 2025 Growth Strategy, evolving our business model to hardware-enabled software and services. By connecting devices to deliver secure cloud-based control via our newly upgraded and re-launched software, GT Connect, we have been able to offer customers and partners enhanced services attached to every connection, and this now includes third party devices for the first time.

These developments mark a major strategic milestone for Grosvenor, unlocking enormous market potential across a broader range of connected devices, as well driving another substantial increase in recurring revenues, as we continue to build steady, predictable income streams across a fast-growing base of customers and partners.

As a consequence, HCM annualised recurring revenues (ARR) grew by 133% to reach an ARR of £2.1 million in April 2023. These revenues represented 12% of Grosvenor’s 2023 revenues (2022: 4%). As a central focus of our strategic plan, we are confident this continued strong growth trajectory will result in an even greater share of revenue in FY24 and beyond.

During the year, significant overall HCM growth was achieved in both the North American and Rest of World (ROW) markets, however another strong US-based performance was masked by the termination of our partnership with UKG. Whilst this had always been foreseen following the 2020 merger between Ultimate Software, our original HCM partner, and Kronos, a competitor in time clock products, in prior years revenue had significantly increased due to the ease with which our clocks integrate with the Ultimate software platform. Although UKG’s corporate policy decision was entirely unrelated to the performance of solutions and services from Grosvenor, the notification in Q3 FY23 left a shortfall in sales against our original plan that we were able to offset with substantial gains across our other HCM partnerships, but which combined to result in an overall flat 1% growth in the region. Progress with European HCM partners gathered pace, as ROW markets delivered underlying growth of £1.0 million, resulting in a 37% year-on-year improvement, and contributing most of the 10% growth in HCM revenues overall.

Meanwhile, Access Control solutions underwent an important re-balancing as we transitioned between new and end-of-life legacy product revenue lifecycles during FY23. Whilst at a headline level, overall revenues decreased by 3% to £3.0 million, sales of our new Janus C4 product doubled to £1.7 million (2022: £0.8 million) and this was supported by a modest 5% growth of Sateon Advance to £1.1 million (2022: £1.0 million). Although this combination was not sufficient to offset the decline in revenues from our legacy Janus product, which reduced to £0.2 million (April 2022: £1.3 million), passing through the tail-end of this legacy removal cycle clears the way for positive growth across all product lines in FY24. With additional sales resource joining this team in FY23, this provides an ideal platform to add new growth from our Janus C4 Ultra product, planned for launch 2024 and which is already generating significant customer interest.

By taking further actions to optimise our operations, including putting through necessary price increases to mitigate the inflationary environment, and growing recurring revenues, we were able to significantly increase gross margins to 38.6% (2022: 31.4%).

Below these headline financial results, we made positive operational progress that produced encouraging growth across all strategic priority areas. With the successful delivery of an ambitious upgrade to our product strategy, re-platforming our core cloud control software, GT Connect, and evolving the service model, the business enters FY24 in a commanding position to address a far broader market opportunity with substantially enhanced solutions and competitive advantage.

***Evolving partnerships driving HCM growth***

Grosvenor’s strategic growth continues to be driven through key partnerships with a variety of HCM providers. The substantial progress made in developing existing partnerships produced another year of exceptional growth, with some notable partnership successes.

Our major European partnership grew by 23% with recurring revenue nearly doubling, driven by increased sales, planned price increases and the compounding annual effect of growing recurring revenue. As we had anticipated, this partner also began taking our GT8 product, ordering a significant number of units during the year.

Direct to end-user business grew in both revenue and margin, onboarding end-users that included notable high-profile customers such as Shangri-la hotels (The Shard), Imperial London Hotels, Dorchester Hotels and Refresco Drinks, and all attracted incremental service revenues.

We achieved major US partner success, migrating a new and large tier 1 HCM provider to GT Connect, leveraging the full range of features and benefits. By achieving the required levels of control by their channel partners via the advanced tenancy architecture, this has started to drive downstream demand via their channel partner network following a launch at their annual partner event.

Another major US HCM partner produced an outstanding growth of 27% and this was achieved through diversification of products and closely supporting larger projects.

The Grosvenor team also delivered a significant foundation of the forward outlook by migrating existing clients from legacy to GT4, including a number of well-known household name brands. This is essential groundwork for retaining existing customers in the future.

We continue to actively support another key partner in the US to enhance and scale their services with customers, and in particular their introduction to one of the world’s largest retailers who we now support directly. Winning a major national contract to provide transactional cloud services across all their Mexican stores has delivered a substantial boost to our strategy and further added to growth in our recurring revenues.

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## Product update


GT8 timeclock
with fingerprint and user interface

Remaining at the core of our security proposition is our commitment to data security, privacy, API-first architecture, and complying with leading industry standards, such as IOT MQTT and AMPQ protocol support. This strategy ensures we maintain the broadest possible secure connectivity across cloud-connected global estates of timeclock and access control devices.

During the year, we took a number of important steps forward in advancing our capability to create trusted ecosystems in our customers' workplaces, spanning edge devices (IoT), multiple systems integrations and unified by secure cloud control.

This continues to show up in the growth of the security ecosystem we connect and serve. In FY23, Grosvenor controlled over 19,000 connected devices, up from 13,000 devices in FY22, generating nearly 6 million clock-ins per month.

### *Launching GT Connect, the next generation of secure cloud control*

In H2 FY23 we replaced the cloud platform element of our services with the launch of our next generation cloud-based control software, GT Connect. The significantly upgraded GT Connect platform is as efficient as it is scalable and removes previous limitations, with a new highly secure cloud architecture, advanced multi-tenanted hosting, an enhanced security model and operating on a microservices extensible framework.

This major development step included re-platforming the entire suite of tools to run on the Android mobile operating system bringing the advantages of a modern cloud-based mobile-first architecture that is easy to scale and fit for the future.

Of particular importance in this upgrade is the API-first architecture that underpins GT Connect, which enables full, easy and seamless embedding of all GT Connect features into our customers' own solutions. This enhancement now allows them to leverage our technology within their existing market offerings and provides us with a significant indirect channel to extend our services going forwards.

### *Connecting devices and attaching services for faster recurring revenue growth*

As a result of these advances, the new platform has become capable of extremely robust, dynamically scalable and unlimited transactional throughput, and this has given us the opportunity to expand and extend our relationships across the entire customer base, enabling the attachment of services at scale. Crucially, this also gives us the ability to connect with non-GT devices and leverage the full capability of GT Connect tools and services, opening a substantial market opportunity with enormous potential.

This important development enables us to extend our services using the mobile capabilities of GT Connect to go beyond Grosvenor-manufactured time clocks to include connecting Bring Your Own Device ('BYOD') tablet devices, a widely anticipated market driver in the future. This means Grosvenor services now have the ability to connect with a broad range of other third-party cloud-compatible time clocks, with GT Connect being used by customers and Grosvenor to entirely take over and run third-party device estates.

By introducing GT Connect to customers and partners, we are rapidly expanding this service-enablement model, putting GT Connect at the centre of trusted and secure workplace ecosystems. This lies at the core of our strategy and is both profitable and highly scalable. As we continue to distribute this capability, customers gain access to intuitive, easy-to-learn tools and services in a model that allows our remote support to provide both direct customer support and local team enablement services. This means our team of dedicated specialists can continue to control broad device ecosystems and local customer teams in a way that is unlimited by our capacity and can be extended however fast we scale.

GT10 timeclock
with fingerprint and user interface

### *Extending our range and expanding our opportunity by offering services attached to low-cost devices*

In FY23 we have further expanded our market opportunity. With the introduction of a new GT4-Lite terminal, we now directly address the full market spectrum from end-to-end and can command a greater share-of-wallet with customers, capturing the lower end of the market previously dominated by a number of low-cost manufacturers.

Rather than compete on cost, our goal has been to offer an affordable and flexible alternative that comes packaged with advanced services and the option of a rolling device replacement service that can be used to modernise device estates over a longer-term. This entirely changes the way customers think about when to begin transforming and upgrading their HCM services, without being restricted by the limitations of their existing investments in hardware.

By offering customers this freedom, we are now able to address a large segment of a cyclical market that was formerly stagnant and bring forward the time when alternatives can actively be sought, opening a large, previously dormant opportunity. This shift has already started to translate into a fast-growing pipeline, with some exciting prospects particularly in the US market, and this is anticipated to be a key growth contributor in FY24 that we will continue to research and develop.

GT Connect provides the capability to further accelerate this, facilitating ease of adoption by new partners with the required levels of control by their channel partners and simple onboarding of end-users using standard HCM integrations. This enables us to access major HCM marketplaces as we seek to grow Per-Employee-Per-Month (PEPM) revenues via marketplace applications to the biggest HCM providers.

***Transitioning to the next generation of Access Control***

As expected, completion in the year of numerous product initiatives that had been commenced in FY22 had the desired effect, transitioning focus and development from long-running legacy to our newest products, resulting in doubling the sales of Janus C4 with further acceleration expected in the year ahead.

**1. Portfolio rationalisation and accelerated migration:** following our announcement in FY22 for the end-of-life of our legacy Janus and Sateon systems, we continued to support customers until the end-of-life date in April 2023. Taking advantage of the accelerated migration capabilities developed in FY22, the completion of this product rationalisation freed valuable capacity and enabled us to shift our focus onto Janus C4 as the priority for customer transition and growth.

**2. Next generation Advance Driver:** alongside using our new migration tools, we also used our new *Advance Driver* for Janus C4 which contains updated Advance controller firmware, enhancing the performance of all sites and fixing minor legacy scaling issues. Further enhancements are planned to accelerate configuration, particularly linked to forthcoming new product enhancements.

janus C4 ™ ULTRA

**3. Janus C4 Ultra, the next step in access control:** based on our **2025 Roadmap for Access Control**, we have been working hard to develop an exciting upgrade to Janus C4 that aims to extend our product leadership well into the future. The new fully cloud-based product, Janus C4 Ultra, will contain exciting features and additions including mobile app access and connecting a variety of other functions such as fire and muster and intercom services. Already in design, this product is receiving a lot of interest across our customer base and we anticipate strong demand when it is launched in 2024.

***Preparing for growth scaling, organising to serve customers even better***

Following the appointment of Colin Leatherbarrow as Managing Director of Grosvenor Technology, stepping-up from his former role as Chief Technology Officer and taking up the role in November 2022, a number of wide-ranging business reviews have been completed to identify and implement the operating improvements necessary to support the business as it scales. These included detailed workstreams encompassing pricing and new commercial models, service planning, product planning, software development, marketing, sales and contract management.

During the year, Grosvenor's US headquarters were also relocated to a much larger facility in Florida, and third-party logistics were brought in-house. With the tripling of available floor space and an improved location, we have invested significantly in improving our ability to serve customers and are well-prepared for the growth scaling we anticipate in the North American market.

To counter ongoing global supply chain challenges, our teams have continued to identify additional supplies, delivery routes and alternative componentry, de-risking our supply chain and sustaining a visible competitive advantage with customers. Inventory levels rose slightly to £3.7 million at April 2023 (2022: £3.6 million) and this included £1.3 million of finished goods, with a high proportion of parts available for our GT10 and GT8 products, providing a good level of cover and confidence as we scale major new partnerships as well as supporting existing arrangements.

Our VP of Global Operations, Brian Hack, has continued to oversee and assure the steady supply of components and hardware throughout FY23, with advanced planning, integrated product schedules and engineering co-ordination. Once again, our engineers have worked with product and supply chain management to identify opportunities to de-risk hardware and investigate options for using alternative components. As anticipated, this remained a key activity through the year, and we expect it to continue for the foreseeable future.

While our main focus of investment has been directed towards scaling the HCM opportunity, in the UK access control market we have also identified clear growth ambitions. We have supported these with the addition of a new regional sales manager covering London and the Southeast and released significant productivity gains by supporting the whole team with a full-time sales administrator. These two important enhancements greatly enhance our go-to-market capability and confidence in targeting significantly higher growth in FY24.

**Connected services with everything!**

*"Looking ahead, our strategy is simple, as we continue to seek and onboard new HCM partners with exciting prospects already well-advanced in our pipeline. We will continue to attach services to all new business and push services to all partners as a priority. With enhanced capability at the lower and higher ends of the market, we will actively seek to displace incumbents, offering competitive alternatives at both ends of market to achieve full share-of-wallet, seeking to secure exclusive partner status wherever possible. Our new GT Connect platform also enables us to explore new opportunities, such as seeking direct end-user business via partnerships with Workday, Oracle and SAP using a new Per-Employee-Per-Month subscription model. The future is expansive and full of opportunity, and I am particularly proud to lead such a talented team as we continue to execute strongly and with disciplined focus."*

**Colin Leatherbarrow, MD**

OUR DIVISIONS –

# PHYSICAL SECURITY SOLUTIONS DIVISION

## Revenue information

| £'000 | 2022 | 2021 | Increase/ (decrease) | Percentage change |
|---|---|---|---|---|
| Products | 2,840 | 3,131 | (291) | (9%) |
| Service | 1,900 | 1,455 | 445 | 31% |
| **Division Total** | **4,740** | **4,586** | **154** | **3%** |

## Performance overview

Safetell continues to develop its presence in the UK as a leading provider and installer of integrated door solutions and physical security.

FY23 was a pivotal year for the business, with a rapid turn-around conducted by MD, Nick Shannon, reversing recent years' declining revenues and achieving a small increase of 3% year-on-year to £4.7 million. This clearly demonstrated the positive effect of organisational changes implemented in FY22 and the value of our strategy to focus on growing service revenues, up 31% year-on-year, increasing the proportion of income from services which rose to 40% (2022: 32%). This transformation was achieved despite the continuing contraction of physical branches in the banking market, reducing demand for legacy rising screen services.

Our strategy to focus on services and move away from one-off supply of products had a notable impact, with a 9% contraction in product sales largely caused by temporary order delays, now planned in Q1 FY24, and which was more than offset by expected gains in service in the areas we had prioritised.

Although trading throughout the year was in line with expectations, with top line revenue rising, gross margin decreased to 34% (2022: 40%). This was due to the under-utilisation of field-based engineers as we grow capacity in order to build-up services revenue. As we secure additional service contracts in FY24, we expect this to normalise and return a net contribution.

With challenging economic conditions continuing in the form of inflationary pressures and increased supply chain volatility, our experienced team made further adaptations to enhance resilience and secure the way ahead. This included negotiating price increases in those open tenders and supply agreements where contract conditions allowed, although in many instances this was not possible due to either pre-negotiated pricing or market competition. To provide further mitigation, we sourced two alternative product manufacturers in China who can deliver at higher quality, substantially lower cost and with materially reduced lead times compared to previous 'make-to-order' supply arrangements. These advantages will not take effect until FY24 however, following from last year's enhancements to our product offering that brought automatic doors and entrance control into our product portfolio, we have now secured high specification 'standardised' alternatives across all of the key items in our portfolio. This will make us far more competitive, improving our speed of delivery and response for the year ahead.

Whilst overall demand for security products and services has recovered to above pre-pandemic levels, in FY23, we saw residual effects of continued uncertainty in the business environment causing a long-tail drag on projects, with some clients taking longer to work through their own transformation plans as a consequence. This caused a slight delay in project revenues bookings at the end of FY23, in most cases this has only been by a matter of months. With those revenues now set to come through in early FY24, this assures a particularly strong start to the new year. Together with a very positive demand outlook, evidenced by the strength of an even more rigorously qualified pipeline, we remain confident that the business is well-positioned to achieve its ambitious growth strategy.

***Focused execution on areas of high demand drives growth and builds positive forward momentum***

Executing on our 2025 Growth Strategy, all of our focus areas experienced strong demand in FY23, enabling us to build on the foundations laid in 2022, as we continued to drive growth and generate the momentum essential to scaling the business incrementally, in carefully planned stages.

Our security-rated screens and counters performed exceptionally well throughout the year both in the retail environment as well as within the public sector. Key to this success was developing a redesigned, retail attack-resistant screen for convenience stores which is lightweight, flexible and cost-effective.

This has received strong demand, having rolled out over £1 million of installations for major UK retailers and built a pipeline of over £2 million for installations in FY24. With the current robbery issues in the convenience store market, we believe we can further grow this order level through 2024.

Our relationship with blue light customers continued to grow with an additional £0.3 million of projects from one of the UK's largest Police Forces, following on from our work in 2022. Our development efforts in this segment were rewarded with orders from five other Police Forces, creating a strong base from which to expand. Public Sector orders in general were strong throughout the year, with projects completed in multiple healthcare settings, where our unique Countershield 'moving screen' remains popular for A&E departments, as well as prisons, transport hubs and military installations.

Our FY22 entry into the Entrance Control market also gathered pace in FY23, building on the early wins achieved in 2022 with new installations direct to end-users as well as through the enlarged construction sector, including newbuild and refurbishment. The new manufacturing arrangements we have secured are helping us to fill the gaps in our product range to enable access to markets where cost effective solutions are required. As we continue to win market share, we expect our Entrance Control business to grow significantly in 2024, with a number of projects tendered during 2023 moving into the construction phase in 2024. As before, we remain focused on targeting the larger contracts available in this area, which bring the dual benefit of the maintenance services that follow-on from initial installation, helping to grow our Autodoor Service Department.

***Continuing to grow recurring service revenues, with a focus on automatic doors***

In line with our strategy, service revenue increases were driven by additional wins in autodoor servicing and repairs, with new national service contracts contributing to a nearly five-fold increase in recurring revenues to £0.3 million. We expect this trend of additional autodoor works to continue into 2024, starting strongly with £0.6 million in our pipeline of service and repair contracts already quoted. With further growth expected, this remains the clear strategic priority for the future of the business.

Our record in repairing and upgrading customer doors rather than replacing them has continued to be an advantage. All of our service engineers have been security cleared to BS7858, the UK standard for vetting of people employed in the security sector, and this coupled with our 'Repair-not-replace' mentality, continues to strike a positive chord with our customers, particularly those with larger national estates. In the last year, we added a further 200 doors and now provide call-out support across over 2,000 doors, representing a substantial national footprint.

This market continues to be a strategic priority for Safetell, with autodoor servicing in the UK estimated at twice the size of Safetell's traditional markets. Our challenge in FY24 will be to gain a critical mass of contract volumes to support a more efficient scaling and deployment of our service team at competitive margins. This transition will be the key factor to overcome as we transition from high margin one-off projects and a unique legacy rising screens service to high volume service and repair contracts at reduced margins but which provide sustainable revenues and long-term stability. Our clear emphasis is on generating strong recurring revenues, and we expect the autodoor segment to account for an increasing share of turnover in the coming years.

***Learning how we win, generating insights to accelerate future success***

As important as our wins are, understanding why we have lost competitive tenders in the past has been just as important to us in learning how to unlock, accelerate and scale the business. Following a detailed review of current and past commercial submissions in FY23, we now have a much better understanding of why and how to win in key competitive scenarios, specifically in the Security Door, Entrance Control & Automatic Door Installation and Service sectors. The findings from this review are now being channelled into improved methods, marketing and enhanced products to help us gain additional market share in 2024 and beyond.

Overall, our pipeline grew steadily throughout the year and, at the outset of 2024, stood at [£9.5] million, with a further [£4.6] million of quoted 'suspects', compared to a pipeline total of [£5.4] million at the outset of 2023.

The planned investment in Sales and Marketing during FY23 enabled the sales team to achieve against a significantly increased new business sales order target from 2022, gaining new orders of [£3.9] million within the year, against [£3.0] million in 2022. An increased delay in timing between orders being received and projects commencing served to under-represent the significant achievements made by our improved team, however we are confident this will contribute to a stronger FY24 where this will become fully visible.

***Creating safe spaces for employees and colleagues***

The substantial progress made by a dedicated and committed team has delivered precisely what we'd hoped for in FY23, returning the business to growth, focusing on key areas of high demand and organising to compete and win as we begin to address a much wider market opportunity, particularly in security doors and entrance control.

The market continues to experience rising demand for high specification physical security products. Increasing threats from crime and terrorism have made physical protection and security a priority for businesses in most sectors, as many businesses prepare to meet the new 'Protect Duty' legislation.

Responding to the rapid and continuous growth of high security environments, such as data centres, also provides a significant scaling opportunity for Safetell, one that we are ready for as we continue to build trusted, long-term partnerships with Facilities Management providers.

Building our reputation as a trusted service partner for the long-term will not only translate into success with our immediate growth targets, it underpins our confidence to take the next steps on the journey we have planned. Focused execution will continue to prioritise recurring revenues from services, and this transition lies at the heart of our strategy and approach.

*"With a larger market opportunity and the advantage of much stronger pipeline visibility as we enter FY24, I am confident Safetell is now ready to take the next step in meeting ambitious growth targets we have set ourselves for the year ahead. Offering an even more competitive range of products, with improved costs, lead times and services can only lead to increased success. This will be further leveraged by our improved sales and marketing capability, as we continue to keep our customers at the forefront of everything we do, building a strong brand upon which customers feel entirely confident to rely for the long-term."*

**Nick Shannon, MD**

# FINANCIAL REVIEW

## Revenue

| Key Performance Indicators | 2023 £'000 | 2022 £'000 | Increase/ (decrease) £'000 | Percentage change % |
|---|---|---|---|---|
| **People and Data Management Division** | | | | |
| HCM | 12,551 | 11,442 | 1,109 | 10% |
| Access Control | 3,023 | 3,117 | (94) | (3%) |
| | **15,574** | **14,559** | **1,015** | **7%** |
| **Physical Security Solutions Division** | | | | |
| Products | 2,840 | 3,131 | (291) | (9%) |
| Service | 1,900 | 1,455 | 445 | 31% |
| | **4,740** | **4,586** | **154** | **3%** |
| **Group Revenue** | **20,314** | **19,145** | **1,169** | **6%** |

Group revenue increased by 6% to £20.3 million (2022: £19.1 million) driven by growth in HCM from both North America and Rest of World. This revenue increase was due to recurring revenues from SaaS (GT Connect) and ClaaS products. There has also been revenue increase from Services in the Physical Security Solutions Division. This growth is from traditional bank and building society clients as well as new auto-door servicing and repairs. Further commentary and discussion can be found in the relevant divisional sections.

Gross profit margins have increased to 37.6% (2022: 33.5%) due to the full year effect of customer price rises and cost savings in the People and Data Management division. Their gross margins increased to 38.6% (2022: 31.4%). The Physical Security Solutions division achieved a gross profit of 34.4% (2022: 40.4%) the decrease is primarily caused by the under-utilisation of field-based engineers as we grow capacity to serve new service contracts.

### *Administrative expenses and average employees*

Administrative expenses before exceptional items have decreased by 2% to £7.4 million (2022: £7.5 million). This has mainly been the result of a decrease in consultancy costs to support the strategic growth plan. Overall average employees have decreased to 99 (2022: 103) driven by reductions in Grosvenor UK. Staff costs (which are included in both cost of sales and administrative expenses) increased by £0.2 million or 2% to £7.4 million (2022: £7.1 million).

### *Exceptional costs*

There were no exceptional costs during the year. In 2022, £0.1 million of exceptional costs were incurred relating to continued streamlining of positions in Grosvenor and Safetell.

| | 2023 £'000 | 2022 £'000 | Increase/ (decrease) £'000 | Percentage change % |
|---|---|---|---|---|
| **Gross Profit** | **7,638** | **6,419** | **1,219** | **19%** |
| Gross Profit Margin | 37.6% | 33.5% | | |

### *Finance costs*

Finance costs have increased by £0.1 million to £0.3 million (2022: £0.2 million) due to additional invoice financing borrowings to support higher working capital requirements and higher interest rates.

***Profitability***

The current year profit from operations before exceptional items was £0.3 million (2022: loss £1.1 million). The increase in profitability was caused by a combination of increase in gross profits from higher revenues, improved gross margins percentages and the full year effect of cost savings measures introduced in the second half of FY22.

Profit after tax for the year was £0.4 million (2022: loss £0.8 million). This is after tax credits which are discussed in more detail below.

***Taxation***

A tax credit of £0.4 million (2022: £0.6 million) was recognised in the year. This resulted from a current tax credit of £0.4 million (2022: £0.4 million) due to the continued R&D claims at Grosvenor and Safetell and a £44,000 deferred tax credit (2022: £0.2 million). The prior year deferred tax credit was primarily from the recognition of tax losses.

***Earnings per share***

Earnings per share was 3.77p (2022: loss 0.32p) being an increase of 4.09p. The decrease was due to the increase in profitability in FY23.

***Balance sheet***

Net assets have increased by £0.3 million to £7.9 million (2022: £7.6 million). Property, plant and equipment increased by £0.8 million to £2.9 million mainly from right of use buildings (renewal of Safetell lease and new Grosvenor Florida office), right of use motor vehicles and ClaaS clocks. Inventory has increased by £0.2 million to £4.2 million with additional purchases of finished goods to allow extra cover for any further supply chain delays. Trade and other receivables increased by £1.0 million primarily due to a rise in trade receivables in the Physical Security Solutions Division. Cash and cash equivalents increased by £0.4 million to £0.6 million (2022: £0.6 million). Trade and other payables increased by £1.5 million as result of higher activity in Q4 FY23 in the Physical Security Solutions division. The £0.4 million increase in short term borrowings to £3.4 million was due to drawing down of the UK invoicing financing facility and increase in lease payments.

***Research & Development (R&D)***

The Group has decreased its R&D investment to £0.5 million (2022: £0.8 million) in the People and Data Management division. The reduction is due the completion of the development of GT Connect, our upgraded SaaS platform which was launched in the second half of FY23.

***Cashflow***

During the year cash increased by £0.4 million to £0.6 million (2022: £0.2 million). Cash generated from operating activities increased by £2.8 million to £2.1 million (2022: outflow £0.7 million) mainly driven by an increase in operating profits and a £1.7 million improvement working capital due to lower inventories and creditor outflows. There was also a net tax receipt of £0.4 million (2023: £0.4 million) from R&D tax credits. Cashflow from investing activities decreased by £0.5 million to £0.8 million (2022: £1.3 million) primarily due to the reduction in investment in research and development as mentioned above. The financing movements related to the drawdown of £0.3 million of invoice financing from the UK facility (2022: £2.3 million from UK and US facilities), lease principal repayments of £0.4 million (2022: £0.4 million) and £0.4 million of repayments from the Coronavirus Business Interruption Loan Scheme ("CBILS") which started to be paid back from September 2021 over a 5-year term. There was also £0.3 million of interest paid on the debt facilities (2022: £0.1 million).

***Cashflow forward currency contracts***

During the year we executed our foreign exchange strategy by entering into forward contracts. The strategy effectively hedges 75% of excess USD and reduces the level of volatility compared to using spot rates. The contracts manage our currency mismatch between an increasing US Dollars (USD) position from revenues and the existing cost base in both GBP and Euros. The adopted process involved currency forecasting three quarters ahead and taking out tranches of forward contracts for 25% of each of the forecasted quarters relating to our excess USD position.

# 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:

***Market conditions***

The risk of further future lockdowns could result in a year 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 Chief Financial Officer monitors cashflows and potential financing opportunities and discusses these regularly with the Board to support the reduced cash generation from lower levels of trading. Lag effects of COVID-19 such as the global componentry shortage have constricted certain lines of supply which has meant longer lead times for ordering and an increase in cost to purchase. The Group monitors the position regularly with detailed inventory modelling done by Grosvenor's Operations and Supply Chain Director.  Customer prices were put up significantly in FY22 to minimize the impact of increasing componentry and freight costs and continued to be reviewed. Customer prices for certain products were increased in FY23 to ensure margins were maintained.

***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 market needs moving 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 1 to 3-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.

***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 and availability 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. It has also been able to adapt to the exceptional componentry availability issues experienced since 2021 by re-designing certain products to reduce the risk of not having enough inventory to meet demand.

***Quality control***

There is the potential for functional failure of products when in 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 on-going 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 weekly 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 Chief Financial Officer receives weekly reports of balances on all bank accounts and regular cash 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 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. During the year a forward contract currency strategy was implemented to reduce the volatility of exchange rate fluctuations to the Group.

*"I am very pleased that the steps we took in the second half of the last financial year to increase customer prices, cut costs and improve working capital management have resulted in a return to profitability and net cashflow generation"*

**Paul Campbell-White, CFO**

# S172 STATEMENT

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 explains how the Directors act accordingly.

- The decisions of the Board and with wider business are reflected within budgets and 5 year plans, which are then flexed and updated for changing environments
- Formally the Board consists of a PLC Board however each quarter the PLC Board combines with the Exec teams of each division for presentations and strategic discussions

- 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

- 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 outbreak and return to workplace
- Employee questionnaires utilised to engage and obtain sentiment
- Focus on the right people in the right role with good support and training programmes with succession planning in place


- Understanding our customers' needs and providing solutions in partnership is the underpinning ethos behind our operations
- 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
- Focus on improved systems and processes to support our people to perform eg ISO

- Regular updates and meetings with HSBC
- Communications with customers and suppliers has been focus over last 12 months to explain impact of COVID and supply chain disruption
- Trade shows and exhibitions with our own stands utilised to engage with our customer base
- Online training initiated for Installers
- Continuously improve websites

- Provide solutions to facilitate the proper usage of Personally Identifiable Information when utilising our products
- We will commence a programme for measuring and improving the impact we have on the community and the environment in 2024

***Key Board decisions***

During the year the Board continued to deliver on the Strategic Business Plan which was approved by the Board in 2022. The Strategic Business Plan spans the years to 30 April 2025 and has a number of significant workstreams attributed to it driving increased shareholder value.

1. Initiate a North American expansion plan and market intelligence forum at Grosvenor ensuring considered and executable plans are in place. This involves investment in people and processes which support scalable and sustainable growth in the existing business and to drive both ClaaS and SaaS uptake.

2. Invest in enterprise-wide internal systems at Grosvenor to support the effective roll out of SaaS and ClaaS as well as streamlining processes and further enabling staff capability.

3. Invest in our people by communicating core values, investing in our skills inventory and mobilising recruitment.

The Board and Shareholders approved a reorganisation of Newmark's share capital in November 2021 which involved a 50:1 sub-division and subsequent consolidation of the Company's share capital. This was done to:

• improve the liquidity of the Company's shares and increase trading volumes;

• improve investor perception of the Company; and

• improve marketability of the Company's shares.

The impact of COVID and resulting supply chain challenges led to significant cash outflows in the year to 30 April 2022. As a result, during the year the Board approved the following measures to increase the Group's banking facilities. These included:

• secured a $2 million US invoice financing facility;

• increased the UK invoice financing facility; and

• increased the UK overdraft limit, although this went back to the original £0.2 million limit in August 2022

The Board also approved cost cutting measures to help improve the Group's profitability in the year to 30 April 2023.

***Approval***

The Strategic Report was approved by order of the Board on 25 September 2023.

Marie-Claire Dwek
Director

# Corporate Governance

# OUR BOARD

## 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***

A 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 acting as 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 2002–2013 Marie-Claire was responsible for the management and investment in various property portfolios for Motcomb Estates and joined Newmark Security as Chief Executive Officer in 2013. Marie-Claire regularly attends training courses 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.

***Paul Campbell-White***
***Chief Financial Officer***

Paul Campbell-White is a Fellow Chartered Accountant qualifying in 2000 whilst working with KPMG. Subsequent to KPMG, Paul worked at ITV plc, a leading UK media group for ten years in a variety of Group and Divisional Roles.  Paul was previously Chief Financial Officer of Brave Bison Group plc (AIM: BBSN), a digital media and technology company, and Chief Financial Officer of Warner Bros. TV Production UK. Prior to those appointments, he was Group Financial Controller of Shine Group, an international television production and distribution group and Interim Group Financial Controller at Channel 4. Most recently, he has been Interim Chief Commercial Officer of CognitionX, a technology company in the events space.

***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 ($300m revenue physical and electronic security products and services) 1995-2001 and was President and CEO at Laroche Industries Inc., (chemical product manufacturer and distributor) between 2001 and 2005. He has been managing partner of SAR Industries (real estate holdings) since 2007. Michel thus brings to the Board his experience from holding senior positions in similar industries, and his knowledge of operating in North American markets which is particularly relevant given the growth in revenue from that source in the current year.

***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 Mr Yap has developed specific skill sets regarding change management, investor relations, capital market operations and corporate restructuring. Mr Yap 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 Quoted Companies Alliance Corporate Governance Code ("QCA Code") to assist in putting into place an effective corporate governance framework which will deliver results. Your Board understands that good governance is one of the foundations of its sustainable growth strategy. The Chairman is responsible for Corporate Governance in the Group. There were no key governance related matters that occurred in the year and no significant changes in governance arrangements.

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

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

Newmark 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, and Grosvenor Technology LLC in the USA, 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 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, Access Control, Human Capital Management (HCM) and physical security, 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 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 yearly 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.

The Board members attend AGMs and welcome shareholder attendance. Our corporate broker maintains a dialogue with our institutional investors and arranges meetings with the Executive Directors as required. The website contains an overview of the markets operated in, the Company's vision and strategy and multi-media detail of the separate Physical Security 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 also 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, value added resellers 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 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 range 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 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.

### 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 2023, the Board comprised a Non-Executive Chairman, two Executive Directors and two Non-Executive Directors. Under the Company's Articles of Association, the appointment of all Directors must be approved by the shareholders in General Meeting, and additionally one-third of the Directors are required to submit themselves for re-election at each Annual General Meeting. Additionally, each Director has undertaken to submit themselves for re-election at least every three years.

Board meetings are held a minimum of four times a year and the Board of the Parent Company also attend the Board meetings of the subsidiary companies on the same day. All members of the Board attended all four Board meetings held over the last year. The Board members also have discussions during the year on the progress of the Group and any particular issues which arise. All Directors commit the time necessary to meet their responsibilities as directors. There were two meetings of both the Audit and Remuneration Committee during the year, both of which were attended by all members of those committees.

For the year under review one of the three Non-Executive Directors is considered to be independent. This is Terence Yap. Maurice Dwek and Michel Rapoport are not considered to be independent in view of their substantial shareholdings in the Company.

However, the Board considers that both Mr Dwek and Mr Rapoport bring a wealth of experience from across a range of businesses, as well as their knowledge of being involved in listed and other companies together with their experience of the People and Data Management and the Service industry.

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 for ensuring that agreed procedures and applicable rules are observed.

Marie-Claire Dwek and Paul Campbell-White, as Executive Directors, are full-time employees of the company during the year. 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 NOMAD via the Chief Financial Officer.

### 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.

### 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, employees 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 Chief Financial Officer, Paul Campbell-White, 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, Maurice Dwek, Michel Rapoport, 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 is included in the Report of the Directors. The terms of reference of the Remuneration Committee are included on the company web site. Its composition, duties and main activities during the year is included in the 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 Annual General Meeting (AGM) and one-on-one meetings with both existing and potential shareholders. At the end of the Annual General Meeting shareholders are encouraged to express their views to the Directors. Corporate information is available to shareholders and other stakeholders on the Company website including details of the activities of the different businesses, and announcement. The Company also receives updates from its corporate brokers on the views of shareholders.

The Directors' remuneration report is on pages 37 and 38 and an overview of the Audit Committee's duties and activities during the year are on page 35 and on the Corporate Governance section of the Company's website.

**Maurice Dwek**
Chairman

25 September 2023

# DIRECTORS' REPORT

The Directors submit their annual report and audited financial statements of the Group for the year ended 30 April 2023.

***Financial results and dividends***

The Board is proposing a dividend of Nil per share (2022: 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

P Campbell-White

M Rapoport

R Waddington (resigned 8 September 2022)

T Yap

Details of the Directors' service contracts are shown in the Directors' remuneration report on page 37. M Dwek is retiring by rotation in accordance with the Articles of Association of the Company and being eligible, offer themselves for re-election at the next annual general meeting.

***Financial instruments***

For full details of changes to the Group's management of its financial instruments and its general objectives, policies and processes in respect of financial instruments, please refer to note 18 to the financial statements.

***Likely future developments in the business of the Company***

Information on likely future developments, exposure to relevant risks and subsequent events in the business of the Group has been included in the Strategic Report and in note 26 - Subsequent events.

***Directors' interests***

The beneficial and other interests of the Directors in the shares of the Company as at 30 April 2023 and 30 April 2022 were as follows:

| | Percentage holding at 30 April 2023 | 30 April 2023 | 30 April 2022 |
|---|---|---|---|
| M Dwek (a) | 19.8% | 1,895,989 | 1,895,989 |
| M Rapoport | 12.8% | 1,201,100 | 1,201,100 |
| R Waddington (left the Company in FY23) | - | - | 98,000 |
| M-C Dwek | 0.5% | 50,000 | 50,000 |
| | - | - | |

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

The interests of Directors in Share Option Schemes operated by the Company at 30 April 2023 and 30 April 2022 were as follows:

| | Number of Ordinary Shares under the EMI Scheme 30 April 2023 | Number of Ordinary Shares under the EMI Scheme 30 April 2022 |
|---|---|---|
| M-C Dwek | 409,242 | 573,363 |
| P Campbell-White | 70,000 | - |

During FY23 M-C Dwek was granted 83,153 options and 247,274 existing options lapsed.

During FY23 P Campbell-White was granted 70,000 options.

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

***Research & Development (R&D)***

The Group is committed to on-going 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 £462,000 (2022: £764,000). 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 forecast covenant compliance and are confident that the Company and the Group will be able to continue trading for a period of at least twelve months following approval of these financial statements, being the going concern period.

In August 2020, the Group secured a £2 million financing facility from its bankers, HSBC, via the Coronavirus Business Interruption Loan Scheme ("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 original covenant required 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, based on audited accounts. As a result of the Strategic Business Plan certain investments were identified and factored into a forward looking model. Management identified that the investments and cash outlay may result in a potential default of the covenant and therefore the Directors agreed a waiver of the debt service ratio to be replaced by a Tangible Net Worth ("TNW") test applicable for the year ended 30 April 2022 based on audited accounts. This test used the calculation of Net Assets less Intangible Assets and required the result to exceed £3.1 million. In the year ended 30 April 2022 profitability and cashflows were significantly impacted by the COVID-19 pandemic, increase in freight costs and the global componentry shortage as the Group had to increase stock levels to meet anticipated demand and pay higher prices for many components. As a result of this, in January 2022, HSBC agreed to a waiver of the year ended 30 April 2022 covenant calculation.

For the year ended 30 April 2023 the covenant returned to the original pre-debt service cashflow of 1.2 times the level of debt service commencing, based on audited accounts. The 2023 calculation was 1.45 so 121% of the target. No other financing facilities of the Group have any covenant requirements.

In January 2023, the Group increased its UK HSBC invoice financing facility to £2.3 million to provide additional working capital headroom. At 30 April 2023, £2.0 million was being utilized. In February 2022, the Group secured a 3 year $2 million invoice financing facility with Seacoast National Bank against invoices raised from our US operation. At 30 April 2023, $0.6 million of the facility was being utilized. The level of invoice financing available varies with the open book of trade debtors at any point in time and therefore the level of financing fluctuates.

At 30 April 2023 the Group had a £0.2 million overdraft facility with its bankers, HSBC, although none was utilized as the Group had a positive bank balance of £0.6 million at year end. This overdraft facility increased to £0.4 million on 27 July 2023.

The Group's going concern assessment is based on the Group continuing to generate operating cashflows the year to 30 April 2024. and stock levels starting to unwind from their historic high levels.

The latest forecast of the Group results in exceeding the debt service covenant test by 48% and will be tested more fully when a revised forecast is completed in October. As a consequence of the revised forecast findings, the Group would explore the existing covenant test level with our Banking partners, HSBC, should the covenant headroom fall short of the target. Further scenario testing and sensitivity analysis was completed to model certain criteria that would indicate a potential covenant breach against the latest formally approved budget. Given the 48% headroom in the latest covenant calculation it would take a large reduction in Gross Material Margin to cause in a covenant breach at April 2024.

However, management are confident that the shortfalls will not occur but are undertaking regular reviews and forecasts to ensure this.

The Group is currently trading ahead of budget and continues to generate operating cashflows in FY24.

Management are confident that the Group would be able to meet loan repayments and working capital needs. The Group is expected to be able to operate within existing finance facilities, based on Management's detailed monthly cashflow forecasts to September 2024. Should profits or cashflow movements fall behind expectations in this period the Group expects to be able to utilise more of its current UK and US invoice financing facilities and also extend the overdraft facility. Accordingly, the Directors consider it appropriate to prepare the financial statements on a going concern basis.

***Audit Committee***

The Audit Committee comprises M Dwek, M Rapoport and T Yap and a copy of its written terms of reference are included on the web site. The Audit Committee principal duties are as follows:

• Reviewing and approving the interim results for the six months ended 31 October 2022.

• Agreement of the independence of the auditor 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 2023.

• Discussion with the external auditor of any accounting or financial issues arising in the course of their work.

• Discussion of the auditor's 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.

• Review and discussion of going concern and forecasts including the impact of supply chain disruption.

***Remuneration Committee***

The Remuneration Committee comprises M Dwek, M Rapoport and T Yap 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 37 and 38 and the terms of reference are on the website.

***Directors' responsibilities***

The Directors are responsible for preparing the annual 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 UK adopted international accounting standards in conformity with the requirements of the Companies Act 2006 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 situation 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 UK adopted international accounting standards in conformity with the requirements of the Companies Act 2006, 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.

***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.

***Approval***

This Directors Report was approved by order of the Board on 25 September 2023.

Marie-Claire Dwek
Director

# 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***

At 30 April 2023 the Remuneration Committee comprised three existing Non-Executive Directors, Maurice Dwek, Michel Rapoport and Terrance Yap.

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. Bonuses are awarded based on company performance as contractually stipulated.

***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. The Company entered into a service agreement on 12 April 2013 with Ms M-C Dwek which may be terminated by either party serving twelve months' notice. The Company entered into a service agreement on 6 September 2021 with Mr Campbell-White which may be terminated by either party serving six months' notice.

***Loss of office***

When determining any loss of office payment for a departing Director the Committee will always seek to minimise cost to the Company while complying with the contractual terms and seeking to reflect the circumstances in place at the time. The Committee reserves the right to make additional payments where such payments are made in good faith in discharge of an existing legal obligation (or by way of damages for breach of such an obligation); or by way of settlement or compromise of any claim arising in connection with the termination of an Executive Director's office or employment.

***Director's emoluments***

Emoluments of the directors (including pension contributions) of the Company during the year ended 30 April 2023 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 | - | 216 | - | 25 | 24 | 265 | 24 | 289 |
| P Campbell-White | - | 177 | - | 10 | 18 | 205 | 9 | 214 |
| **Non-Executive Directors** | | | | | | | | |
| M Dwek (a) | 83 | - | - | - | 35 | 118 | - | 118 |
| M Rapoport | - | - | 26 | - | - | 26 | - | 26 |
| R Waddington | - | - | 30 | - | - | 30 | - | 30 |
| T Yap | - | - | 26 | - | - | 26 | - | 26 |
| **2023** | **83** | **393** | **82** | **35** | **77** | **670** | **33** | **703** |
| 2022 | 80 | 434 | 75 | 5 | 71 | 665 | 29 | 694 |

*Includes £5,000 for share options expense for M-C Dwek and £5,0000 for Paul Campbell-White **Includes compensation for loss of office for R Waddington

Emoluments of the highest paid Director were £289,000 (2022: £260,000). Bonus payments are based on performance against set targets at an increasing percentage of salary for the extent of exceeding the agreed targets. The Directors' share interests are detailed in the Directors' Report on page 34. (a) The Company paid a consultancy fee of £83,000 (2022: £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 as at 30 April 2023 are as follows:

| Name | No. of options | Date of grant | Exercise price payable |
|---|---|---|---|
| M-C Dwek | 38,191 | September 2014 | 90p |
| M-C Dwek | 22,857 | September 2015 | 90p |
| M-C Dwek | 146,250 | October 2019 | 90p |
| M-C Dwek | 118,791 | October 2019 | 50p |
| M-C Dwek | 83,153 | June 2022 | 50p |
| P Campbell-White | 70,000 | June 2022 | 5p |

During the year M-C Dwek was awarded 83,153 options with an exercise price of 50p and vest 1/3 in June 2023, 1/3 in June 2024 and 1/3 June 2025.

During the year 72,097 of M-C Dwek's existing options vested and 247,272 options lapsed.

During the year P Campbell-White was awarded 70,000 options with an exercise price of 5p. These options vest after 3 years subject to an additional share price vesting criteria that the average closing mid-market share price on the 10 business days preceding the date of exercise must exceed 63.88p, being a 75% premium to the closing mid-market share price on the day before grant date.

***Approval***

This remuneration report was approved by order of the Board on 25 September 2023.

**Marie-Claire Dwek**
Director

# 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 2023 which comprise the Consolidated Income Statement, the Consolidated and Company Statements of Financial Position, the Consolidated and Company Statements of Changes in Equity, the Consolidated Statement of Cash Flows and the related 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 UK adopted international accounting standards. 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 2023 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with UK adopted international accounting standards;
- 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 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.

### Our approach to the audit

We adopted a risk-based audit approach. We gained a detailed understanding of the group's business, the environment it operates in and the risks it faces.

The key elements of our audit approach were as follows:

In order to assess the risks identified, the engagement team performed an evaluation of identified components and to determine the planned audit responses based on a measure of materiality, calculated by considering the significance of components as a percentage of the group's total revenue and profit before taxation and the group's total assets.

From this, we determined the significance of each component to the group as a whole and devised our planned audit response. In order to address the audit risks described in the Key audit matters section which were identified during our planning process, we performed a full-scope audit of the financial statements of the parent company, Newmark Security plc, and two of the UK trading entities, Safetell Limited and Grosvenor Technology Limited and its US trading subsidiary, Grosvenor Technology LLC. The operations that were subject to full-scope audit procedures made up 100% of consolidated revenues and 100% of consolidated profit after tax.

### Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current year 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.

| Risk Description | Our response to the risk |
|---|---|
| **Revenue recognition:**<br>As detailed in note 1 to the financial statements, the group's revenue is generated from a number of streams, as follows:<br><br>• Sale of hardware;<br>• Software licenses;<br>• Support and maintenance<br><br>Given the material nature of revenue and the variety of methods it is generated through, the appropriateness of revenue recognition and management's application of the group's revenue recognition accounting policies represents a key risk area of significant judgement in the financial statements. | We have assessed accounting policies for consistency and appropriateness with the financial reporting framework and in particular that revenue was recognised when performance obligations were fulfilled. In addition, we reviewed for the consistency of application as well as the basis of any recognition estimates.<br><br>We have obtained an understanding of processes through which the businesses initiate, record, process and report revenue transactions.<br><br>We performed walkthroughs of the processes as set out by management, to ensure controls appropriate to the size and nature of operations are designed and implemented correctly throughout the transaction cycle.<br><br>We selected a sample of transaction from each revenue stream to confirm that revenue has been recognised in accordance with the accounting policies and performance obligations for the recognition have been met. These have been vouched to invoices, delivery notes and nominal postings.<br><br>We performed cut-off procedures to test transactions around the year end and verified a sample of revenue to originating documentation to provide evidence that transactions were recorded in the correct year.<br><br>We tested a sample of post year end credit notes to related invoices to verify that revenue has been recorded in the correct accounting year.<br><br>We obtained a complete listing of journals posted to revenue nominal codes and reviewed the listing for any unexpected entries. These were then tested to supporting evidence.<br><br>Our procedures did not identify any material misstatements in the revenue recognised during the year. |
| **Valuation of goodwill and intangibles**<br>The Group has a significant carrying value of intangible assets and goodwill. The Group's assessment of carrying value requires significant judgement, in particular regarding cash flows, growth rates, discount rates and sensitivity assumptions. | We obtained management's assessment, discussed the key assumptions with management and tested the arithmetical accuracy of the underlying models. We challenged the assumptions and judgements used in the impairment model, which included:<br><br>- We considered historical trading performance by comparing recent growth rates of both revenue and operating profit.<br><br>- We assessed the appropriateness of the assumptions concerning growth rates and inputs to the discount rates against latest market expectations. |

| | |
|---|---|
| | - We performed sensitivity analysis to determine whether an impairment would be required if costs increase at a higher than forecast rate.<br><br>- We reviewed the disclosures in the financial statements.<br><br>We have not identified any matters which indicate that the assumptions and estimates made by management are unreasonable. |

### Our application of materiality

We apply the concept of materiality in planning and performing our audit, in determining the nature, timing and extent of our audit procedures, in evaluating the effect of any identified misstatements, and in forming our audit opinion.

The materiality for the group financial statements as a whole was set at £201,000. This has been determined with reference to the benchmark of the group's revenue which we consider to be an appropriate measure fora group of companies such as these. Materiality represents 1% of group revenue. Performance materiality has been set at 75% of group materiality.

The materiality for the parent company financial statements as a whole was set at £72,600 and performance materiality represents 75% of materiality. This has been determined with reference to the parent company's net assets, which we consider to be an appropriate measure for a holding company with investments in trading subsidiaries. Materiality represents 2% of net assets as presented on the face of the parent company's Statement of Financial Position.

### Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Our evaluation of the directors' assessment of the entity's ability to continue to adopt the going concern basis ofaccounting included:

- Reviewing management's cash flow forecasts for a period of at least 12 months from the date of approval of these financial statements;
- Challenging management on key assumptions included in their forecast scenarios;
- Considering the potential impact of various scenarios on the forecasts;
- Reviewing results post year end to the date of approval of these financial statements and assessing them against original budgets;
- Reviewing the forecasting accuracy through reviewing the prior year budgets compared to actuals;
- Reviewing waiver agreement for the breach of bank covenants; and
- Reviewing management's disclosures in the financial statements.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in therelevant sections of this report.

### Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information included in the annual report. 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. 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 thefinancial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legalrequirements.

**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 their environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

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

adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or

the parent company financial statements are not in agreement with the accounting records and returns; or

- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

**Responsibilities of directors**

As explained more fully in the directors' responsibilities statement set out on 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. Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below:

Our assessment focused on key laws and regulations the company has to comply with and areas of the financial statements we assessed as being more susceptible to misstatement. These key laws and regulations included but were not limited to compliance with the Companies Act 2006, UK adopted international accounting standards, United Kingdom Generally Accepted Accounting Practice (UK GAAP) and relevant tax legislation.

We are not responsible for preventing irregularities and cannot be expected to detect non-compliance with all laws and regulations. Our approach to detecting irregularities included, but was not limited to, the following:

- Obtaining an understanding of the legal and regulatory framework applicable to the entity and how the entity is complying with that framework;

- Obtaining an understanding of the entity's policies and procedures and how the entity has complied with these, through discussions and sample testing of controls;
- Obtaining an understanding of the entity's risk assessment process, including the risk of fraud;
- Designing our audit procedures to respond to our risk assessment;
- Performing audit testing over the risk of management override of controls, including testing of journal entries and other adjustments for appropriateness, evaluating the business rationale of significant transactions outside the normal course of business; and
- Reviewing accounting estimates for bias specifically in relation to goodwill and deferred tax assets.

Whilst considering how our audit work addressed the detection of irregularities, we also consider the likelihood of detection based on our approach. Irregularities arising from fraud are inherently more difficult to detect than those arising from error.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of non-compliance. The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation.

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

**Use of our report**

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

**Melanie Hopwell (Senior Statutory Auditor)**
For and on behalf of Cooper Parry Group Limited
Statutory Auditor

Sky View
Argosy Road
East Midlands Airport
Caste Donington
Derby
DE74 2SA
25 September 2023

Newmark
SECURITY PLC

# Financial Report

# FINANCIAL STATEMENTS

## Consolidated income statement for the year end 30 April 2023

| | Notes | 2023 £'000 | 2022 £'000 |
|---|---|---|---|
| **Revenue** | 2 | 20,314 | 19,145 |
| Cost of sales | | (12,676) | (12,726) |
| **Gross profit** | | 7,638 | 6,419 |
| Administrative expenses | | (7,354) | (7,633) |
| **Profit/(loss) from operations before exceptional items** | | 284 | (1,090) |
| Exceptional redundancy costs | 3 | - | (124) |
| **Profit/(loss) from operations** | 3 | 284 | (1,214) |
| Finance costs | 6 | (348) | (220) |
| **Loss before tax** | | (64) | (1,434) |
| Tax credit | 7 | 417 | 630 |
| **Profit/(loss) for the year** | | 353 | (804) |
| Attributable to: | | | |
| - Equity holders of the parent | | 353 | (804) |
| **Earnings/(loss) per share** | | | |
| - Basic (pence) | 8 | 3.77 | (0.32) |
| - Diluted (pence) | 8 | 3.69 | (0.32) |

## Consolidated statement of comprehensive income

| | 2023 £'000 | 2022 £'000 |
|---|---|---|
| **Profit/(loss) for the year** | 353 | (804) |
| Foreign exchange on the retranslation of overseas operation | (22) | 143 |
| Total comprehensive profit/(loss) for the year | 331 | (661) |
| **Attributable to:** | | |
| - Equity holders of the parent | 331 | (661) |

The notes on pages 49 to 76 form part of these financial statements.

# Consolidated statement of financial position at 30 April 2023

Company number: 03339998

| | Note | 2023 £'000 | 2022 £'000 |
|---|---|---|---|
| ASSETS | | | |
| Non-current assets | | | |
| Property, plant and equipment | 9 | 2,914 | 2,088 |
| Intangible assets | 10 | 5,450 | 5,564 |
| Deferred tax | 7 | 454 | 410 |
| **Total non-current assets** | | 8,818 | 8,062 |
| **Current assets** | | | |
| Inventories | 13 | 4,150 | 3,983 |
| Trade and other receivables | 14 | 4,978 | 3,979 |
| Cash and cash equivalents | | 581 | 157 |
| **Total current assets** | | 9,709 | 8,119 |
| **Total assets** | | 18,527 | 16,181 |
| LIABILITIES | | | |
| **Current liabilities** | | | |
| Trade and other payables | 15 | 4,559 | 3,105 |
| Other short-term borrowings | 16 | 3,402 | 2,958 |
| **Total current liabilities** | | 7,961 | 6,063 |
| **Non-current liabilities** | | | |
| Long term borrowings | 17 | 2,537 | 2,447 |
| Provisions | 20 | 100 | 100 |
| **Total non-current liabilities** | | 2,637 | 2,547 |
| **Total liabilities** | | 10,598 | 8,610 |
| TOTAL NET ASSETS | | 7,929 | 7,571 |
| **Capital and reserves attributable to equity holders** | | | |
| Share capital | 21 | 4,687 | 4,687 |
| Share premium reserve | 22 | 553 | 553 |
| Merger reserve | 22 | 801 | 801 |
| Foreign exchange difference reserve | 22 | (181) | (159) |
| Retained earnings | 22 | 2,029 | 1,649 |
| **Total attributed to equity holders** | | 7,889 | 7,531 |
| **Non-controlling interest** | 22 | 40 | 40 |
| TOTAL EQUITY | | 7,929 | 7,571 |

The financial statements were approved by the Board of Directors and authorised for issue on 25 September 2023.

**Paul Campbell-White**

Director

The notes on pages 49 to 76 form part of these financial statements.

# Consolidated statement of cash flows for the year ended 30 April 2023

| | Notes | 2023 £'000 | 2022 £'000 |
|---|---|---|---|
| **Cash flow from operating activities before exceptional items** | | | |
| Profit/(loss) after tax | | 353 | (804) |
| Adjustments for: Depreciation, amortisation and impairment | 3 | 1,201 | 1,248 |
| Exceptional items | 3 | - | 124 |
| Finance cost | 6 | 348 | 220 |
| Gain on sale of property, plant and equipment | 3 | (37) | (30) |
| Share based payment | | 27 | 7 |
| Corporation tax credit | 7 | (417) | (630) |
| **Operating profit before changes in working capital and provisions** | | 1,475 | 135 |
| Increase in trade and other receivables | | (999) | (29) |
| Increase in inventories | | (167) | (856) |
| Increase/(decrease) in trade and other payables | | 1,384 | (658) |
| **Cash generated from operations before exceptional items** | | 1,693 | (1,408) |
| Exceptional items | | - | (124) |
| **Cash generated from operations after exceptional items** | | 1,693 | (1,532) |
| Corporation tax recovered | | 400 | 871 |
| **Cash flow from operating activities** | | 2,093 | (661) |
| **Cash flow from investing activities** | | | |
| Acquisition of property, plant and equipment | 9 | (405) | (561) |
| Sale of property, plant and equipment | | 37 | 30 |
| Aquisition of intangible assets | 10 | (462) | (766) |
| | | (830) | (1,297) |
| **Cash flow from financing activities** | | | |
| Bank loans paid | 17 | (400) | (267) |
| Principal paid on lease liabilities | 23 | (394) | (424) |
| Proceeds on invoice financing | 16 | 290 | 2,263 |
| Interest paid | | (299) | (84) |
| | | (803) | 1,488 |
| **Increase/(decrease) in cash and cash equivalents** | | 460 | (470) |
| Cash and cash equivalents at beginning of year | | 157 | 484 |
| Exchange differences on cash and cash equivalents | | (36) | 143 |
| **Cash and cash equivalents at end of year** | | 581 | 157 |

The notes on pages 49 to 76 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 1 May 2022 | 4,687 | 553 | 801 | (159) | 1,649 | **7,531** | 40 | **7,571** |
| Profit for the year | - | - | - | - | 353 | **353** | - | **353** |
| Other comprehensive income | - | - | - | (22) | - | **(22)** | - | **(22)** |
| Total comprehensive income/(loss) for the year | - | - | - | (22) | 353 | **331** | - | **331** |
| *Transactions with owners* | | | | | | | | |
| Share based payment | - | - | - | - | 27 | **27** | - | **27** |
| **As at 30 April 2023** | **4,687** | **553** | **801** | **(181)** | **2,029** | **7,889** | **40** | **7,929** |

| | 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 1 May 2021 | 4,687 | 553 | 801 | (302) | 2,446 | **8,185** | 40 | **8,225** |
| Loss for the year | - | - | - | - | (804) | **(804)** | - | **(804)** |
| Other comprehensive income | - | - | - | 143 | - | **143** | - | **143** |
| Total comprehensive income/(loss) for the year | - | - | - | 143 | (804) | **(661)** | - | **(661)** |
| *Transactions with owners* | | | | | | | | |
| Share based payment | - | - | - | - | 7 | **7** | - | **7** |
| **As at 30 April 2022** | **4,687** | **553** | **801** | **(159)** | **1,649** | **7,531** | **40** | **7,571** |

The notes on pages 49 to 76 form part of these financial statements.

# 1. Accounting policies

Newmark Security (the "Company") is a public limited company, limited by shares, registered number 03339998 in England & Wales. The consolidated financial statements of the Company comprise the Company and its subsidiaries (together referred to as the "Group").

The financial statements are for the year ending 30 April 2023 (2022: year ended 30 April 2022).

***Basis of preparation***

The primary economic environment in which the Group operates is the UK and therefore the consolidated financial statements are presented in pounds sterling ('£').

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 UK adopted international accounting standards ("IFRS") in conformity with the requirements of the Companies Act 2006.

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.

None of the new standards or amendments to standards have had any impact on the accounting policies of the group in the year.

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 forecast covenant compliance and are confident that the Company and the Group will be able to continue trading for a period of at least twelve months following approval of these financial statements, being the going concern period.

In August 2020, the Group secured a £2 million financing facility from its bankers, HSBC, via the Coronavirus Business Interruption Loan Scheme ("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 original covenant required 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, based on audited accounts. As a result of the Strategic Business Plan certain investments were identified and factored into a forward looking model. Management identified that the investments and cash outlay may result in a potential default of the covenant and therefore the Directors agreed a waiver of the debt service ratio to be replaced by a Tangible Net Worth ("TNW") test applicable for the year ended 30 April 2022 based on audited accounts. This test used the calculation of Net Assets less Intangible Assets and required the result to exceed £3.1 million. In the year ended 30 April 2022 profitability and cashflows were significantly impacted by the COVID-19 pandemic, increase in freight costs and the global componentry shortage as the Group had to increase stock levels to meet anticipated demand and pay higher prices for many components. As a result of this, in January 2022, HSBC agreed to a waiver of the year ended 30 April 2022 covenant calculation.

For the year ended 30 April 2023 the covenant returned to the original pre-debt service cashflow of 1.2 times the level of debt service commencing, based on audited accounts. The 2023 calculation was 1.45 so 121% of the target. No other financing facilities of the Group have any covenant requirements.

In January 2023, the Group increased its UK HSBC invoice financing facility to £2.3 million to provide additional working capital headroom. At 30 April 2023, £2.0 million was being utilised.

In February 2022, the Group secured a 3 year $2 million invoice financing facility with Seacoast National Bank against invoices raised from our US operation. At 30 April 2023, $0.6 million of the facility was being utilised. The level of invoice financing available varies with the open book of trade debtors at any point in time and therefore the level of financing fluctuates.

At 30 April 2023 the Group had a £0.2 million overdraft facility with its bankers, HSBC, although none was utilised as the Group had a positive bank balance of £0.6 million at year end. This overdraft facility increased to £0.4 million on 27 July 2023.

The Group's going concern assessment is based on the Group continuing to generate operating cashflows the year to 30 April 2024. and stock levels starting to unwind from their historic high levels.

The latest forecast of the Group results in exceeding the debt service covenant test by 48%. Further scenario testing and sensitivity analysis was completed to model certain criteria that would indicate a potential covenant breach against the latest formally approved budget. Given the 48% headroom in the latest covenant calculation it would take a large reduction in gross material margin to cause in a covenant breach at April 2024.

However, management are confident that the shortfalls will not occur but are undertaking regular reviews and forecasts to ensure this.

The Group is currently trading ahead of budget and continues to generate operating cashflows in FY24.

Management are confident that the Group would be able to meet loan repayments and working capital needs. The Group is expected to be able to operate within existing finance facilities, based on Management's detailed monthly cashflow forecasts to September 2024. Should profits or cashflow movements fall behind expectations in this period the Group expects to be able to utilise more of its current UK and US invoice financing facilities and also extend the overdraft facility. 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 Chief Financial Officer.

***Basis of consolidation***

The Group financial statements consolidate the results of the company and all of its subsidiary undertakings drawn up to 30 April 2023. 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.

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

The Group provides support and service contracts to customers, which are invoiced separately to the goods and software noted above and are considered to be distinct performance obligations. The revenue from support, Software-as-a-Service (SaaS) and Clocks-as-a-Service (ClaaS) 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 provide maintenance and installation services. Revenue for maintenance contracts is recognised at a point in time, as and when maintenance work is performed for the customer and is based on the level of work required at that time. Revenue for installation services is also recognised at a point in time, when the work has been completed. Where there is an additional fee for project management relating to the installation, this is treated as one performance obligation and invoiced when the installation is complete.

*Determining the transaction price*

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

*Allocating amounts to performance obligations*

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

*Payment terms*

Payment for all revenue streams noted above is due between 30 and 60 days after the invoice is raised. For all revenue recognised at a point in time, the invoice is raised when the product or service has been supplied. Deferred income arises where invoices relate to maintenance visits for several sites and not all have been visited at year end. 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 cash-generating unit (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 cash- generating units that are expected to benefit from the synergies of the combination giving rise to the goodwill.

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

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

***Foreign currency***

The consolidated financial statements are presented in sterling, which is the 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***

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 income statement. 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, overdraft, accruals, loan and invoice discount account. All financial liabilities are measured initially at fair value and subsequently at amortised cost using the effective interest method.

***Cash flow hedges***

Cash flow hedges are accounted for under fair value. Fair value is calculated by establishing the mark to market value. Movements on the fair value are reflected in the income statement with the fair value being reflected in current assets or liabilities on the consolidated statement of financial position

***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.

The fair value of the share options is measured using either a Black–Scholes or Monte Carlo model, taking into account the terms and conditions of the individual scheme.

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***

For any new contracts entered into the Group considers whether a contract is, or contains a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right-of-use an asset for a period of time in exchange for consideration'. To apply this definition the Group assesses whether the contract meets three key evaluations which are whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Group;
- the Group has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract; and
- the Group has the right to direct the use of the identified asset throughout the period of use. The Group assess whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

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; and
- 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 the consolidated income statement.

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 (research and development costs)***

Expenditure on research activities is recognised as an expense in the period in which it is incurred. Expenditure on internally developed products is capitalised if it can be demonstrated that:

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

Capitalised hardware and firmware development costs 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.

Each project is reviewed individually between Finance and the Technical Director regularly to ascertain appropriate accounting treatment.

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.

Research & Development (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 research and development on behalf of other companies a Research and Development Expenditure Credit (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 annum straight line

Fixtures and fittings
– 10-15% per annum straight line

Computer equipment
– 25-33.3% per annum straight line

Motor vehicles
– 25-33% 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.

At each reporting date, inventories are assessed for impairment. If inventory is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment is recognised immediately in the Consolidated Income Statement.

***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.

***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 provision***

A liability is recognised to the extent of any unused holiday pay entitlement which has accrued at the consolidated statement of financial positiondate 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 – cash forecasts used for value in use of cash-generating units and going concern review

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 cash-generating units have been determined based on value-in-use calculations derived from cash forecasts. These calculations require the use of estimates as detailed in note 11 including forecasts from formally approved cash projections to April 2026. Management uses judgement to estimate the extent and timing of future cashflows. The forecasts used to assess the going concern within the review period to September 2024 are based on the same operating forecasts as the impairment review.

(b) Estimate – Useful economic life

The useful economic life used for intangible assets is an estimate based on a review of the historical, commercial and technical experience of senior members of the management team. The key estimate is that Capitalised hardware and firmware development costs are amortised over seven years being the period the Group expected to benefit from selling the products developed.

*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 53. 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.

(b) Judgement – 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 5 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.

## 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 | | Total | |
|---|---|---|---|---|---|---|
| | 2023 £'000 | 2022 £'000 | 2023 £'000 | 2022 £'000 | 2023 £'000 | 2022 £'000 |
| Product sales (includes hardware and software) | 13,245 | 13,468 | 2,694 | 3,132 | 15,939 | 16,600 |
| Installation and Professional Services | 89 | 180 | - | - | 89 | 180 |
| *Support, Service and SaaS contracts* | | | | | | |
| Recurring revenue - point in time | - | - | 2,046 | 1,455 | 2,046 | 1,455 |
| Recurring revenue - over time | 2,240 | 910 | - | - | 2,240 | 910 |
| | 15,574 | 14,558 | 4,740 | 4,587 | 20,314 | 19,145 |
| *Revenue recognised as follows* | | | | | | |
| Point in time | 13,334 | 13,648 | 4,740 | 4,587 | 18,074 | 18,235 |
| Over time | 2,240 | 910 | - | - | 2,240 | 910 |
| | 15,574 | 14,558 | 4,740 | 4,587 | 20,314 | 19,145 |

Support, Service, SaaS and ClaaS 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, SaaS and ClaaS 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 | 2023 £'000 | 2022 £'000 |
|---|---|---|
| UK | 8,520 | 8,039 |
| USA | 7,417 | 8,287 |
| Belgium | 1,260 | 1,029 |
| Canada | 955 | 766 |
| Netherlands | 774 | 476 |
| Mexico | 457 | - |
| Middle East | 186 | 71 |
| Sweden | 104 | 86 |
| Switzerland | 76 | 58 |
| Ireland | 45 | 59 |
| Rest of the world | 520 | 274 |
| | 20,314 | 19,145 |

There was one customer that accounted for more than 10% of Group revenue at £2 million (2022: two customers accounted for more than 10% of revenue at £3.2 million and £2.5 million respectively).

# 3. Profit/(loss) from operations

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

| | Note | 2023<br>£'000 | 2022<br>£'000 |
|---|---|---|---|
| Staff costs | 4 | 7,274 | 7,119 |
| Exceptional redundancy costs | | - | 124 |
| Depreciation of property, plant, and equipment | 9 | 625 | 542 |
| Amortisation of intangibles assets | 10 | 576 | 706 |
| Foreign exchange differences | | 1 | (130) |
| Profit on disposal of property, plant and equipment | | (37) | (30) |

| **Auditors remuneration:** | 2023<br>£'000 | 2022<br>£'000 |
|---|---|---|
| Audit fees payable to the Company's auditor for the audit of: | | |
| - Company annual accounts | 15 | 20 |
| - Group annual accounts | 37 | 42 |
| Other fees payable to the Company's auditors: | | |
| - Audit of subsidiary companies | 48 | 70 |
| - Tax compliance | - | 32 |
| | 100 | 164 |

***Exceptional costs***

During the year exceptional costs of £nil (2022: £124,000) were incurred. In the prior year there were £124,000 of restructuring costs in Grosvenor Technology Limited, Safetell Limited and the parent company.

# 4. Staff costs

| **Staff costs (including the Executive Directors and excluding exceptional redundancy costs) comprise:** | 2023<br>£'000 | 2022<br>£'000 |
|---|---|---|
| Wages and salaries | 6,338 | 6,048 |
| Share options expense | 27 | 7 |
| Defined contribution pension costs | 266 | 286 |
| Employer's national insurance contributions and similar taxes | 643 | 778 |
| | 7,274 | 7,119 |

| The average numbers employed (including the Executive Directors) were: | 2023<br>No. | 2022<br>No. |
|---|---|---|
| Management, sales and administration | 47 | 49 |
| Production | 52 | 54 |
| | 99 | 103 |

## 4. Staff costs *(continued)*

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

| | 2023 £'000 | 2022 £'000 |
|---|---|---|
| Salaries* | 870 | 842 |
| Employers national insurance contributions and similar taxes | 122 | 131 |
| Share options expense | 18 | 7 |
| | 1,010 | 980 |

The emoluments of the Directors of the parent company are set out in the Directors' remuneration report on pages 37 and 38.

*Includes termination costs of £30,000 in 2022.

## 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** – 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 77% (2022: 76%) 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 23% (2022: 24%) 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 2023 £'000 | Physical Security Solutions division 2023 £'000 | Total 2023 £'000 |
|---|---|---|---|
| Revenue from external customers | 15,574 | 4,740 | 20,314 |
| Finance cost | 154 | 58 | 212 |
| Depreciation | 341 | 230 | 571 |
| Amortisation | 572 | - | 572 |
| Segment profit/(loss) before income tax | 2,196 | (685) | 1,510 |
| Additions to non-current assets | 1,299 | 463 | 1,933 |
| Disposal of non-current assets | 457 | 484 | 976 |
| Reportable segment assets | 13,556 | 3,739 | 17,295 |
| Reportable segments liabilities | 4,980 | 3,518 | 8,498 |

## 5. Segment information *(continued)*

| | People and Data Management division 2022 £'000 | Physical Security Solutions division 2022 £'000 | Total 2022 £'000 |
|---|---|---|---|
| Revenue from external customers | 14,558 | 4,587 | 19,145 |
| Finance cost | 99 | 20 | 119 |
| Depreciation | 304 | 228 | 532 |
| Amortisation | 703 | - | 703 |
| Segment profit/(loss) before income tax | 312 | (103) | 209 |
| Additions to non-current assets* | 1,292 | 158 | 1,450 |
| Disposal/modification of non-current assets | 488 | 198 | 686 |
| Reportable segment assets | 13,094 | 2,299 | 15,392 |
| Reportable segments liabilities | 4,722 | 1,530 | 6,252 |

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

| | | 2023 £'000 | 2022 £'000 |
|---|---|---|---|
| **Revenue** | | | |
| Total revenue for reportable segments | | 20,314 | 19,145 |
| **Profit or loss before income tax expense** | | | |
| Total profit or loss for reportable segments | | 1,510 | 209 |
| Parent company salaries and related costs | | (604) | (809) |
| Other parent company costs | | (970) | (834) |
| Loss before income tax expense | | (64) | (1,434) |
| Corporation taxes | | 417 | 630 |
| Profit/(loss) after income tax expense | | 353 | (804) |
| **Assets** | | | |
| Total assets for reportable segments | | 17,295 | 15,392 |
| Parent company assets | * | 1,261 | 789 |
| Group's assets | | 18,556 | 16,181 |
| **Liabilities** | | | |
| Total liabilities for reportable segments | | 8,498 | 6,252 |
| Parent company liabilities | ** | 2,128 | 2,358 |
| Group's liabilities | | 10,626 | 8,610 |

*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.

**Parent company liabilities include dormant companies' intercompany balances which eliminate fully on consolidation therefore do not feature in the consolidated financial statements.

## 5. Segment information *(continued)*

*Geographical information:*

Non-current assets by location of assets

| | 2023 £'000 | 2022 £'000 |
|---|---|---|
| UK | 7,280 | 7,092 |
| USA | 1,084 | 560 |
| | 8,364 | 7,652 |

| | Reportable segment totals 2023 £'000 | PLC 2023 £'000 | Group Totals 2023 £'000 | Reportable segment totals 2022 £'000 | PLC 2022 £'000 | Group Totals 2022 £'000 |
|---|---|---|---|---|---|---|
| **Other material items** | | | | | | |
| Additions to non-current assets | 1,761 | 171 | 1,933 | 1,443 | 7 | 1,450 |
| Disposals and modifications of non-current assets | 942 | 34 | 976 | 623 | - | 623 |
| Depreciation and amortisation | 1,146 | 55 | 1,201 | 1,235 | 13 | 1,248 |

## 6. Finance costs

| | 2023 £'000 | 2022 £'000 |
|---|---|---|
| Lease interest cost | 49 | 44 |
| Bank loans and overdraft | 141 | 101 |
| Invoice financing | 158 | 75 |
| | 348 | 220 |

## 7. Tax and deferred tax

| | 2023 £'000 | 2022 £'000 |
|---|---|---|
| *Current tax* | | |
| UK corporation tax on profit for the year | - | (338) |
| Overseas corporation tax | (25) | - |
| Adjustment to provision in prior periods | (348) | (88) |
| | (373) | (426) |
| *Deferred tax* | | |
| Origination and reversal of temporary differences | (16) | (159) |
| Effect of change in corporation tax rate | - | (61) |
| Adjustment to provision in prior periods | (28) | 16 |
| | (44) | (204) |
| **Total tax credit** | (417) | (630) |

## 7. Tax and deferred tax *(continued)*

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:

| | 2023<br>£'000 | 2022<br>£'000 |
|---|---|---|
| Loss before tax | (64) | (1,434) |
| Expected tax credit based on the standard rate of corporation tax in the UK of 19.49% (2022: 19.0%) | (12) | (272) |
| Research and development allowances | (347) | (142) |
| Effects on profits on items not taxable or deductible for tax purposes | 17 | 24 |
| Effects of corporation tax change | - | (61) |
| Movement in deferred tax not recognised | 190 | - |
| Remeasurement of deferred tax for changes in tax rate | 3 | 4 |
| Fixed asset differences | (14) | 6 |
| Foreign tax credits | (25) | 25 |
| Adjustments in respect of prior period | (247) | (71) |
| Adjustment in respect of prior period (deferred tax) | (28) | (143) |
| Other movements | 46 | - |
| Total tax credit | **(417)** | **(630)** |

The comparative figures within the reconciliation from the standard rate of tax to the effective rate of tax for the company have been restated in order to more fairly reflect the nature of reconciling items. This restatement has no impact on the tax charge, profit after tax or net assets.

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

| | 2023<br>£'000 | 2022<br>£'000 |
|---|---|---|
| Management expenses and loan relationship deficits | 240 | 170 |
| Trading losses | 5,622 | 5,203 |
| | 5,862 | 5,373 |

| A deferred tax asset has not been recognised for the following: | 2023<br>£'000 | 2022<br>£'000 |
|---|---|---|
| Management expenses and loan relationship deficits | 240 | 170 |
| Trading losses | 1,425 | 732 |
| | 1,665 | 902 |

## 7. Tax and deferred tax *(continued)*

***Deferred tax***

Deferred tax is calculated in full on temporary differences under the liability method using a tax rate of 25% (2022: 19%). The March 2021 Budget announced a further increase to the main rate of corporation tax to 25% from 1 April 2023 and was substantively enacted in May 2021. The £61,000 increase in net deferred tax assets as a result of this change in tax rate is recorded in the year ended 30 April 2022.

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 | Fixed Assets | Other temporary and deductible differences | Available losses |
|---|---|---|---|---|
| **Asset/(liability)** | | | | |
| At 1 May 2022 | 410 | (639) | - | 1,049 |
| Income statement (charge) / credit | 44 | (25) | 69 | - |
| At 30 April 2023 | 454 | (664) | 69 | 1,049 |
| **Asset/(liability)** | | | | |
| At 1 May 2021 | 206 | 146 | (526) | 586 |
| Income statement credit/(charge) | 204 | (785) | 526 | 463 |
| At 30 April 2022 | 410 | (639) | - | 1,049 |

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 allow for a fluctuation in projections and apply a level of cautiousness to recognition so that it allows for profit fluctuations.

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)

| | 2023<br>£'000 | 2022<br>£'000 |
|---|---|---|
| *Numerator* | | |
| Profit/(loss) used in basic and diluted EPS | 353 | (804) |
| *Denominator* | | |
| Weighted average number of shares used in basic EPS | 9,374,647 | 252,267,880 |
| Weighted average number of dilutive share options | 190,325 | - |
| Weighted average number of shares used in diluted EPS | 9,564,972 | 252,267,880 |

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 with an exercise price being less than the year end average mid-market price.

## 8. Earnings per share (EPS) *(continued)*

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:

| | Basic 2023 pence | Diluted 2023 pence | Basic 2022 pence | Diluted 2022 pence |
|---|---|---|---|---|
| Earnings per share before exceptional items | 3.77 | 3.69 | (0.32) | (0.32) |
| Exceptional costs | - | - | 0.05 | 0.05 |
| Earnings per share after exceptional items | 3.77 | 3.69 | (0.27) | (0.27) |

| Reconciliation of earnings | 2023 £'000 | 2022 £'000 |
|---|---|---|
| Profit/(loss) before exceptional items | 353 | (804) |
| Exceptional costs | - | 124 |
| Profit/(loss) after exceptional items | 353 | (680) |

## 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 | Computers, fixtures and fittings £'000 | Total £'000 |
|---|---|---|---|---|---|---|
| **Cost** | | | | | | |
| Balance at 1 May 2022 | 1,492 | 834 | 361 | 209 | 1,849 | 4,745 |
| Additions | 759 | 307 | 42 | 6 | 357 | 1,471 |
| Disposals | (87) | (474) | - | 139 | (351) | (773) |
| Transfers | - | (17) | - | 17 | - | - |
| Net exchange differences | - | - | - | - | 3 | 3 |
| **Balance at 30 April 2023** | 2,164 | 650 | 403 | 371 | 1,858 | 5,446 |
| **Depreciation** | | | | | | |
| Balance at 1 May 2022 | (452) | (526) | (296) | (183) | (1,200) | (2,657) |
| Disposals | 87 | 437 | - | (97) | 324 | 751 |
| Transfers | - | 17 | - | (17) | - | - |
| Net exchange differences | - | - | - | - | (1) | (1) |
| Depreciation | (243) | (168) | (24) | (19) | (171) | (625) |
| **Balance at 30 April 2023** | (608) | (240) | (320) | (316) | (1,048) | (2,532) |
| **Net book value 30 April 2023** | **1,556** | **410** | **83** | **55** | **810** | **2,914** |
| **Cost** | | | | | | |
| Balance at 1 May 2021 | 1,525 | 853 | 562 | 262 | 1,517 | 4,719 |
| Additions | - | 124 | 11 | 51 | 499 | 685 |
| Disposals | (37) | (146) | (212) | (106) | (185) | (686) |
| Net exchange differences | 4 | 3 | - | 2 | 18 | 27 |
| **Balance at 30 April 2022** | 1,492 | 834 | 361 | 209 | 1,849 | 4,745 |
| **Depreciation** | | | | | | |
| Balance at 1 May 2021 | (276) | (489) | (454) | (214) | (1,269) | (2,702) |
| Disposals | - | 137 | 194 | 80 | 185 | 596 |
| Net exchange differences | (2) | - | - | (2) | (5) | (9) |
| Depreciation | (174) | (174) | (36) | (47) | (111) | (542) |
| **Balance at 30 April 2022** | (452) | (526) | (296) | (183) | (1,200) | (2,657) |
| **Net book value 30 April 2022** | **1,040** | **308** | **65** | **26** | **649** | **2,088** |

## 10. Intangible assets

| | | Goodwill £'000 | Development costs £'000 | Licenses, patents and copyrights £'000 | Other £'000 | Total £'000 |
|---|---|---|---|---|---|---|
| **Gross carrying amount** | | | | | | |
| Balance at 1 May 2022 | | 6,872 | 10,176 | 62 | 9 | 17,119 |
| Additions - internally developed | | - | 460 | - | - | 460 |
| Additions - external costs | | - | - | 2 | - | 2 |
| Balance at 30 April 2023 | | 6,872 | 10,636 | 64 | 9 | 17,581 |
| **Amortisation and impairment** | | | | | | |
| Balance at 1 May 2022 | | (4,137) | (7,381) | (31) | (6) | (11,555) |
| Amortisation | | - | (566) | (7) | (3) | (576) |
| Balance at 30 April 2023 | * | (4,137) | (7,947) | (38) | (9) | (12,131) |
| **Carrying amount 30 April 2023** | | 2,735 | 2,689 | 26 | - | 5,450 |
| **Gross carrying amount** | | | | | | |
| Balance at 1 May 2021 | | 6,872 | 9,412 | 61 | 9 | 16,354 |
| Additions - internally developed | | - | 257 | - | - | 257 |
| Additions - external costs | | - | 507 | 1 | - | 508 |
| **Balance at 30 April 2022** | | 6,872 | 10,176 | 62 | 9 | 17,119 |
| **Amortisation and impairment** | | | | | | |
| Balance at 1 May 2021 | | (4,137) | (6,686) | (23) | (3) | (10,849) |
| Amortisation | | - | (695) | (8) | (3) | (706) |
| **Balance at 30 April 2022** | * | (4,137) | (7,381) | (31) | (6) | (11,555) |
| **Carrying amount 30 April 2022** | | 2,735 | 2,795 | 31 | 3 | 5,564 |

*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 (2022: £Nil).

## 11. Goodwill and impairment

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

| | 2023 £'000 | 2022 £'000 |
|---|---|---|
| People and Data Management division | 2,735 | 2,735 |

## 11. Goodwill and impairment *(continued)*

The recoverable amounts have been determined from value in use calculations based on cash flow projections from formally approved projections from the Strategic Business Plan updated with the results from the annual budget process covering a three year period to 30 April 2026. The discount rate that was applied was 15% for the People and Data Management division (2022: 12.5%), 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 compound revenue growth rate for the People and Data Management division increased to 23% (2022: 21%). The growth rate reflects the impact of customer expansion supported by existing products and products being delivered in the short term. The gross margin assumed in the forecasts is 35% to 39% (2022: 32% to 38%) with the increase due to growth of higher margin recurring revenue. The impairment review applied sensitivities reducing the long term growth rate to 1% which indicated no impairment. If the discount rate is increased to 20%, there is no impairment. In order for the carrying value to equate to the value in use the discount rate would need to increase to 62%.

## 12. Subsidiaries

The subsidiaries of Newmark Security plc, all of which have been included in these consolidated financial statements, are as follows in the current and prior year:

| Name | | Country of incorporation | Proportion of ownership interest (*) | Activity |
|---|---|---|---|---|
| Custom Micro Products Limited | | UK | 100% | Dormant |
| Newmark Technology Limited | (2a) | UK | 100% | Dormant |
| Newmark Technology (C-Cure Division) Limited | | UK | 100% | Dormant |
| Safetell International Limited | | UK | 100% | Dormant |
| Safetell Limited | | UK | 100% | Trading |
| Safetell Security Screens Limited | | UK | 100% | Dormant |
| Vema B.V. | | The Netherlands | 100% | Holding |
| Vema N.V. | (2b) | The Netherlands | 98% | Dormant |
| Vema UK Limited | (2c) | UK | 100% | Dormant |
| Grosvenor Technology Limited | | UK | 100% | Trading |
| Newmark Group Limited | | UK | 100% | Dormant |
| Sateon Limited | | UK | 100% | Dormant |
| ATM Protection (UK) Limited | (2d) | UK | 86.70% | Dormant |
| ATM Protection Limited | (2e) | UK | 86.70% | Dormant |
| 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%, Newmark Security plc 47%.

(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 UK 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.

(4) All the companies have a 30 April year end.

## 13. Inventories

| | 2023 £'000 | 2022 £'000 |
|---|---|---|
| Raw materials and consumables | 2,870 | 2,345 |
| Work in progress | 95 | 168 |
| Finished goods and goods for resale | 1,518 | 1,755 |
| Less provision for slow moving and obsolete stock | (333) | (285) |
| | **4,150** | **3,983** |

| | 2023 £'000 | 2022 £'000 |
|---|---|---|
| Opening provision | (285) | (293) |
| Stock written off | 219 | 73 |
| Provided for in year | (267) | (65) |
| Closing provision | **(333)** | **(285)** |

The amount of inventories consumed in the year was £8,557,000 (2022: £8,286,000).

There is no material difference between the replacement cost of stocks and the amounts stated above.

## 14. Trade and other receivables

| | 2023 £'000 | 2022 £'000 |
|---|---|---|
| Trade receivables | 3,814 | 3,075 |
| Less provision for impairment | (77) | (35) |
| Trade receivables (net) | 3,737 | 3,040 |
| Other receivables | 301 | 281 |
| Accrued income | 260 | 43 |
| Prepayments | 378 | 285 |
| Corporation tax recoverable | 302 | 330 |
| | **4,978** | **3,979** |

At 30 April 2023 £2,551,000 (2022: £2,261,000) of trade receivables had been transferred to a provider of invoice financing 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 both the Physical Security Solutions division and 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 usiness customer which is not expected to change significantly. Where necessary for

## 14. Trade and other receivables *(continued)*

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. Any balances past due which are over credit insurance limits will also be considered for provision.

The credit risk associated with trade receivables is managed through the Company's standard credit processes. The directors consider that the carrying amount of trade receivables approximates to their fair value.

At 30 April 2023 trade receivables of £1,984,000 (2022: £497,000) were past due but not impaired. The ageing analysis of these receivables is as follows:

| | Current | 30 days past due | 60 days past due | 120 days past due | Total |
|---|---|---|---|---|---|
| | £'000 | £'000 | £'000 | £'000 | £'000 |
| As at 30 April 2023 | | | | | |
| Gross carrying amount | 1,830 | 1,766 | 123 | 95 | 3,814 |
| Loss provision | - | (2) | (6) | (69) | (77) |
| Expected Loss ratio | 0.0% | (0.1)% | (4.9%) | (72.6%) | (2.0%) |
| As at 30 April 2022 | | | | | |
| Gross carrying amount | 2,578 | 287 | 145 | 65 | 3,075 |
| Loss provision | - | (6) | (8) | (21) | (35) |
| Expected Loss ratio | 0.0% | (2.1%) | (5.5%) | (32.3%) | (1.2%) |

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

| | 2023 | 2022 |
|---|---|---|
| | £'000 | £'000 |
| Opening balance | 35 | 40 |
| Increase/(decrease) in provisions | 42 | (5) |
| **Closing balance** | 77 | 35 |

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

| | 2023 | 2022 |
|---|---|---|
| | £'000 | £'000 |
| Trade payables | 2,131 | 1,021 |
| Other taxes and social security | 848 | 1,118 |
| Other payables | 78 | 289 |
| Deferred income | 690 | 268 |
| Accruals | 723 | 366 |
| Holiday pay provision | 89 | 43 |
| | 4,559 | 3,105 |

All deferred income brought forward in 2023 and 2022 has been fully recognised in the current year.

## 16. Short-term borrowings

| | 2023 | 2022 |
|---|---|---|
| | £'000 | £'000 |
| Lease creditor (note 23) | 451 | 297 |
| Invoice financing accounts | 2,551 | 2,261 |
| Bank loan | 400 | 400 |
| | **3,402** | **2,958** |

The UK invoice financing facility 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. The US invoice financing facility is secured by a debenture on all assets of Grosvenor Technology LLC.

In August 2020, the Group secured a £2 million financing facility from its bankers, HSBC, via the Coronavirus Business Interruption Loan Scheme ("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 interest is at a fixed annual interest rate of 4.69%. The covenant requires the Group to deliver a pre-debt service cashflow of 1.2 times the level of debt service.

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

## 17. Long-term borrowings

| | 2023 | 2022 |
|---|---|---|
| | £'000 | £'000 |
| Lease creditor (note 23) | 1,604 | 1,114 |
| Bank loan | 933 | 1,333 |
| | **2,537** | **2,447** |

Maturity profile of bank loan:

| | 2023 | 2022 |
|---|---|---|
| | £'000 | £'000 |
| Up to 12 months | 400 | 400 |
| 1 to 2 years | 400 | 400 |
| 2 to 5 years | 133 | 533 |
| Total | 933 | 1,333 |

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.

## 18. Financial instruments (continued)

*Financial instruments*

Categories of financial assets and liabilities are detailed below:

| | Amortised cost | |
|---|---|---|
| | 2023 | 2022 |
| | £'000 | £'000 |
| **Current financial assets** | | |
| Trade and other receivables* | 4,120 | 3,064 |
| Cash and cash equivalents | 581 | 157 |
| **Total current financial assets** | **4,701** | **3,221** |

*includes accrued income and excludes VAT receivable

| | Financial liabilities measured at amortised cost | |
|---|---|---|
| | 2023 | 2022 |
| | £'000 | £'000 |
| **Current financial liabilities** | | |
| Trade and other payables | 2,209 | 1,310 |
| Accruals and holiday pay provision | 812 | 409 |
| Loans and borrowings | 3,402 | 2,958 |
| **Total current financial liabilities** | **6,423** | **4,677** |
| | | |
| **Non-current financial liabilities** | | |
| Loans and borrowings | 2,537 | 2,447 |
| **Total non-current financial liabilities** | **2,537** | **2,447** |
| | | |
| **Total financial liabilities** | **8,960** | **7,124** |

*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 including holiday pay and accruals
- Invoice financing
- 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.

## 18. Financial instruments (continued)

*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 financing facilities. The Group Finance Director receives daily reports of all bank and invoice discount accounts, and the balance of the available invoice discount facility.

Overdraft and banking facilities are renewed annually.

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:

| | 2023<br>£'000 | 2022<br>£'000 |
|---|---|---|
| up to 3 months | 3,266 | 1,915 |
| 3 to 6 months | 244 | 196 |
| 6 to 12 months | 487 | 279 |
| Later than 1 year and not later than 5 years | 2,912 | 2,857 |
| | **6,909** | **5,247** |

*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 amount 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 the Group 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.

The group's foreign exchange strategy effectively hedges 75% of excess USD and reduces the level of volatility compared to using spot rates. The contracts manage our currency mismatch between an increasing USD position generated from revenues and the existing cost base in both GBP and euros. The adopted process involved currency forecasting three quarters ahead and taking out tranches of forward contracts for 25% of each of the forecasted quarters relating to our excess USD position. At 30 April 2023 there were four contracts in place for $1,350,000 which would translate to £623,366 and €564,023 in the first half of the next financial year (FY24). Subsequent to the year end, further contracts were put in place for $2,400,000 to convert to £1,865,093 before the end of FY24.

## 18. Financial instruments (continued)

*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 | |
|---|---|---|---|---|
| | 2023 £'000 | 2022 £'000 | 2023 £'000 | 2022 £'000 |
| Net foreign currency financial assets/(liabilities) | (112) | 453 | 97 | (167) |
| Pound sterling | (112) | 453 | 97 | (167) |

The effect of a 10% strengthening of the Euro and Dollar against Sterling at the statement of financial position date on the Euro/Dollar denominated trade and other receivables and payables carried at that date would, all other variables held constant, have resulted in a net increase in pre-tax profit for the year and decrease of net assets of £2,000 (2022: £32,000). A 10% weakening in the exchange rates would, on the same basis, have decreased pre-tax profit and increased net assets by £1,000 (2022: £26,000).

*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.

Loan covenants are disclosed in note 16.

The cash-to-adjusted-capital ratios were as follows:

| | 2023 £'000 | 2022 £'000 |
|---|---|---|
| Loans and borrowings | 5,939 | 5,405 |
| Less cash and cash equivalents | (581) | (157) |
| **Net borrowings** | **5,358** | **5,248** |
| **Total equity** | **7,929** | **7,571** |
| Net borrowings to adjusted capital ratio | 67.6% | 69.3% |

## 19. Financial assets and liabilities

Fixed rate liabilities at 30 April 2023 comprise of the £1,333,000 bank loan being repaid on monthly instalments ending August 2026 and £2,055,000 of lease liabilities with a remaining life of between 1 to 9 years.

The weighted average interest rate of fixed rate liabilities at 30 April 2023 is 3.97% (2022: 3.94%).

## 19. Financial assets and liabilities *(continued)*

*Fair values*

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

| | Book value 2023 £'000 | Fair value 2023 £'000 | Book value 2022 £'000 | Fair value 2022 £'000 |
|---|---|---|---|---|
| Bank Loan | 1,333 | 1,495 | 1,733 | 1,943 |
| Lease liabilities | 2,055 | 2,280 | 1,411 | 1,584 |
| | 3,388 | 3,775 | 3,144 | 3,527 |

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 2023 and 2022 are equal to their book value.

## 20. Provisions

| | Leasehold dilapidations £'000 |
|---|---|
| As at 1 May 2022 and 30 April 2023 | 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

| | 2023 | | 2022 | |
|---|---|---|---|---|
| | Number | £'000 | Number | £'000 |
| Allotted, called up and fully paid | | | | |
| Ordinary share of 5p each | 9,374,647 | 469 | 9,374,647 | 469 |
| Ordinary shares of 1p each | - | - | - | - |
| Deferred shares of 0.9p each | 468,732,350 | 4,218 | 468,732,350 | 4,218 |
| | | 4,687 | | 4,687 |

At the Annual General Meeting held on 10 November 2021, the Company sought shareholder approval for a sub-division and consolidation of the Company's share capital ("Capital Reorganisation"). The shareholders passed the resolution, and as of 11 November 2021, the new ordinary shares were admitted to trading on AIM. As a result of the Capital Reorganisation, each existing ordinary share was subdivided into one new ordinary share of 0.1 pence and one new deferred share of 0.9 pence. Immediately following the sub-division, shareholders received one consolidated ordinary share of 5 pence for every 50 ordinary shares of 0.1 pence.

## 21. Share capital *(continued)*

Prior to the Capital Reorganisation, the Company's ordinary share capital consisted of 468,732,350 ordinary shares of 1 pence, and subsequent to the Capital Reorganisation, the Company's ordinary share capital consists of 9,374,647 ordinary shares of 5 pence with voting rights listed on AIM and 468,732,350 deferred shares of 0.9 pence with no voting rights.

The new ordinary shares have the same rights and benefits as the ordinary shares which existed before the consolidation, including voting, dividend and other rights.

The new deferred shares do not have any commercial value, are not tradable, and do not have any entitlement to voting or dividend rights. Shareholder certificates were not issued for the new deferred shares.

## 22. Reserves

Called up share capital reserve represents the nominal value of the shares issued.

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.

Non-controlling interest represents the share of a non-wholly owned subsidiary's net assets that are not directly attributable to the shareholders of the Company. The subsidiary is the dormant company Vema N.V.

## 23. Leases

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

| | **2023** |
|---|---|
| | **£'000** |
| Lease Liability at 30 April 2022 | (1,411) |
| Additions | (1,066) |
| Interest payments | 49 |
| Interest expense | (49) |
| Lease surrendered | 32 |
| Lease modification | (4) |
| Lease payments | 394 |
| **Lease Liability at 30 April 2023** | **(2,055)** |

| | **2022** |
|---|---|
| | **£'000** |
| Lease Liability at 30 April 2021 | (1,668) |
| Additions | (119) |
| Interest payments | 48 |
| Interest expense | (48) |
| Lease payments | 376 |
| **Lease Liability at 30 April 2022** | **(1,411)** |

## 23. Leases (continued)

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 consider available extension and termination options and apply the most likely contract end date that will be utilised.

The lease liability repayment profile is shown below:

| | Total £'000 | Within 1 yr £'000 | 1-2 years £'000 | 2-3 years £'000 | 3-4 years £'000 | Greater than 4 years years £'000 |
|---|---|---|---|---|---|---|
| Lease payments | 2,280 | 526 | 413 | 419 | 217 | 705 |
| Finance charges | (225) | (75) | (55) | (37) | (19) | (39) |
| **Net present values at 30 April 2023** | **2,055** | **451** | **358** | **382** | **198** | **666** |

| | Total £'000 | Within 1 yr £'000 | 1-2 years £'000 | 2-3 years £'000 | 3-4 years £'000 | Greater than 4 years years £'000 |
|---|---|---|---|---|---|---|
| Lease payments | 1,589 | 336 | 219 | 150 | 133 | 751 |
| Finance charges | (178) | (39) | (35) | (25) | (20) | (59) |
| **Net present values at 30 April 2022** | **1,411** | **297** | **184** | **125** | **113** | **692** |

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

| | Number of right of use assets leased | Range of remaining term (years) | Number of leases with option to purchase | Number of leases with termination option |
|---|---|---|---|---|
| Office building | 4 | 1-9 | - | 2 |
| Vehicles | 23 | 0-4 | 9 | - |
| Other Equipment | 2 | 0-5 | - | 1 |

See note 9 for further disclosures of the Group's right-of -use Assets. There are no leases with extension options or leases with variable payment terms linked to an index.

## 24. Share-based payments

In September 2019 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. Options had previously been granted under the 2007 EMI plan.

The EMI share options usually vest and become exercisable 3 years from the date of grant (subject to leaver and takeover provisions), or such other period of time specified by the Remuneration Committee. All options have a 10 year life.

The table below summarises the movements in the number of share options outstanding:

## 24. Share-based payments *(continued)*

| | 2023 No. of options | 2022 No. of options |
|---|---|---|
| Outstanding at beginning of year | 613,361 | 731,361 |
| Granted during the year | 378,153 | - |
| Forefeited during the year | (40.000) | (118,000) |
| Lapsed during the year | (247,272) | - |
| **Outstanding at end of year** | **704,242** | **613,361** |
| Exercisable at end of year | 230,645 | 445,820 |

The options granted in the current and prior years are valued using the assumptions below:

| Date of grant | Share price at date of grant (pence) | Exercise price (pence) | Vesting period and conditions | Expected volatility % | Risk-free rate % | Dividend yield % | Fair value (pence) | Valuation method |
|---|---|---|---|---|---|---|---|---|
| May 2016 | 1.475 | 146 | a | 43% | 3% | - | 36.3 | Black Scholes |
| October 2019 | 34.8 | 90 | b | 43% | 3% | - | 2.7 | Black Scholes |
| October 2019 | 34.8 | 50 | c | 43% | 3% | - | 5.9 | Black Scholes |
| October 2019 | 45.0 | 85 | a | 43% | 3% | - | 5.5 | Black Scholes |
| June 2022 | 36.5 | 50 | c | 51% | 3% | - | 12.6 | Black Scholes |
| June 2022 | 36.5 | 5 | d | 51% | 3% | - | 26.3 | Monte Carlo |

Notes

a) Options vest 3 years after date of grant

b) Options vest in accordance with the dates from their original vesting schedule which was 1/3 one year after date of grant, 1/3 two years after date of grant, 1/3 years after date of grant. See below for further details regarding the modification

c) Options vest 1/3 one year after date of grant, 1/3 two years after date of grant, 1/3 years after date of grant

d) Options vest 3 years after date of grant subject to an additional share price vesting criteria that the average closing mid-market share price on the 10 business days preceding the date of exercise must exceed 63.88p, being a 75% premium to the closing mid-market share price on the day before grant date

• Certain existing share options were modified in October 2019 by cancelling and issuing new options retaining the same traits as the cancelled share options with an updated subscription price

• All issued share options were adjusted on 10 November 2022 following the 50:1 share re-organisation in line with share plan rules. This resulted in the number of options reduced by 50 times and the exercise price increased by 50 times. The 2022 opening option figures including numbers outstanding, exercise prices and fair values have been restated to reflect this share re-organisation

• The remaining weighted average contractual lives were 8.1 years (2022: 3.6 years). The share based remuneration expense for equity settled schemes was £27,000 (2022: £7,000).

## 25. Related party transactions

Details of Directors' remuneration are given in the Directors' Remuneration report on pages 37 to 38.

## 26. Subsequent events

The Directors are not aware of any material events which occurred after the reporting date of these financial statements which will significantly affect the financial position of the Group or the results of its operations.

# Company statement of financial position

## At 30 April 2023

Company number: 03339998

| | Note | 2023 £'000 | 2023 £'000 | 2022 £'000 | 2022 £'000 |
|---|---|---|---|---|---|
| **Fixed assets** | | | | | |
| Investment in subsidiaries | 3 | | 14,236 | | 14,236 |
| Tangible assets | 4 | | 120 | | 17 |
| Intangible assets | 4 | | - | | 3 |
| | | | 14,356 | | 14,256 |
| **Current assets** | | | | | |
| Debtors | 5 | 3,788 | | 4,707 | |
| **Creditors: amounts falling due within one year** | 6 | (13,526) | | (13,773) | |
| Net current liabilities | | | (9,738) | | (9,066) |
| Total assets less current liabilities | | | 4,618 | | 5,190 |
| **Amounts falling due after one year** | | | | | |
| Long term borrowings | 7 | | (986) | | (1,338) |
| **Net assets** | | | 3,632 | | 3,852 |
| **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 | 8 | | (2,409) | | (2,189) |
| **Shareholder's funds** | | | 3,632 | | 6,017 |

The Company has elected to take the exemption under section 408 of the Companies Act 2006 from presenting the Company income statement. The Company's loss for the current year was £230,000 (2022: loss £2,172,000).

The notes on pages 79 to 84 form part of these financial statements.

These financial statements were approved by the Board of Directors and authorised for issue on 25 September 2023.

**Paul Campbell-White**

Director

# Company statement of changes in equity

| | Share capital | Share premium | Merger reserve | Retained earnings | Total equity |
|---|---|---|---|---|---|
| 01 May 2022 | 4,687 | 553 | 801 | (2,189) | 3,852 |
| Comprehensive Income/(loss) for the year | | | | | |
| Income and total comprehensive income/(loss) for the year | - | - | - | (230) | (230) |
| Transaction with owners | | | | | |
| Share based payments | - | - | - | 10 | 10 |
| **30 April 2023** | **4,687** | **553** | **801** | **(2,409)** | **3,632** |
| | | | | | |
| 01 May 2021 | 4,687 | 553 | 801 | (24) | 6,017 |
| Comprehensive Income/(loss) for the year | | | | | |
| Income and total comprehensive income/(loss) for the year | - | - | - | (2,172) | (2,172) |
| Transaction with owners | | | | | |
| Share based payments | - | - | - | 7 | 7 |
| **30 April 2022** | **4,687** | **553** | **801** | **(2,189)** | **3,852** |

The notes on pages 79 to 84 form part of these financial statements.

## 1. Accounting policies

### *Basis of preparation*

The Company financial statements for Newmark Security plc 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 Company and company except as noted.

The financial statements are for the year ending 30 April 2023 (2022: year ended 30 April 2022).

The primary economic environment in which the Company operates is the UK and therefore the financial statements are presented in pounds sterling ('£').

### *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 the UK 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 Company headed by Newmark Security plc;
- The disclosure of the remuneration of key management personnel; and
- Separate disclosure of lease maturity analysis.

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; and
- Financial instruments.

### *Profit and Loss Account*

Under Section 408 of the Companies Act 2006 the Company is exempt from the requirement to present its own profit and loss account. The loss for the year ended 30 April 2023 is £230,000 (2022: loss of £2,172,000).

### *Tangible and Intangible fixed assets*

Items of property, plant and equipment and intangible website costs are recognized 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 annum straight line

Fixtures and fittings
– 10% per annum straight line

Motor vehicles
– over the term of the lease, usually 3 years on a straight line basis.

Land and buildings

– over the term of the lease on a straight line basis.

Website costs are amortised
– 33% per annum straight line

### *Investments*

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

### *Intercompany balances*

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

### *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 cash-generating unit (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 Company's cash- generating units that are expected to benefit from the synergies of the combination giving rise to the goodwill.

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

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

***Leases***

For any new contracts entered into the Company considers whether a contract is, or contains a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right-of-use an asset for a period of time in exchange for consideration'. To apply this definition the Company assesses whether the contract meets three key evaluations which are whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Company;
- the Company has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract; and
- the Company has the right to direct the use of the identified asset throughout the period of use. The Company assess whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

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 Company'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 Company if it is reasonably certain to assess that option; and
- 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 Company 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 Company 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 the consolidated income statement.

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.

***Taxation***

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

Research & Development (R&D) claims are made each year on the basis that the Company overcomes technological uncertainties. This work is carried out for the internal development of hardware and software in the Companys 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 Company performs the research and development on behalf of other companies a Research and Development Expenditure Credit (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 Company'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 Company 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 Company 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 annum straight line

Fixtures and fittings
– 10-15% per annum straight line

Computer equipment
– 25-33.3% per annum straight line

Motor vehicles
– 25-33% per annum reducing balance

***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 provision***

A liability is recognised to the extent of any unused holiday pay entitlement which has accrued at the consolidated statement of financial positiondate 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.

***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) Recoverability of amounts owed by group undertakings.

The recoverability of the amounts owed by group undertakings is assessed on an annual basis or more frequently when an indication of impairment exists. Determining whether there is an indication of impairment requires judgement as the assessment is based on either net assets of the undertaking or forecast future performance.

## 2. Staff costs

| Staff costs (including the Executive Directors) comprise: | 2023 £'000 | 2022 £'000 |
|---|---|---|
| Wages and salaries | 502 | 675 |
| Defined contribution pension costs | 33 | 34 |
| Employer's national insurance contributions and similar taxes | 69 | 100 |
| | 604 | 809 |

| The average numbers employed (including the Executive Directors) were: | 2023 No. | 2022 No. |
|---|---|---|
| Office and management | 2 | 4 |
| | 2 | 4 |

The pension creditor at 30 April 2023 was £3,484 (2022: £1,655).

## 3. Investments in subsidiaries

| | £'000 |
|---|---|
| **Cost** | |
| At 30 April 2023 and 30 April 2022 | 21,869 |
| **Impairment provision** | |
| At 30 April 2022 | 7,633 |
| Impairment | - |
| At 30 April 2023 | 7,633 |
| **Net book value** | |
| At 30 April 2023 and 30 April 2022 | 14,236 |

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

Impairment reviews were completed for operating cash generating units 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 three-year period to 30 April 2026 (2022: three-year period). The discount rate that was applied was 15% for the People and Data Management division (2022: 12.5%) and 15% for the Physical Security Solutions division (2022: 12.5%), 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 compound revenue growth rate for the People and Data Management division increased to 23% (2022: 21%). The growth rate reflects the impact of customer expansion supported by existing products and products being delivered in the short term. The gross margin assumed in the forecasts is 35% to 39% (2022: 32% to 38%).

For the People and Data Management division the growth rate reflects the impact of customer expansion supported by existing products and products being delivered in the short term. The impairment review applied sensitivities reducing the long-term growth rate to 1% which indicated no impairment. If the discount rate is increased to 20%, there is no impairment. In order for the carrying value to equate to the value in use the discount rate would need to increase to 62%.

For the Physical Security Solutions division, the compound annual revenue growth rate for the year ended April 2023 to the year ended April 2026 is growing at a 19% rate (2022: 15%). The gross margin assumed in the forecasts is 42% to 43% (2022: 43%). The impairment review applied sensitivities reducing the long-term growth rate to 1% which indicated no impairment. If the discount rate is increased to 20%, there is no impairment. In order for the carrying value to equate to the value in use the discount rate would need to increase to 29%.

## 4. Tangible and intangible fixed assets

| | Right-of-use Motor vehicles and Land & Buildings £'000 | Computers Fixtures and Fittings £'000 | Total Tangible assets £'000 | Intangible Website costs £'000 |
|---|---|---|---|---|
| **Cost** | | | | |
| Balance at 1 May 2022 | 34 | 18 | 52 | 9 |
| Additions | 169 | 3 | 172 | - |
| Disposals | (34) | - | (34) | |
| Balance at 30 April 2023 | 169 | 21 | 190 | 9 |
| **Depreciation** | | | | |
| Balance at 1 May 2022 | (21) | (14) | (35) | (6) |
| Disposals | 30 | - | 30 | |
| Depreciation | (63) | (2) | (65) | (3) |
| Balance at 30 April 2023 | (54) | (16) | (70) | (9) |
| **Net book value 30 April 2023** | **115** | **5** | **120** | **-** |
| **Cost** | | | | |
| Balance at 1 May 2021 | 34 | 11 | 45 | 9 |
| Additions | | 7 | 7 | |
| Balance at 30 April 2022 | 34 | 18 | 52 | 9 |
| **Depreciation** | | | | |
| Balance at 1 May 2021 | (13) | (11) | (24) | (3) |
| Depreciation | (8) | (3) | (11) | (3) |
| Balance at 30 April 2022 | (21) | (14) | (35) | (6) |
| **Net book value 30 April 2022** | **13** | **4** | **17** | **3** |

## 5. Debtors

| | 2023 £'000 | 2022 £'000 |
|---|---|---|
| Amount due from Group undertakings | 3,781 | 4,695 |
| Prepayments | 7 | 12 |
| | 3,788 | 4,707 |

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

The amounts due from Group undertakings has no associated interest and is repayable on demand.

## 6. Creditors: amounts falling due within one year

| | 2023 | 2022 |
|---|---|---|
| | £'000 | £'000 |
| Bank overdraft* | 576 | 939 |
| Bank loan | 400 | 400 |
| Trade payables | 141 | 27 |
| Amount due to group undertakings | 11,815 | 11,815 |
| Other taxation and social security | 255 | 408 |
| Lease creditor | 58 | 8 |
| Accruals | 281 | 176 |
| | 13,526 | 13,773 |

*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.

In August 2020, the Group secured a £2 million financing facility from its bankers, HSBC, via the Coronavirus Business Interruption Loan Scheme ("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.

## 7. Long-term borrowings

| | 2023 | 2022 |
|---|---|---|
| | £'000 | £'000 |
| Lease creditor | 53 | 5 |
| Bank loan | 933 | 1,333 |
| | 986 | 1,338 |

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

Maturity profile of bank loan:

| | 2023 | 2022 |
|---|---|---|
| | £'000 | £'000 |
| Up to 12 months | 400 | 400 |
| 1 to 2 years | 400 | 400 |
| 2 to 5 years | 133 | 533 |
| Total | 933 | 1,333 |

## 8. Capital and reserves

Details of the Company's called-up share capital are disclosed in note 21 of the Group financial statements.

A description of reserves is disclosed in note 22 of the Group financial statements.

## 9. Contingent liabilities

The Group has entered into overdraft and invoice financing facitlies with HSBC which are guaranteed by Newmark Security plc.

Newmark
SECURITY PLC

# Shareholder Information

# DIRECTORS, SECRETARY AND ADVISORS

| | |
|---|---|
| **Country of incorporation of parent company:** | England and Wales |
| **Legal form:** | Public company limited by shares |
| **Directors:** | M Dwek<br>M-C Dwek<br>P Campbell-White<br>M Rapoport<br>T Yap |
| **Registered office:** | 91 Wimpole Street, London W1G 0EF |
| **Company number:** | 03339998 |
| **Auditors:** | Cooper Parry Group Limited, Sky View, Argosy Road, East Midlands Airport, Castle Donington, Derby, DE74 2SA |
| **Nominated Adviser and Brokers:** | Allenby Capital Limited, 5 St. Helens Place, London EC3A 6AB |
| **Registrars:** | Link Group, Central Square, 29 Wellington Street, Leeds LS1 4DL |
| **Solicitors:** | Bracher Rawlins LLP, 77 Kingsway, London WC2B 6SR |