Newmark
SECURITY PLC

Report and Financial Statements

Year ended 30 April 2016

Company number: 3339998

INDEX

Newmark
SECURITY PLC

DIRECTORS, SECRETARY AND ADVISERS

Country of incorporation of parent company:	Great Britain
Legal form:	Public Limited Company
Directors:	M Dwek M-C Dwek B Beecraft M Rapoport R Waddington
Secretary and registered office:	B Beecraft, 58 Grosvenor Street, London W1K 3JB
Company number:	3339998
Auditors:	BDO LLP, 2 City Place, Beehive Ring Road, Gatwick, West Sussex RH6 0PA
Nominated Adviser and Brokers:	Cantor Fitzgerald Europe, One Churchill Place, London E14 5RB
Registrars:	Capita Asset Services, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU
Solicitors:	Bracher Rawlins LLP, 77 Kingsway, London WC2B 6SR

CHAIRMAN'S STATEMENT

Overview

I am pleased to present the Group accounts for the year ended 30 April 2016. Group revenue for the year was £21,823k (2015: £22,854k), which whilst representing a decrease of 4.5% was in line with expectations following the completion of some major customer programmes. Revenue in the electronic division increased by 0.8% from £7,577k to £7,639k, whilst the asset protection division revenue decreased by 7.2% in the year from £15,277k to £14,184k. Profit from operations for the year was £1,198k (2015: £2,268k).

Within the electronic division, the revenues from JANUS continued to decline following Microsoft's discontinued support for the 16-bit operating system on which our software runs. However, both SATEON Pro and SATEON Enterprise saw significant increases in revenue. The high-end SATEON Enterprise offering continued to be the system of choice for many global end users across a number of prestigious sites. SATEON version 2.9 was released which included SATEON Faces to enable on site facial recognition and verification along with further integrations. In June 2016, SATEON version 2.10 was launched offering completely new 'Installer' and 'Advanced Search' features which streamline both the installation and management of the system. Workforce Management revenue declined in the year following the completion of a major programme for one of the world's largest supermarket chains in the previous year and the slowdown of the rollout across the estate of one of the world's largest apparel retailers.

The lower revenue in the asset protection division was principally due to the forecast declining nature of the Post Office programme for the installation of Time Delay Cash Handling equipment. CSI, which was acquired in November 2013, has now been fully integrated within the Safetell operation and increased revenue by 24.4% compared to the previous year.

A full financial review of the results for the year is included within the Strategic Report on pages 4 to 9.

Dividend

In view of the results for the year, the Board is pleased to recommend the maintenance of the dividend payment for the year ended 30 April 2016 of 0.10 pence per share (2015: 0.10 pence).

Employees

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

Outlook

Along with many other businesses following the Brexit vote, the Group could be affected by a lack of confidence in the economy by our customers in the UK, potentially resulting in delays in spending by those customers. However, the benefit to exports should outweigh additional material cost of imports. Overall it is too early to forecast the impact.

We recently issued a forecast update which stated that operating profit for the current year would be significantly lower than last year. This reflected the fact that the strategy of material investment in new products, new customer acquisition and new geographies has taken longer to be realised than originally anticipated. The opportunity pipeline continues to grow but the conversion into sales has been slower than hoped.

A number of new products are to be launched during the current financial year including the SATEON advanced range and a new Android based terminal for workforce management which the Board are optimistic will resonate with potential customers.

The Group retains a significant cash position and the Board remains optimistic about trading in future years and has therefore maintained the proposed dividend for the year at the same level as last year.

M DWEK
Chairman
16 August 2016

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); and
- 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. That said, the business increasingly sees synergies between the two lines of business as end user needs are driving convergence of both access control and workforce management. In addition centralised sales and marketing, purchasing, dispatch and finance functions supplement the requirements of both activities. Manufacturing is mainly performed by external contractors using our intellectual property.

The majority of our access control customers are security installation companies dealing directly with end users. For 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 physical 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.

Key performance indicators

	2015/16 £'000	2014/15 £'000
Revenue from continuing operations *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 decrease in the year of 4.5%.*	**21,823**	**22,854**
Gross profit from continuing operations 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.	**9,098**	**9,712**
Gross profit percentage from continuing operations	**41.7%**	**42.5%**

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Financial review

Revenue in the year decreased from £22.9m to £21.8m a decrease of 4.5% analysed as follows:

	2015/16 £'000	2014/15 £'000	Increase/ (decrease) %
Electronic division			
Access control	4,361	4,113	6.0
Workforce management	3,278	3,464	(5.4)
Total electronic division	**7,639**	**7,577**	**0.8**
Asset protection division			
Products	10,721	12,191	(12.1)
Service	3,463	3,086	12.2
Total asset protection division	**14,184**	**15,277**	**(7.2)**
TOTAL	**21,823**	**22,854**	**(4.5)**

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

Electronic division

Access Control

The year saw a clear divergence in terms of sales in the JANUS and SATEON product lines. Due to Microsoft's discontinued support for 32-bit (and earlier) operating systems, which adversely affects the 16-bit operating system that JANUS runs on, revenues from that product line continued to decline.

SATEON Pro and SATEON Enterprise both saw significant increases in revenue during the year. The high-end Enterprise offering continued to be the Advanced Access Control system of choice for many global end users across a number of prestigious sites including multi-national banks, public transport and infra-structure providers, defence contractors and a host of commercial sites across numerous vertical sectors.

Revenues were further bolstered by the trend for clients to migrate from JANUS to SATEON platforms. As legacy hardware can be used with SATEON, there is no need to rewire a site when upgrading to SATEON and end-users can benefit from future-proofing without significant capital expenditure requirements. Technical and marketing tools have been developed and released to drive this upsell campaign and as a result a healthy pipeline of JANUS/SATEON upgrade opportunities has been developed.

During the year SATEON version 2.9 was released which included SATEON Faces to enable on site facial recognition and verification and further integrations. Integrations into SALTO and Aperio wireless locks opens SATEON into the burgeoning wireless market and increases our integrators' chances of winning large hotel and education projects. We have achieved this by dramatically reducing the time and cost associated with hard-wired projects, allowing integrators to install systems with a large number of doors in a shorter amount of time.

SATEON version 2.10 was released in June 2016 and offers completely new 'Installer' and 'Advanced Search' features which will streamline both the installation and management of the system, providing integrators and end users alike a simpler, yet richer experience.

Overseas, Sateon was adopted by a major Cruise Line in the US, with further revenues expected during the current financial year as the roll-out continues. Projects and pipeline continue to grow in the Middle East and it is expected that head count will be increased locally to support this region. During the year a sales office was open in Hong Kong, which increased overhead costs in the year.

Workforce Management

Revenues in the UK business declined by 9.8% compared with prior year to £2,511,000, largely as a result of a decline in sales in the RS series of legacy hardware and the natural slowdown of the rollout across the estate of one of the world's largest apparel retailers, which had bolstered sales in previous years. New partners in the UK, US and Australia came on-stream in the year and it is expected that revenues will increase as these channels begin to re-sell the Grosvenor proposition.

The US continues to offer perhaps the greatest incremental revenue opportunity with the existing IT Terminal range. Accordingly we have scaled up our sales and marketing resource in this direction. A new US specific website has been launched and a number of business development activities are underway to leverage our position in that market and attract new channel partners across North America.

Workforce Management partners in the US will be the first to benefit from the Alliance Partner Programme, being launched this summer. Designed to increase both customer loyalty and share of wallet, the programme comprises a number of innovative elements which will be ground-breaking within the 'Access and Attendance' sectors. The programme will be rolled out across all customers and regions during the course of the year.

Asset Protection Division

Product stream

Revenue was 12.1% lower than the previous year principally due to the forecast decline of the Post Office programme for installation of Time Delay Cash Handling equipment. Revenue for new Eclipse Rising Screens and screen reconfiguration work decreased by 36.2% after the branch refurbishment programme for a long term customer was completed during the year. CounterShield revenue increased by 44.8% as a result of a substantial order received from a Local Authority in London. Despite the declining Post Office contract, revenue of Cash Handling products to high street financial institutions increased by 71.5%.

Revenue includes £2,435,000 generated from the trade and assets of CSI acquired in November 2013 which was an increase of 24.4% compared to the previous year. CSI has now been fully integrated within the Safetell operation.

Revenue of Fixed Glazing and Counter Protection Systems increased by 45.0% and revenue for Secure Doors increased 54.8% as a direct result of a large branch refurbishment programme by a long standing customer within the financial sector. However revenue for Secure Walling Systems decreased by 58.2% after a major supermarket chain cancelled plans to open new stores. Revenue of other non-standard products decreased by 42.7% after a branch closure programme by a large financial institution was suspended. Export revenue increased substantially after receiving an order for 25 Ballistic Doors for a hotel project in Iraq.

Recertification of ballistic resistant products is planned for the current financial year and this will enable us to be more competitive in local, as well as international markets. Additional blast product testing will be undertaken, after being invited to take part in further testing with the Government's Centre for the Protection of National Interest (CPNI) in June 2016.

Service stream

Revenue in the Service Division was the highest for five years with an increase of 12.2% on the previous year. This was the result of pneumatic upgrade work on rising screens that have provided security to many financial institutions for over 25 years. We still see an appetite to retain these systems with the benefit and safeguards they provide to staff in robbery situations.

We continue to explore other revenue streams and whilst initial growth may be slow, we see cost benefits in clients using our multifaceted services. We are confident we shall be able to offer these broader services nationally over the next few years.

The company has invested in improved IT over the last year and we anticipate a fall in administration costs whilst revenue capture systems improve, resulting in further margin improvements.

Taxation

The tax credit for the year was due to the availability of accumulated tax losses brought forward, research and development allowances and the lower future tax rate in the UK reducing the deferred tax balance brought forward.

Statement of financial position and cash flow

Further development costs were capitalised in the year and intangible assets increased by £162,000 net of amortisation. Trade receivables were £619,000 higher than the previous year due to the timing of sales in the months approaching the year end compared with the previous year. Trade and other payables were similar to last year.

Overall net assets increased from £13,592,000 to £14,457,000.

Cash flows from operating activities for the year was £1,758,000 (2015: £4,580,000), with the prior year figure including the benefit of exceptionally high receivables at April 2014. Overall there was an increase in cash and cash equivalents of £96,000 (2015: £2,760,000).

Basic earnings per share are shown in the income statement as 0.26 pence (2015: 0.48 pence).

Strategy

Electronic division

The global markets for access control and workforce management are expected to continue to grow until at least 2020. Additionally, maturing Internet, wireless, embedded and cloud technologies continue to enable new deployment models and enticing opportunities for Grosvenor to increase its share of these markets within existing and new geographies.

A depth in technology is becoming increasing important in both markets as customers seek greater levels of flexibility, performance and security. The business has been early to identify structural changes in the way that customer purchasing decisions are taken and intends to leverage its size and agility to outmanoeuvre less responsive competitors.

As Grosvenor's products continue to become increasingly well differentiated, the business has also identified a need to increase outbound marketing capabilities to effectively communicate unique selling points to sales channels and specifying consultants in UK and overseas markets. This sharpening of commercial execution and corresponding tactical product enhancement is expected to support a growth of relative market share for the existing portfolio of products, services and solutions.

Some products within the Grosvenor portfolio are now beginning to show signs of age. To sustain existing revenues and ensure future growth, the electronic division is making significant investments in new and updated products that will be introduced within the current financial year. These investments are expected to deliver incremental growth during next year and will provide strong technology foundations to underpin additional growth in later years.

Looking ahead to mid and longer term growth, new applications and vertical markets for existing technologies have been identified and plans are being developed to address these. It is also intended to increase the proportion of revenue derived from self-sustaining recurring subscription services and cross-selling selected products between the two divisions.

Access Control

With the backdrop of a growth market, fast paced technology shifts and rising market expectations, Grosvenor is close to launching a new range of access control solutions that mark a generational refresh to the portfolio that will dramatically increase the competitiveness of the suite and support mid and long term ambitions for growth.

The business intends to build upon these foundations to address significant upside opportunities within Access Control and adjacent markets both nationally and internationally. For example, purchasing decisions are increasingly made by mainstream IT functions where cyber security and compliance is paramount and the cloud has become the deployment model of choice. The roadmap will respond to the unmet needs of these and other stakeholders.

In this area in particular, the business continues to evaluate potential acquisition and investment opportunities that will be of strategic value. Investments may increase the breadth of the group's market offer or accelerate delivery to ensure potential for growth is realised within timescales that will ensure market leadership.

Workforce Management

A major initiative during the coming year will be the launch of our brand new series of Android based terminals to complement the existing portfolio. Labour costs in many sectors exceed 50% of operating expenses. A drive towards greater productivity and adoption of the latest self-service technologies within the Workforce Management and wider Human Resources software industries are driving a rapid shift in technologies. Software applications that were once restricted to desktop PCs are increasingly available on a broader range of surfaces: mobile, tablet and wall mounted devices.

Traditional Time & Attendance terminals run proprietary operating systems and can require significant custom development before they can be adopted by new partners. The time and cost of this development can cause "friction" that slows the rate of adoption for traditional solutions.

By utilising the latest open Android technologies, Grosvenor's forthcoming range of Android terminals will virtually eliminate this friction by offering full compatibility with applications that have already been developed by the broad Android ecosystem. For example, the new terminals will be able to run existing Android "apps" and will have full support for the latest HTML5 technologies that are typically found in modern browsers such as Google Chrome.

By participating in the Android ecosystem, much of the overhead associated with supporting wall-mounted terminals will be removed, growing the size of the addressable market and reducing the time required for new partner integrations to be completed. For example, where potential partners who have already invested in mobile or web based applications, it will be possible to run these apps on new Grosvenor Technology terminals with little or no modification.

Grosvenor Technology will continue to build upon existing core intellectual property and expertise to ensure its terminal products are well differentiated. Key areas for differentiation include product durability and longevity, the scalable management of biometric credentials such as fingerprints and the remote management of terminal estates.

The business is transitioning from regarding partner integration support as a pre-sales loss leader to treating professional services as a source of additional revenue. The capacity of the Professional Services team has been increased to service increasing workload and to reduce the time from customer acquisition to revenue.

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 in November 2013, to address supermarket and retail chains particularly with ATM Pods, BR doors and walls, and fire exit doors. By obtaining the government CPNI certification on the Blast Door, as well as the Secure walling Systems, Safetell has broadened the scope of the ballistic and blast products.

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, continues new product development and maintaining a close working relationship with its customers so that we are aware of any potential delays.

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Brexit

Along with many other businesses following the Brexit vote, the Group could be affected by a lack of confidence in the economy by our customers in the UK, potentially resulting in delays in spending by those customers. However, the benefit to exports should outweigh additional material costs of imports. Overall it is too early to forecast the impact.

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 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 16 August 2016.

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 2016.

Financial results and dividends

The Board is proposing a dividend of 0.10p per share (2015: 0.10p per share).

Directors

The Directors who served during the year were as follows:

M Dwek
M-C Dwek
B Beecraft
M Rapoport
R Waddington

Details of the Directors' service contracts are shown in the Report of the Remuneration Committee on page 14.

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

Financial instruments

For full details of changes to the Group's management of its financial instruments and its general objectives, policies and processes in respect of financial instruments, please refer to note 18 to the financial statements on pages 35 to 37.

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 difficult 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.

Market risk

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

Foreign exchange risk

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

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 2015 (or the date of their appointment to the Board, if later) and 30 April 2016 were as follows:

	Percentage holding at 30 April 2016	30 April 2016	1 May 2015 (or date of appointment if later)
M Dwek[(a)]	12.6%	59,099,467	59,099,467
M Rapoport	4.9%	23,055,000	15,555,000

(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 2015 (or the date of their appointment to the Board, if later) and 30 April 2016 were as follows:

	Number of Ordinary Shares under the EMI Scheme 30 April 2016	Number of Ordinary Shares under the EMI Scheme 1 May 2015
B Beecraft	5,000,000	5,000,000
M-C Dwek	15,416,082	14,273,225
	Share Warrants 30 April 2016	**Share Warrants 1 May 2015**
M Dwek	21,750,000	21,750,000
M Rapoport	–	7,500,000

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

Research and development

The Group is committed to on-going research and development. The strategy is based upon market demand to meet identified security needs in conjunction with a commercial assessment of the short to medium term profitability of each project. The amount of development costs capitalised in the year was £939,000 (2015: £1,087,000).

Share option schemes

The Newmark Security PLC EMI Share Option Plan enables the Board to grant qualifying share options under the HM Revenue & Custom's Enterprise Management Incentive ("EMI") tax code and also unapproved share options to employees and directors.

The Remuneration Committee has administered and operated the scheme. Further details of the share option schemes are set out in note 25 to the financial statements on page 41.

Corporate governance

Under the AIM rules the Group is not obliged to implement the provisions of the UK Corporate Governance Code ("the Code"). However the Group is committed to applying the principles of good governance as appropriate to a Group of this size.

At 30 April 2016, 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 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 14.

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 16 August 2016.

By order of the Board

B BEECRAFT
Company Secretary

16 August 2016

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 2016 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 2016 were as follows:

	Consultancy/ management agreement £'000	Salary £'000	Fees £'000	Other benefits £'000	Total £'000	Pension contributions £'000	Total including pension contributions £'000
Executive Directors							
M-C Dwek[(a)]	–	190	–	25	215	22	237
B Beecraft	–	160	–	–	160	–	160
Non-Executive Directors							
M Dwek[(b)]	80	–	–	21	101	–	101
M Rapoport	–	–	25	–	25	–	25
R Waddington	–	–	25	–	25	–	25
	80	350	50	46	526	22	548
2015	80	341	50	43	514	21	535

The directors' share interests are detailed in the Report of the Directors on page 11.

(a) The emoluments of M-C Dwek included a bonus of £Nil (2015: £17,000).

(b) The Company paid a consultancy fee of £80,000 (2015: £80,000) to Arbury Inc., a company 51 per cent. owned by M Dwek.

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 2016, which comprise the consolidated statement of financial position and parent company statement of financial position, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of cash flows, the consolidated and parent company 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.

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 2016 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.

Kevin Cook (senior statutory auditor)
For and on behalf of BDO LLP, statutory auditor

Gatwick
United Kingdom

16 August 2016

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 2016

	Note	2016 £'000	2015 £'000
Revenue	2	21,823	22,854
Cost of sales		(12,725)	(13,142)
Gross profit		9,098	9,712
Administrative expenses		(7,900)	(7,444)
Profit from operations	3	1,198	2,268
Interest received		11	–
Finance costs	6	(13)	(16)
Profit before tax		1,196	2,252
Tax credit/(charge)	7	31	(109)
Profit for the year		1,227	2,143
Attributable to:			
– Equity holders of the parent		1,227	2,143
Earnings per share			
– Basic (pence)	8	0.26p	0.48p
– Diluted (pence)	8	0.25p	0.45p

All amounts relate to continuing activities.

The notes on pages 22 to 41 form part of these financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the year ended 30 April 2016

	2016 £'000	2015 £'000
Profit for the year	1,227	2,143
Items that will or may be reclassified to profit or loss:		
Foreign exchange gains on retranslation of overseas operations	9	14
Total comprehensive income for the year	1,236	2,157
Attributable to:		
– Equity holders of the parent	1,236	2,157

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
at 30 April 2016

Company number: 3339998

	Note	2016 £'000	2015 £'000
ASSETS			
Non-current assets			
Property, plant and equipment	9	738	905
Intangible assets	10	8,859	8,697
Total non-current assets		9,597	9,602
Current assets			
Inventories	13	1,406	1,440
Trade and other receivables	14	3,715	3,130
Cash and cash equivalents		4,299	4,202
Total current assets		9,420	8,772
Total assets		19,017	18,374
LIABILITIES			
Current liabilities			
Trade and other payables	15	3,865	3,990
Other short term borrowings	16	99	143
Corporation tax liability		1	1
Provisions	20	106	100
Total current liabilities		4,071	4,234
Non-current liabilities			
Long term borrowings	17	64	113
Provisions	20	100	100
Deferred tax	21	325	335
Total non-current liabilities		489	548
Total liabilities		4,560	4,782
TOTAL NET ASSETS		14,457	13,592
Capital and reserves attributable to equity holders of the company			
Share capital	22	4,687	4,602
Share premium reserve		553	549
Merger reserve		801	801
Foreign exchange difference reserve		(173)	(182)
Retained earnings		8,549	7,782
		14,417	13,552
Non-controlling interest		40	40
TOTAL EQUITY		14,457	13,592

The financial statements were approved by the Board of Directors and authorised for issue on 16 August 2016.

M Dwek
Director

The notes on pages 22 to 41 form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
for the year ended 30 April 2016

	Note	2016 £'000	2016 £'000	2015 £'000	2015 £'000
Cash flow from operating activities					
Net profit after tax		1,227		2,143	
Adjustments for:					
Depreciation, amortisation and impairment	9 & 10	1,201		1,263	
Net interest expense		2		16	
Income tax (credit)/charge	7	(31)		109	
Operating cash flows before changes in working capital		2,399		3,531	
(Increase)/decrease in trade and other receivables		(706)		1,098	
Decrease in inventories		35		220	
(Decrease) in trade and other payables		(115)		(114)	
Cash generated from operations			1,613		4,735
Income taxes received/(paid)			145		(155)
Cash flows from operating activities			1,758		4,580
Cash flow from investing activities					
Payments for property, plant & equipment		(205)		(288)	
Sale of property, plant & equipment		43		–	
Capitalised development expenditure	10	(945)		(1,089)	
			(1,107)		(1,377)
Cash flow from financing activities					
Share issues		89		145	
Repayment of bank loans		–		(52)	
Repayment of finance lease creditors		(182)		(182)	
Dividends paid	23	(460)		(338)	
Net interest paid		(2)		(16)	
			(555)		(443)
Net increase in cash and cash equivalents			96		2,760
Cash and cash equivalents at beginning of year			4,202		1,441
Exchange gain on cash and cash equivalents			1		1
Cash and cash equivalents at end of year			4,299		4,202

	2016 £'000	2015 £'000
Cash and cash equivalents for purposes of the statement of cash flow comprises:		
Cash available on demand	4,299	4,202
Significant non-cash transactions are as follows:		
Financing activities		
Assets acquired under finance leases	90	170

The notes on pages 22 to 41 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital £'000	Share premium £'000	Merger reserve £'000	Foreign exchange reserve £'000	Retained earnings £'000	Non-controlling interest £'000	Total equity £'000
1 May 2014	4,504	502	801	(196)	5,977	40	11,628
Share issues in year	98	47	–	–	–	–	145
Dividends (note 23)	–	–	–	–	(338)	–	(338)
Total comprehensive income	–	–	–	14	2,143	–	2,157
30 April 2015	4,602	549	801	(182)	7,782	40	13,592
1 May 2015	4,602	549	801	(182)	7,782	40	13,592
Share issues in year	85	4	–	–	–	–	89
Dividends (note 23)	–	–	–	–	(460)	–	(460)
Total comprehensive income	–	–	–	9	1,227	–	1,236
30 April 2016	4,687	553	801	(173)	8,549	40	14,457

NOTES FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 April 2016

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 2016 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 following principal accounting policies have been applied consistently in the preparation of these financial statements:

New standards, interpretations and amendments effective from 1 May 2015

The new standards, interpretations and amendments, effective from 1 May 2015, 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 2016 or later periods have not been adopted early by the Group and are not expected to materially affect the Group when they do come in to effect, with the exception of IFRS 16 and potentially IFRS 15. IFRS 16 will result in the leases disclosed in note 24 becoming finance leases and being recognised in the statement of financial position. The directors are still assessing the impact, if any, of IFRS 15 on the financial statements. None of the other standards are expected to have a material impact.

Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker has been identified as the management team comprising the Chief Executive Officer and Group Finance Director.

Revenue

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

The group financial statements consolidate the results of the company and all of its subsidiary undertakings drawn up to 30 April 2016. Subsidiaries are entities controlled by the group. The company controls a subsidiary if all three of the following elements are present: power over the subsidiary; exposure to variable returns from the subsidiary; and the ability of the investor to use its power to affect those variable returns. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Business combinations

The consolidated financial statements incorporate the results of business combinations using the purchase method. In the consolidated statement of financial position, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal as appropriate.

Goodwill

Goodwill represents the excess of the cost of a business combination over the interest in the fair value of identifiable assets, liabilities and contingent liabilities acquired. Cost comprises the fair values of assets given, liabilities assumed and equity instruments issued, 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 cost of sales line item in the income statement for research and development and in the administration line for goodwill. An impairment loss in respect of goodwill is not reversed. In respect of other assets, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment had been recognised.

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

Foreign currency

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

Transactions entered into by Group entities in a currency other than the functional currency of the primary economic environment in which it operates are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the statement of financial position date. Exchange differences arising on the retranslation of unsettled monetary assets and liabilities are similarly recognised immediately in the income statement.

The results and financial position of all Group companies that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities are translated at the closing rate at the date of the statement of financial position;

(ii) income and expenses are translated at average exchange rates; and

(iii) all resulting exchange differences are recognised as a separate component of equity.

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.

Other financial liabilities:

Trade payables and other short-term monetary liabilities, which are initially recognised at fair value and subsequently at amortised cost.

Share-based payments

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

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

Leased assets

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

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

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

Internally generated intangible assets (research and development costs)

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

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

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

Capitalised 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 statement of financial position date.

Deferred taxation

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

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

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

The amount of the asset or liability is determined using tax rates that have been enacted or substantively enacted by the statement of financial position date and are expected to apply when the deferred tax liabilities/(assets) are settled/(recovered). Deferred tax balances are not discounted.

Deferred tax assets and liabilities are offset when the Group has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority on either:

- the same taxable group company; or
- different group entities which intend either to settle current tax assets and liabilities on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax assets or liabilities are expected to be settled or recovered.

Property, plant and equipment

Items of property, plant and equipment are recognised at cost. As well as the purchase price, cost includes directly attributable costs and the estimated present value of any future costs of dismantling and removing items. The corresponding liability is recognised within provisions.

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

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

Inventories

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

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

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

Provisions

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

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

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 statement of financial position.

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.

Dividends

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

2. Revenue

Revenue arises from:	**2016** **£'000**	**2015** **£'000**
Electronic division		
Sale of goods	7,230	7,157
Provision of services	409	420
Asset protection division		
Sale of goods	10,721	12,191
Provision of services	3,463	3,086
	21,823	22,854

3. Profit from operations

This has been arrived at after charging/(crediting):	2016 £'000	2015 £'000
Staff costs (note 4)	8,962	8,037
Depreciation of property, plant and equipment		
– owned assets	262	244
– leased assets	156	199
Amortisation of intangible assets	783	820
Foreign exchange differences	(42)	(27)
Operating lease expense		
– Plant and machinery	64	46
– Property	368	279
Auditors remuneration:		
Audit fees payable to the company's auditor for the audit of:		
– Company annual accounts	9	9
– Group annual accounts	13	12
Other fees payable to the Company's auditors:		
– Subsidiary companies	67	41
– Tax compliance	46	50
(Profit) on disposal of tangible non-current assets	(48)	(10)

4. Staff costs

Staff costs (including the Executive Directors) comprise:	2016 £'000	2015 £'000
Wages and salaries	7,791	7,009
Defined contribution pension cost	296	254
Employer's national insurance contributions and similar taxes	875	774
	8,962	8,037

In addition to directors remuneration on page 14, the directors made a gain on exercise of options of £Nil (2015: £39,000).

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

	2016 No.	2015 No.
Management, sales and administration	60	52
Production	101	103
	161	155

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

	2016 £'000	2015 £'000
Salaries	854	905
Defined contribution pension costs	84	85
Employers national insurance contributions and similar taxes	95	94
	1,033	1,084

The emoluments of the Directors of the parent company are set out in the Report of the Remuneration Committee on page 14.

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 35 per cent. (2015: 33 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 65 per cent. (2015: 67 per cent.) of the Group's revenue.

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

The Group's reportable segments are strategic business units that offer different products and services. The two divisions are managed separately as each involves different technology, and sales and marketing strategies. Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker.

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 2016 £'000	Asset Protection 2016 £'000	Total 2016 £'000
Revenue			
Total revenue	7,639	14,184	21,823
Revenue from external customers	7,639	14,184	21,823
Finance cost	–	2	2
Depreciation	122	271	393
Amortisation	783	–	783
Segment profit before income tax	(452)	2,809	2,357
Additions to non-current assets	1,005	231	1,236
Reportable segment assets	6,776	7,168	13,944
Reportable segment liabilities	1,632	2,822	4,454

	Electronic 2015 £'000	Asset Protection 2015 £'000	Total 2015 £'000
Revenue			
Total revenue	7,577	15,277	22,854
Revenue from external customers	7,577	15,277	22,854
Finance cost	–	13	13
Depreciation	133	283	416
Amortisation	820	–	820
Segment profit before income tax	48	3,377	3,425
Additions to non-current assets	1,164	417	1,581
Reportable segment assets	7,071	6,155	13,226
Reportable segment liabilities	1,536	3,080	4,616

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

	2016 £'000	2015 £'000
Revenue		
Total revenue for reportable segments	21,823	22,854

	2016 £'000	2015 £'000
Profit or loss after income tax expense		
Total profit or loss for reportable segments	2,357	3,425
Corporation taxes	31	(109)
Unallocated amounts – other corporate expenses	(1,161)	(1,173)
Profit after income tax expense (continuing activties)	1,227	2,143

	2016 £'000	2015 £'000
Assets		
Total assets for reportable segments	13,944	13,226
PLC	109	184
Goodwill on consolidation	4,964	4,964
Group's assets	19,017	18,374
Liabilities		
Total liabilities for reportable segments	4,454	4,616
PLC	106	166
Group's liabilities	4,560	4,782

	Reportable segment totals 2016 £'000	PLC 2016 £'000	Group totals 2016 £'000	Reportable segment totals 2015 £'000	PLC 2015 £'000	Group totals 2015 £'000
Other material items						
Capital expenditure	1,236	4	1,240	1,581	7	1,588
Depreciation and amortisation	1,176	25	1,201	1,236	27	1,263
Impairment	–	–	–	–	–	–

Geographical information:

	External revenue by location of customers 2016 £'000	External revenue by location of customers 2015 £'000	Non-current assets by location of assets 2016 £'000	Non-current assets by location of assets 2015 £'000
UK	18,299	19,682	9,573	9,560
Netherlands	265	253	–	–
Sweden	124	364	–	–
Belgium	206	227	–	–
Austria	145	193	–	–
Other Europe	379	278	–	–
USA	1,473	1,150	24	42
Middle East	704	368	–	–
Other countries	228	339	–	–
	21,823	22,854	9,597	9,602

6. Finance costs

	2016 £'000	2015 £'000
Finance costs		
Finance leases	13	16
	13	16

7. Tax expense

	2016 £'000	2016 £'000	2015 £'000	2015 £'000
Current tax expense				
Continuing businesses				
UK corporation tax on profits for the year	–		27	
Adjustment for over provision in prior periods	(21)		(19)	
		(21)		8
Deferred tax expense				
Origination and reversal of temporary differences	3		181	
Adjustment for over provision in prior periods	(13)		(80)	
		(10)		101
Total tax (credit)/charge		(31)		109

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

	2016 £'000	2015 £'000
Profit before tax	1,196	2,252
Expected tax charge based on the standard rate of corporation tax in the UK of 20 per cent. (2015: 20.92 per cent.)	239	471
Research and development allowances	(245)	(287)
Effects on profits of other items not deductible for tax purposes	18	(6)
Utilisation and recognition of previously unrecognised tax losses	(22)	–
Losses carried forward	60	30
Change in tax rate	(47)	–
Adjustment to tax charge in respect of previous periods	(34)	(99)
Total tax (credit)/charge	(31)	109

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

	2016 £'000	2015 £'000
Management expenses	750	786
Trading losses	2,227	2,187

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

	2016 £'000	2015 £'000
Management expenses	135	157
Trading losses	401	365

8. Earnings per share

	2016 £'000	2015 £'000
Numerator		
Earnings used in basic and diluted EPS – continuing operations	1,227	2,143

	No.	No.
Denominator		
Weighted average number of shares used in basic EPS – continuing operations	464,249,624	450,634,239
Weighted average number of dilutive share warrants	14,050,885	15,879,057
Weighted average number of dilutive share options	10,470,065	7,803,770
Weighted average number of shares for diluted EPS	488,770,573	474,317,066

The total number of options in issue is disclosed in note 25.

9. Property, plant and equipment

	Short leasehold improvements £'000	Plant, machinery and motor vehicles £'000	Computers, fixtures and fittings £'000	Total £'000
At 30 April 2015				
Cost	551	1,197	1,273	3,021
Accumulated depreciation	(322)	(843)	(951)	(2,116)
Net book value	229	354	322	905
At 30 April 2016				
Cost	561	1,000	1,441	3,002
Accumulated depreciation	(408)	(766)	(1,090)	(2,264)
Net book value	153	234	351	738

	Short leasehold improvements £'000	Plant, machinery and motor vehicles £'000	Computers, fixtures and fittings £'000	Total £'000
Year ended 30 April 2015				
Opening net book value	203	396	273	872
Translation differences	–	–	2	2
Additions	98	213	188	499
Disposals	–	(17)	(8)	(25)
Depreciation	(72)	(238)	(133)	(443)
Closing net book value	229	354	322	905
Year ended 30 April 2016				
Opening net book value	229	354	322	905
Translation differences	–	–	(1)	(1)
Additions	10	116	169	295
Disposals	–	(42)	(1)	(43)
Depreciation	(86)	(194)	(138)	(418)
Closing net book value	153	234	351	738

The net book value of property plant and equipment for the Group includes an amount of £176,445 (2015: £284,857) in respect of assets held under finance leases and hire purchase contracts. The related depreciation charge on these assets for the year was £155,823 (2015: £198,790).

10. Intangible assets

	Goodwill £'000	Development costs (internally generated) £'000	Licences, patents and copyrights £'000	Total £'000
At 30 April 2015				
Cost	6,872	8,262	39	15,173
Amortisation	–	(2,992)	(37)	(3,029)
Impairment provision	(1,908)	(1,539)	–	(3,447)
Net book value	4,964	3,731	2	8,697
At 30 April 2016				
Cost	6,872	9,201	45	16,118
Amortisation	–	(3,774)	(38)	(3,812)
Impairment provision	(1,908)	(1,539)	–	(3,447)
Net book value	4,964	3,888	7	8,859
Year ended 30 April 2015				
Opening net book value	4,964	3,459	5	8,428
Additions				
– Internally developed	–	1,087	2	1,089
Amortisation	–	(815)	(5)	(820)
Closing net book value	4,964	3,731	2	8,697
Year ended 30 April 2016				
Opening net book value	4,964	3,731	2	8,697
Additions				
– Internally developed	–	939	6	945
Amortisation	–	(782)	(1)	(783)
Closing net book value	4,964	3,888	7	8,859

The Group has no contractual commitments for development costs (2015: £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 2016 £'000	2015 £'000
Electronic division	4,003	4,003
Asset protection division	961	961
	4,964	4,964

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 2021. The discount rate that was applied was 16 per cent. and 13 per cent. for the electronic division and asset protection division respectively (2015: 16 per cent. and 13 per cent. respectively), representing the pre-tax discount rate that reflects the current market assessment of the time value of money and risk specific to the asset.

The 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, it is anticipated that the mid-tier access control market will yield significant growth for the sale of the SATEON range. 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 average annual revenue growth rate for cash flows from operating activities for the electronic division for the period within the formal budgets is 17 per cent. (2015: 20 per cent.). The average revenue growth rate for cash flows from operating activities for the asset protection division for the period within the formal budget is 1 per cent. (2015: decline rate 1 per cent.). 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 (2015: 1 per cent.). The growth rate for the electronic division reflects the introduction of new products to new geographical markets.

If the growth rate for the electronic division was to reduce from 17 per cent. to 10 per cent. the carrying amount and the recoverable amount would be equal. If revenue for the asset protection division declined by 5 per cent. from a growth rate of 1 per cent. the carrying amount and the recoverable amount would be equal.

12. Subsidiaries

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

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

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

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

- (a) Owned by Grosvenor Technology Limited
- (b) Owned by Vema BV 51 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

	2016 £'000	2015 £'000
Raw materials and consumables	763	676
Work-in-progress	105	312
Finished goods and goods for resale	538	452
	1,406	1,440

Finished goods include an amount of £Nil (2015: £Nil) carried at fair value less costs to sell. The amount of inventories consumed in the year was £7,847,000 (2015: £8,513,000). The amount of inventory write downs in the year was £21,000 (2015: £22,000). There are no inventories recoverable after 12 months (2015: £Nil).

14. Trade and other receivables

	2016 £'000	2015 £'000
Trade receivables	3,220	2,605
Less: provision for impairment of trade receivables	(20)	(24)
Trade receivables (net)	3,200	2,581
Other receivables	45	44
Accrued income	19	63
Prepayments	451	319
Corporation tax	–	123
	3,715	3,130

At 30 April 2016 trade receivables of £289,000 (2015: £1,195,000) were past due but not impaired. The ageing analysis of these receivables is as follows:

	2016 £'000	2015 £'000
Current	1,737	1,410
30 days past due	775	674
60 days past due	708	521
	3,220	2,605

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

	2016			2015		
	Gross Value £'000	Provision £'000	Net Carrying Amount £'000	Gross Value £'000	Provision £'000	Net Carrying Amount £'000
UK	2,909	(16)	2,893	2,187	(20)	2,167
USA	157	(4)	153	229	(4)	225
Europe	154	–	154	189	–	189
Total	**3,220**	**(20)**	**3,200**	**2,605**	**(24)**	**2,581**

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:

	2016 £'000	2015 £'000
Opening balance	24	17
(Decrease)/increase in provisions	(3)	8
Receivable written off during the year	(1)	(1)
Closing balance	**20**	**24**

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

	2016 £'000	2015 £'000
Trade payables	1,279	1,494
Other tax and social security taxes	657	665
Other payables	81	99
Deferred income	1,077	963
Accruals	771	769
	3,865	3,990

16. Other short term borrowings

	2016 £'000	2015 £'000
Finance lease creditor (note 24)	99	143
	99	143

UK subsidiaries of the Group use the same principal banker.

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

17. Long term borrowings

	2016 £'000	2015 £'000
Finance lease creditor (note 24)	64	113
	64	113

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

18. Financial instruments

The Group's overall risk management programme seeks to minimise potential adverse effects on the Group's financial performance.

The Group's financial instruments comprise cash, borrowings and liquid resources, and various items such as trade receivables and payables that arise directly from its operations. The Group is exposed through its operations to one or more financial risks the details of which are disclosed in the directors report on page 10.

Financial Instruments

Categories of financial assets and financial liabilities are detailed below:

	Loans and receivables	
	2016 £'000	2015 £'000
Current financial assets		
Trade and other receivables	3,245	2,625
Cash and cash equivalents	4,299	4,202
Total current financial assets	**7,544**	**6,827**

	Financial liabilities measured at amortised cost	
	2016	2015
	£'000	£'000
Current financial liabilities		
Trade and other payables	1,360	1,593
Loans and borrowings	99	143
Total current financial liabilities	**1,459**	**1,736**
Non-current financial liabilities		
Loans and borrowings	64	113
Total non-current financial liabilities	**64**	**113**
Total financial liabilities	**1,523**	**1,849**

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
- 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.

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

	2016	2015
	£'000	£'000
Up to 3 months	1,389	1,637
3 to 6 months	26	37
6 to 12 months	24	35
Later than 1 year and not later than 5 years	84	140
	1,523	1,849

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	
	2016	**2015**	**2016**	**2015**
	£'000	**£'000**	**£'000**	**£'000**
Pound sterling	6,919	6,401	1,356	1,425
US dollar	455	319	57	8
Euro	154	104	105	416
Other	16	3	5	–
	7,544	6,827	1,523	1,849

The effect of a 10 per cent. strengthening of the Euro and Dollar against Sterling at the statement of financial position date on the Euro/Dollar denominated trade and other receivables and payables carried at that date would, all other variables held constant, have resulted in a net increase in pre-tax profit for the year and increase of net assets of £51,000 (2015: £Nil). A 10 per cent. weakening in the exchange rates would, on the same basis, have decreased pre-tax profit and decreased net assets by £42,000 (2015: £Nil).

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 2016 and at 30 April 2015 were as follows:

	2016	**2015**
	£'000	**£'000**
Loans and borrowings	163	256
Less: cash and cash equivalents	(4,299)	(4,202)
Net cash	(4,136)	(3,946)
Total equity	14,457	13,592
Cash to adjusted capital ratio	28.6%	29.0%

19. Financial assets and liabilities

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

	Rate	**Period**	**Rate**	**Period**
	2016	**2016**	**2015**	**2015**
	%	**Years**	**%**	**Years**
Sterling	2.8	0.9	3.2	1.0

Fair values

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

	Book value 2016 £'000	Fair value 2016 £'000	Book value 2015 £'000	Fair value 2015 £'000
Finance lease creditor	176	163	256	235
	176	163	256	235

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 2016 and 2015 are equal to their book value.

20. Provisions

	Leasehold £'000	Holiday pay Total £'000	dilapidations £'000
At 1 May 2015	100	100	200
Charged to income statement	–	6	6
At 30 April 2016	100	106	206
Due within one year or less	–	106	106
Due after more than one year	100	–	100
	100	106	206

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.

Provision is made at each statement of financial position date for holidays accrued but not taken, to the extent that they may be carried forward, calculated at the salary of the relevant employee at that date.

21. Deferred tax

Deferred tax is calculated in full on temporary differences under the liability method using a tax rate of 18 per cent. (2015: 20 per cent.).

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

	Group 2016 £'000	Group 2015 £'000
Liability		
At 1 May	335	170
Income statement	(10)	101
Transfer from corporation tax recoverable	–	64
At 30 April	325	335

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) 2016 £'000	Charged/ (credited) to income 2016 £'000
Accelerated capital allowances	(167)	(63)
Other temporary and deductible differences	660	(20)
Available losses	(168)	73
	325	(10)

	Liability/ (Asset) 2015 £'000	Charged/ (credited) to income 2015 £'000
Accelerated capital allowances	(104)	(17)
Other temporary and deductible differences	680	98
Available losses	(241)	20
	335	101

22. Share capital

	Number	£
Ordinary shares of 1p each		
Allotted, called up and fully paid		
At beginning of year	460,182,316	4,601,823
Exercise of share options in year	1,050,000	10,500
Exercise of warrants in year	7,500,000	75,000
At end of year	468,732,316	4,687,323

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 2016 there were 21,750,000 (2015: 29,250,000) warrants outstanding. Maurice Dwek, Non-Executive Chairman, has 21,750,000 warrants outstanding (2015: 21,750,000). Michel Rapoport, Non-Executive Director, exercised his rights under the warrants to acquire 7,500,000 shares during the year.

23. Reserves

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

	2016 £'000	2015 £'000
Final dividend of 0.10 pence (2015: 0.075 pence) per ordinary share paid during the year relating to the previous year's results	460	338

The directors are proposing a final dividend of 0.10 pence per ordinary share (2015: 0.10 pence) totalling £469,000 (2015: £460,000).

24. Leases

Finance leases

Future lease payments are due as follows:

	Minimum lease payments 2016 £'000	Interest 2016 £'000	Present value 2016 £'000
Not later than one year	107	8	99
Later than one year and not later than five years	69	5	64
	176	13	163

	Minimum lease payments 2015 £'000	Interest 2015 £'000	Present value 2015 £'000
Not later than one year	156	13	143
Later than one year and not later than five years	121	8	113
	277	21	256

The present value of future lease payments are analysed as:

	2016 £'000	2015 £'000
Current liabilities	99	143
Non-current liabilities	64	113
	163	256

Operating leases – lessee

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

The total future value of minimum lease payments due is as follows:

	2016 £'000	2015 £'000
Not later than one year	488	422
Later than one year and not later than five years	692	797
Later than five years	456	361
	1,636	1,580

25. Share-based payment

In April 2007, the Group adopted the Newmark Security PLC EMI Share Option Plan which enabled the Board to grant qualifying share options under the HM Revenue and Custom's Enterprise Management Incentive ("EMI") tax code and also unapproved share options to employees and directors. The EMI share options vest and become exercisable 3 years from the date of grant (subject to leaver and takeover provisions), or such other period of time specified by the Remuneration Committee.

Date of Grant	Subscription Price payable	No. of options
October 2007	1.50p	1,000,000
August 2013	1.375p	12,363,636
November 2013	1.45p	6,000,000
August 2014	1.825p	1,909,589
September 2015	3.325p	1,142,857

The remaining weighted average contractual lives for both Approved and Unapproved Options under this scheme were 7.6 years (2015: 8.1 years).

The share based remuneration expense for equity settled schemes was £Nil (2015: £Nil).

The fair value of options granted is not considered to be material and so no further IFRS 2 information has been provided.

26. Related party transactions

Details of directors' remuneration are given in the Report of the Remuneration Committee on page 14.

Newmark
SECURITY PLC

COMPANY STATEMENT OF FINANCIAL POSITION
at 30 April 2016 – UK GAAP Financial Statements
Company number: 3339998

	Note	2016 £'000	2016 £'000	2015 £'000	2015 £'000
Fixed assets					
Investment in subsidiaries	3		18,428		18,428
Tangible assets	4		5		26
			18,433		18,454
Current assets					
Debtors	5	4,549		3,602	
Cash and cash equivalents		68		145	
		4,617		3,747	
Creditors: amounts falling due within one year	6	(11,592)		(11,953)	
Net current liabilities			(6,975)		(8,206)
Total assets less current liabilities			11,458		10,248
Accruals and deferred income			(98)		(96)
Net assets			11,360		10,152
Capital and reserves					
Called up share capital	7		4,687		4,602
Share premium account			553		549
Merger reserve			801		801
Profit and loss account			5,319		4,200
Shareholder's funds - Equity			11,360		10,152

The notes on pages 44 to 46 form part of these financial statements.

These financial statements were approved by the Board of Directors and authorised for issue on 16 August 2016.

M Dwek
Director

COMPANY STATEMENT OF CHANGES IN EQUITY

	Share capital £'000	Share premium £'000	Merger reserve £'000	Retained earnings £'000	Total equity £'000
1 May 2014	4,504	502	801	2,999	8,806
Share issues in year	98	47	–	–	145
Dividends (note 23 of Group financial statements)	–	–	–	(338)	(338)
Total comprehensive income	–	–	–	1,539	1,539
30 April 2015	4,602	549	801	4,200	10,152
1 May 2015	4,602	549	801	4,200	10,152
Share issues in year	85	4	–	–	89
Dividends (note 23 of Group financial statements)	–	–	–	(460)	(460)
Total comprehensive income	–	–	–	1,579	1,579
30 April 2016	4,687	553	801	5,319	11,360

NOTES FORMING PART OF THE FINANCIAL STATEMENTS OF THE COMPANY
for the year ended 30 April 2016

1. Accounting policies

Basis of preparation

The financial statements have been prepared in accordance with Financial Reporting Standard 100 Application of Financial Reporting Requirements ("FRS 100") and Financial Reporting Standard 101 Reduced Disclosure Framework) ("FRS 101").

Disclosure exemptions adopted

In preparing these financial statements the company has taken advantage of all disclosure exemptions conferred by FRS 101. Therefore these financial statements do not include:

- Certain comparative information as otherwise required by EU endorsed IFRS;
- Certain disclosures regarding the company's capital;
- A statement of cash flows;
- The effect of future accounting standards not yet adopted;
- Disclosure of related party transactions with other wholly owned members of the Group headed by Newmark Security PLC; and
- The disclosure of the remuneration of key management personnel.

In addition, and in accordance with FRS 101 further disclosure exemptions have been adopted because equivalent disclosures are included in the company's consolidated financial statements. These financial statements do not include certain disclosures in respect of:

- Share based payments;
- Financial instruments (other than certain disclosures required as a result of recording financial instruments at fair value); and
- Impairment of assets.

First time application of FRS 100 and 101

In the current year the company has adopted FRS100 and FRS 101. In previous years the financial statements were prepared in accordance with applicable UK accounting standards. This change in the basis of preparation has not materially altered the recognition and measurement requirements previously applied in accordance with applicable accounting standards. Consequently the principal accounting policies are unchanged from the prior year. The change in basis of preparation has enabled the company to take advantage of all of the available disclosure exemptions permitted by FRS 101 in the financial statements, the most significant of which are summarised above. There have been no other material amendments to the disclosure requirements previously applied in accordance with applicable accounting standards.

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 2016 is disclosed in the Statement of Changes in Equity.

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.

Leased assets

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

Dividends

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

Investments

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

Intercompany balances

Balances between group companies which reflect trading and funding activity are short term and therefore not subject to interest.

2. Employee numbers

	2016 Number	2015 Number
The average number of employees, including directors, during the period was:		
Office and management	3	3

3. Investment in subsidiaries

	£'000
Cost	
At 1 May 2015 and 30 April 2016	18,428
Net book value at 30 April 2016	18,428
Net book value at 30 April 2015	18,428

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

4. Tangible assets

	Short leasehold improvements £'000	Motor vehicles £'000	Computers Fixtures & Fittings £'000	Total £'000
Cost				
At 1 May 2015	12	43	26	81
Additions in the year	–	–	4	4
At 30 April 2016	12	43	30	85
Depreciation				
At 1 May 2015	8	30	17	55
Charge for the year	4	13	8	25
At 30 April 2016	12	43	25	80
Net book value				
At 30 April 2016	–	–	5	5
At 30 April 2015	4	13	9	26

5. Debtors

	2016 £'000	2015 £'000
Amount due from group undertakings	4,513	3,563
Other debtors	10	14
Prepayments	26	25
	4,549	3,602

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

6. Creditors: amounts falling due within one year

	2016 £'000	2015 £'000
Amount due to group undertakings	11,546	11,925
Other taxation and social security	31	19
Other payables	15	9
	11,592	11,953

7. Share capital

	Number	£
Allotted, called up and fully paid:		
Beginning of year	460,182,316	4,601,823
Share options exercised in year	1,050,000	10,500
Exercise of warrants in year	7,500,000	75,000
	468,732,316	4,687,323

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 2016 there were 21,750,000 (2015: 29,250,000) warrants outstanding. Maurice Dwek, Non-Executive Chairman, has 21,750,000 warrants outstanding (2015: 21,750,000). Michel Rapoport, Non-Executive Director, exercised his rights under the warrants to acquire 7,500,000 shares during the year.

8. Commitments under operating leases

The total future value of minimum lease payments due is as follows:

	2016 Land and buildings £'000	2015 Land and buildings £'000
Not later than one year	–	53
Later than one year and not later than five years	148	–
Later than five years	–	–

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

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 29 September 2016 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 27 September 2016.

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 29 September 2016 at 11.00 a.m.

You will be asked to consider and pass the resolutions below. Resolutions 6 and 7 (inclusive) will be proposed as special resolutions. All other resolutions will be proposed as ordinary resolutions.

Ordinary resolutions

1. Annual report and financial statements

To receive and approve the accounts for the year ended 30 April 2016 together with the reports of the directors and auditors thereon.

2. Rotation and retirement of directors

To re-elect M Dwek and M 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 2016 of 0.10 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 2016.

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

16 August 2016

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 27 September 2016.
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 as at close of business on 27 September 2016 (or, in the event of any adjournment as at close of business 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 15 August 2016 (being the last business day prior to the publication of this Notice) the Company's issued share capital consists of 468,732,316 ordinary shares of 1p each, carrying one vote each. Therefore, the total voting rights in the Company as at 15 August 2016 are 468,732,316.
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 (ID RA10) by 11.00 a.m. on 27 September 2016. 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 16 August 2016 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 VV1K 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.