



Company number: 3339998

# Report and Financial Statements

## Year ended 30 April 2014



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## 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 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 and Brokers:</b>	Cantor Fitzgerald Europe, One Churchill Place, London E14 5RB
<b>Registrars:</b>	Capita Asset Services, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU
<b>Solicitors:</b>	Bracher Rawlins LLP, 77 Kingsway, London WC2B 6SR

## CHAIRMAN'S STATEMENT

### Overview

I am pleased to report another year of revenue growth in the year ended 30 April 2014. Group revenue for the year was £19,171k (2013: £18,316k), an increase of 4.7 per cent. Revenue in the electronic division increased by 9.4 per cent. from £6,615k to £7,234k, whilst the asset protection division revenue increased by 2.0 per cent. in the year from £11,701k to £11,937k.

Profit from operations for the year was £984k (2013:£202k). Profit for the year before exceptional items was £1,836k (2013: £2,476k). The exceptional item in the year was a development cost impairment £852k (2013: development cost impairment £483k and goodwill impairment £1,791k).

Within the electronic division, SATEON has been installed successfully in projects globally, with version 2.6 released in the year and 2.7 launched since the year end. Within Workforce Management Systems (WFM), there has again been healthy revenue from a major retailer although a planned order from a major supermarket chain was delayed at the request of the customer with the balance being delivered in the current financial year. Sales from our US operation more than doubled. Derek Blethyn resigned as managing director in the year and the Board would like to thank him for all his efforts in the past and to wish him every success in the future. Subsequently there has been a restructuring of the division which should place the business in a stronger position going forward.

Safetell acquired the trade and assets of CSI in the year for £118,000 mainly related to inventory and tools. Although turnover was lower than anticipated due to delays in orders from a major customer, it is expected that these orders will be placed in the current year and CSI further expands the product offering of the asset protection division. Turnover in the rest of the asset protection division was lower than the previous year mainly due to the timing of orders from the Post Office and delays with their installation programme which were outside our control.

A full financial review of the results for the year is included within the Strategic Report on pages 4 to 6.

Basic earnings per share are shown in the income statement as 0.19 pence (2013: 0.03 pence). However, the earnings per share before impairment review provisions were 0.38 pence (2013: 0.54 pence) as calculated in note 8 to the accounts.

### Dividend

In view of the results for the year, the Board is pleased to recommend an increased dividend payment for the year ended 30 April 2014 of 0.075 pence per share (2013: 0.0333 pence).

### Employees

The Board would like to welcome the staff of CSI and to express its appreciation to all staff for their continuing efforts during the year, which are reflected in the results.

### Outlook

The Board is delighted to recommend the payment of a dividend for the year which is more than double the amount of the previous year. As stated in previous years and as exemplified above, the timing of our major contracts is dependent upon our customers and therefore turnover can vary significantly year on year. The Board is confident of continuing increased SATEON sales, generating tangible benefits from the restructuring of the electronic division and the broadening of our product offering in all areas. We look forward to another successful year in 2015.

M DWEK  
Chairman

4 August 2014

## STRATEGIC REPORT

### Business model

The Group is principally engaged in the design, manufacture and supply of products and services for the security of assets and personnel. The Group manages its operations through two divisions: Grosvenor Technology, its electronic division and Safetell, its asset protection division.

The electronic division comprises two main product streams, being the design and distribution of:

- access control systems (hardware and software);
- workforce management systems (WFM) hardware, for time-and-attendance, shop-floor data collection, and access control systems;

Both activities have their own design teams creating products to meet the demands of their own markets and specific needs of customers. In addition centralised sales and marketing, purchasing, dispatch and finance functions supplement the requirements of both activities. Manufacturing is mainly performed by external contractors using our intellectual property.

The majority of our access control customers are security installation companies dealing directly with end users. For WFM equipment, the majority of our customers are value-added resellers (VARs) dealing with either installation companies or end users. The division also has the capability to work on special projects directly with end users, assisting with the design and specification of a system to meet specific customer requirements. These tend to be larger contracts where the end user needs to ensure that their specifications are fully met.

The asset protection division comprises two main product streams:

- Design and installation of fixed and reactive security screens, reception counters, cash management systems and associated security equipment; and
- Service and maintenance of the above equipment, as well as CCTV systems and locks.

Customers of the asset protection division range from leading blue-chip organisations to single sites, including banks and building societies, post offices, police forces, railway companies, local authorities and government departments, petrol outlets, hospitals, convenience stores, retailers and supermarket chains. The market varies across the product range.

### Financial review

Revenue in the year increased from £18,316,000 to £19,171,000 an increase of 4.7% analysed as follows:

	2013/14 £'000	2012/13 £'000	Increase/ (decrease) %
<b>Electronic division</b>			
Access control	4,060	3,744	8.4
Workforce management	3,174	2,871	10.6
<b>Total electronic division</b>	<b>7,234</b>	<b>6,615</b>	<b>9.4</b>
<b>Asset protection division</b>			
Products	8,719	8,295	5.1
Service	3,218	3,406	(5.5)
<b>Total asset protection division</b>	<b>11,937</b>	<b>11,701</b>	<b>2.0</b>
<b>TOTAL</b>	<b>19,171</b>	<b>18,316</b>	<b>4.7</b>

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

### *Electronic Division*

Derek Blethyn resigned as managing director of Grosvenor Technology during the year after 24 years' service with the company and the Board would like to express its thanks for his valued contribution over the years and to wish him well for the future. A new management structure is now fully implemented, with both a new sales and marketing director and operations director. Grosvenor also moved to new modern premises at Stansted in the year

with easier access for customers although certain one off costs were incurred in relation to the move and have been written off.

### **Access Control**

Access control revenue grew by 8.4 per cent. during this transition period as SATEON was introduced to new customers and the division has capitalised on additional sales opportunities by upgrading existing customers from JANUS legacy systems.

SATEON has successfully been installed in projects globally, including Imperia Tower in Moscow, IFDS sites across Europe, Californian power stations plus educational facilities in UAE.

Meanwhile, prospects in the UK including 30 St. Mary's Axe ('The Gherkin') are now fully operational and there is a healthy pipeline of projects being commissioned including Brunel University, University of Dundee, European Bank London, and a substantial contract within the defence industry.

SATEON version 2.6 was released during 2013 and version 2.7 has been launched since the year end featuring a raft of updates that include improved reporting and search functionality and improved integration with two major lift companies. The introduction of version 2.8 in 2014 will see integration with Assa Abloy Aperio offline locks. Assa Abloy is a market leader in security hardware and this improved integration improves ease of specification and increases market potential.

### **Workforce Management**

We continue to benefit with healthy revenue from our longstanding relationship with one of the world's largest retailers as they continue to roll out stores globally. The delivery of terminals mentioned in last year's report to a major UK supermarket retailer was delayed by the customer and was only partly shipped in the year, the balance being shipped after the year end. Sales from our US operation more than doubled during the year so that our original expectations are now being realised. The new management structure is looking to improve cross selling opportunities between access control and workforce management in both product categories.

The development of the lower end IT11 terminal was completed during the year and extends the scope of our product range into more price sensitive areas and applications in new markets. Sales of the IT11 were not significant in the year as customers evaluated the product; however sales have increased in the current year.

### **Asset Protection Division**

Safetell acquired the trade and assets of CSI, a division of Gunnebo UK Limited, on 1 November 2013 for a consideration of £118,000 mainly related to inventory and tools.

CSI sales in the six months since acquisition were £812,000 which was lower than anticipated due to delays in orders from a major supermarket chain which are now expected to be supplied in the current year. The acquisition of CSI will provide significant revenue streams in future years as it has added an additional range of Bullet Resistant (BR) products to our current offering.

### **Product stream**

Product revenue was 5.1 per cent. above last year including the £812,000 revenue from CSI. Excluding CSI, turnover fell 4.7 per cent. principally due to the timing of orders received for time delay cash handling equipment from the Post Office (PO) and delays with installing equipment at PO branches which were outside our control.

This resulted in a reduction in sales of cash handling equipment overall but sales of new cash handling products developed for a high street bank in 2012 increased during the year. Orders for new Eclipse Rising Screens and screen reconfiguration work increased and there was an increase in sales to public sector clients. Eye2Eye sales decreased as a result of a reduction in train station refurbishment programmes but CounterShield sales increased substantially due to increased spending by public sector departments previously affected by budget cuts. Sales of Fixed Glazing and Counter Protection Systems increased as we benefited from a large order of £374K from a foreign embassy based in London. Sales of other non-standard products increased as we developed and introduced new products to existing clients and find new markets.

### **Service stream**

Service sales and profitability were broadly in line with budget. During the period, the reducing number of bank branches in the High Street has had an impact but we enhanced our service offering to these institutions and diversified into larger project work which reduced the impact of pressure on margins from other customers.

The unit costs of servicing our customers is falling. The product stream will enter the more competitive CCTV and access control markets to provide product revenue, as well as additional service revenues. We continue to offer upgrades to Eclipse Rising Screen systems and this will also provide revenue streams going forward.

As mentioned in our interim report we have brought one contract negotiation to a satisfactory conclusion. The second significant contract is in its final stages but a reasonable outcome is expected. We remain confident in finalising the PO Network Transformation support contract.

### **Cash in transit box**

As stated in the interim report, trials of the cash in transit box were successful and the client was impressed with its reliability, functionality and design. However due to their budget cuts, it is unlikely that any substantial order will be received from them in the near future. With developments from competitors and the earlier than anticipated introduction of polymer notes in the UK requiring further development work, the Board decided to write off the remaining development costs of £852,000 in the year.

### **Taxation**

The tax charge for the year was only 5.6 per cent. due to the availability of tax losses brought forward and research and development allowances.

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

Further development costs were capitalised in the year but net of impairments and amortisation, intangible assets decreased by £664,000. Inventories increased at the year end with the acquisition of CSI and the requirement for product sales after the year end, whilst trade receivables were higher due to the level of sales in March and April and advance billing of customers on contracts. Trade and other payable were higher for the same reasons.

Overall net assets increased from £10,949,000 to £11,628,000.

Cash flows from operating activities for the year was £2,133,000 (2013: £2,960,000), and overall there was an increase in cash and cash equivalents of £313,000 (2013: £906,000).

### **Strategy**

#### ***Electronic division***

##### *Access control*

The opportunity for SATEON is significant, with a growing trend in the electronic security industry being a battle over who controls network bandwidth and an offering that is browser based without the need to install local software. Such solutions appeal to many integrators and end users.

A sales strategy of engaging new and existing customers on a direct basis is felt relevant and Grosvenor continues to invest in increasing both resources and capabilities in its field sales function.

It is anticipated that the launch of a new entry / mid-tier access control product in the current year will facilitate growth in a far larger number of smaller installers, with a 'direct-to-installer' business model. An innovative 'Access Control as a service' (ACaaS) model, will significantly increase opportunities for new and recurring revenue.

Customer relationship management (CRM) and e-commerce technologies will provide capability to manage this increased demand negating the requirement to create costly and complicated distributions channels thus providing sustainable competitive advantage over competitors' business models that utilise a distribution network.

##### *Workforce Management Systems*

Growth will be achieved by increasing emphasis on end users and installers, using the VARs as a channel to facilitate, rather than being the focus of the sales effort.

In existing geographies, sales heads will engage integrators and installers to 'back-sell' IT terminals and introduce VARs to provide applications software products and thus, a complete solution. In new territories, the strategy will be to provide a complete solution direct to integrators by working with existing VAR partners to create a Grosvenor 'white label' or WFM offering.



### *End Users*

Major end users, particularly those with global reach and significant expansion ambitions, will be a key focus for the sales effort for all access control and WFM products. Multi-location end users could derive significant added value from utilising a 'one card' approach and therefore new business development with end users will account for a significant proportion of sales activity.

To support this activity, there is true alignment intended with the marketing strategy. Demonstration suites are to be installed in the firm's Stansted and London locations to target end users in a variety of vertical markets.

Retail and higher education have been identified as two key vertical markets to launch new campaigns this current year and are both markets where Grosvenor has had success historically and therefore case studies can be created as a sales tool.

### ***Asset protection division***

The strategy for this division is to broaden the customer base and product range. Safetell already has a well established blue chip customer list, particularly in the banking and finance sector, but wants to extend to other sectors whilst at the same time offering a greater range of products within existing sectors. Specifically, following the trade and assets acquisition of CSI, to address supermarket and retail chains particularly with ATM Pods, BR doors and walls, and fire exit doors. Following the success of the major contract completed in the year for a foreign embassy, we are targeting other embassies with our full range of products. Safetell has also developed a new cash deposit device which is suitable for the retail market both in the UK as well as in Europe. This product has been exhibited at several exhibitions locally and in Europe, and has been introduced to retailers at a business event in Hong Kong last month. In an effort to expand export sales, we are currently in talks with several larger organisations who have established offices in the Middle East and want to add our security products to their existing product offering.

### **Key performance indicators**

	2013/14	2012/13
	£'000	£'000
<b>Revenue from continuing operations</b>	<b>19,171</b>	<b>18,316</b>
<i>Revenue growth is the prime measure of our economic output and is key to measuring shareholder return and the success of our growth strategy. Overall increase in the year of 4.7%.</i>		
<b>Gross profit from continuing operations (after exceptional development cost impairment)</b>	<b>7,430</b>	<b>7,395</b>
<b>Gross profit from continuing operations (before exceptional development cost impairment)</b>	<b>8,282</b>	<b>7,878</b>
Gross profit provides an indication of the quality of turnover growth and a measure of value added by the group, reflecting the quality of our design and sales and marketing functions		
<b>Gross profit percentage from continuing operations (before exceptional development cost impairment)</b>	<b>43.2%</b>	<b>43.0%</b>

### **Principal risks and uncertainties**

#### ***Sales of new products***

The Group has incurred substantial expenditure on new developments within the electronic division, and there is the uncertainty of future sales of new developments particularly with sales to new geographic markets. The Group mitigates this risk by carrying out customer trials and ascertaining features required by customers.

#### ***Service agreements***

The majority of service revenues within the asset protection division is from 2 or 3 year service agreements and there is the risk that these may not be renewed. The company has service level agreements with these customers which are closely monitored and holds regular meetings with those customers to check on their satisfaction levels. If the service agreements are not renewed it is likely that those customers would still require our services but would be charged on a call out basis.

***Market conditions***

The asset protection division product range is targeted at both the private (particularly financial, retail and construction sectors) and the public sector. Customer refurbishment programmes within the financial sector continue to act as an underlying positive trend for demand for many of the division's products. Our business is reliant on the timing of customer programmes and there is a risk that these may be delayed. The division mitigates this risk by a wide range of product offerings, and maintaining a close working relationship with its customers so that we are aware of any potential delays.

***Input prices and availability***

Operating performance is impacted by the pricing and availability of its key inputs, which include electronic components, steel and security glass. The pricing of such inputs can be quite volatile at times due to supply and demand dynamics and the input costs of the supply base. The Group manages the effect of such demands through a rigid procurement process, long-term relationships with suppliers, economic purchasing, multiple suppliers and inventory management.

***Quality control***

There is the potential for functional failure of products when put to use, thereby leading to warranty costs and damage to our reputation. Quality control procedures are therefore an essential part of the process before the product is delivered to the customer. With the support of external audits the quality control systems are reviewed and improved on an on-going basis to ensure that the Group is addressing the control environment around product and process development. Where applicable, new products go through a certification process which is undertaken by a recognised and reputable authority before being brought to market.

**Approval**

This Strategic Report was approved by order of the Board on 4 August 2014.

By order of the Board

B BEECRAFT  
Company Secretary

## REPORT OF THE DIRECTORS

The Directors submit their annual report and audited financial statements of the Group for the year ended 30 April 2014.

### Financial results and dividends

The Board is proposing a dividend of 0.075p per share (2013: 0.0333p 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 and D Blethyn resigned as directors on 15 July 2013 and 7 September 2013 respectively.

Details of the Directors' service contracts are shown in the Report of the Remuneration Committee on page 13.

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

### Financial instruments

For full details of changes to the Group's management of its financial instruments and its general objectives, policies and processes in respect of financial instruments, please refer to note 18 to the financial statements on pages 35 to 39.

#### *Credit risk*

Credit risk is the risk of financial loss to the Group if a customer fails to meet its obligations, and the Group is mainly exposed to credit risk from credit sales. It is Group policy to assess the credit risk of new customers before supplying goods or services with purchase limits established for each customer, which represents the maximum open amount they can order without requiring approval.

A monthly review of the trade receivables' ageing analysis is undertaken and customers' credit is reviewed continuously. Customers that become "high risk" are placed on a restricted customer list, and future credit sales are made only with the approval of the local management otherwise pro forma invoices are raised requiring payment in advance.

#### *Liquidity risk*

Liquidity risk arises from the Group's management of working capital and the finance charges and principal repayments on its debt instruments. It is the risk that the Group will encounter difficulty in meeting its financial obligations as they fall due.

The Group finance director receives daily reports of balances on all bank accounts. At the end of the financial year, the 12 month cash flow projections indicated that the Group expected to have sufficient liquid resources to meet its obligations under all reasonably expected circumstances. The Group also seeks to reduce liquidity risk by fixing interest rates (and hence cash flows) on a portion of its long-term borrowings.

#### *Market risk*

Market risk arises from the Group's use of interest bearing, and foreign currency financial instruments. It is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in interest rates (interest rate risk), foreign exchange rates (currency risk) or other market factors (other price risk).

#### *Cash flow interest rate risk*

Long term borrowings are all at fixed rates thus eliminating fully cash flow risk associated with variability in interest payments.

### Foreign exchange risk

Foreign exchange risk arises when individual Group entities enter into transactions denominated in a currency other than their functional currency. Liabilities are settled with the cash generated from the individual group entities' operations in that currency wherever possible, otherwise the liabilities are settled in the functional currency of the group entities.

### Likely future developments in the business of the company

Information on likely future developments in the business of the Group has been included in the Strategic Report.

### Directors

#### Directors' interests

The beneficial and other interests of the Directors in the shares of the Company as at 1 May 2013 (or the date of their appointment to the Board, if later) and 30 April 2014 were as follows:

	Percentage holding at 30 April 2014	30 April 2014	1 May 2013 (or date of appointment if later)
M Dwek <sup>(a)</sup>	13.1%	59,099,467	59,099,467
M Rapoport	3.3%	15,555,000	14,055,000

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

The interests of Directors in Share Option Schemes operated by the Company at 1 May 2013 (or the date of their appointment to the Board, if later) and 30 April 2014 were as follows:

	Number of Ordinary Shares under the EMI Scheme 30 April 2014	Number of Ordinary Shares under the Approved Scheme 30 April 2014	Number of Ordinary Shares under the Unapproved Scheme 30 April 2014	Number of Ordinary Shares under the EMI Scheme 1 May 2013 (or date of appointment if later)	Number of Ordinary Shares under the Approved Scheme 1 May 2013	Number of Ordinary Shares under the Unapproved Scheme 1 May 2013
B Beecraft	5,000,000	–	3,000,000	1,000,000	–	3,000,000
M C Dwek	12,363,636	–	–	–	–	–

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

### Research and development

The Group is committed to on-going research and development. The strategy is based upon market demand to meet identified security needs in conjunction with a commercial assessment of the short to medium term profitability of each project. The amount of development costs capitalized in the year was £997,000 (2013:£1,239,000).

### 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 42.

### **Corporate governance**

The Group has not applied all the principles of the UK Corporate Governance Code as the Code only applies mandatorily to fully listed companies.

At 30 April 2014, the Board comprised a Non-Executive Chairman, two Executive Directors and two 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 Chief Executive Officer 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.

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 UK Corporate Governance Code requires proxy votes to be counted and announced after any vote on a show of hands.

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 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 the 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 13.

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 strategic report, director's report and the financial statements in accordance with applicable law and regulations.

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

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

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

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

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

## Auditors

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

## Approval

This Directors Report was approved by order of the Board on 4 August 2014.

By order of the Board

B BEECRAFT  
Company Secretary

4 August 2014

## 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 2014 comprised three existing Non-Executive Directors, Maurice Dwek, Michel Rapoport and Robert Waddington.

Maurice Dwek was chairman of 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.

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 2014 were as follows:

	Consultancy/ management agreement £'000	Salary £'000	Fees £'000	Other benefits £'000	Total £'000	Pension contributions £'000
Executive Directors						
M C Dwek <sup>(a)</sup>	–	234	–	24	258	23
B Beecraft	–	140	–	–	140	–
D Blethyn <sup>(b)</sup>	–	60	–	2	62	–
Non-Executive Directors						
M Dwek <sup>(c)</sup>	80	–	–	12	92	–
M Rapoport	–	–	25	–	25	–
N Medlam	–	–	4	–	4	–
R Waddington	–	–	25	–	25	–
	<u>80</u>	<u>434</u>	<u>54</u>	<u>38</u>	<u>606</u>	<u>23</u>
2013	<u>134</u>	<u>310</u>	<u>99</u>	<u>5</u>	<u>548</u>	<u>–</u>

The directors' share interests are detailed in the Report of the Directors on page 10.

(a) The emoluments of M C Dwek included a bonus of £64,000 (2013: £Nil).

(b) The emoluments of D Blethyn relate to his services as a director of Grosvenor Technology Limited until his resignation on 7 September 2013.

(c) The Company paid a consultancy fee of £80,000 (2013: £134,015) to Arbury Inc., a company 51 per cent. owned by M Dwek which covers salary, pension and car benefits, and included a bonus of £Nil (2013: £35,000).

## 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 2014, which comprise the consolidated statement of financial position and parent company balance sheet, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of cash flows, the consolidated statement of changes in equity and the related notes. The financial reporting framework that has been applied in the preparation of the consolidated 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 Financial Reporting Council's (FRC'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 2014 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

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

In our opinion:

- the information given in the strategic report and 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

4 August 2014

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 2014

	Note	2014 £'000	2013 £'000
<b>Revenue</b>	2	19,171	18,316
Cost of sales – including exceptional development cost impairment		<u>(11,741)</u>	<u>(10,921)</u>
<b>Gross profit</b>		7,430	7,395
Administrative expenses (2013: including exceptional goodwill impairment provision)		<u>(6,446)</u>	<u>(7,193)</u>
Profit from operations before exceptional items		1,836	2,476
Exceptional goodwill impairment	10 & 11	–	(1,791)
Exceptional development cost impairment	10 & 11	(852)	(483)
<b>Profit from operations</b>	3	984	202
Finance costs	6	<u>(78)</u>	<u>(131)</u>
<b>Profit before tax</b>		906	71
Tax (charge)/credit	7	<u>(49)</u>	<u>69</u>
<b>Profit for the year</b>	23	<u><u>857</u></u>	<u><u>140</u></u>
Attributable to:			
– Equity holders of the parent		<u><u>857</u></u>	<u><u>140</u></u>
<b>Earnings per share</b>			
– Basic (pence)	8	<u><u>0.19p</u></u>	<u><u>0.03p</u></u>
– Diluted (pence)	8	<u><u>0.18p</u></u>	<u><u>0.03p</u></u>

All amounts relate to continuing activities.

The notes on pages 21 to 43 form part of these financial statements.

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
for the year ended 30 April 2014

	2014 £'000	2013 £'000
<b>Profit for the year</b>	857	140
Foreign exchange (losses)/gains on retranslation of overseas operations	(28)	7
<b>Total comprehensive income for the year</b>	<u>829</u>	<u>147</u>
Attributable to:		
– Equity holders of the parent	<u>829</u>	<u>147</u>

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**at 30 April 2014**

Company number: 3339998

	Note	2014 £'000	2013 £'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	9	872	809
Intangible assets	10	8,428	9,092
Total non-current assets		<u>9,300</u>	<u>9,901</u>
<b>Current assets</b>			
Inventories	13	1,647	1,344
Trade and other receivables	14	4,078	2,588
Cash and cash equivalents		1,441	1,128
Total current assets		<u>7,166</u>	<u>5,060</u>
<b>Total assets</b>		16,466	14,961
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	15	4,148	3,071
Other short term borrowings	16	196	294
Corporation tax liability		16	50
Provisions	20	100	129
Total current liabilities		<u>4,460</u>	<u>3,544</u>
<b>Non-current liabilities</b>			
Long term borrowings	17	124	184
Provisions	20	84	84
Deferred tax	21	170	200
Total non-current liabilities		<u>378</u>	<u>468</u>
<b>Total liabilities</b>		<u>4,838</u>	<u>4,012</u>
<b>TOTAL NET ASSETS</b>		<u><u>11,628</u></u>	<u><u>10,949</u></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	(196)	(168)
Retained earnings	23	5,977	5,270
		<u>11,588</u>	<u>10,909</u>
<b>Non-controlling interest</b>		40	40
<b>TOTAL EQUITY</b>		<u><u>11,628</u></u>	<u><u>10,949</u></u>

The financial statements were approved by the Board of Directors and authorised for issue on 4 August 2014.

M Dwek  
 Director

The notes on pages 21 to 43 form part of these financial statements.

**CONSOLIDATED STATEMENT OF CASH FLOWS**  
for the year ended 30 April 2014

	Note	2014 £'000	2014 £'000	2013 £'000	2013 £'000
<b>Cash flow from operating activities</b>					
Net profit after tax		857		140	
Adjustments for:					
Depreciation, amortisation and impairment	9 & 10	1,905		3,185	
Interest expense	6	78		131	
Income tax charge/(credit)	7	49		(69)	
<b>Operating cash flows before changes in working capital</b>					
		2,889		3,387	
(Increase) in trade and other receivables		(1,492)		(215)	
(Increase)/decrease in inventories		(303)		176	
Increase/(decrease) in trade and other payables		1,084		(379)	
<b>Cash generated from operations</b>					
Income taxes paid			2,178		2,969
			(45)		(9)
<b>Cash flows from operating activities</b>					
			2,133		2,960
<b>Cash flow from investing activities</b>					
Payments for property, plant & equipment		(324)		(249)	
Sale of property, plant & equipment		40		21	
Capitalised development expenditure	10	(997)		(1,239)	
Purchase of shares in subsidiary		-		(50)	
			(1,281)		(1,517)
<b>Cash flow from financing activities</b>					
Repayment loan notes		-		(105)	
Repayment of bank loans		(153)		(149)	
Repayment of finance lease creditors		(158)		(152)	
Dividends paid		(150)		-	
Interest paid	6	(78)		(131)	
			(539)		(537)
<b>Increase in cash and cash equivalents</b>	27		<u>313</u>		<u>906</u>

The notes on pages 21 to 43 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 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>
1 May 2013	4,504	502	801	(168)	5,270	40	10,949
Dividends (note 23)	-	-	-	-	(150)	-	(150)
Total comprehensive income	-	-	-	(28)	857	-	829
30 April 2014	<u>4,504</u>	<u>502</u>	<u>801</u>	<u>(196)</u>	<u>5,977</u>	<u>40</u>	<u>11,628</u>

## NOTES FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 April 2014

### 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 2014 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 44 to 48.

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 2013*

The new standards, interpretations and amendments, effective from 1 May 2013, 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 2014 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 Chief Executive Officer and Group Finance Director.

#### *Revenue*

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

#### *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.

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.

Depreciation is provided on all items of property, plant and equipment to write off the carrying value of items over their expected useful economic lives. It is applied at the following rates:

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

#### *Inventories*

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

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

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

### *Provisions*

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

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the 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.

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:	2014 £'000	2013 £'000
Electronic division		
Sale of goods	6,818	6,163
Provision of services	416	452
Asset protection division		
Sale of goods	8,671	8,261
Provision of services	3,266	3,440
	<u>19,171</u>	<u>18,316</u>

### 3. Profit from operations

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

	2014 £'000	2013 £'000
Staff costs (note 4)	7,247	6,211
Depreciation of property, plant and equipment		
– owned assets	235	200
– leased assets	136	119
Amortisation of intangible assets	682	592
Impairment provision – cost of sales	852	483
Impairment provision – administrative expenses	–	1,791
Foreign exchange differences	(27)	(59)
Operating lease expense		
– Plant and machinery	54	43
– Property	297	263
Auditors remuneration:		
Audit fees payable to the company's auditor for the audit of:		
– Company annual accounts	8	8
– Group annual accounts	13	10
Other fees payable to the Company's auditors:		
– Subsidiary companies	39	57
– Tax compliance	45	31
(Profit) on disposal of tangible non-current assets	(29)	(3)

### 4. Staff costs

Staff costs (including the Executive Directors) comprise:

	2014 £'000	2013 £'000
Wages and salaries	6,098	5,226
Short-term non-monetary benefits	241	225
Defined contribution pension cost	217	157
Employer's national insurance contributions and similar taxes	691	603
	<u>7,247</u>	<u>6,211</u>

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

	2014 No.	2013 No.
Management, sales and administration	51	45
Production	96	89
	<u>147</u>	<u>134</u>

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

	2014 £'000	2013 £'000
Salaries	981	928
Short-term non-monetary benefits	60	41
Defined contribution pension costs	89	58
Employers national insurance contributions and similar taxes	119	97
	<u>1,249</u>	<u>1,124</u>

The emoluments of the Directors of the parent company are set out in the Report of the Remuneration Committee on page 13.

## 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 WFM hardware only, for time-and-attendance, shop-floor data collection, and access control systems. This division contributed 38 per cent. (2013: 36 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 62 per cent. (2013: 64 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 2014 £'000	Asset Protection 2014 £'000	Total 2014 £'000
<i>Revenue</i>			
Total revenue	7,234	11,937	19,171
<b>Revenue from external customers</b>	<b>7,234</b>	<b>11,937</b>	<b>19,171</b>
Finance cost	–	19	19
Depreciation	113	231	344
Amortisation	682	–	682
Impairment	–	852	852
<b>Segment profit before income tax</b>	<b>212</b>	<b>1,841</b>	<b>2,053</b>
Additions to non-current assets	1,111	375	1,486
Reportable segment assets	6,315	5,075	11,390
Reportable segment liabilities	1,054	3,559	4,613
		<b>Asset</b>	
	<b>Electronic</b>	<b>Protection</b>	<b>Total</b>
	<b>2013</b>	<b>2013</b>	<b>2013</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<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

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

	2014 £'000	2013 £'000
<b>Revenue</b>		
Total revenue for reportable segments	19,171	18,316
	<b>2014 £'000</b>	<b>2013 £'000</b>
<b>Profit or loss after income tax expense</b>		
Total profit or loss for reportable segments	2,053	2,688
Corporation taxes	(49)	69
Unallocated amounts – other corporate expenses	(1,147)	(2,617)
Profit after income tax expense (continuing activities)	857	140
	<b>2014 £'000</b>	<b>2013 £'000</b>
<b>Assets</b>		
Total assets for reportable segments	11,390	9,672
PLC	112	208
Goodwill on consolidation	4,964	5,081
Group's assets	16,466	14,961
<b>Liabilities</b>		
Total liabilities for reportable segments	4,613	3,692
PLC	219	310
Liabilities of discontinued activities	6	10
Group's liabilities	4,838	4,012

	Reportable segment		Group	Reportable segment		Group
	totals	Adjustments	totals	totals	Adjustments	totals
	2014	2014	2014	2013	2013	2013
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Other material items</b>						
Capital expenditure	1,486	2	1,488	1,606	73	1,679
Depreciation and amortisation	1,026	27	1,053	903	8	911
Impairment	852	–	852	483	1,791	2,274

**Geographical information:**

	External revenue by location of customers		Non-current assets by location of assets	
	2014	2013	2014	2013
	£'000	£'000	£'000	£'000
UK	16,283	16,026	9,266	9,876
Europe	1,148	1,209	–	–
USA	1,356	878	34	25
Other countries	384	203	–	–
	<u>19,171</u>	<u>18,316</u>	<u>9,300</u>	<u>9,901</u>

## 6. Finance costs

	2014 £'000	2013 £'000
<i>Finance costs</i>		
Bank borrowings	56	93
Loan notes	–	4
Invoice discounting	–	18
Finance leases	22	16
	<u>78</u>	<u>131</u>

## 7. Tax expense

	2014 £'000	2014 £'000	2013 £'000	2013 £'000
<i>Current tax expense</i>				
<i>Continuing businesses</i>				
UK corporation tax on profits for the year	(67)		61	
Adjustment for over provision in prior periods	(15)		11	
		(82)		72
<i>Deferred tax expense</i>				
Origination and reversal of temporary differences	203		(107)	
Adjustment for over provision in prior periods	(72)		(34)	
		131		(141)
<b>Total tax charge/(credit)</b>		<u>49</u>		<u>(69)</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:

	2014 £'000	2013 £'000
Profit before tax	<u>906</u>	<u>71</u>
Expected tax charge based on the standard rate of corporation tax in the UK of 22.83 per cent. (2013: 23.92 per cent.)	207	17
Research and development allowances	(357)	(441)
Effects on profits of other items not deductible for tax purposes	97	595
Utilisation and recognition of previously unrecognised tax losses	144	(281)
Losses carried forward	25	56
Change in tax rate	20	8
Adjustment to tax charge in respect of previous periods	(87)	(23)
<b>Total tax charge/(credit)</b>	<u>49</u>	<u>(69)</u>

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

	2014 £'000	2013 £'000
Management expenses	911	1,715
Trading losses	<u>1,670</u>	<u>2,375</u>

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

	2014 £'000	2013 £'000
Management expenses	182	343
Trading losses	334	546

## 8. Earnings per share

	2014 £'000	2013 £'000
<i>Numerator</i>		
Earnings used in basic and diluted EPS – continuing operations	857	140
<i>Denominator</i>		
	No.	No.
Weighted average number of shares used in basic EPS – continuing operations	450,432,316	450,432,316
Weighted average number of share warrants	29,250,000	30,000,000
Weighted average number of share options	26,042,424	–
Weighted average number of shares and share options	505,724,740	480,432,316

In 2013 employee options were excluded from the calculation of diluted EPS as their exercise price was greater than the weighted average share price during the year (ie. they were out-of-the-money) and therefore it would not be advantageous for the holders to exercise there options. The total number of options in issue is disclosed in note 25.

The basic earnings per share before impairment provisions 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:

	2014 pence	2013 pence
Basic earnings per share (pence) – basic	0.19	0.03
Impairment provisions of goodwill and development costs	0.19	0.51
Earnings per share before impairment provisions	0.38	0.54

	2014 £'000	2013 £'000
Reconciliation of earnings		
Profit used for calculation of basic earnings per share	857	140
Impairment provisions of goodwill and development costs	852	2,274
Earnings before impairment provisions	1,709	2,414

## 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 2013</i>				
Cost	529	1,554	1,142	3,225
Accumulated depreciation	(352)	(1,143)	(921)	(2,416)
Net book value	177	411	221	809
<i>At 30 April 2014</i>				
Cost	453	1,145	1,125	2,723
Accumulated depreciation	(250)	(749)	(852)	(1,851)
Net book value	203	396	273	872



	Short leasehold improvements £'000	Plant, machinery and motor vehicles £'000	Computers, fixtures and fittings £'000	Total £'000
<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>
<i>Year ended 30 April 2014</i>				
Opening net book value	177	411	221	809
Additions	106	198	187	491
Disposals	(33)	(12)	(12)	(57)
Depreciation	(47)	(201)	(123)	(371)
Closing net book value	<u>203</u>	<u>396</u>	<u>273</u>	<u>872</u>

The net book value of property plant and equipment for the Group includes an amount of £302,399 (2013: £283,803) in respect of assets held under finance leases and hire purchase contracts. The related depreciation charge on these assets for the year was £136,459 (2013: £119,167).

## 10. Intangible assets

	Goodwill £'000	Development costs (internally generated) £'000	Licences, patents and copyrights £'000	Total £'000
<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>At 30 April 2014</i>				
Cost	6,872	7,175	37	14,084
Amortisation	–	(2,177)	(32)	(2,209)
Impairment provision	(1,908)	(1,539)	–	(3,447)
Net book value	<u>4,964</u>	<u>3,459</u>	<u>5</u>	<u>8,428</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>
<i>Year ended 30 April 2014</i>				
Opening net book value	5,081	3,999	12	9,092
Additions				
– Internally developed	–	997	–	997
– Amendment to deferred consideration	(97)	(30)	–	(127)
Amortisation	–	(675)	(7)	(682)
Impairment provision	(20)	(832)	–	(852)
Closing net book value	<u>4,964</u>	<u>3,459</u>	<u>5</u>	<u>8,428</u>

This impairment in the period of £852,000 represents internally generated development costs which no longer satisfy the criteria for capitalisation under IAS38 as listed on page 23 as a consequence of the redevelopment of the product design.

The trials of our cash in transit box were successful and our client was impressed with its reliability, functionality and the ergonomic design of the box. However, due to their budget cuts, it is unlikely that any substantial order will be received from them in the near future. Furthermore, with developments from our competitors and the earlier than anticipated introduction of polymer notes in the UK requiring further development work, the Board took the decision to write off the development costs capitalised to date in relation to this.

The Group has no contractual commitments for development costs (2013: £Nil).

All development costs have a finite useful economic life.

## 11. Goodwill and impairment

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

	Goodwill	
	carrying amount	
	2014	2013
	£'000	£'000
Electronic division	4,003	4,003
Asset protection division	961	1,078
	<u>4,964</u>	<u>5,081</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 2019. The discount rate that was applied was 13.0 per cent. (2013: 13.0 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 growth rates for cash flows from operating activities for the period within the formal budgets are 16.4 per cent. and 3.5 per cent. for the electronic and asset protection divisions respectively (2013: 13 per cent. and 0.5 per cent. respectively). The projected cash flows beyond the formal budgeted period are based on an extrapolation of the budgeted cash flows at a growth rate of 1 per cent. for both divisions (2013: 1 per cent.). The growth rate for the electronic division reflects the introduction of new products to new geographical markets. If the discount rate increased by 1.72 per cent. the carrying amount and recoverable amount for the electronic division would be equal. No reasonably possible changes to the asset protection calculation would result in a material impairment.

The goodwill impairment of £20,000 recognised in the year relates to the goodwill associated to the cash in transit box in a separate CGU within the asset protection division.

The goodwill impairment of £1,791,000 recognised in 2013 in the electronic division arose 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.

## 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

	2014 £'000	2013 £'000
Raw materials and consumables	731	572
Work-in-progress	129	77
Finished goods and goods for resale	787	695
	<u>1,647</u>	<u>1,344</u>

Finished goods include an amount of £Nil (2013: £Nil) carried at fair value less costs to sell. The value of inventories consumed in the year was £6,783,000 (2013: £6,582,000). The amount of inventory write downs in the year was £Nil (2013: £75,000). There are no inventories recoverable after 12 months (2013: £Nil).

## 14. Trade and other receivables

	2014 £'000	2013 £'000
Trade receivables	3,462	2,236
Less: provision for impairment and trade receivables	(17)	(52)
Trade receivables (net)	<u>3,445</u>	<u>2,184</u>
Other receivables	116	66
Accrued income	186	102
Prepayments	331	236
	<u>4,078</u>	<u>2,588</u>

At 30 April 2014 trade receivables of £1,671,000 (2013: £974,000) were past due but not impaired. The ageing analysis of these receivables is as follows:

	2014 £'000	2013 £'000
Current	1,791	1,262
30 days past due	1,202	570
60 days past due	469	404
	<u>3,462</u>	<u>2,236</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*

	2014			2013		
	Gross Value £'000	Provision £'000	Net Carrying Amount £'000	Gross Value £'000	Provision £'000	Net Carrying Amount £'000
UK	3,075	(17)	3,058	2,006	(52)	1,954
USA	313	-	313	138	-	138
Europe	74	-	74	92	-	92
<b>Total</b>	<u><b>3,462</b></u>	<u><b>(17)</b></u>	<u><b>3,445</b></u>	<u><b>2,236</b></u>	<u><b>(52)</b></u>	<u><b>2,184</b></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:

	2014 £'000	2013 £'000
Opening balance	52	22
(Decrease)/increase in provisions	(35)	27
Receivable recovered during the year	-	4
Receivable written off during the year	-	(1)
<b>Closing balance</b>	<u><b>17</b></u>	<u><b>52</b></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**

	2014 £'000	2013 £'000
Trade payables	1,516	1,058
Other tax and social security taxes	701	507
Other payables	74	63
Deferred income	1,026	758
Deferred purchase consideration	-	30
Accruals	831	655
	<u>4,148</u>	<u>3,071</u>

## 16. Other short term borrowings

	2014 £'000	2013 £'000
Bank loans		
– secured	52	153
Finance lease creditor (note 24)	144	141
	<u>196</u>	<u>294</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

	2014 £'000	2013 £'000
Bank loans – secured (note 16)	–	52
Finance lease creditor (note 24)	124	132
	<u>124</u>	<u>184</u>

Information about fair values on the financial liabilities 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	
	2014	2013
	£'000	£'000
<b>Current financial assets</b>		
Trade and other receivables	3,747	2,352
Cash and cash equivalents	1,441	1,128
<b>Total current financial assets</b>	<b>5,188</b>	<b>3,480</b>
	Financial liabilities measured at amortised cost	
	2014	2013
	£'000	£'000
<b>Current financial liabilities</b>		
Trade and other payables (excluding deferred purchase consideration)	4,148	3,041
Deferred purchase consideration	–	30
Loans and borrowings	196	294
<b>Total current financial liabilities</b>	<b>4,344</b>	<b>3,365</b>
<b>Non-current financial liabilities</b>		
Loans and borrowings	124	184
<b>Total non-current financial liabilities</b>	<b>124</b>	<b>184</b>
<b>Total financial liabilities</b>	<b>4,468</b>	<b>3,549</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
- 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.

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 14.

#### *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. Longer term financing is utilised for the purpose of acquiring subsidiary undertakings. Cash balances are reported daily to the Group Finance Director who 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 2014 in which all conditions have been met.

	Floating rate £'000	Fixed rate £'000	2014 Total £'000	2013 Total £'000
Expiry within 1 year	750	-	750	1,650
Expiry later than 1 year and not later than 5 years	-	-	-	195
	<u>750</u>	<u>-</u>	<u>750</u>	<u>1,845</u>

The Group also has term loans of £52,000 (2013: £205,000). 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 maturity analysis of the undiscounted financial liabilities measured at amortised costs is as follows:

	2014 £'000	2013 £'000
Up to 3 months	4,226	3,148
3 to 6 months	53	76
6 to 12 months	79	154
Later than 1 year and not later than 5 years	136	197
	<u>4,494</u>	<u>3,575</u>

#### *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 and bank loans, bank loans being at floating rates.

### 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 2014, all of which are denominated in sterling:

	2014		2013	
	Effective Interest Rate	Carrying Amount £'000	Effective Interest Rate	Carrying Amount £'000
<i>Floating rate with maturity within one year</i>				
Cash and overdrafts		1,441	–	1,128
Term loan	Libor +2.5%	(52)	Libor +2.5%	(153)
<i>Floating rate with maturity over one year</i>				
Term loan		–		(52)
		<u>1,389</u>		<u>923</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	
	2014 £'000	2013 £'000	2014 £'000	2013 £'000
Pound sterling	5,414	3,258	4,135	2,933
US dollar	162	130	166	133
Euro	274	92	197	483
	<u>5,850</u>	<u>3,480</u>	<u>4,498</u>	<u>3,549</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 £7,000 (2013: £36,000). A 10 per cent. weakening in the exchange rates would, on the same basis, have decreased pre-tax profit and decreased net assets by £8,000 (2013: £43,000).

### Capital

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

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



The cash-to-adjusted-capital ratios at 30 April 2014 and at 30 April 2013 were as follows:

	2014 £'000	2013 £'000
Loans and borrowings	320	478
Less: cash and cash equivalents	(1,441)	(1,128)
Net cash	<u>(1,121)</u>	<u>(650)</u>
Total equity	<u>11,588</u>	<u>10,909</u>
Cash to adjusted capital ratio	9.67%	5.96%

### 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 2014 %	Period 2014 Years	Rate 2013 %	Period 2013 Years
Sterling	<u>3.2</u>	<u>0.9</u>	<u>3.2</u>	<u>1.2</u>

#### *Fair values*

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

	Book value 2014 £'000	Fair value 2014 £'000	Book value 2013 £'000	Fair value 2013 £'000
Bank loans	52	52	205	201
Finance lease creditor	268	242	273	247
	<u>320</u>	<u>294</u>	<u>478</u>	<u>448</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 2014 and 2013 are equal to their book value.

### 20. Provisions

	Leasehold dilapidations £'000	Holiday pay £'000	Total £'000
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>
At 30 April 2014	84	100	184
Due within one year or less	–	100	100
Due after more than one year	84	–	84
	<u>84</u>	<u>100</u>	<u>184</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 20 per cent. (2013: 23 per cent.).

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

	Group	
	2014 £'000	2013 £'000
Liability		
At 1 May	200	324
Income statement	131	(141)
Other	(97)	-
Transfer (to)/from corporation tax recoverable	(64)	17
At 30 April	<u>170</u>	<u>200</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) 2014 £'000	Charged/ (credited) to income 2014 £'000
	Accelerated capital allowances	(87)
Other temporary and deductible differences	582	304
Available losses	(325)	(136)
	<u>170</u>	<u>131</u>
	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>

## 22. Share capital

	Issued and fully paid			
	2014 Number	2014 £	2013 Number	2013 £
<i>Ordinary shares of 1p each</i>				
At beginning and end of the year	<u>450,432,316</u>	<u>4,504,323</u>	<u>450,432,316</u>	<u>4,504,323</u>

In November 2011, the Company raised a facility of up to £300,000 through the issue of a 10% secured loan note ("Loan Note") with certain Directors of the Company. The Loan Notes actually issued were subsequently repaid in full during the year ended 30 April 2012. In addition to the Loan Note, the Company entered into a warrant

instrument with the Loan Note holders whereby the Company granted to the Loan Note holders 30,000,000 warrants to subscribe for 30,000,000 new ordinary shares of 1 pence each in the Company at any time until 25 November 2016 at an exercise price of 1 pence ("the Warrants") either for cash or in exchange for the release of some or all of the debt owed to the Loan Note holders under the Loan Note instrument. As at 30 April 2014 there were 29,250,000 warrants outstanding, Michel Rapoport, Non-Executive Director, has 7,500,000 warrants, and Maurice Dwek, Non-Executive Chairman, has 21,750,000 warrants outstanding.

### 23. Reserves

	Share premium £'000	Merger reserve £'000	Retained earnings £'000	Foreign exchange reserve £'000
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>
At 30 April 2013	502	801	5,270	(168)
Translation differences on overseas operations	-	-	-	(28)
Profit for the year	-	-	857	-
Dividends paid	-	-	(150)	-
At 30 April 2014	<u>502</u>	<u>801</u>	<u>5,977</u>	<u>(196)</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

	2014 £'000	2013 £'000
Final dividend of 0.0333 pence (2013: Nil pence) per ordinary share paid during the year relating to the previous year's results	<u>150</u>	<u>-</u>

The directors are proposing a final dividend of 0.075 pence per ordinary share (2013: 0.0333 pence) totalling £338,000 (2013: £150,000).

## 24. Leases

### Finance leases

Future lease payments are due as follows:

	Minimum lease payments 2014 £'000	Interest 2014 £'000	Present value 2014 £'000
Not later than one year	158	14	144
Later than one year and not later than five years	136	12	124
	<u>294</u>	<u>26</u>	<u>268</u>

  

	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>

The present value of future lease payments are analysed as:

	2014 £'000	2013 £'000
Current liabilities	144	141
Non-current liabilities	124	132
	<u>268</u>	<u>273</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:

	2014 £'000	2013 £'000
Not later than one year	–	12
Later than one year and not later than five years	878	818
Later than five years	–	–
	<u>878</u>	<u>830</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	2014 Approved	2014 Unapproved	2013 Approved	2013 Unapproved
October 2005	1.5p	<u>5,000,000</u>	<u>4,000,000</u>	<u>7,000,000</u>	<u>7,000,000</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 1.4 and 1.4 years respectively (2013: 2.5 and 2.5).

Of the total number of options outstanding at the end of the year 5,000,000 Approved and 4,000,000 Unapproved (2013: 7,000,000 and 7,000,000 respectively) had vested at the end of 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.

<b>Date of Grant</b>	<b>Subscription Price payable</b>	<b>No. of options</b>
October 2007	1.425p	5,800,000
16 August 2013	1.375p	12,363,636
6 November 2013	1.45p	6,000,000

The remaining weighted average contractual lives for both Approved and Unapproved Options under this scheme were 7.8 years (2013: 4.5 years).

The share based remuneration expense for equity settled schemes was £Nil (2013: £Nil).

## 26. Related party transactions

Details of directors' remuneration are given in the Report of the Remuneration Committee on page 13.

## 27. Notes supporting cash flow statement

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

	<b>2014 £'000</b>	<b>2013 £'000</b>
Cash available on demand	1,441	1,128

Cash and cash equivalents comprises:

	<b>2014 £'000</b>	<b>2013 £'000</b>
Cash available on demand	1,441	1,128
Net cash decrease in cash and cash equivalents	313	906
Cash and cash equivalents at beginning of year	1,128	222
Cash and cash equivalents at end of year	1,441	1,128

Significant non-cash transactions are as follows:

### *Financing activities*

Proceeds from finance lease creditor	153	191
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COMPANY BALANCE SHEET  
30 April 2014 – UK GAAP Financial Statements  
Company number: 3339998

	Note	2014 £'000	2014 £'000	2013 £'000	2013 £'000
<b>Fixed assets</b>					
Investment in subsidiaries	3		18,428		18,428
Tangible assets	4		46		71
			<u>18,474</u>		<u>18,499</u>
<b>Current assets</b>					
Debtors	5	3,454		2,455	
Cash and cash equivalents		14		103	
		<u>3,468</u>		<u>2,558</u>	
<b>Creditors: amounts falling due within one year</b>	6	<u>(12,961)</u>		<u>(12,131)</u>	
<b>Net current liabilities</b>			<u>(9,493)</u>		<u>(9,573)</u>
<b>Total assets less current liabilities</b>			8,981		8,926
<b>Creditors: amounts falling due after more than one year</b>	7		-		(52)
<b>Accruals and deferred income</b>			<u>(175)</u>		<u>(161)</u>
<b>Net assets</b>			<u>8,806</u>		<u>8,713</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>2,999</u>		<u>2,906</u>
<b>Shareholder's funds–Equity</b>	10		<u>8,806</u>		<u>8,713</u>

The notes on pages 45 to 48 form part of these financial statements.

These financial statements were approved by the Board of Directors and authorised for issue on 4 August 2014.

M Dwek  
Director

**NOTES FORMING PART OF THE FINANCIAL STATEMENTS  
for the year ended 30 April 2014**

**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 2014 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 – 33 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**

	2014 Number	2013 Number
The average number of employees, including directors, during the period was:		
Office and management	3	2
	<u>          </u>	<u>          </u>

### 3. Investment in subsidiary

	£'000
Cost	
At 1 May 2013 and 30 April 2014	18,428
Net book value at 30 April 2014	18,428
Net book value at 30 April 2013	18,428

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. <sup>(2b)</sup>	The Netherlands	100%	Holding
Vema N.V. <sup>(2c)</sup>	The Netherlands	98%	Dormant
Vema UK Limited <sup>(2d)</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>(2e)</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
Cost				
At 1 May 2013	10	43	36	89
Additions in the year	-	-	2	2
Disposals in the year	-	-	(17)	(17)
At 30 April 2014	10	43	21	74
Depreciation				
At 1 May 2013	-	1	17	18
Charge for the year	4	14	9	27
Disposals in the year	-	-	(17)	(17)
At 30 April 2014	4	15	9	28
Net book value				
At 30 April 2014	6	28	12	46
At 30 April 2013	10	42	19	71



## 5. Debtors

	2014 £'000	2013 £'000
Amount due from group undertakings	3,402	2,421
Other debtors	23	15
Prepayments	29	19
	<u>3,454</u>	<u>2,455</u>

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

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

	2014 £'000	2013 £'000
Loan	52	153
Amount due to group undertakings	12,885	11,948
Other taxation and social security	24	22
Other payables	-	8
	<u>12,961</u>	<u>12,131</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

	2014 £'000	2013 £'000
Loans (see note 6)	<u>-</u>	<u>52</u>

## 8. Share capital

	2014 £	2013 £
Allotted, called up and fully paid: 450,432,316 Ordinary shares of 1p each (2013: 450,432,316)	<u>4,504,323</u>	<u>4,504,323</u>

In November 2011, the Company raised a facility of up to £300,000 through the issue of a 10% secured loan note ("Loan Note") with certain Directors of the Company. The Loan Notes actually issued were subsequently repaid in full during the year ended 30 April 2012. In addition to the Loan Note, the Company entered into a warrant instrument with the Loan Note holders whereby the Company granted to the Loan Note holders 30,000,000 warrants to subscribe for 30,000,000 new ordinary shares of 1 pence each in the Company at any time until 25 November 2016 at an exercise price of 1 pence ("the Warrants") either for cash or in exchange for the release of some or all of the debt owed to the Loan Note holders under the Loan Note instrument. As at 30 April 2014 there were 29,250,000 warrants outstanding, Michel Rapoport, Non-Executive Director, has 7,500,000 warrants, and Maurice Dwek, Non-Executive Chairman, has 21,750,000 warrants outstanding.

## 9. Reserves

	Share premium account £'000	Merger reserve £'000	Profit and loss account £'000
At 1 May 2013	502	801	2,906
Profit for the year	-	-	243
Dividends paid	-	-	(150)
At 30 April 2014	<u>502</u>	<u>801</u>	<u>2,999</u>

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

	2014 £'000	2013 £'000
Opening shareholder's funds	8,713	7,621
Profit for the year	243	1,092
Dividends paid	(150)	-
Closing shareholder's funds	<u>8,806</u>	<u>8,713</u>

## 11. Commitments under operating leases

At 30 April 2014 the company had annual commitments under non-cancellable operating leases as follows:

	2014 Land and buildings £'000	2013 Land and buildings £'000
Expiring within one to two years	49	-
Expiring within two to three years	-	49

**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 18 September 2014 at 11.00 a.m. please complete and submit a proxy form in accordance with the instructions printed on the enclosed form. The proxy form must be received no later than 11.00 a.m. on 16 September 2014.

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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 18 September 2014 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 2014 together with the reports of the directors and auditors thereon.

**2. Rotation and retirement of directors**

To re-elect Robert Waddington and Michel Rapoport 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 2014 of 0.075 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 2014.

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

This resolution revokes and replaces all unexercised authorities previously granted to the directors to allot shares or grant rights to subscribe for or to convert any security into shares, but without prejudice to any allotment of shares or grant of rights already made, offered or agreed to be made pursuant to such authorities.

### 7. Disapplication of pre-emption rights

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

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

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

Registered in England and Wales No. 3339998

4 August 2014

## Notes to the Notice of Annual General Meeting

1. Members that are entitled to attend and vote at the Annual General Meeting as set out in paragraph 6, are entitled to appoint a proxy to exercise all or any of their rights to attend and to speak and vote on their behalf at the meeting. A shareholder may appoint more than one proxy in relation to the Annual General Meeting provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that shareholder. A proxy need not be a shareholder of the Company. A proxy form which may be used to make such appointment and give proxy instructions accompanies this notice.
2. To be valid any proxy form or other instrument appointing a proxy must be received by post or (during normal business hours only) by hand at Capita Registrars, PXS, The Registry, 34 Beckenham Road, Beckenham, BR3 4TU no later than 11.00 a.m. on 16 September 2014.
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 16 September 2014 (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 1 August 2014 (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 1 August 2014 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 16 September 2014. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Application Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.
10. CREST members and, where applicable, their CREST sponsors, or voting service providers should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular message. Normal system timings and limitations will, therefore, apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member, or sponsored member, or has appointed a voting service provider, to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting system providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.
11. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.
12. Shareholders should note that it is possible that, pursuant to requests made by shareholders of the Company under section 527 of the Companies Act 2006, the Company may be required to publish on its website a statement setting out any matter relating to: (i) the audit of the Company's accounts (including the auditor's report and the conduct of the audit) that are to be laid before the Annual General Meeting; or (ii) any circumstance connected with an auditor of the Company ceasing to hold office since the previous meeting at which annual accounts and reports were laid in accordance with section 437 of the Companies Act 2006. The Company may not require the shareholders requesting any such website publication to pay its expenses in complying with sections 527 or 528 of the Companies Act 2006. Where the Company is required to place a statement on its website under section 527 of the Companies Act 2006, it must forward the statement to the Company's auditor not later than the time when it makes the statement available on the website. The business which may be dealt with at the Annual General Meeting includes any statement that the Company has been required under section 527 of the Companies Act 2006 to publish on a website.
13. A corporation which is a member can appoint one or more corporate representatives who may exercise, on its behalf, all its powers as a member provided that no more than one corporate representative exercises powers over the same share.
14. Voting on all resolutions will be conducted by way of a show of hands unless otherwise required.
15. The following documents will be available for inspection at 58 Grosvenor Street, London W1K 3JB from 4 August 2014 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.











