



Company number: 3339998

# Report and Financial Statements

## Year ended 30 April 2013



## INDEX

	Page
DIRECTORS, SECRETARY AND ADVISERS	2
CHAIRMAN'S STATEMENT	3
REPORT OF THE DIRECTORS	6
REPORT OF THE REMUNERATION COMMITTEE	10
INDEPENDENT AUDITOR'S REPORT	11
FINANCIAL STATEMENTS	13
NOTES FORMING PART OF THE FINANCIAL STATEMENTS	18
COMPANY BALANCE SHEET	42
NOTES FORMING PART OF THE FINANCIAL STATEMENTS OF THE COMPANY	43
NOTICE OF ANNUAL GENERAL MEETING	48

## DIRECTORS, SECRETARY AND ADVISERS

<b>Country of incorporation of parent company:</b>	Great Britain
<b>Legal form:</b>	Public Limited Company
<b>Directors:</b>	M Dwek M C Dwek B Beecraft D Blethyn M Rapoport R Waddington
<b>Secretary and registered office:</b>	B Beecraft, 58 Grosvenor Street, London W1K 3JB
<b>Company number:</b>	3339998
<b>Auditors:</b>	BDO LLP, 2 City Place, Beehive Ring Road, Gatwick, West Sussex RH6 0PA
<b>Nominated Adviser:</b>	Cantor Fitzgerald, 17 Crosswall, London EC3N 2LB
<b>Brokers:</b>	Cantor Fitzgerald, 17 Crosswall, London EC3N 2LB
<b>Registrars:</b>	Capita Registrars, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU
<b>Solicitors:</b>	Field Fisher Waterhouse, 35 Vine Street, London EC3N 2AA

## CHAIRMAN'S STATEMENT

I am delighted to report a year of substantial improvement in revenue and gross profit for the year ended 30 April 2013. Group revenue for the year was £18,316k (2012: £13,094k), an increase of 39.9 per cent. Revenue in the electronic division increased by 9.5 per cent. from £6,039k to £6,615k, whilst the asset protection division revenue increased by 65.9 per cent in the year from £7,055k to £11,701k.

I stated last year that the concept of our cash in transit box had proved successful but that the Board had decided to develop a new outer casing using different and lighter materials. This new design offers greater flexibility and will save costs going forward. However procedural changes by customers have lengthened the redevelopment timetable and it is expected that field trials will restart with customers next month. In view of the redevelopment of the box, an impairment provision of £483k is required under IAS36 in respect of the costs incurred prior to the start of the redevelopment and this has been included in cost of sales within the income statement. The Board believes that there is still a substantial market for the box when it has successfully completed all the trials. The impairment provision in the previous year of £194k related to a separate development.

After these impairment charges, gross profit for the year from continuing operations was £7,395k (40.4 per cent. of sales) compared to £5,268k (40.2 per cent.). Otherwise the change in gross margin reflects the mix of sales.

Further enhancements have been made to our new access control system, SATEON, during the year and version 2.6 will be released later this year. The pipeline for SATEON continues to grow and includes upgrades for our legacy system JANUS. JANUS was the main sales offering when the Group acquired Grosvenor Technology Limited and has continued over the years to be very successful. JANUS still works very efficiently and is used at thousands of sites including many major corporate clients and the Board believes that JANUS will continue to be sold for many years to come. There have obviously been a number of upgrades during the intervening years but the changing world of technology and security requirements resulted in our decision to develop SATEON. Despite the overall improvement in Group profitability in the year, IAS36 requires that the carrying value of intangible assets be considered in the light of each separable cash generating unit. As a consequence of the above and the resultant forward projections, the Directors have reviewed the carrying values of the original goodwill that arose from the acquisition of Grosvenor Technology Limited and an impairment provision of £1,791k is required which has been charged to administrative expenses in the income statement.

Profit from operations for the year as shown in the income statement after the provisions described above was £202k (2012: £189k). Profit from operations for the year before the impairment provisions was £2,476k (2012: before impairment provision and legal costs £559k).

The Board was delighted to announce the appointment of Marie Claire Dwek as Chief Executive Officer on 12 April 2013 and look forward to the growth of the Company under her stewardship during the years ahead. Nick Medlam resigned as a director on 15 June 2013 to pursue other interests and the Board wishes to express its thanks for all his efforts and contributions to the Group over the years.

Earnings per share are shown in the income statement as 0.03 pence (2012: 0.04 pence). However, the earnings per share before impairment review provisions and legal costs are 0.54 pence (2012: 0.12 pence) as calculated in note 8 to the accounts.

Revenue per employee increased from £99,954 to £136,687.

The Board believes that the OEM division of Grosvenor and Safetell are leaders in their particular markets. There were no environmental issues having a major impact on the Group in the year.

The Group continues to invest in research and development which the Board is confident will benefit the results in the future.

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

### Electronic Division

Revenue £6,615k (2012: £6,039k)

Revenue in the UK and Europe from OEM clocks was 14 per cent. ahead of the previous year, and included several large projects, one for a major retailer and another for a supermarket chain. We have since negotiated a second larger contract with the same supermarket which has already been awarded with delivery planned during the current year.

New partners in Eastern Europe are at various stages of integrating their software with our IT Series clocks and the early converts continue to place orders for IT31's and IT51's. Their main interest however is the lower-end IT11 clock which is on schedule for completion with a Q3 2013 release date. The IT11 is a fixed reader unit compared to the IT31 which accepts multiple reader types into the same core product. The first reader type to be manufactured with the IT11 will be the low cost Mifare proximity technology with other reader technologies such as the market leading HID proximity to follow.

Total sales in the US of our OEM products were 59 per cent. ahead. We remain confident in this market and expect significant improvements as more and more partners complete their application integration with the IT Series clocks and incorporate them into their new project installations. Prospects are improving as Grosvenor becomes more established and respected in the US arena. Interest has also been registered by our US partners in the IT11 clock whilst HID proximity is likely to be the preferred reader interface in this market.

Confidence is high for the long term success of SATEON as a number of project wins have now been achieved with SATEON being used in the education, manufacturing, transportation, and government sectors.

In the UK a strong pipeline of SATEON projects continues to develop including upgrades for legacy JANUS and Siteguard systems. These projects will assist SATEON establish itself as a proven product for system upgrades as well as for new system installations, and encourage increased momentum for take-up of the product. SATEON has been selected as the new access control system by, amongst others, East Sussex Council, Mitsubishi Electronics, 30 St Mary Axe ("the Gherkin") and Gateway College, Leicester.

On an international level, progress has been deliberately slower whilst we addressed the expected early software issues. We are now confident these early issues have been resolved and that we are in a strong position to promote systems in the knowledge that our site attendance will not be necessary during installation. Over the coming months, international activity will be extended and more regions in Europe and the US will be introduced to SATEON.

SATEON version 2.60 is due for release towards the end of 2013 and is another landmark version as it will provide a comprehensive 'Enterprise level' feature set. These features will allow Grosvenor to compete for the larger more complex projects that require integration with third party systems for example HR and student enrolment systems, as well as third party Security Management Systems (SMS). SATEON 2.60 will also put Grosvenor in a stronger position as it will allow faster integration with other third-party CCTV systems as and when project specifications demand.

A new website [www.sateon.com](http://www.sateon.com) has been launched and has been complimented for its multimedia content which we intend to focus on for the future. To date, we have translated our most relevant corporate and product video's into different languages including Arabic, French, Spanish, Portuguese, and Hindu.

#### **Asset Protection Division**

Revenue £11,701k (2012: £7,055k)

Safetell's sales were 66 per cent. greater than last year mainly due to large orders received from the Post Office and the supply of Eclipse Rising Screens to a number of financial institutions who were undertaking refurbishment programmes. Service revenue continued to benefit from long-term service contracts during the year.

The gross profit was higher due to the increased level of sales and the benefit of the new product development completed last year which increased the margin of products previously sourced from third parties.

Product sales were 176 per cent. higher than the same period last year principally due to the large order received for time delay cash handling equipment from the Post Office in April 2012. All the cash handling equipment was supplied, but the installation in Post Office branches was delayed until the third quarter and even then the installations were lower than originally planned.

The new cash handling products developed for a high street bank also resulted in increased sales and our product offering to banks in general. Orders for new Eclipse Rising Screens and branch reconfiguration work increased by 67 per cent. and we had several long standing customers in retail finance who undertook branch refurbishment programmes.

Eye2Eye sales increased by 33 per cent. as orders carried over from the previous year were completed but CounterShield sales decreased by 64 per cent. due to public sector budget cuts. Orders for Fixed Glazing and Counter Protection Systems increased by 22 per cent. as we continued to receive orders from long standing customers and also benefitted from new projects.

Service sales were in line with the previous year's turnover excluding the one off security contract received last year. Margins improved by 2.7 per cent. in the year as a result of cost control and the continuation of our policy of examining and delivering a more effective service. Delivery has been excellent in the year and we have met the targets set by our blue chip customer base. Contract retention remained high and the Service Division retains our dominant position as the UK's largest rising screen service provider. We shall shortly commence negotiations to renew two large service contracts due to expire in 2014, and we are currently in negotiations for the support contract of the Post Office Network Transformation programme which would provide a significant revenue stream in future years.

The development of the new design Cash Transit Case is progressing satisfactorily and we resumed trials with Loomis in May. Due to the competitive nature of the Cash in Transit industry we have to contend with ever

increasing procedural changes and this has resulted in requirements to make alterations to the Cash Transit Case on a regular basis. Initial talks with other cash in transit and related businesses were encouraging and they have shown interest in the product and further meetings will follow.

### **Balance sheet and cash flow**

Cash flow from operating activities increased in the year from £2.1 million to £3.0 million as a result of the increased profitability in the year. The improved cash position meant that the invoice discount facility was not being used in the latter part of the year, amount drawdown at April 2012 being £0.5 million. Tight credit control was maintained again so that there were no significant bad debts in the year.

Cash outflow from investing activities at £1.5 million was higher than the previous year (£1.3 million) with the continuation of the Group's development programme and the purchase of a further 26.7 per cent. of ATM Protection (UK) Limited.

Cash outflow from financing activities was £0.5 million (2012: £0.4 million) with the repayment of the loan notes which had been drawdown during the previous year.

### **Key Financial Risks of the Group**

Details of the Group's financial risks are given in note 18 to the financial statements on page 32.

### **Key Business Risks of the Group**

#### *Competition and client relationships*

The Group invests in developing new products to remain competitive by offering customers the most advanced quality products. The Group also provides support services to maintain products. The strength of the Group's relationship with clients is dependent to a large part on its performance under its support services with them. If a client is not satisfied with the Group's services it may terminate or decide not to renew their contracts. The Group responds promptly to queries to reduce the risk of losing customers and also has an excellent record of staff retention. It is essential that high quality staff are recruited and then retained if client relationships are to be maintained and new customers won.

#### *Development costs*

As described above, the Group does incur development expenditure and there is a risk that a development may not be completed successfully or that the sales of the product will generate sufficient future economic benefit.

#### *General demand for services*

If economic conditions deteriorate, there is a risk that the Group may face reduced demand from its clients for its services. To mitigate this risk the Group focuses on diversifying its customer base in terms of business sectors and industry sectors. To mitigate the credit risk further and reduce exposure to potential bad debts, the Group maintains credit insurance policies and senior management review credit limits on a regular basis.

### **Employees**

The Board would like to thank all the staff for their efforts, which are reflected in the improved trading results for the year.

### **Dividend**

The Board is recommending the payment of a dividend for the year ended 30 April 2013 of 0.0333 pence (2012: Nil pence per share).

### **Outlook**

The Board is delighted that it has been able to reintroduce a recommendation for the payment of a dividend for the year. A trading update was issued in June this year in view of the increased levels of trading that the Group was experiencing from a number of contracts. As stated both at the time and in previous years, the timing of these contracts is dependent upon our customer requirements and therefore turnover can vary significantly year on year. In view of the very high sales experienced last year, the Board does not expect the same volumes to be repeated in the current year but does anticipate another successful year.

M DWEK  
Chairman

30 July 2013

## REPORT OF THE DIRECTORS

The Directors submit their annual report and audited financial statements of the Group for the year ended 30 April 2013.

### Principal activities

The Group is principally engaged in the design, manufacture and supply of products and services for the security of assets and personnel. The principal activity of the Company is that of an investment holding company.

### Financial results and dividends

The profit from operations on continuing activities before interest and tax in the year was £202,000 (2012: £189,000). The profit from operations for the year before impairment provisions was £2,476,000 (2012: Before legal costs and impairment provisions £549,000).

The profit for the year was £140,000 (2012: £177,000).

Turnover for the year for continuing operations was £18.3 million (2012: £13.1 million). A review of the business and future prospects is given in the Chairman's Statement on pages 3 to 5.

The Board is proposing a dividend of 0.0333p per share (2012: nil p per share).

### Directors

The Directors who served during the year were as follows:

M Dwek  
M C Dwek  
B Beecraft  
M Rapoport  
N Medlam  
D Blethyn  
R Waddington

N Medlam resigned as a director 15 July 2013

Details of the Directors' service contracts are shown in the Report of the Remuneration Committee on page 10.

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

### Share capital

Full details of changes to the share capital in the year are given in note 22 to the financial statements on page 38.

### Financial instruments

For full details of changes to the Group's management of its financial instruments, please refer to note 18 to the financial statements on pages 32 to 36.

### Directors

#### *Directors' interests*

The beneficial and other interests of the Directors in the shares of the Company as at 1 May 2012 (or the date of their appointment to the Board, if later) and 30 April 2013 were as follows:

	Percentage holding at		1 May 2012 (or date of appointment if later)
	30 April 2013	30 April 2013	
M Dwek <sup>(a)</sup>	13.1%	59,099,467	59,099,467
M Rapoport	3.1%	14,055,000	10,555,000
N Medlam	0.4%	1,500,000	1,500,000

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

Since 30 April 2013, M Rapoport has acquired a further 1,500,000 so that his current holding is 15,555,000 Ordinary Shares representing 3.3 per cent. of the total share capital of the Company.



The interests of Directors in Share Option Schemes operated by the Company at 1 May 2012 (or the date of their appointment to the Board, if later) and 2013 were as follows:

	Number of Ordinary Shares under the EMI Scheme 30 April 2013	Number of Ordinary Shares under the Approved Scheme 30 April 2013	Number of Ordinary Shares under the Unapproved Scheme 30 April 2013	Number of Ordinary Shares under the EMI Scheme 1 May 2012 (or date of appointment if later)	Number of Ordinary Shares under the Approved Scheme 1 May 2012	Number of Ordinary Shares under the Unapproved Scheme 1 May 2012
M Dwek	-	-	-	-	-	5,000,000
B Beecraft	1,000,000	-	3,000,000	1,000,000	125,000	3,625,000
D Blethyn	1,000,000	2,000,000	3,000,000	1,000,000	2,000,000	3,000,000

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

### Research and development

The Group is committed to on-going research and development. The strategy is based upon market demand to meet identified security needs in conjunction with a commercial assessment of the short to medium term profitability of each project.

### Employee involvement

The Group keeps employees informed of matters affecting them and employees have regular opportunities to meet and have discussions with their managers.

### Share option schemes

The Company had three employee share option schemes which enable employees and Executive Directors to be granted options to subscribe for Ordinary Shares, HM Revenue & Custom's Approved and Unapproved Share Option Schemes and HM Revenue & Custom's EMI Share Option Plan.

The Approved Scheme was approved by the Inland Revenue in accordance with Section 185 of, and Schedule 9 to, the Income and Corporation Taxes Act 1988 ("Taxes Act"), the Unapproved Scheme not requiring such approval. The Schemes required that exercise of options be subject to the satisfaction of certain performance criteria.

Both the Approved and Unapproved Schemes expired in April 2007 on the tenth anniversary of the formation of these schemes. However the options granted under these schemes will only lapse ten years after the date the options were granted.

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 each scheme. Further details of the share option schemes are set out in note 25 to the financial statements on page 40.

### Environmental Policy

The Group's environmental policy endeavours to minimise the impact of its activities on the environment through, where possible, the proper conservation of natural resources. The Group recognises its responsibility to continually review and improve its environmental performance and, in doing so, seeks the input of architects, engineers and other professional advisers.

### Payment of suppliers

The Group requires its operational management to settle terms of payment with suppliers when agreeing the terms of the transaction to ensure that suppliers are aware of these terms and to abide by them. Group trade creditors at the year end were 28 days (2012: 42 days) of average supplies for the period. The parent company does not trade and therefore there is no corresponding company only figure.

## Corporate governance

The Group has applied the principles of the Combined Code as far as practicable for a group of its size. The Code only applies mandatorily to fully listed companies.

At 30 April 2013, the Board comprised a Chairman, two Executive Directors and three Non-Executive Directors.

The Board meets regularly to exercise full and effective control over the Group. The Board has a number of matters reserved for its consideration, with the principal responsibilities being to monitor performance and to ensure that there are proper internal controls in place, to agree overall strategy and acquisition policy, to approve major capital expenditure and to review budgets. The Board will also consider reports from senior members of the management team. The Chairman takes responsibility for the conduct of the Group and overall strategy.

Under the Company's Articles of Association, the appointment of all directors must be approved by the shareholders in General Meeting, and additionally one-third of the directors are required to submit themselves for re-election at each Annual General Meeting. Additionally, each director has undertaken to submit themselves for re-election at least every three years. The Board has considered the recommendation to introduce a Nominations Committee. However, it was decided, given the small size of the Board, that nominations are to remain a matter reserved for the Board.

Any Director may, in furtherance of his duties, take independent professional advice where necessary, at the expense of the Company. All directors have access to the Company Secretary whose appointment and removal is a matter for the Board as a whole, and who is responsible to the Board as a whole for ensuring that agreed procedures and applicable rules are observed.

The Company maintains an ongoing dialogue with its institutional shareholders. The Combined Code requires proxy votes to be counted and announced after any vote on a show of hands and this has been implemented by the Company.

The Combined Code requires Directors to review, and report to shareholders on the Group's system of internal control. In September 1999 guidance to this requirement was provided to Directors by the publication of Internal Control: Guidance for Directors on the Combined Code ("The Turnbull Report").

The Board continues to report on internal financial control in accordance with the guidance on internal control and financial reporting that was issued by the Institute of Chartered Accountants in England and Wales in 1994.

The Directors have considered the Turnbull Report but have decided that the cost of implementing the procedures contained therein is disproportionate to expected benefits at this stage of the Group's development.

The Directors acknowledge their responsibility for the Group's systems of internal financial control which are designed to provide reasonable but not absolute assurance that the assets of the Group are safeguarded and that transactions are properly authorised and recorded.

During the year, key controls were:

- day to day supervision of the business by the Executive Directors,
- maintaining a clear organisational structure with defined lines of responsibility,
- production of management information, with comparisons against budget,
- maintaining the quality and integrity of personnel,
- Board approval of all significant capital expenditure, and all acquisitions.

Each Group company is responsible for the preparation of a budget for the following year, which is presented to and required to be agreed by the Board before the beginning of that year. The subsidiary is required to report actual performance against that plan each month.

The Board has established two standing committees, the Audit and Remuneration Committees, comprising independent Non-Executive Directors. Each committee has written terms of reference.

The Audit Committee, now comprising R Waddington and M Dwek, is responsible for the appointment of external auditors, reviewing the interim and annual financial results, considering matters raised by the auditors and reviewing the internal control systems operated by the Group.

The Remuneration Committee, now comprising M Rapoport, M Dwek and R Waddington meets at least once a year to review the terms and conditions of employment of Executive Directors including the provision of incentives and performance related benefits. The report of the Remuneration Committee is set out on page 10.

After making enquiries, the Directors believe that the Group has sufficient financial resources to continue in operational existence for the foreseeable future. The accounts have therefore been produced on a going concern basis.

### **Website Publication**

The Directors are responsible for ensuring the annual report and financial statements are made available on a website. Financial statements are published on the Group's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Group's website is the responsibility of the Directors. The Directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

### **Directors' responsibilities**

The Directors are responsible for preparing the director's report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and the Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the Group for that period. The Directors are also required to prepare financial statements in accordance with the rules of the London Stock Exchange for companies trading securities on the Alternative Investment Market.

In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether the Group financial statements have been prepared in accordance with IFRSs as adopted by the European Union, subject to any material departures disclosed and explained in the financial statements;
- for the Company financial statements, state whether applicable UK Accounting Standards have been followed; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the requirements of the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

All of the current directors have taken all the steps that they ought to have taken to make themselves aware of any information needed by the Company's auditors for the purposes of their audit and to establish that the auditors are aware of that information. The directors are not aware of any relevant audit information of which the auditors are unaware.

### **Auditors**

A resolution to reappoint BDO LLP as auditors will be proposed at the next annual general meeting.

By order of the Board

B BEECRAFT  
Company Secretary

30 July 2013

## REPORT OF THE REMUNERATION COMMITTEE

### Authority

The Remuneration Committee is responsible for approving the remuneration of Executive Directors. The remuneration of Non-Executive Directors is approved by the full Board of the Company.

### Membership

The majority membership of the Remuneration Committee is required to comprise independent Non-Executive Directors and at 30 April 2013 comprised three existing Non-Executive Directors, Maurice Dwek and Michel Rapoport and Robert Waddington.

Maurice Dwek was chairman and co-founded Dwek Group plc in 1963, a company which was listed on the London Stock Exchange in 1973 before the company was sold to a management buy-out team. He was subsequently chairman of Arlen plc and Owen & Robinson plc before concentrating on Newmark in 1997.

Michel Rapoport was previously President and Chief Executive Officer of Mosler Inc., a manufacturer and integrator of security systems for banking, industrial and commercial organisations. Prior to that he was Vice President of Pitney Bowes International and Chairman of Pitney Bowes France. He is President and Chief Executive Officer of LII Holdings, Inc., a holding company based in Atlanta, Georgia USA.

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

### Remuneration policy

The Group's policy is to offer remuneration packages which are appropriate to the experience, qualifications and level of responsibility of each Executive Director and are in line with directors of comparable public companies.

### Service and consultancy agreements

The Company entered into a consultancy agreement with Arbury Inc. on 1 September 1997 for the services provided to the Company by Mr Dwek. The agreement may be terminated by either party subject to 12 months' notice being served. Arbury Inc. is paid a fee in line with the level of responsibilities of Mr Dwek who is also entitled to the provision of a car for which the Company will meet all running expenses except for lease costs.

The Company entered into a service agreement on 5 June 1998 with Mr Beecraft which may be terminated by either party serving six months' notice. This notice period was extended in October 2007 to a period of 12 months.

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

### Director's emoluments

Emoluments of the directors (including pension contributions) of the Company during the year ended 30 April 2013 were as follows:

	Consultancy/ management agreement £'000	Salary £'000	Fees £'000	Expenses £'000	Total £'000	Pension contributions £'000
Executive Directors						
M C Dwek	–	8	–	–	8	–
B Beecraft	–	133	–	–	133	–
D Blethyn <sup>(a)</sup>	–	169	–	–	169	–
Non-Executive Directors						
M Dwek <sup>(b)</sup>	134	–	–	5	139	–
M Rapoport	–	–	25	–	25	–
N Medlam	–	–	25	–	25	–
R Waddington	–	–	25	–	25	–
M C Dwek	–	–	24	–	24	–
	<u>134</u>	<u>310</u>	<u>99</u>	<u>5</u>	<u>548</u>	<u>–</u>
2012	<u>75</u>	<u>291</u>	<u>55</u>	<u>–</u>	<u>421</u>	<u>–</u>

The directors' share interests are detailed in the Report of the Directors on pages 7 and 8.

(a) The emoluments of D Blethyn relate to his services as a director of Grosvenor Technology Limited for the year ended 30 April 2013.

(b) The Company paid a consultancy fee of £134,015 (2012: £75,000) to Arbury Inc., a company 51 per cent. owned by M Dwek which covers salary, pension and car benefits, and included a bonus of £35,000 (2012: £Nil).

## INDEPENDENT AUDITOR'S REPORT

### TO THE MEMBERS OF NEWMARK SECURITY PLC

We have audited the financial statements of Newmark Security Plc for the year ended 30 April 2013, which comprise the group statement of financial position and parent company balance sheet, the group income statement, the group statement of comprehensive income, the group statement of cash flows, the group statement of changes in equity and the related notes. The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

#### Respective responsibilities of directors and auditors

As explained more fully in the statement of directors' responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

#### Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at [www.frc.org.uk/auditscopeukprivate](http://www.frc.org.uk/auditscopeukprivate).

#### Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the group's and the parent company's affairs as at 30 April 2013 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006; and, as regards the group financial statements, Article 4 of the IAS Regulation.

#### Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

#### Matters on which we are required to report by exception

We have nothing to report in respect of the following:

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Andrew Stickland (senior statutory auditor)  
For and on behalf of BDO LLP, statutory auditor

Gatwick  
United Kingdom

30 July 2013

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

**CONSOLIDATED INCOME STATEMENT**  
for the year ended 30 April 2013

	Note	2013 £'000	2012 £'000
<b>Revenue</b>	2	18,316	13,094
Cost of sales – including exceptional development cost impairment		<u>(10,921)</u>	<u>(7,826)</u>
<b>Gross profit</b>		7,395	5,268
Administrative expenses – including exceptional goodwill impairment provision (2012: legal costs)		<u>(7,193)</u>	<u>(5,079)</u>
Profit from operations before exceptional items		2,476	559
Exceptional goodwill impairment (2012: Exceptional legal costs)	10 & 11	(1,791)	(176)
Exceptional impairment development costs	10 & 11	(483)	(194)
<b>Profit from operations</b>	3	202	189
Finance costs	6	<u>(131)</u>	<u>(127)</u>
<b>Profit before tax</b>		71	62
Tax credit	7	<u>69</u>	<u>115</u>
<b>Profit for the year</b>	23	<u><u>140</u></u>	<u><u>177</u></u>
Attributable to:			
– Equity holders of the parent		<u><u>140</u></u>	<u><u>177</u></u>
<b>Earnings per share</b>			
– Basic (pence)	8	<u><u>0.03p</u></u>	<u><u>0.04p</u></u>
– Diluted (pence)	8	<u><u>0.03p</u></u>	<u><u>0.04p</u></u>

All amounts relate to continuing activities.

The notes on pages 18 to 41 form part of these financial statements.

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
for the year ended 30 April 2013

	2013 £'000	2012 £'000
<b>Profit for the year</b>	140	177
Foreign exchange gains on retranslation of overseas operations	7	-
<b>Total comprehensive income for the year</b>	<u>147</u>	<u>177</u>
Attributable to:		
- Equity holders of the parent	<u>147</u>	<u>177</u>



**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**at 30 April 2013**

Company number: 3339998

	Note	2013 £'000	2012 £'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	9	809	709
Intangible assets	10	9,092	10,699
Total non-current assets		<u>9,901</u>	<u>11,408</u>
<b>Current assets</b>			
Inventories	13	1,344	1,520
Trade and other receivables	14	2,588	2,373
Cash and cash equivalents		1,128	2,100
Total current assets		<u>5,060</u>	<u>5,993</u>
<b>Total assets</b>		14,961	17,401
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	15	3,071	3,535
Other short term borrowings	16	294	2,147
Corporation tax liability		50	4
Provisions	20	129	81
Total current liabilities		<u>3,544</u>	<u>5,767</u>
<b>Non-current liabilities</b>			
Long term borrowings	17	184	424
Provisions	20	84	84
Deferred tax	21	200	324
Total non-current liabilities		<u>468</u>	<u>832</u>
<b>Total liabilities</b>		<u>4,012</u>	<u>6,599</u>
<b>TOTAL NET ASSETS</b>		<u>10,949</u>	<u>10,802</u>
<b>Capital and reserves attributable to equity holders of the company</b>			
Share capital	22	4,504	4,504
Share premium reserve	23	502	502
Merger reserve	23	801	801
Foreign exchange difference reserve	23	(168)	(175)
Retained earnings	23	5,270	5,130
		<u>10,909</u>	<u>10,762</u>
<b>Non-controlling interest</b>		40	40
<b>TOTAL EQUITY</b>		<u>10,949</u>	<u>10,802</u>

The financial statements were approved by the Board of Directors and authorised for issue on 30 July 2013.

M Dwek  
 Director

The notes on pages 18 to 41 form part of these financial statements.

**CONSOLIDATED STATEMENT OF CASH FLOWS**  
for the year ended 30 April 2013

	Note	2013 £'000	2013 £'000	2012 £'000	2012 £'000
<b>Cash flow from operating activities</b>					
Net profit after tax		140		177	
Adjustments for:					
Depreciation, amortisation and impairment	9 & 10	3,185		913	
Interest expense	6	131		127	
Income tax credit	7	(69)		(115)	
<b>Operating cash flows before changes in working capital</b>		3,387		1,102	
(Increase)/decrease in trade and other receivables		(215)		403	
Decrease/(increase) in inventories		176		(51)	
(Decrease)/increase in trade and other payables		(379)		568	
<b>Cash generated from operations</b>			2,969		2,022
Income taxes (paid)/received			(9)		92
<b>Cash flows from operating activities</b>			2,960		2,114
<b>Cash flow from investing activities</b>					
Payments for property, plant & equipment		(249)		(136)	
Sale of property, plant & equipment		21		1	
Capitalised development expenditure	10	(1,239)		(1,131)	
Purchase of shares in subsidiary		(50)		-	
			(1,517)		(1,266)
<b>Cash flow from financing activities</b>					
Proceeds loan notes		-		105	
Repayment loan notes		(105)		-	
Repayment of bank loans		(149)		(96)	
Repayment of finance lease creditors		(152)		(134)	
Dividends paid		-		(125)	
Interest paid	6	(131)		(127)	
			(537)		(377)
<b>Increase in cash and cash equivalents</b>	27		906		471

The notes on pages 18 to 41 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	Minority interest £'000	Total equity £'000
1 May 2011	4,504	502	801	(175)	5,078	40	10,750
Dividends (note 23)	-	-	-	-	(125)	-	(125)
Total comprehensive income	-	-	-	-	177	-	177
30 April 2012	<u>4,504</u>	<u>502</u>	<u>801</u>	<u>(175)</u>	<u>5,130</u>	<u>40</u>	<u>10,802</u>
1 May 2012	4,504	502	801	(175)	5,130	40	10,802
Dividends (note 23)	-	-	-	-	-	-	-
Total comprehensive income	-	-	-	7	140	-	147
30 April 2013	<u>4,504</u>	<u>502</u>	<u>801</u>	<u>(168)</u>	<u>5,270</u>	<u>40</u>	<u>10,949</u>

## NOTES FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 April 2013

### 1. Accounting policies

Newmark Security PLC (the "Company") is a public limited company domiciled in England. The consolidated financial statements of the Company for the year ended 30 April 2013 comprise the Company and its subsidiaries (together referred to as the "Group").

#### *Basis of preparation*

The principal accounting policies adopted in the preparation of the financial statements are set out below. The policies have been consistently applied to all the years presented, unless otherwise stated.

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) and its interpretations (IFRICs) issued by the International Accounting Standards Board (IASB) and with those parts of the Companies Act 2006 applicable to companies preparing their accounts under IFRS.

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of income and expenses, and assets and liabilities. These judgements and assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the result of which form the basis of making the judgements about carrying values of assets and liabilities. Actual results may differ from these estimates.

These estimates and underlying assumptions are reviewed on an ongoing basis. Any revisions to the accounting estimates are recognised in the period in which the revision is made.

The Company has elected to prepare its parent company financial statements in accordance with UK GAAP. These are presented on pages 42 to 46.

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

#### *New standards, interpretations and amendments effective from 1 May 2012*

The new standards, interpretations and amendments, effective from 1 May 2012, have not had a material effect on the financial statements.

#### *Standards and Interpretations to Existing Standards that are not yet effective and have not been adopted early by the Group*

The amendments and interpretations to published standards that have an effective date on or after 1 May 2012 or later periods have not been adopted early by the Group and are not expected to materially affect the Group when they do come into effect.

#### *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 including the Chairman and Group Finance Director.

#### *Revenue*

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

#### *Basis of consolidation*

Where the company has the power, either directly or indirectly, to govern the financial and operating policies of another entity or business so as to obtain benefits from its activities, it is classified as a subsidiary. The consolidated financial statements present the results of the Group as if it formed a single entity. Intercompany transactions and balances between group companies are therefore eliminated in full.

#### *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, plus any direct costs of acquisition.

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 and other intangible assets with indefinite useful economic lives are undertaken annually on 30 April. Where the carrying value of an asset exceeds its recoverable amount (ie the higher of value in use and fair value less costs to sell), the asset is written down accordingly. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the current market assessment of the time value of money and risk specific to the asset.

Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is carried out on the asset's cash-generating unit (ie the lowest group of assets in which the asset belongs for which there are separately identifiable cash flows). Goodwill is allocated on initial recognition to each of the Group's cash-generating units that are expected to benefit from the synergies of the combination giving rise to the goodwill.

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

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

#### *Foreign currency*

The consolidated financial statements are presented in sterling, which is the Group's functional and presentation currency.

Transactions entered into by Group entities in a currency other than the functional currency of the primary economic environment in which it operates are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the balance sheet date. Exchange differences arising on the retranslation of unsettled monetary assets and liabilities are similarly recognised immediately in the income statement, except for foreign currency borrowings qualifying as a hedge of a net investment in a foreign operation.

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

At the date of the transition to IFRS the cumulative translation differences for foreign operations have been deemed to be zero.

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*

Loans and receivables: These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (trade receivables), but also incorporate other types of contractual monetary asset. They are carried at amortised cost.

Financial assets are not derecognised until the associated risks and rewards are transferred or extinguished.

*Other financial liabilities: Other financial liabilities include the following items:*

- Trade payables and other short-term monetary liabilities, which are initially recognised at fair value and subsequently at amortised cost.
- Bank borrowings, loan notes and invoice discounting arrangements are initially recognised at fair value. Such interest bearing liabilities are subsequently measured at amortised cost using the effective interest rate method, which ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried in the balance sheet. "Interest expense" in this context includes initial transaction costs, as well as any interest or coupon payable while the liability is outstanding.

*Share-based payments*

Where share options are awarded to employees, the fair value of the options at the date of grant is charged to the income statement over the vesting period. Equity settled share options are recognised with a corresponding credit to equity.

Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each balance sheet date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Market vesting conditions are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether the market vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition.

*Leased assets*

Where substantially all of the risks and rewards incidental to ownership of a leased asset have been transferred to the Group (a "finance lease"), the asset is treated as if it had been purchased outright. The amount initially recognised as an asset is the fair value, or if lower, the present value of the minimum lease payments payable over the term of the lease. The corresponding lease commitment is shown as a liability. Lease payments are analysed between capital and interest. The interest element is charged to the income statement over the period of the lease and is calculated so that it represents a constant proportion of the lease liability. The capital element reduces the balance owed to the lessor.

Where substantially all of the risks and rewards incidental to ownership are retained by the lessor (an "operating lease"), the total rentals payable under the lease are charged to the income statement on a straight-line basis over the lease term.

The land and buildings elements of property leases are considered separately for the purposes of lease classification.

*Internally generated intangible assets (research and development costs)*

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

Expenditure on internally developed products is capitalised if it can be demonstrated that:

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

Capitalised development costs are amortised over seven years being the period the Group expects to benefit from selling the products developed. Amortisation is charged from when the asset is ready for use and the expense is included within the cost of sales line in the income statement.

Development expenditure not satisfying the above criteria and expenditure on the research phase of internal projects are recognised in the income statement as incurred.

*Intangible assets*

Costs associated with patents, trade marks, copyrights etc. are capitalised as incurred and are amortised over the expected life of the asset.

### *Taxation*

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

#### *Current Tax*

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

#### *Deferred taxation*

Deferred tax assets and liabilities are recognised where the carrying amount of an asset or liability in the balance sheet differs from its tax base, except for differences arising on:

- the initial recognition of goodwill;
- goodwill for which amortisation is not tax deductible;
- the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting nor taxable profit; and
- investments in subsidiaries and jointly controlled entities where the group is able to control the timing of the reversal of the difference and it is probable that the difference will not reverse in the foreseeable future.

Recognition of deferred tax assets is restricted to those instances where it is probable that taxable profit will be available against which the difference can be utilised.

The amount of the asset or liability is determined using tax rates that have been enacted or substantively enacted by the balance sheet 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.

Freehold land is not depreciated. Depreciation is provided on all other 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:

Freehold buildings	–	5 per cent. per annum straight line
Short leasehold improvements	–	evenly over the length of the lease
Plant and machinery	–	20 per cent. per annum straight line
Fixtures and fittings	–	10-15 per cent. per annum straight line
Computer equipment	–	25-33.3 per cent. per annum straight line
Motor vehicles	–	25 per cent. per annum reducing balance

#### *Inventories*

Inventories are initially recognised at cost, and subsequently at the lower of cost and net realisable value. Cost comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Weighted average cost is used to determine the cost of ordinarily interchangeable items.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs necessary to make the sale.

### *Provisions*

Provisions are recognised for liabilities of uncertain timing or amount that have arisen as a result of past transactions, where it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation.

Where a provision is measured using the estimated cashflow required to settle the obligation then its carrying value is the present value of those cashflows.

Onerous contracts – Present obligations arising under onerous contracts are recognised and measured as a provision. An onerous contract is considered to exist where the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

Dilapidations – Dilapidation provisions are provided on leasehold properties where the terms of the lease require the Group to make good any changes made to the property during the period of the lease. Where a dilapidation provision is required the Group recognises an asset and provision equal to the discounted cost of restating the property to its original state. The asset is depreciated over the remaining term of the lease.

### *Cash and cash equivalents*

Cash and cash equivalents in the cash flow statement include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are included in borrowings in current liabilities in the balance sheet.

### *Borrowing costs*

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

### *Critical accounting estimates and judgements*

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Estimated impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated above. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates.

(b) Development costs on internally developed products are capitalised if it can be demonstrated that the expenditure meets the criteria set out above. These Costs are amortised over the period that the Group expects to benefit from selling the products developed. The judgements concerning compliance with the above criteria and the expected useful life of these assets are made using the historical, commercial and technical experience of senior members of the management team.

(c) Accounting estimates are applied in determining the initial fair value of development costs on business combinations.

### *Dividends*

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

## **2. Revenue**

Revenue arises from:	2013 £'000	2012 £'000
Electronic division		
Sale of goods	6,163	5,561
Provision of services	452	478
Asset protection division		
Sale of goods	8,261	2,994
Provision of services	3,440	4,061
	<u>18,316</u>	<u>13,094</u>



### 3. Profit from operations

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

	2013 £'000	2012 £'000
Staff costs (note 4)	6,211	6,154
Depreciation of property, plant and equipment		
– owned assets	200	226
– leased assets	119	113
Amortisation of intangible assets	592	380
Impairment provision – cost of sales	483	194
Impairment provision – administrative expenses	1,791	–
Foreign exchange differences	(59)	24
Operating lease expense		
– Plant and machinery	43	57
– Property	263	294
Auditors remuneration:		
Audit fees payable to the company's auditor for the audit of Company annual accounts	8	8
Group annual accounts	10	10
Other fees payable to the Company's auditors		
Subsidiary companies	57	37
Tax compliance	31	38
(Profit) on disposal of tangible non-current assets	(3)	(29)

### 4. Staff costs

Staff costs (including the Executive Directors) comprise:

	2013 £'000	2012 £'000
Wages and salaries	5,226	5,212
Short-term non-monetary benefits	225	200
Defined contribution pension cost	157	157
Employer's national insurance contributions and similar taxes	603	585
	<u>6,211</u>	<u>6,154</u>

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

	2013 No.	2012 No.
Management, sales and administration	45	42
Production	89	89
	<u>134</u>	<u>131</u>

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

	2013 £'000	2012 £'000
Salaries	919	861
Short-term non-monetary benefits	41	44
Defined contribution pension costs	58	62
Employers national insurance contributions and similar taxes	97	107
	<u>1,115</u>	<u>1,074</u>

The emoluments of the Directors of the parent company are set out in the Report of the Remuneration Committee on page 10.

## 5. Segment information

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

The Group has 2 main reportable segments:

- Electronic division – This division is involved in the design, manufacture and distribution of access-control systems (hardware and software) and the design, manufacture and distribution of OEM hardware only, for time-and-attendance, shop-floor data collection, and access control systems. This division contributed 36 per cent. (2012: 46 per cent.) of the Group's revenue.
- Asset Protection division – This division is involved in the design, manufacture, installation and maintenance of fixed and reactive security screens, reception counters, cash management systems and associated security equipment. This division contributed 64 per cent. (2012: 54 per cent.) of the Group's revenue.

*Factors that management used to identify the Group's reportable segments*

The Group's reportable segments are strategic business units that offer different products and services. The two divisions are managed separately as each involves different technology, and sales and marketing strategies.

Measurement of operating segment profit or loss from operations before tax not including non-recurring losses such as goodwill impairment, and also excluding the effects of share based payments.

Segment assets and liabilities exclude group company balances.

	Electronic 2013 £'000	Asset Protection 2013 £'000	Total 2013 £'000
<i>Revenue</i>			
Total revenue	6,615	11,701	18,316
<b>Revenue from external customers</b>	<b>6,615</b>	<b>11,701</b>	<b>18,316</b>
Finance cost	18	16	34
Depreciation	97	214	311
Amortisation	592	–	592
Impairment	–	483	483
<b>Segment profit before income tax</b>	<b>220</b>	<b>2,468</b>	<b>2,688</b>
Additions to non-current assets	1,002	604	1,606
Reportable segment assets	5,465	4,207	9,672
Reportable segment liabilities	758	2,934	3,692
		<b>Asset</b>	
	<b>Electronic</b>	<b>Protection</b>	<b>Total</b>
	<b>2012</b>	<b>2012</b>	<b>2012</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<i>Revenue</i>			
Total revenue	6,039	7,055	13,094
<b>Revenue from external customers</b>	<b>6,039</b>	<b>7,055</b>	<b>13,094</b>
Finance cost	22	20	42
Depreciation	117	215	332
Amortisation	380	–	380
Impairment	194	–	194
<b>Segment profit before income tax</b>	<b>296</b>	<b>436</b>	<b>732</b>
Additions to non-current assets	1,026	357	1,383
Reportable segment assets	4,583	5,493	10,076
Reportable segment liabilities	1,919	2,141	4,060

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

	2013 £'000	2012 £'000
<b>Revenue</b>		
Total revenue for reportable segments	18,316	13,094
	<b>2013 £'000</b>	<b>2012 £'000</b>
<b>Profit or loss after income tax expense</b>		
Total profit or loss for reportable segments	2,688	732
Corporation taxes	69	115
Unallocated amounts – other corporate expenses	(2,617)	(670)
Profit after income tax expense (continuing activities)	140	177
	<b>2013 £'000</b>	<b>2012 £'000</b>
<b>Assets</b>		
Total assets for reportable segments	9,672	10,076
PLC	208	473
Goodwill on consolidation	5,081	6,852
Group's assets	14,961	17,401
<b>Liabilities</b>		
Total liabilities for reportable segments	3,692	4,060
PLC	310	2,536
Liabilities of discontinued activities	10	3
Group's liabilities	4,012	6,599

	Reportable segment		Group	Reportable segment		Group
	totals	Adjustments	totals	totals	Adjustments	totals
	2013	2013	2013	2012	2012	2012
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Other material items</b>						
Capital expenditure	1,606	73	1,679	1,383	9	1,392
Depreciation and amortisation	903	8	911	712	7	719
Impairment	483	1,791	2,274	194	–	194

**Geographical information:**

	External revenue by location of customers		Non-current assets by location of assets	
	2013	2012	2013	2012
	£'000	£'000	£'000	£'000
UK	16,026	11,314	9,876	11,402
Europe	1,209	1,034	–	–
USA	878	550	25	6
Other countries	203	196	–	–
	<u>18,316</u>	<u>13,094</u>	<u>9,901</u>	<u>11,408</u>

## 6. Finance costs

	2013 £'000	2012 £'000
<i>Finance costs</i>		
Bank borrowings	93	81
Loan notes	4	4
Invoice discounting	18	22
Finance leases	16	20
	<u>131</u>	<u>127</u>

## 7. Tax expense

	2013 £'000	2013 £'000	2012 £'000	2012 £'000
<i>Current tax expense</i>				
<i>Continuing businesses</i>				
UK corporation tax on profits for the year	61		(250)	
Adjustment for over provision in prior periods	11		95	
		72		(155)
<i>Deferred tax expense</i>				
Origination and reversal of temporary differences	(107)		102	
Adjustment for over provision in prior periods	(34)		(62)	
		(141)		40
<b>Total tax credit</b>		<u>(69)</u>		<u>(115)</u>

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

	2013 £'000	2012 £'000
Profit before tax	<u>71</u>	<u>62</u>
Expected tax charge based on the standard rate of corporation tax in the UK of 23.92 per cent. (2012: 25.84 per cent.)	17	16
Research and development allowances	(441)	(331)
Effects on profits of other items not deductible for tax purposes	595	145
Utilisation and recognition of previously unrecognised tax losses	(281)	(38)
Losses carried forward	56	59
Change in tax rate	8	13
Adjustment to tax charge in respect of previous periods	(23)	33
Other	-	(12)
<b>Total tax credit</b>	<u>(69)</u>	<u>(115)</u>

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

	2013 £'000	2012 £'000
Management expenses	1,715	984
Trading losses	-	1,472

If the losses were to be recognised this would give rise to deferred tax assets as follows:

	2013 £'000	2012 £'000
Management expenses	394	236
Trading losses	–	353
	<u>          </u>	<u>          </u>

## 8. Earnings per share

	2013 £'000	2012 £'000
<i>Numerator</i>		
Earnings used in basic and diluted EPS – continuing operations	140	177
	<u>          </u>	<u>          </u>
	No.	No.
<i>Denominator</i>		
Weighted average number of shares used in basic and diluted EPS – continuing operations	450,432,316	450,432,316
	<u>                          </u>	<u>                          </u>

Certain employee options have been excluded from the calculation of diluted EPS as their exercise price is greater than the weighted average share price during the year (i.e. they are out-of-the-money) and therefore it would not be advantageous for the holders to exercise those options. The total number of options in issue is disclosed in note 25.

The basic earnings per share before impairment provisions and legal costs 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:

	2013 pence	2012 pence
Basic earnings per share (pence) – basic	0.03	0.04
Impairment provisions of goodwill and development costs	0.51	0.04
Legal costs	–	0.04
	<u>          </u>	<u>          </u>
Earnings per share before impairment provisions and legal costs	0.54	0.12
	<u>          </u>	<u>          </u>
	2013 £'000	2012 £'000
<i>Reconciliation of earnings</i>		
Profit used for calculation of basic earnings per share	140	177
Impairment provisions of goodwill and development costs	2,274	194
Legal costs	–	176
	<u>          </u>	<u>          </u>
Earnings before impairment provisions and legal costs	2,414	547
	<u>          </u>	<u>          </u>

## 9. Property, plant and equipment

	Short leasehold improvements £'000	Plant, machinery and motor vehicles £'000	Computers, fixtures and fittings £'000	Total £'000
<i>At 30 April 2012</i>				
Cost	523	1,461	1,016	3,000
Accumulated depreciation	(318)	(1,165)	(808)	(2,291)
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Net book value	205	296	208	709
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<i>At 30 April 2013</i>				
Cost	529	1,554	1,142	3,225
Accumulated depreciation	(352)	(1,143)	(921)	(2,416)
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Net book value	177	411	221	809
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

	Short leasehold improvements £'000	Plant, machinery and motor vehicles £'000	Computers, fixtures and fittings £'000	Total £'000
<i>Year ended 30 April 2012</i>				
Opening net book value	231	349	208	788
Additions	12	137	112	261
Disposals	–	(1)	–	(1)
Depreciation	(38)	(189)	(112)	(339)
Closing net book value	<u>205</u>	<u>296</u>	<u>208</u>	<u>709</u>
<i>Year ended 30 April 2013</i>				
Opening net book value	205	296	208	709
Additions	23	291	126	440
Disposals	(12)	(9)	–	(21)
Depreciation	(39)	(167)	(113)	(319)
Closing net book value	<u>177</u>	<u>411</u>	<u>221</u>	<u>809</u>

The net book value of property plant and equipment for the Group includes an amount of £283,803 (2012: £232,539) in respect of assets held under finance leases and hire purchase contracts. The related depreciation charge on these assets for the year was £119,167 (2012: £113,380).

## 10. Intangible assets

	Goodwill £'000	Development costs (internally generated) £'000	Licences, patents and copyrights £'000	Total £'000
<i>At 30 April 2012</i>				
Cost	6,852	4,939	37	11,828
Amortisation	–	(915)	(20)	(935)
Impairment provision	–	(194)	–	(194)
Net book value	<u>6,852</u>	<u>3,830</u>	<u>17</u>	<u>10,699</u>
<i>At 30 April 2013</i>				
Cost	6,872	6,178	37	13,087
Amortisation	–	(1,502)	(25)	(1,527)
Impairment provision	(1,791)	(677)	–	(2,468)
Net book value	<u>5,081</u>	<u>3,999</u>	<u>12</u>	<u>9,092</u>
<i>Year ended 30 April 2012</i>				
Opening net book value	6,852	3,268	22	10,142
Additions	–	–	–	–
– Internally developed	–	1,131	–	1,131
Amortisation	–	(375)	(5)	(380)
Impairment provision	–	(194)	–	(194)
Closing net book value	<u>6,852</u>	<u>3,830</u>	<u>17</u>	<u>10,699</u>
<i>Year ended 30 April 2013</i>				
Opening net book value	6,852	3,830	17	10,699
Additions	–	–	–	–
– Internally developed	–	1,239	–	1,239
– External	20	–	–	20
Amortisation	–	(587)	(5)	(592)
Impairment provision	(1,791)	(483)	–	(2,274)
Closing net book value	<u>5,081</u>	<u>3,999</u>	<u>12</u>	<u>9,092</u>

This impairment in the period of £483,000 represents internally generated development costs which no longer satisfy the criteria for capitalisation under IAS38 as listed on page 20 as a consequence of the redevelopment of the product design. The impairment in the previous period of £194,000 represents a product the directors decided to no longer take forward.

The Group has no contractual commitments for development costs (2012: £Nil).

All development costs have a finite useful economic life.

## 11. Goodwill and impairment

Details of goodwill allocated to Cash Generating Units ("CGUs") for which the amount of goodwill so allocated is significant in comparison to total goodwill is as follows:

	Goodwill	
	carrying amount	
	2013	2012
	£'000	£'000
Electronic division	4,003	5,794
Asset protection division	1,078	1,058
	<u>5,081</u>	<u>6,852</u>

The recoverable amounts of all the above CGUs have been determined from value in use calculations based on cash flow projections from formally approved budgets covering a five year period to 30 April 2018. The discount rate which was applied was 13.0 per cent. (2012: 16.7 per cent.), the estimated weighted average cost of capital.

The trading companies all operate in certain niche markets, each of which can be in part project driven. Therefore the budgets produced take known future contracts into account, and allow for historic projects as well. Within the electronic division, market share is assumed to remain unchanged except for these known projects. In the asset protection division, there is a range of products and different assumptions have been made about possibilities of growth for each of these products. Operating margins have been based on historic figures for each product range and overheads, mainly salaries, are expected to increase in line with inflation.

The reviews which are carried out at 30 April each year, indicated that an impairment provision was necessary, against the goodwill in the electronic division of £1,791,000 this year. This has arisen from the development of the new access control system, SATEON, to replace the JANUS system which existed at the date of acquisition of Grosvenor Technology Limited.

The growth rates for cash flows from operating activities for the period beyond the formal budgeted period within the value in use calculation is based on an extrapolation of the budgeted cash flow for year 1 and are an average of 13 per cent. and 0.5 per cent. for years 2 to 5 for the electronic division and asset protection division respectively (2012: 28 per cent. and 9 per cent. respectively). The growth rate for the electronic division reflects the introduction of products to new geographical markets.

## 12. Subsidiaries

The principal subsidiaries of Newmark Security PLC, all of which have been included in these consolidated financial statements, are as follows:

Name	Country of incorporation	Proportion of ownership interest <sup>(1)</sup>	Activity
Custom Micro Products Limited	Great Britain	100%	Dormant
Newmark Technology Limited <sup>(2a)</sup>	Great Britain	100%	Trading
Newmark Technology (C-Cure Division) Limited	Great Britain	100%	Dormant
Safetell International Limited	Great Britain	100%	Dormant
Safetell Limited	Great Britain	100%	Trading
Safetell Security Screens Limited	Great Britain	100%	Trading
Vema B.V. <sup>(2b)</sup>	The Netherlands	100%	Holding
Vema N.V. <sup>(2b)</sup>	The Netherlands	98%	Dormant
Vema UK Limited <sup>(2c)</sup>	Great Britain	100%	Dormant
Grosvenor Technology Limited	Great Britain	100%	Trading
Newmark Group Limited	Great Britain	100%	Dormant
Sateon Limited	Great Britain	100%	Dormant
ATM Protection (UK) Limited <sup>(2d)</sup>	Great Britain	86.7%	Trading
ATM Protection Limited <sup>(2e)</sup>	Great Britain	86.7%	Trading
Grosvenor Technology LLC <sup>(2a)</sup>	USA	100%	Trading

(1) The shares held in all companies are ordinary shares

(2) The investments in subsidiary companies are held directly by the Company apart from the following:

- (a) Owned by Grosvenor Technology Limited
- (b) Owned by Vema BV 51 per cent., Newmark Security PLC 47 per cent.
- (c) Owned by Vema NV
- (d) Owned by Safetell Limited
- (e) 100 per cent. Owned by ATM Protection (UK) Limited

## 13. Inventories

	2013 £'000	2012 £'000
Raw materials and consumables	572	685
Work-in-progress	77	42
Finished goods and goods for resale	695	793
	<u>1,344</u>	<u>1,520</u>

Finished goods include an amount of £Nil (2012: £Nil) carried at fair value less costs to sell. The value of inventories consumed in the year was £6,582,000 (2012: £3,733,000). The amount of inventory write downs in the year was £75,000 (2012: £38,000). There are no inventories recoverable after 12 months (2012: £Nil).

## 14. Trade and other receivables

	2013 £'000	2012 £'000
Trade receivables	2,236	1,870
Less: provision for impairment and trade receivables	(52)	(22)
Trade receivables (net)	<u>2,184</u>	<u>1,848</u>
Other receivables	66	13
Accrued income	102	246
Prepayments	236	266
	<u>2,588</u>	<u>2,373</u>



At 30 April 2013 trade receivables of £973,000 (2012: £730,000) were past due but not impaired. The ageing analysis of these receivables is as follows:

	2013 £'000	2012 £'000
Current	1,262	1,098
30 days past due	570	614
60 days past due	404	158
	<u>2,236</u>	<u>1,870</u>

*Financial assets past due or impaired*

The analysis of Group's provisions against trade receivables is shown in the table below:

*Analysis of trade receivables impairments*

	2013			2012		
	Gross Value £'000	Provision £'000	Net Carrying Amount £'000	Gross Value £'000	Provision £'000	Net Carrying Amount £'000
UK	2,006	(52)	1,954	1,702	(22)	1,680
USA	138	-	138	67	-	67
Europe	92	-	92	101	-	101
<b>Total</b>	<u>2,236</u>	<u>(52)</u>	<u>2,184</u>	<u>1,870</u>	<u>(22)</u>	<u>1,848</u>

The main factor used in assessing any impairment of trade receivables is the age of the balance and the circumstances of the individual customer. The fair value of trade receivables that are past due or impaired is their carrying amount.

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

	2013 £'000	2012 £'000
Opening balance	22	25
Increase in provisions	27	-
Receivable recovered during the year	4	-
Receivable written off during the year	(1)	(3)
<b>Closing balance</b>	<u>52</u>	<u>22</u>

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

**15. Trade and other payables – current**

	2013 £'000	2012 £'000
Trade payables	1,058	1,121
Other tax and social security taxes	507	600
Other payables	63	632
Deferred income	758	594
Deferred purchase consideration	30	102
Accruals	655	486
	<u>3,071</u>	<u>3,535</u>

Other payables include an amount of £Nil (2012: £485,000) in respect of an invoice discount facility which was secured on the trade receivables.

## 16. Other short term borrowings

	2013 £'000	2012 £'000
Bank overdraft	–	1,878
Bank loans		
– secured	153	148
Finance lease creditor (note 25)	141	121
	<u>294</u>	<u>2,147</u>

UK subsidiaries of the Group use the same principal banker. The bank overdraft facility provided is a Group composite facility comprising of current account and/or overdraft facility.

The Board reviews cash on a net basis in line with this facility but have disclosed surpluses and deficits separately in the financial statements to comply with IAS32.

The bank loan is secured on the assets of the UK subsidiary companies and is repayable by equal monthly instalments from September 2011 to August 2014. Interest is payable at 2.5 per cent. above base rate.

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

## 17. Long term borrowings

	2013 £'000	2012 £'000
Loan notes	–	105
Bank loans – secured (note 16)	52	206
Finance lease creditor (note 24)	132	113
	<u>184</u>	<u>424</u>

The loan notes were repaid during the year.

Information about fair values of this financial liability is given in note 19.

## 18. Financial instruments – Risk Management

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 of the following financial risks:

- Credit risk
- Liquidity risk
- Fair value or cash flow interest rate risk
- Foreign currency risk

The Board identifies and evaluates financial risks in conjunction with the Group's operating companies and the policy for managing these risks is set by the Board following recommendations from the Group Finance Director. Certain risks are managed centrally, while others are managed locally following guidelines communicated from the centre. The policy for each of the above risks is described in more detail below, with the accounting policies as set out in Note 1.

### Financial Instruments

Categories of financial assets and financial liabilities are detailed below

	Loans and receivables	
	2013	2012
	£'000	£'000
<b>Current financial assets</b>		
Trade and other receivables	2,352	2,107
Cash and cash equivalents	1,128	2,100
<b>Total current financial assets</b>	<b>3,480</b>	<b>4,207</b>
	Financial liabilities measured at amortised cost	
	2013	2012
	£'000	£'000
<b>Current financial liabilities</b>		
Trade and other payables (excluding deferred purchase consideration)	3,041	3,433
Deferred purchase consideration	30	102
Loans and borrowings	294	2,147
<b>Total current financial liabilities</b>	<b>3,365</b>	<b>5,682</b>
<b>Non-current financial liabilities</b>		
Loans and borrowings	184	424
<b>Total non-current financial liabilities</b>	<b>184</b>	<b>424</b>
<b>Total financial liabilities</b>	<b>3,549</b>	<b>6,106</b>

### Financial instrument risk exposure management

The Group is exposed to risks that arise from its use of financial instruments. This note describes the Group's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements.

There have been no substantive changes in the Group's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous periods unless otherwise stated in this note.

### Principal financial instruments

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

- trade receivables
- cash at bank
- bank overdrafts
- term loans
- invoice discounting facilities
- trade and other payables

### General objectives, policies and processes

The Board has overall responsibility for the determination of the Group's risk management objectives and policies. The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the Group's competitiveness and flexibility. Further details regarding these policies are set out below.

### Credit risks

Credit risk arises principally from the Group's trade receivables and reflects the risk that the counter party fails to discharge its obligation in respect of the instrument.

It is Group policy to mitigate credit risk arising from the client base through the application of credit limits based on credit ratings issued by the main credit rating agencies, and from the knowledge of the trading history with that customer. For customers with no authorised credit limit, pro forma invoices will be issued requiring payment in full before despatch of goods or provision of services.

Where credit terms requested by the customer are outside the Group's standard terms of business then authorisation is sought from the Group Finance Director.

The end user of our products is often a blue chip customer but we normally invoice a contractor or installer employed by the end user. The Group subsidiary company is also often involved directly with the end user due to our knowledge of the product and its application. The subsidiary has also usually worked with many of these contractors and installers for a number of years. Within the asset protection division, there are also retentions outstanding in situations where our customer is a contractor.

Credit risk is influenced by factors specific to the individuals customers, however an element of the risk is influenced by the geographic locations in which they operate.

The credit quality of the financial assets are reviewed and assessed on an ongoing basis which enables timely judgements to be made on the position of each debt. This allows management to put in place action plans where necessary to ensure the recoverability of the debts and the minimisation of potential write offs.

The Group records impairment losses on its trade receivables separately from gross receivables and reports these net of provisions.

The Group's maximum exposure to credit risk is equal to the carrying value of trade receivables and cash and cash equivalents.

Management monitors the utilisation of the credit limits regularly and does not expect any material losses from non-performance by the counterparties.

The Group does not enter into derivatives to manage credit risk, although in certain isolated cases may take steps to mitigate such risks if it is sufficiently concentrated.

Quantitative disclosures of the credit risk exposure in relation to financial assets and further disclosures regarding trade and other receivables, which are neither past due nor impaired, are provided in note 15.

#### *Liquidity risk*

Liquidity risk arises from the Group's management of working capital together with the finance charges and principal payments 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 it has adequate financial resources to enable it to finance its day-to-day operations based on cash flow projections. The Group's working capital requirements are generally short term in nature and as such the Group utilises short-term invoice discounting facilities. Longer term financing is utilised for the purpose of acquiring subsidiary undertakings. Cash balances are reported weekly to the Board, and the Group Finance Director compares existing resources and available facilities with projected outgoings. Monthly cash flow statements are prepared and reviewed by management with variances against budget. Cash flow budgets are produced annually and reviewed by the Board of Directors.

#### *Borrowing facilities*

The Group had undrawn committed borrowing facilities available at 30 April 2013 in which all conditions have been met.

	Floating rate £'000	Fixed rate £'000	2013 Total £'000	2012 Total £'000
Expiry within 1 year	1,650	–	1,650	850
Expiry later than 1 year and not later than 5 years	–	195	195	195
	<u>1,650</u>	<u>195</u>	<u>1,845</u>	<u>1,045</u>

The Group had floating rate invoice discounting facilities with a maximum aggregate facility limit at 30 April 2013 of £900,000 (2012: £1,100,000). These facilities are subject to 3 months' notice period. The Group also has term loans of £205,000 (2012: £354,000). The interest rate payable on the term loans is base rate plus 2.5 per cent. The loans are repayable in monthly instalments.

The bank loans and overdrafts are secured by a debenture over the assets of the Group and the Company. The invoice discounting facility is secured over the book debts of the electronic division of the Group.

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

	2013 £'000	2012 £'000
Up to 3 months	38	522
3 to 6 months	38	37
6 to 12 months	39	74
Later than 1 year and not later than 5 years	52	206
	<u>167</u>	<u>839</u>

Included within in 0 -3 months period is the amounts drawn down via the invoice discounting facility.

#### *Market risks*

Market risks arise from the Group's use of interest bearing financial instruments. It is the risk that the fair value or future cash flow of a financial instrument will fluctuate because of changes in interest rates or other market factors.

#### *Interest rate risk*

The Group finances its operations through a mixture of retained profits, bank loans and invoice discounting facilities, both bank loans and invoice discounting facilities being at floating rates.

#### *Interest rate risk sensitivity of interest rate exposure*

The following table demonstrates the effect of a 1 per cent. movement from a base rate plus 2.5 per cent. based on the term loan balances as at 30 April 2013 of £205,000.

<b>Interest rate movement from base rate plus 2.5%</b>	-1%	+1%
Interest (saving)/expenses (£000's)	(1)	1

#### *Interest Risk Profile*

The following table sets out the carrying amount of the Group's financial instruments that are exposed to interest rate risk as at 30 April 2013, all of which are denominated in sterling:

	2013		2012	
	Effective Interest Rate	Carrying Amount £'000	Effective Interest Rate	Carrying Amount £'000
<i>Floating rate with maturity within one year</i>				
Cash and overdrafts	-	1,128	-	222
Advances drawn on invoice discounting	Libor +2.5%	-	Libor +2%	(485)
Term loan	Libor +2.5%	(153)	Libor +2.5%	(148)
<i>Floating rate with maturity over one year</i>				
Term loan		(52)		(206)
		<u>923</u>		<u>(617)</u>

#### *Foreign currency risk*

The Group's main foreign currency risk is the short-term risk associated with financial assets denominated in US dollars and Euros relating to the UK operations whose functional currency is sterling. The risk arises on the difference between exchange rates at the time the invoice is raised to when the invoice is settled by the customer.

The Group is also exposed to currency risk on financial liabilities which are denominated in currencies other than sterling.

The carrying values of the Group's financial assets and liabilities are denominated in the following currencies:

	Financial assets		Financial liabilities	
	2013	2012	2013	2012
	£'000	£'000	£'000	£'000
Pound sterling	3,258	4,033	2,933	5,788
US dollar	130	107	133	70
Euro	92	67	483	248
	<u>3,480</u>	<u>4,207</u>	<u>3,549</u>	<u>6,106</u>

The effect of a 10 per cent. strengthening of the Euro and Dollar against Sterling at the balance sheet date on the Euro/Dollar denominated trade receivables and payables carried at that date would, all other variables held constant, have resulted in a net increase in pre-tax profit for the year and increase of net assets of £36,000 (2012: £12,000). A 10 per cent. weakening in the exchange rates would, on the same basis, have decreased pre-tax profit and decreased net assets by £43,000 (2012: £15,000).

### Capital

The Group considers its capital to comprise its ordinary share capital, share premium account, foreign exchange reserve and accumulated retained earnings.

In managing its capital, the Group's primary objective is to ensure its continued ability to provide a consistent return for its equity shareholders through capital growth and distributions. The Group seeks to maintain a gearing ratio that balances risks and returns at an acceptable level and also to maintain a sufficient funding base to enable the Group to meet its working capital and strategic investment needs. In making decisions to adjust its capital structure to achieve these aims, the Group considers not only its short-term position but also its long-term operational and strategic objectives.

The debt-to-adjusted-capital ratios at 30 April 2013 and at 30 April 2012 were as follows:

	2013	2012
	£'000	£'000
Loans and borrowings	478	2,571
Less: cash and cash equivalents	(1,128)	(2,100)
Net (cash)/debt	<u>(650)</u>	<u>471</u>
Total equity	<u>10,909</u>	<u>10,762</u>
(Cash)/debt to adjusted capital ratio	(5.96)%	4.38%

### 19. Financial assets and liabilities – Numerical information

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

	Rate	Period	Rate	Period
	2013	2013	2012	2012
	%	Years	%	Years
Sterling	<u>3.2</u>	<u>1.2</u>	<u>3.2</u>	<u>2.1</u>

### Fair values

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

	Book	Fair	Book	Fair
	value	value	value	value
	2013	2013	2012	2012
	£'000	£'000	£'000	£'000
Bank loans	205	201	354	342
Finance lease creditor	273	247	234	212
Loan notes	-	-	105	95
	<u>478</u>	<u>448</u>	<u>693</u>	<u>649</u>

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 2013 and 2012 are equal to their book value.

## 20. Provisions

	Leasehold dilapidations £'000	Holiday pay £'000	Total £'000
At 30 April 2012	84	81	165
Due within one year or less	–	81	81
Due after more than one year	84	–	84
	<u>84</u>	<u>81</u>	<u>165</u>
At 30 April 2013	84	129	213
Due within one year or less	–	129	129
Due after more than one year	84	–	84
	<u>84</u>	<u>129</u>	<u>213</u>

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. Deferred tax

Deferred tax is calculated in full on temporary differences under the liability method using a tax rate of 23 per cent. (2012: 24 per cent.).

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

	Group	
	2013	2012
Liability		
At 1 May	324	454
Income statement	(141)	40
Transfer from corporation tax recoverable	17	(170)
At 30 April	<u>200</u>	<u>324</u>

Deferred tax assets have been recognised in respect of all temporary timing differences giving rise to deferred tax assets because it is probable that these assets will be recovered.

The movements in deferred tax assets and liabilities (prior to the offsetting of balances within the same jurisdiction as permitted by IAS12) during the period are shown below.

Deferred tax assets and liabilities are only offset where there is a legally enforceable right of offset and there is an intention to settle the balances net.

Details of the deferred tax liability, and amounts charged/(credited) to the consolidated income statement are as follows:

	Liability/ (Asset) 2013 £'000	Charged/ (credited) to income 2013 £'000
Accelerated capital allowances	(124)	73
Other temporary and deductible differences	785	(30)
Available losses	(461)	(184)
	<u>200</u>	<u>(141)</u>
	Liability/ (Asset) 2012 £'000	Charged/ (credited) to income 2012 £'000
Accelerated capital allowances	(173)	(79)
Other temporary and deductible differences	567	119
Available losses	(70)	-
	<u>324</u>	<u>40</u>

## 22. Share capital

	2013 Number	Issued and fully paid		2012 £
		2013 £	2012 Number	
<i>Ordinary shares of 1p each</i>				
At beginning and end of the year	450,432,316	4,504,323	450,432,316	4,504,323

## 23. Reserves

	Share premium £'000	Merger reserve £'000	Retained earnings £'000	Foreign exchange reserve £'000
At 30 April 2011	502	801	5,078	(175)
Translation differences on overseas operations	-	-	-	-
Profit for the year	-	-	177	-
Dividends paid	-	-	(125)	-
At 30 April 2012	<u>502</u>	<u>801</u>	<u>5,130</u>	<u>(175)</u>
At 30 April 2012	502	801	5,130	(175)
Translation differences on overseas operations	-	-	-	7
Profit for the year	-	-	140	-
Dividends paid	-	-	-	-
At 30 April 2013	<u>502</u>	<u>801</u>	<u>5,270</u>	<u>(168)</u>

The share premium account represents the excess of the market value 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, plus the exchange differences on the retranslation of foreign operations up to 1 May 2005 (the date of transition to IFRS).

Foreign exchange reserve represents the cumulative exchange differences on the retranslation of foreign operations from 1 May 2005.

#### Dividends

	2013 £'000	2012 £'000
Final dividend of Nil pence (2012: 0.0275 pence) per ordinary share paid, during the year relating to the previous year's results	–	125

The directors are proposing a final dividend of 0.0333 pence per ordinary share (2012: Nil) totalling £150,000 (2012: £Nil).

#### 24. Leases

##### *Finance leases*

Future lease payments are due as follows:

	Minimum lease payments 2013 £'000	Interest 2013 £'000	Present value 2013 £'000
Not later than one year	154	13	141
Later than one year and not later than five years	145	13	132
	<u>299</u>	<u>26</u>	<u>273</u>

	Minimum lease payments 2012 £'000	Interest 2012 £'000	Present value 2012 £'000
Not later than one year	133	12	121
Later than one year and not later than five years	123	10	113
	<u>256</u>	<u>22</u>	<u>234</u>

The present value of future lease payments are analysed as:

	2013 £'000	2012 £'000
Current liabilities	141	121
Non-current liabilities	132	113
	<u>273</u>	<u>234</u>

##### *Operating leases – lessee*

The Group leases the majority of its properties. The terms of property leases vary, although they all tend to be tenant repairing with rent reviews every 2 to 5 years.

Commitments under non-cancellable operating leases expiring:

	2013 £'000	2012 £'000
Not later than one year	12	131
Later than one year and not later than five years	818	792
Later than five years	–	–
	<u>830</u>	<u>923</u>

## 25. Share-based payment

The Group previously operated two share option schemes, a HM Revenue & Custom's Approved Share Option Scheme and an Unapproved Share Option Scheme. The schemes require that exercise of options be subject to the satisfaction of certain performance criteria. Rights over share options will be forfeited after leaving the Group's employment.

The total number of share options outstanding under the Approved and Unapproved Share Option Schemes were:

Date of Grant	Subscription Price payable	2013 Approved	2013 Unapproved	2012 Approved	2012 Unapproved
September 2002	2p	–	–	125,000	5,625,000
October 2005	1.5p	7,000,000	7,000,000	7,000,000	7,000,000
Total		<u>7,000,000</u>	<u>7,000,000</u>	<u>7,125,000</u>	<u>12,625,000</u>

The options may be exercised within 10 years from the date of issue.

The remaining weighted average contractual lives for Approved and Unapproved Options were 2.5 and 2.5 years respectively (2012: 3.4 and 2.1).

Of the total number of options outstanding at the end of the year 7,000,000 Approved and 7,000,000 Unapproved (2012: 7,125,000 and 12,625,000 respectively) had vested at the end of the year.

There were no options granted or exercised during the year.

In April 2008, the Group adopted the Newmark Security PLC EMI Share Option Plan which enabled the Board to grant qualifying share options under the HM Revenue and Custom's Enterprise Management Incentive ("EMI") tax code and also unapproved share options to employees and directors. The EMI share options vest and become exercisable 3 years from the date of grant (subject to leaver and takeover provisions), or such other period of time specified by the Remuneration Committee. Performance conditions set by the Remuneration Committee will apply to these EMI options. In that year the Company granted 4,800,000 options under the EMI approved share option scheme and 1,000,000 options under the EMI unapproved share option scheme. The options were granted at a price of 1.425 pence per share. No further options were granted in the year. The remaining weighted average contractual lives for both Approved and Unapproved Options under this scheme were 4.5 years (2012: 5.5 years). All these options had vested at the year end.

The share based remuneration expense for equity settled schemes was £Nil (2012: £Nil).

## 26. Related party transactions

Details of directors' remuneration are given in the Report of the Remuneration Committee on page 10.

Loan notes repaid to the directors during the year were:

	£
M Dwek	72,500
M Rapoport	25,000
N Medlam	7,500
	<u>105,000</u>

In the opinion of the directors there is no one Ultimate Controlling Party of the Group.

## 27. Notes supporting cash flow statement

Cash and cash equivalents for purposes of the statement of cash flow comprises:

	2013 £'000	2012 £'000
Cash available on demand	1,128	2,100
Overdrafts	–	(1,878)
	<u>1,128</u>	<u>222</u>

Cash and cash equivalents comprises:

	2013 £'000	2012 £'000
Cash available on demand	<u>1,128</u>	<u>222</u>
Net cash decrease in cash and cash equivalents	906	471
Cash and cash equivalents at beginning of year	<u>222</u>	<u>(249)</u>
Cash and cash equivalents at end of year	<u>1,128</u>	<u>222</u>

Significant non-cash transactions are as follows:

### *Financing activities*

Proceeds from finance lease creditor	<u>191</u>	<u>125</u>
--------------------------------------	------------	------------

COMPANY BALANCE SHEET  
30 April 2013 – UK GAAP Financial Statements  
Company number: 3339998

	Note	2013 £'000	2013 £'000	2012 £'000	2012 £'000
<b>Fixed assets</b>					
Investment in subsidiaries	3		18,428		18,869
Tangible assets	4		71		6
			<u>18,499</u>		<u>18,875</u>
<b>Current assets</b>					
Debtors	5	2,455		1,898	
Cash and cash equivalents		103		-	
		<u>2,558</u>		<u>1,898</u>	
<b>Creditors: amounts falling due within one year</b>	6	<u>(12,131)</u>		<u>(12,688)</u>	
<b>Net current liabilities</b>			<u>(9,573)</u>		<u>(10,790)</u>
<b>Total assets less current liabilities</b>			8,926		8,085
<b>Creditors: amounts falling due after more than one year</b>	7		(52)		(311)
<b>Accruals and deferred income</b>			<u>(161)</u>		<u>(153)</u>
<b>Net assets</b>			<u>8,713</u>		<u>7,621</u>
<b>Capital and reserves</b>					
Called up share capital	8		4,504		4,504
Share premium account	9		502		502
Merger reserve	9		801		801
Profit and loss account	9		<u>2,906</u>		<u>1,814</u>
<b>Shareholder's funds–Equity</b>	10		<u>8,713</u>		<u>7,621</u>

The notes on pages 43 to 46 form part of these financial statements.

These financial statements were approved by the Board of Directors and authorised for issue on 30 July 2013.

M Dwek  
Director

**NOTES FORMING PART OF THE FINANCIAL STATEMENTS**  
for the year ended 30 April 2013

**1. Accounting policies**

The financial statements have been prepared in accordance with applicable accounting standards in the United Kingdom and under the historical cost convention. The accounts have been prepared on the going concern basis.

The following principal accounting policies have been applied consistently in dealing with items which are considered material in relation to the Company's financial statements.

*Profit and Loss Account*

Under Section 408 of the Companies Act 2006 the Company is exempt from the requirement to present its own profit and loss account. The profit for the year ended 30 April 2013 is disclosed in note 9.

*Depreciation*

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	- 25 per cent. per annum straight line
Fixtures and fittings	- 10 per cent. per annum straight line

*Valuation of investments*

Investments held as fixed assets are stated at cost less any provision for impairment.

*Deferred taxation*

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date except that the recognition of deferred tax assets is limited to the extent that the company anticipates to make sufficient taxable profits in the future to absorb the reversal of the underlying timing differences.

Deferred tax balances are not discounted.

*Leased assets*

Operating lease rentals are charged to the profit and loss account on a straight-line basis over the term of the lease.

*Dividends*

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

**2. Employees and staff costs**

	2013 Number	2012 Number
The average number of employees, including directors, during the period was:		
Office and management	2	2
	<u>2</u>	<u>2</u>
	<b>2013</b>	<b>2012</b>
	<b>£'000</b>	<b>£'000</b>
Staff costs (including Executive Director) comprise:		
Wages and salaries	171	153
Employer's national insurance contributions and similar taxes	21	19
	<u>192</u>	<u>172</u>
	<u>192</u>	<u>172</u>

### 3. Investment in subsidiary

	£'000
Cost	
At 1 May 2012	18,869
Impairment provision	(441)
At 30 April 2013	<u>18,428</u>
Net book value at 30 April 2013	<u>18,428</u>
Net book value at 30 April 2012	<u>18,869</u>

The impairment in the year has arisen from the development of the new access control system, SATEON, to replace the JANUS system which existed at the date of acquisition of Grosvenor Technology Limited.

The subsidiaries of Newmark Security PLC are as follows:

Name	Country of incorporation	Proportion of ownership interest <sup>(1)</sup>	Activity
Custom Micro Products Limited	Great Britain	100%	Dormant
Newmark Technology Limited <sup>(2a)</sup>	Great Britain	100%	Trading
Newmark Technology (C-Cure Division) Limited	Great Britain	100%	Dormant
Safetell International Limited	Great Britain	100%	Dormant
Safetell Limited	Great Britain	100%	Trading
Safetell Security Screens Limited	Great Britain	100%	Trading
Vema B.V.	The Netherlands	100%	Holding
Vema N.V. <sup>(2b)</sup>	The Netherlands	98%	Dormant
Vema UK Limited <sup>(2c)</sup>	Great Britain	100%	Dormant
Grosvenor Technology Limited	Great Britain	100%	Trading
Newmark Group Limited	Great Britain	100%	Dormant
Sateon Limited	Great Britain	100%	Dormant
ATM Protection (UK) Limited <sup>(2d)</sup>	Great Britain	86.7%	Trading
ATM Protection Limited <sup>(2e)</sup>	Great Britain	86.7%	Trading
Grosvenor Technology LLC <sup>(2a)</sup>	USA	100%	Trading

(1) The shares held in all companies are ordinary shares

(2) The investments in subsidiary companies are held directly by the Company apart from the following:

- (a) Owned by Grosvenor Technology Limited
- (b) Owned by Vema BV 51 per cent., Newmark Security PLC 47 per cent.
- (c) Owned by Vema NV
- (d) Owned by Safetell Limited
- (e) 100 per cent. Owned by ATM Protection (UK) Limited

#### 4. Tangible assets

	Short leasehold improvements £'000	Motor vehicles £'000	Computers Fixtures & Fittings £'000	Total £'000
<i>Cost</i>				
At 1 May 2012	-	-	16	16
Additions in the year	10	43	20	73
At 30 April 2013	10	43	36	89
<i>Depreciation</i>				
At 1 May 2012	-	-	10	10
Charge for the year	-	1	7	8
At 30 April 2013	-	1	17	18
<i>Net book value</i>				
At 30 April 2013	10	42	19	71
At 30 April 2012	-	-	6	6

#### 5. Debtors

	2013 £'000	2012 £'000
Amount due from group undertakings	2,421	1,898
Other debtors	15	-
Prepayments	19	-
	<u>2,455</u>	<u>1,898</u>

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

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

	2013 £'000	2012 £'000
Bank overdraft	-	1,878
Loan	153	148
Amount due to group undertakings	11,948	10,553
Other taxation and social security	22	109
Other payables	8	-
	<u>12,131</u>	<u>12,688</u>

The bank loan is secured on the assets of the UK subsidiary companies and is repayable by equal monthly instalments from September 2011 to August 2014. Interest is payable at 2.5 per cent. above base rate.

#### 7. Creditors: amounts falling due after more than one year

	2013 £'000	2012 £'000
Loan notes	-	105
Loans (see note 6)	52	206
	<u>52</u>	<u>311</u>

The loan notes were repaid during the year.

## 8. Share capital

	2013 £	2012 £
Allotted, called up and fully paid: 450,432,316 Ordinary shares of 1p each (2012: 450,432,316)	<u>4,504,323</u>	<u>4,504,323</u>

## 9. Reserves

	Share premium account £'000	Merger reserve £'000	Profit and loss account £'000
At 1 May 2012	502	801	1,814
Profit for the year	–	–	1,092
At 30 April 2013	<u>502</u>	<u>801</u>	<u>2,906</u>

## 10. Reconciliation of movements in shareholder's funds

	2013 £'000	2012 £'000
Opening shareholder's funds	7,621	7,556
Profit for the year	1,092	190
Dividends paid	–	(125)
Closing shareholder's funds	<u>8,713</u>	<u>7,621</u>

## 11. Commitments under operating leases

At 30 April 2013 the company had annual commitments under non-cancellable operating leases as follows:

	2013 Land and buildings £'000	2012 Land and buildings £'000
Expiring within two to three years	<u>49</u>	<u>30</u>



**THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.**

If you are in any doubt as to any aspect of the proposals referred to in this document or as to the action you should take, you should seek your own advice from a stockbroker, solicitor, accountant, or other professional adviser.

If you have sold or otherwise transferred all of your shares, please pass this document together with the accompanying documents to the purchaser or transferee, or to the person who arranged the sale or transfer so they can pass these documents to the person who now holds the shares.

# NEWMARK SECURITY PLC

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

## NOTICE OF ANNUAL GENERAL MEETING

If you do not propose to attend the Annual General Meeting to be held at 58 Grosvenor Street, London W1K 3JB on 12 September 2013 at 11.00 a.m. please complete and submit a proxy form in accordance with the instructions printed on the enclosed form. The proxy form must be received no later than 11.00 a.m. on 10 September 2013.

---

Notice is hereby given that the Annual General Meeting of the above-mentioned company ("**the Company**") will be held at 58 Grosvenor Street, London W1K 3JB on 12 September 2013 at 11.00 a.m.

You will be asked to consider and pass the resolutions below. Resolutions 6 to 8 (inclusive) will be proposed as special resolutions. All other resolutions will be proposed as ordinary resolutions.

### Ordinary resolutions

**1. Annual report and financial statements**

To receive and approve the accounts for the year ended 30 April 2013 together with the reports of the directors and auditors thereon.

**2. Rotation and retirement of directors**

To re-elect Maurice Dwek and Derek Blethyn as directors of the Company, who are retiring by rotation in accordance with the articles of association of the Company.

**3. Appointment of auditors**

To re-appoint BDO LLP of 2 City Place, Beehive Ring Road, Gatwick, West Sussex RH6 0PA as auditors of the Company to hold office from the conclusion of the meeting until the conclusion of the next general meeting of the Company at which accounts are laid and to authorise the directors of the Company to determine their remuneration.

**4. Dividend**

To declare a final dividend for the financial year ended 30 April 2013 of 0.0333 pence per ordinary share of 1 pence each.

**5. Remuneration of directors**

THAT the remuneration of the directors be approved as set out in the accounts for the year ended 30 April 2013.

## Special Resolutions

### 6. Authority to allot

THAT, in accordance with section 551 of the Companies Act 2006 ("the 2006 Act"), the directors be generally and unconditionally authorised to allot shares in the Company up to an aggregate nominal amount of £1,500,000, being equal to approximately 89 per cent of the nominal amount of ordinary shares of the Company in issue on the latest practicable date prior to the printing of the Notice of the Annual General Meeting, save that in the case of the cancellation and re-grant of options under the terms of an employee share scheme or otherwise, the cancelled options shall not be counted so that the aggregate nominal amount of equity securities which the directors are empowered to allot shall be reduced only by the number of any unexercised options in existence from time to time, any shares acquired on the exercise of options and any shares allotted under the authority of this resolution provided that this authority shall, unless renewed, varied or revoked by the Company, expire on the earlier of the conclusion of the next following annual general meeting of the Company and 15 months from the passing of this resolution save that the Company may, before such expiry, make an offer or agreement which would or might require shares to be allotted and the directors may allot shares in pursuance of such offer or agreement notwithstanding that the authority conferred by this resolution has expired.

This authority is in substitution for all previous authorities conferred on the directors in accordance with section 80 of the Companies Act 1985 or section 551 of the 2006 Act.

### 7. Disapplication of pre-emption rights

THAT, subject to the passing of the resolution 6 above and in accordance with section 570 of the 2006 Act, the directors be generally empowered to allot equity securities (as defined in section 560 of the 2006 Act) pursuant to the authority conferred by resolution 6, as if section 561(1) of the 2006 Act did not apply to any such allotment, provided that this power shall:

- 7.1. be limited to the allotment of equity securities up to an aggregate nominal amount of £450,000;
- 7.2. save that in the case of the cancellation and re-grant of options under the terms of an employee share scheme or otherwise, the cancelled options shall not be counted so that the aggregate nominal amount of equity securities which the directors are empowered to allot shall be reduced only by the number any unexercised options in existence from time to time, any shares acquired on the exercise of options and any shares allotted during the period set out in paragraph 7.3 below; and
- 7.3. expire on the earlier of the conclusion of the next following annual general meeting of the Company and 15 months from the passing of this resolution (unless renewed, varied or revoked by the Company prior to or on that date) save that the Company may, before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and the directors may allot equity securities in pursuance of any such offer or agreement notwithstanding that the power conferred by this resolution has expired.

### 8. Laser seals

THAT the articles of association of the Company be amended by deleting the present article 28.2 and replacing it with the following new article 28.2:

*A share certificate may be issued under seal (by affixing the seal to or printing the seal or a representation of it on the certificate) or signed by at least two directors or by at least one director and the secretary. The Board may by resolution decide, either generally or in any particular case or cases, that any signatures on any share certificates need not be autographic but may be applied to the certificates by some mechanical or other means or may be printed on them or that the certificates need not be signed by any person.*

By order of the Board  
BRIAN BEECRAFT  
Company Secretary  
Newmark Security PLC  
57 Grosvenor Street  
London W1K 3JA

Registered in England and Wales No. 3339998

30 July 2013

## Notes to the Notice of Annual General Meeting

1. Members are entitled to appoint a proxy to exercise all or any of their rights to attend and to speak and vote on their behalf at the meeting. A shareholder may appoint more than one proxy in relation to the Annual General Meeting provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that shareholder. A proxy need not be a shareholder of the Company. A proxy form which may be used to make such appointment and give proxy instructions accompanies this notice.
2. To be valid any proxy form or other instrument appointing a proxy must be received by post or (during normal business hours only) by hand at Capita Registrars, PXS, The Registry, 34 Beckenham Road, Beckenham, BR3 4TU no later than 11.00 a.m. on 10 September 2013.
3. The return of a completed proxy form, other such instrument or any CREST Proxy Instruction (as described in paragraph 9 below) will not prevent a shareholder attending the Annual General Meeting and voting in person if he/she wishes to do so.
4. The statement of the rights of shareholders in relation to the appointment of proxies in paragraphs 1 and 2 above does not apply to Nominated Persons. The rights described in those paragraphs can only be exercised by shareholders of the Company.
5. Any person to whom this notice is sent who is a person nominated under section 146 of the Companies Act 2006 to enjoy information rights (a "Nominated Person") may, under an agreement between him/her and the shareholder by whom he/she was nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the Annual General Meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he/she may, under any such agreement, have a right to give instructions to the shareholder as to the exercise of voting rights.
6. To be entitled to attend and vote at the Annual General Meeting (and for the purpose of the determination by the Company of the votes they may cast), Shareholders must be registered in the Register of Members of the Company at 6.00 p.m. on 10 September 2013 (or, in the event of any adjournment, 6.00 p.m. on the date which is two days before the time of the adjourned meeting). Changes to the Register of Members after the relevant deadline shall be disregarded in determining the rights of any person to attend and vote at the meeting.
7. As at 29 July 2013 (being the last business day prior to the publication of this Notice) the Company's issued share capital consists of 450,432,316 ordinary shares of 1p each, carrying one vote each. Therefore, the total voting rights in the Company as at 29 July 2013 are 450,432,316.
8. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so by using the procedures described in the CREST Manual. CREST Personal Members or other CREST sponsored members, and those CREST members who have appointed a service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.
9. In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specifications, and must contain the information required for such instruction, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or is an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by Capita Registrars (IDRA10) by 11.00 a.m. on 10 September 2013. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Application Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.
10. CREST members and, where applicable, their CREST sponsors, or voting service providers should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular message. Normal system timings and limitations will, therefore, apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member, or sponsored member, or has appointed a voting service provider, to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting system providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.
11. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.
12. Shareholders should note that it is possible that, pursuant to requests made by shareholders of the Company under section 527 of the Companies Act 2006, the Company may be required to publish on a website a statement setting out any matter relating to: (i) the audit of the Company's accounts (including the auditor's report and the conduct of the audit) that are to be laid before the Annual General Meeting; or (ii) any circumstance connected with an auditor of the Company ceasing to hold office since the previous meeting at which annual accounts and reports were laid in accordance with section 437 of the Companies Act 2006. The Company may not require the shareholders requesting any such website publication to pay its expenses in complying with sections 527 or 528 of the Companies Act 2006. Where the Company is required to place a statement on a website under section 527 of the Companies Act 2006, it must forward the statement to the Company's auditor not later than the time when it makes the statement available on the website. The business which may be dealt with at the Annual General Meeting includes any statement that the Company has been required under section 527 of the Companies Act 2006 to publish on a website.
13. A corporation which is a member can appoint one or more corporate representatives who may exercise, on its behalf, all its powers as a member provided that no more than one corporate representative exercises powers over the same share.
14. Voting on all resolutions will be conducted by way of a show of hands unless otherwise required.
15. The following documents will be available for inspection at 58 Grosvenor Street, London W1K 3JB from 30 July 2013 until the time of the Meeting and at the Meeting venue itself for at least 15 minutes prior to the Meeting until the end of the Meeting:
  - (a) Copies of the service contracts of executive directors of the Company.
  - (b) Copies of the letters of appointment of the non-executive directors of the Company.
  - (c) Copies of the letter of appointment of the auditors of the Company.
  - (d) Copies of the annual report and financial statements.

16. Except as provided above, members who have general queries about the Meeting should use the following means of communication (no other methods of communication will be accepted):
- (a) by post to Newmark Security PLC 58 Grosvenor Street London W1K 3JB.
- You may not use any electronic address provided either:
- (a) in this notice of annual general meeting; or
  - (b) any related documents (including the chairman's letter and proxy form),
- to communicate with the Company for any purposes other than those expressly stated.





