



Report and Financial Statements  
Year ended 30 April 2009

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## DIRECTORS, SECRETARY AND ADVISERS

<b>Country of incorporation of parent company:</b>	Great Britain
<b>Legal form:</b>	Public Limited Company
<b>Directors:</b>	M. Dwek B. Beecraft A. Reid M. Rapoport N. Medlam
<b>Secretary and registered office:</b>	B. Beecraft, 57 Grosvenor Street, London W1K 3JA
<b>Company number:</b>	3339998
<b>Auditors:</b>	BDO Stoy Hayward LLP, 55 Baker Street, London W1U 7EU
<b>Nominated Adviser:</b>	Seymour Pierce Limited, 20 Old Bailey, London EC4M 7EN
<b>Brokers:</b>	Dowgate Capital PLC, Talisman House, Jubilee Walk, Three Bridges, Crawley, West Sussex RH10 1LQ
<b>Registrars:</b>	Capita Registrars, Northern House, Woodsome Park, Feney Bridge, Huddersfield, West Yorkshire HD8 0LA
<b>Solicitors:</b>	Field Fisher Waterhouse, 35 Vine Street, London EC3N 2AA

## CHAIRMAN'S STATEMENT

### Overview

The trading activities in the year have been achieved against the backdrop of the economic climate and recession that has affected all businesses. This has particularly affected the asset protection division whose products main markets have always been the financial and banking sector. However the results of that division have shown the benefits of building up our service and maintenance division over the years and thus forming a stable base underpinning the results of the division. Within the electronic division, the OEM (time and attendance) business was adversely affected by the problems in the retail sector which has always been the main market for those products. However the access control business managed to increase its turnover in the year despite the economic situation.

Despite the current economic climate we have invested heavily in our exciting new developments in the electronic division which are explained in more detail below and we look forward to the benefits of this expenditure in years to come. The asset protection division has also been designing new products in response to customer demands, whilst also working on ways to reduce the production costs of the existing product range.

We spent a considerable amount of time investigating a possible acquisition which would have been an excellent fit to our existing business. Unfortunately we were unable to conclude the transaction to the satisfaction of both parties due to the economic circumstances and we have written off £57K of costs incurred in performing due diligence and legal work. We are, however, maintaining a good working relationship with that business and it may be possible to conclude the deal in more settled times.

Nick Medlam retired as managing director of Safetell at the end of April after more than 17 years, and the Board would like to express its appreciation for all his efforts in building up that division since Newmark acquired the business in 2000. We are delighted that Nick will not only remain as a non-executive director of the Safetell companies but has also agreed to join the Board of the parent company in the same capacity. The Group will therefore continue to benefit from his knowledge and experience. We are delighted to welcome Mr Anton Pieterse as the new managing director of the business. He was previously managing director of our South African licensee/distributor and has been working with Nick in the UK since the beginning of January.

Turnover for the year from continuing businesses was £12,960K compared to £14,867K, a fall of 13 per cent. Gross margin for the year from continuing operations was £5,760K (44.4 per cent. of sales) compared to £6,604K (44.4 per cent.).

Turnover in the electronic division decreased in the year from £7,494K to £6,631K. Turnover in the asset protection division decreased in the year from £7,373K to £6,329K.

Earnings per share are shown in the income statement as 0.24p (2008: 0.55p), the figure for the previous year included the major impact of items within discontinued operations. However, the earnings per share before interest discount adjustments, profit or losses of discontinued operations, provision for exchange loss and abortive acquisition costs are 0.26p (2008: 0.33p) as calculated in note 9 to the accounts.

As a consequence of the reduction in turnover, turnover per employee fell from £120,870 to £107,942.

The OEM division of Grosvenor and Safetell are the leaders in their particular markets whilst Grosvenor is a major force at the upper price end of the access control market. There were no environmental issues having a major impact on the Group in the year.

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

The Disability Discrimination Act will, we believe, have an increasing impact on the requirements of some of our customers which will benefit the Asset Protection division in particular.

The Group net assets have increased in the year from £7.6 million to £8.7 million.

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

### Financial results

The operating profit for the year was £1,477,000 (2008: £1,917,000).

Turnover for the year for continuing operations was £12,960,000 (2008: £14,867,000). The main commercial factors affecting the results of the divisions are set out below.

### Electronic Division

Turnover £6,631,000 (2008: £7,494,000)

Operating profit £1,562,000 (2008: £1,644,000)

Profit before tax £1,516,000 (2008: £1,648,000)

Revenue from OEM hardware, data collection and time & attendance terminals, fell by approximately 30% and is mirrored within the OEM distribution to America where the figures were down from £690K to £471K (31.8%). This downturn can be directly attributed to the lack of large retail contracts that were being won in the previous year whereas this year the business was being put on-hold by customers because of the recession.

Redevelopment of the inherited OEM Custom Micro hardware is now complete which has rejuvenated the original CUSTOM brand to the universal acclaim of our European partners (RS07, RS09 & RS21 terminals). The advanced Linux based IT3100 terminal that has been selling into the USA is now creating interest in Europe, and some of the more progressive developers are about to start trials. At the request of some of our customers, a Linux touch screen version will be released in the next quarter to complement the IT3100.

Revenue from access control security systems increased by 3% over the year with the second half showing an increase of approximately 10% on the corresponding period. The latter was partly attributed to a Network Rail project (approximately £200K) but mainly due to our JANUS Enterprise system which is unique in the world of access control. Further work from Network Rail is expected in the current year. JANUS Enterprise enabled us to win specific projects like Network Rail, but also offers high value upgrades to existing customers.

JANUS Enterprise is a highly secure web site that allows security operatives to manage large systems without having to install software on their PCs. It has been developed in conjunction with targeted high profile customers and installed as their requested features became available. There will be a major release of this product in August 2009.

In the first quarter of 2010 our JANUS access control software will start to be replaced by our new brand, SATEON. The SATEON Trade Mark is already registered, or is close to being registered in approximately 80 countries including the EU, USA, Russia, GCC countries, and the Madrid Protocol countries. SATEON access control will be launched at the Dubai Intersec exhibition in January 2010 and will of course be fully compatible with JANUS by way of an upgrade path assuring longevity for our existing systems.

SATEON is based on all new technologies (software and hardware) including our Linux controllers which will be at the heart of the system. In addition to access control, over time, SATEON will include other associated systems that can be installed independently or in conjunction with each other and all may be installed as an on-site fixed installation or as a Software as a Service (SaaS) web hosted system.

In the past the company has been mainly limited to English speaking customers because JANUS has been difficult for our developers to translate. SATEON will not only have multiple product streams, all of them will be translatable on the fly by the client, and switchable on demand so that virtually all business languages will be covered even in the first release. In the last six months we have expanded our development teams by 85% so that we can deliver these new and exciting SATEON products. In order that we can take maximum advantage of the new multi-lingual features and the undoubted world interest, in 2010/2011 we will start to open new distribution channels in a phased program around the world.

With our multiple product streams all based on new technologies and capable of being sold anywhere in the world, Grosvenor Technology has the ability to increase its business substantially over a few years.

#### **Asset Protection Division**

Turnover £6,329,000 (2008: £7,373,000)

Operating profit £497,000 (2008: £849,000)

Profit before tax £477,000 (2008: £843,000)

Safetell's product sales were 21% below last year due to the effects of the banking crisis and credit crunch. In contrast, and as testimony to the long-term strategic strength of Safetell, service sales were £3,205K (2008: £3,364k) despite the completion of last year's major one-off contract.

Eclipse sales of new screens were reduced by the temporary suspension of all new installations by HBOS but reconfiguration work was 33% above plan. Sales of CounterShield and Eye2Eye were similar to last year but did not achieve the planned increase despite winning a number of new customers.

Cash Handling sales were adversely affected by the slow-down in Post Office installations in the first nine months of the year. The long awaited Crown Office refurbishment programme started with some trial branches in late 2008 and the full programme started in April 2009. Lloyds TSB requested a secure deposit box for the Your Store Design programme that was designed and manufactured with over 50 units produced. The same programme required some RollerCash TRIO units for foreign exchange trading.

Fixed Glazing installation sales were 18% more than last year, primarily for established petrol retailer customers selecting one or more of the FlexiGlaze products.

Service and maintenance revenue benefited from Safetell's long established client relationships resulting in more work for recently acquired/merged branch networks following some of the banking sector reorganisations. Maintenance of a competitor's rising screens at another major user was won after a long campaign.

New CCTV installation and maintenance work and additional work on locks, cashier equipment and cameras for long-standing Eclipse customers added to regular contract values at marginal cost. A number of covert CCTV installations assisted one client to identify and stop several cases of criminal activity in their branches. The company now fulfils all the conditions for NACOSS Gold standard accreditation for CCTV and the formal application is being processed.

Percentage margin reduced slightly compared to last year but administrative costs were reduced by 4% compared to last year, despite incurring two bad debts.

Sales for 2009-10 are planned to increase by over 10%. A major branch refurbishment programme for an existing client valued at £0.9 million will start in August and will continue until March. The Crown Office refurbishment programme started last year and will continue until May 2010. These two programmes will result in improved sales in the second and third quarters.

CounterShield sales are expected to increase by 23% from last year due to additional sales resource and new product variants introduced in April 2009. Despite budget constraints, sale of Eye2Eye to train operating companies should result in similar sales volumes as last year and orders for Eye2Eye for demountable ticket offices are expected during this year.

The vulnerability of petrol stations to opportunistic robberies in the current economic conditions should result in increased orders for FlexiGlaze screens. Although there is interest in Eclipse rising screens in South Africa, no sales are expected in this period. CounterShield sales in Australia are expected to increase and the first orders were delivered in June.

New products and services are being introduced into the market this year and the internal focus will be on product re-engineering and improved efficiencies to improve gross margin.

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

Cash flows from operating activities increased from £1.8m to £2.2m in the year, whilst net bank debt fell from £1.4m to £0.3m. The balance on the invoice discount account increased slightly from £692K to £737K.

As with most businesses, we have endeavoured to conserve cash whilst safeguarding our assets in the year. Inventories have been reduced from £1,902K to £1,704K in the year (a reduction of 10%) through reviews of our purchasing policies and other efficiencies. Considerable amounts of time have been spent on credit control to minimize possible losses whilst at the same time maximising sales and not inconveniencing our customers. Despite these efforts we have incurred some losses in the year including some customers that we have known and traded with for many years.

Net assets increased from £7.6m to £8.7m.

### **Dividend**

As foreshadowed in last year's statement the Board is pleased to be proposing to pay a modest maiden dividend of 0.025p per share costing £113K. This will be paid on 28 September 2009 to shareholders on the register on 28 August 2009. Subject to profits meeting projections the aim would then be to pursue a progressive dividend policy.

### **Articles of Association**

As a consequence of certain provisions of the Companies Act 2006 which have come into force over the last two years, as well as further provisions which will come into force on 1 October 2009, and some related matters, it is proposed to adopt new Articles of Association with effect from 1 October 2009.

The principal alterations to the existing Articles of Association, are set out in a note to the Notice of Annual General Meeting when a resolution to adopt these revised Articles will be proposed. A hard copy of the revised Articles will be available at the AGM, and a hard copy will be sent to shareholders on request.

### **Employees**

The Board would like to welcome the new employees to the Group and to thank all staff for their efforts which are so important to the continuing success and development of the business in which they work.

### **Summary**

In many instances our products form part of large projects and hence the timing of our sales is dependent upon the customer/main contractor. Despite the likelihood of a continuing weak economy current forecasts suggest that operating profits for the current year should exceed last year.

M DWEK  
Chairman

20 July 2009

## REPORT OF THE DIRECTORS

The Directors submit their annual report and audited financial statements of the Group for the year ended 30 April 2009.

### Principal activities

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

### Financial results and dividends

The profit from operations on continuing activities before interest, tax and minority interest in the year was £1,477,000 (2008: £1,917,000).

The profit for the year was £1,097,000 (2008: £2,483,000).

Turnover for the year for continuing operations was £13.0 million (2008: £14.9 million). A review of the business and future prospects is given in the Chairman's Statement on pages 3 to 5.

The Board is proposing to pay a dividend of £113,000 (2008: £Nil).

### Directors

The Directors who served during the year were as follows:

M Dwek  
B Beecraft  
M Rapoport  
A Reid

Details of the Directors' service contracts are shown in the Report of the Remuneration Committee on page 11.

B Beecraft and A Reid retire in accordance with the articles of association. B Beecraft and A Reid, being eligible, offer themselves for re-election at the next annual general meeting.

N Medlam was appointed a non-executive director on 1 May 2009, and an ordinary resolution will be proposed at the annual general meeting for his reappointment.

### Share capital

Full details of changes to the share capital in the year are given in note 23 to the financial statements on page 41.

### Financial instruments

For full details of changes to the Group's management of its financial instruments, please refer to note 19 to the financial statements on page 33.

### Directors

#### *Directors' interests*

The beneficial and other interests of the Directors in the shares of the Company as at 1 May 2008 (or the date of their appointment to the Board, if later) and 30 April 2009 were as follows:

	Percentage holding at 30 April 2009	30 April 2009	1 May 2008 (or date of appointment if later)
M Dwek <sup>(a)</sup>	11.8%	53,319,467	50,319,467
M Rapoport	2.3%	10,555,000	10,555,000
A Reid <sup>(b)</sup>	17.2%	77,633,237	76,633,237

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

(b) These shares are in part held in the name of R.K. Harrison & Co. Limited, a company the issued equity share capital of which is, at the date of this report, owned as to 80.5 per cent. by A Reid of which 75.0 per cent. is a beneficial holding and 5.5 per cent. is a non beneficial holding, and the R.K. Harrison Retirement Benefit Scheme in which A Reid has a beneficial interest.

On 15 May 2009, certain directors purchased further shares and the revised holdings are set out below.

	Percentage holding	Purchased since year end	Total holding
M Dwek	13.1%	5,780,000	59,099,467
A Reid	18.4%	5,000,000	82,633,237
N Medlam	0.2%	720,000	720,000

The interests of Directors in Share Option Schemes operated by the Company at 30 April 2008 and 2009 were as follows:

	Number of Ordinary Shares under the EMI Scheme 30 April 2009	Number of Ordinary Shares under the Approved Scheme 30 April 2009	Number of Ordinary Shares under the Unapproved Scheme 30 April 2009	Number of Ordinary Shares under the EMI Scheme 1 May 2008	Number of Ordinary Shares under the Approved Scheme 1 May 2008	Number of Ordinary Shares under the Unapproved Scheme 1 May 2008
M Dwek	–	–	5,000,000	–	–	5,000,000
B Beecraft	1,000,000	500,000	4,000,000	1,000,000	500,000	4,000,000

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

### Research and development

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

### Employee involvement

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

### Share option schemes

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

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

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

The Newmark Security PLC EMI Share Option Plan ("the scheme") enables 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 Remuneration Committee has administered and operated each Scheme. Further details of the share option schemes are set out in note 26 to the financial statements on page 43.

### Environmental Policy

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



## Payment of suppliers

The Group requires its operational management to settle terms of payment with suppliers when agreeing the terms of the transaction to ensure that suppliers are aware of these terms and to abide by them. Group trade creditors at the year end were 37 days (2008: 41 days) of average supplies for the period, the parent company does not trade and therefore there is no corresponding figure.

## Corporate governance

The Company has complied voluntarily throughout the year as far as practicable with the provisions of the Combined Code which only applies mandatorily to fully listed companies.

At 30 April 2009, the Board comprised a Chairman, one Executive Director 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 Chairman takes responsibility for the conduct of the Group and overall strategy.

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

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

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

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

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

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

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

During the year, key controls were:

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

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

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

The Audit Committee, comprising M Rapoport and A Reid, 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, comprising M Rapoport and A Reid 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 11.

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.

### **Directors' responsibilities**

The Directors are responsible for keeping adequate accounting records that show and explain the company's transactions, 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, and as regards the Group financial statements, Article 4 of the IAS Regulation.

The Directors are required by the Companies Act 2006 to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and the group as at the end of the financial year and of the profit or loss of the group for the financial year. The directors are required to prepare financial statements for the group in accordance with Article 4 of the IAS Regulation and have chosen to prepare financial statements for the company in accordance with UK Generally Accepted Accounting Practice.

In preparing the Group and company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- for the group financial statements, state whether they have been prepared in accordance with IFRS as adopted by the EU;
- 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.

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.

The directors are responsible for preparing a directors' report and a directors' remuneration report which comply with the requirements of the Companies Act 2006.

### **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' responsibility statement pursuant to DTR4**

The directors confirm to the best of their knowledge:

- The group financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs) and Article 4 of the IAS Regulation and give a true and fair view of the assets, liabilities, financial position and profit and loss of the group.
- The Chairman's statement and annual report includes a fair review of the development and performance of the business and the financial position of the group and the parent company, together with a description or the principal risks and uncertainties that they face.

### **Group financial statements**

International Accounting Standard 1 requires that financial statements present fairly for each financial year the Group's financial position, financial performance and cash flows. This requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standards Board's 'Framework for the preparation and presentation of financial statements'. In virtually all circumstances, a fair presentation will be achieved by compliance with all applicable IFRSs. A fair presentation also requires the Directors to:

- consistently select and apply appropriate accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information; and
- provide additional disclosures when compliance with the specific requirements in IFRS is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance.

### **Parent company financial statements**

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business;
- make judgements and estimates that are reasonable and prudent; and
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements.

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.

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 Stoy Hayward LLP as auditors will be proposed at the next annual general meeting.

By order of the Board

B BEECRAFT  
Company Secretary

20 July 2009

## 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 2009 comprised two existing Non-Executive Directors, Alexander Reid and Michel Rapoport.

Alexander Reid is executive chairman of R.K. Harrison & Company Limited (a shareholder of the Company) and a director of a number of unquoted companies. He was formerly a director of the merchant bank Samuel Montagu & Co. Limited and for 15 years was a director of various investee and group companies within Invesco.

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

### 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.

### Director's emoluments

Emoluments of the directors (including pension contributions and benefits in kind) of the Company were as follows:

	Consultancy/ management agreement £'000	Salary £'000	Fees £'000	Total £'000	Pension contributions £'000
Executive Directors					
B Beecraft	-	113	-	113	-
Non-Executive Directors					
M Dwek <sup>(a)</sup>	50	-	-	50	-
A Reid <sup>(b)</sup>	-	-	15	15	-
M Rapoport	-	-	15	15	-
	<u>50</u>	<u>113</u>	<u>30</u>	<u>193</u>	<u>-</u>
2008	<u>50</u>	<u>108</u>	<u>30</u>	<u>188</u>	<u>-</u>

The directors' share interests are detailed in the Report of the Directors on pages 6 and 7.

(a) The Company paid a consultancy fee of £50,000 (2008: £50,000) to Arbury Inc., a company 51 per cent. owned by M Dwek which covers salary, pension and car benefits. In addition the Company issued 10 million shares in the previous year as compensation for the change of terms from executive to non-executive chairman.

(b) Directors' fees in respect of A Reid of £15,000 (2008: £15,000) were paid by the Company to R. K. Harrison & Co. Limited.

**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 2009 which comprise the consolidated income statement, the consolidated and parent company balance sheets, the group cash flow statement, the group statement of recognised income and expense and the related notes. The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with sections 495 and 496 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 the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

**Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's and the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

**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 2009 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's 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 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 explanation we require for our audit.

Rowan Williams (senior statutory auditor)

For and on behalf of BDO Stoy Hayward LLP, statutory auditor

Gatwick

Date 20 July 2009

**CONSOLIDATED INCOME STATEMENT**  
for the year ended 30 April 2009

	Note	2009 £'000	2008 £'000
<b>Continuing operations</b>			
Revenue	2	12,960	14,867
Cost of sales		(7,200)	(8,263)
<b>Gross profit</b>		<u>5,760</u>	<u>6,604</u>
Administrative expenses pre abortive acquisition costs, provision for exchange loss and redundancy and restructuring costs			
		(4,226)	(4,469)
Abortive acquisition costs		(57)	-
Redundancy and restructuring costs		-	(159)
Provision for exchange loss		-	(59)
Administrative expenses – total		<u>(4,283)</u>	<u>(4,687)</u>
<b>Profit from operations</b>	3	1,477	1,917
Finance income	6	-	36
Finance costs	6	(164)	(212)
<b>Profit before tax</b>		<u>1,313</u>	<u>1,741</u>
Tax expense	7	(175)	(407)
<b>Profit for the year from continuing operations</b>		<u>1,138</u>	<u>1,334</u>
Post-tax (loss)/profit related to discontinued operations	8	(41)	1,149
<b>Profit for the year</b>	24	<u><u>1,097</u></u>	<u><u>2,483</u></u>
Attributable to:			
– Equity holders of the parent		<u><u>1,097</u></u>	<u><u>2,483</u></u>
<b>Earnings per share</b>			
– Basic and diluted (pence)	9	<u><u>0.24p</u></u>	<u><u>0.55p</u></u>
<b>Continuing operations</b>			
– Basic and diluted (pence)	9	<u><u>0.25p</u></u>	<u><u>0.30p</u></u>
<b>Discontinued operations</b>			
– Basic and diluted (pence)	9	<u><u>(0.01p)</u></u>	<u><u>0.25p</u></u>

The notes on pages 18 to 43 form part of these financial statements.

**CONSOLIDATED STATEMENT OF RECOGNISED INCOME AND EXPENSE**  
for the year ended 30 April 2009

	2009 £'000	2008 £'000
<b>Profit for the year</b>	1,097	2,483
Foreign exchange losses on retranslation of overseas operations	(27)	(109)
<b>Total recognised income and expense for the year</b>	<u>1,070</u>	<u>2,374</u>
Attributable to:		
– Equity holders of the parent	<u>1,070</u>	<u>2,374</u>



**CONSOLIDATED BALANCE SHEET**  
at 30 April 2009

	Note	2009 £'000	2009 £'000	2008 £'000	2008 £'000
<b>ASSETS</b>					
<b>Non-current assets</b>					
Property, plant and equipment	10	757		779	
Intangible assets	11	8,032		7,528	
Total non-current assets		<u>8,789</u>		<u>8,307</u>	
<b>Current assets</b>					
Inventories	14	1,704		1,902	
Trade and other receivables	15	2,404		3,191	
Cash and cash equivalents		606		87	
Total current assets		<u>4,714</u>		<u>5,180</u>	
<b>Total assets</b>			13,503		13,487
<b>LIABILITIES</b>					
<b>Current liabilities</b>					
Trade and other payables	16	3,163		3,454	
Other short term borrowings	17	607		809	
Corporation tax liability		296		579	
Provisions	21	123		123	
Total current liabilities		<u>4,189</u>		<u>4,965</u>	
<b>Non-current liabilities</b>					
Long term borrowings	18	309		710	
Provisions	21	124		140	
Deferred tax	22	166		48	
Total non-current liabilities		<u>599</u>		<u>898</u>	
<b>Total liabilities</b>			4,788		5,863
<b>TOTAL NET ASSETS</b>			<u>8,715</u>		<u>7,624</u>
<b>Capital and reserves attributable to equity holders of the company</b>					
Share capital	23	4,504		4,504	
Share premium reserve	24	502		502	
Merger reserve	24	801		801	
Foreign exchange difference reserve	24	(174)		(147)	
Retained earnings	24	3,042		1,924	
			8,675		7,584
<b>Minority interest</b>			<u>40</u>		<u>40</u>
<b>TOTAL EQUITY</b>			<u>8,715</u>		<u>7,624</u>

The financial statements were approved by the Board of Directors and authorised for issue on 20 July 2009.

M Dwek  
Director

The notes on pages 18 to 43 form part of these financial statements.

**CONSOLIDATED CASH FLOW STATEMENT**  
for the year ended 30 April 2009

	Note	2009 £'000	2009 £'000	2008 £'000	2008 £'000
<b>Cash flow from operating activities</b>					
Net profit after tax		1,097		2,483	
Adjustments for:					
Depreciation and amortisation		466		345	
Investment income		-		(36)	
Interest expense		164		115	
Other finance losses		-		97	
Income tax expense		175		407	
Share option charge		21		41	
Discontinued operations		(16)		(757)	
		<u>1,907</u>		<u>2,695</u>	
<b>Operating cash flows before changes in working capital</b>					
Decrease in trade and other receivables		779		18	
Decrease/(increase) in inventories		198		(521)	
(Decrease)/increase in trade and other payables		(277)		114	
		<u>1,907</u>		<u>2,695</u>	
<b>Cash generated from operations</b>					
Income taxes paid			2,607		2,306
			(373)		(491)
			<u>2,234</u>		<u>1,815</u>
<b>Cash flows from operating activities</b>					
<b>Cash flow from investing activities</b>					
Payments for property, plant & equipment		(204)		(270)	
Sale of property, plant & equipment		14		235	
Research & development expenditure		(595)		(368)	
Intangible asset expenditure		(12)		(24)	
Interest received		-		36	
		<u>(204)</u>		<u>(270)</u>	
			(797)		(391)
<b>Cash flow from financing activities</b>					
Proceeds from loan		-		1,200	
Repayment of bank loans		(614)		(438)	
Repayment of finance lease creditors		(140)		(150)	
Repayment loan notes for Grosvenor deferred consideration		-		(3,561)	
Repayment mortgage loan		-		(221)	
Interest paid		(164)		(115)	
		<u>(164)</u>		<u>(115)</u>	
			(918)		(3,285)
<b>Increase/(decrease) in cash and cash equivalents</b>	28		<u>519</u>		<u>(1,861)</u>

The notes on pages 18 to 43 form part of these financial statements.

## NOTES FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 April 2009

### 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 2009 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 on which the revision is made.

The Company has elected to prepare its parent company financial statements in accordance with UK GAAP. These are presented on pages 44 to 48.

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

#### *Standards, Amendments and Interpretations Effective But Not Relevant*

The following standards, amendments and interpretations to the published standards are mandatory for accounting periods beginning on or after 1 May 2007 but they are not relevant to the Group for the year ended 30 April 2009.

- IFRIC 7 – Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies.

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

The following standards and interpretations to published standards have been published that are mandatory for the Group's accounting periods beginning on or after 1 May 2008 or later periods but which the Group has not adopted early.

- Amendments to IAS 39 and IFRS 7 – Reclassification of Financial Instruments (effective for accounting periods beginning on or after 1 July 2008). This Amendment permits an entity to reclassify non-derivative financial assets (other than those designated at fair value through profit or loss by the entity upon initial recognition) out of the fair value through profit or loss category in particular circumstances.
- IFRS 8 – Operating Segments (effective for annual periods beginning on or after 1 January 2009). IFRS 8 requires revision to the identification of segments, the explanations of the basis on which the segment information is prepared, and provide reconciliations to the amounts recognised in the income statement and balance sheet. This is not expected to affect reported net assets or net profit.
- IAS 23 (revised) – Borrowing costs (effective for borrowing costs relating to qualifying assets for which the commencement date for capitalisation is on or after 1 January 2009). IAS 23 (revised) requires the capitalisation of interest on qualifying assets, while these qualifying assets include development intangibles, it is not anticipated that the standard will have a material impact on profit or net assets. This standard is still to be endorsed by the EU.

- Amendment to IFRS 2 – Share-based payments vesting conditions and cancellations (effective for accounting periods beginning on or after 1 January 2009). Management is currently assessing the impact of the Amendment on the accounts. This standard is still to be endorsed by the EU.
- Amendment to IAS 1 – Presentation of financial statements, a revised presentation (effective for accounting periods beginning on or after 1 January 2009). The revised IAS 1 introduces a single "statement of comprehensive income" incorporating both the profits and losses that have traditionally been reported in the income statement and other gains and losses that are currently reported in the Statement of Recognised Income and Expense or the Statement of Changes in Equity. Amendment to IAS 1 – Presentation of financial statements. Amendment to capital disclosures (effective for accounting periods beginning on or after 1 January 2009). Assuming it has been endorsed, the Group expects to apply these amendments in the accounting period beginning on 1 January 2009. As this is a disclosure standard it will not have any impact on the results or net assets of the Group. This standard is still to be endorsed by the EU.
- Improving Disclosures about Financial Instruments (Amendments to IFRS 7) - This Amendment requires the analysis of each class of financial asset and financial liability, into a three level fair value measurement hierarchy.
- Revised IFRS 3 – Business Combinations and complementary Amendments to IAS 27. "Consolidated and separate financial statements (both effective for accounting periods beginning on or after 1 July 2009). This revised standard and amendments to IAS 27 are still to be endorsed by the EU. The revised IFRS 3 and amendments to IAS 27 arise from a joint project with the Financial Accounting Standards Board (FASB), the US standards setter, and result in IFRS being largely converged with the related, recently issued, US requirements. There are certain very significant changes to the requirements of IFRS, and options available, if accounting for business combinations. Management is currently assessing the impact of revised IFRS 3 and amendments to IAS 27 on the accounts. This standard is still to be endorsed by the EU.
- Improvements to IFRS (effective for accounting periods beginning on or after 1 January 2009). This improvements project is still to be endorsed by the EU. The amendments take various forms, including the clarification of the requirements of IFRS, the elimination of inconsistencies between Standards, and a restructuring of IFRS 1 First-time Adoption of IFRS. Management is currently assessing the impact of the Amendment on the accounts.

#### *Revenue*

Turnover is stated net of value added tax. Sales of equipment are recognised when the equipment is shipped to the customer or installed. Service and maintenance revenue is spread evenly over the term of the contract. Other sales are recognised on completion of work.

#### *Basis of consolidation*

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

#### *Business combinations*

The consolidated financial statements incorporate the results of business combinations using the purchase method other than disclosed above. In the consolidated balance sheet, 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.

### *Discontinued operations*

Discontinued operations relate to a reportable component of the Group which ceased to trade in a previous year.

### *Impairment of non-financial assets*

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

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

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

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

### *Foreign currency*

Items included in the financial statements of each of the Group entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in sterling, which is the Company's functional and presentation currency.

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

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

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

On consolidation, the results of overseas operations are translated into sterling at rates approximating to those ruling when the transactions took place. All assets and liabilities of overseas operations, including goodwill arising on the acquisition of those operations, are translated at the rate ruling at the balance sheet date. Exchange differences arising on translating the opening net assets at opening rate and the results of overseas operations at average rate are recognised directly in equity (the "foreign exchange reserve").

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.

Invoice discounting arrangements are for cash flow purposes. Financial assets are not derecognised until the associated risks and rewards are transferred or extinguished.

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

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

#### *Share-based payments*

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

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

#### *Leased assets*

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

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

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

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

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

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

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

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

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

### *Intangible assets*

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

### *Taxation*

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

### *Current Tax*

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

### *Deferred taxation*

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

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

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

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

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

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

### *Property, plant and equipment*

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

Freehold land is not depreciated. Depreciation is provided on all other items of property, plant and equipment to write off the carrying value of items over their expected useful economic lives. It is applied at the following rates:

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

### *Inventories*

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

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



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

#### *Provisions*

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

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

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

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

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

Warranty – Provisions for warranty costs are recognised at the date of sale of the relevant products at the directors' best estimate of the expenditure required to settle the Group's obligation.

#### *Cash and cash equivalents*

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

#### *Borrowing costs*

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

#### *Critical accounting estimates and judgements*

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. These estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. 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 judgements are made using the historical, commercial and technical experience of senior members of the management team.



## 2. Revenue

Revenue arises from:	<b>2009</b>	<b>2008</b>
	<b>£'000</b>	<b>£'000</b>
Sale of goods	9,288	11,134
Provision of services	3,672	3,733
	<u>12,960</u>	<u>14,867</u>

## 3. Profit from operations

This has been arrived at after charging/(crediting):	<b>2009</b>	<b>2008</b>
	<b>£'000</b>	<b>£'000</b>
Staff costs (note 4)	5,240	5,406
Depreciation of property, plant and equipment		
– owned assets	218	196
– leased assets	145	149
Foreign exchange differences	(37)	81
Operating lease expense		
– Plant and machinery	14	19
– Property	271	229
Auditors remuneration:		
Parent company auditors		
Audit fees (Group)	36	45
Audit fees (parent company)	23	28
Tax fees (Group)	8	4
Tax fees (parent company)	4	18
Other services (Group)	–	–
Other services (parent company)	–	13
(Profit) on disposal of tangible non-current assets	(12)	(18)
	<u>5,240</u>	<u>5,406</u>

## 4. Staff costs

Staff costs (including the Executive Director) comprise:	<b>2009</b>	<b>2008</b>
	<b>£'000</b>	<b>£'000</b>
Wages and salaries	4,381	4,544
Short-term non-monetary benefits	227	184
Defined contribution pension cost	135	142
Share-based payment expense	21	41
Employer's national insurance contributions and similar taxes	476	495
	<u>5,240</u>	<u>5,406</u>

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

	<b>2009</b>	<b>2008</b>
	<b>No.</b>	<b>No.</b>
Management, sales and administration	80	80
Production	40	43
	<u>120</u>	<u>123</u>

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

	<b>2009</b>	<b>2008</b>
	<b>£'000</b>	<b>£'000</b>
Salaries	758	712
Short-term non-monetary benefits	23	24
Defined contribution pension costs	58	53
Share-based payment expenses	21	41
Employers national insurance contributions and similar taxes	86	78
	<u>946</u>	<u>908</u>

The emoluments of the Directors of the parent company are set out in the Report of the Remuneration Committee on page 11.

## 5. Segment information

The Group's primary reporting format for reporting segment information is business segments which reflect the management and reporting structure in the Group. Electronic division includes Grosvenor Technology and Newmark Technology, whilst the asset protection division includes Safetell Limited and its affiliated companies.

	Business segments				Total 2009 £'000
	Electronic division 2009 £'000	Asset protection division 2009 £'000	Discontinued businesses 2009 £'000	Head office 2009 £'000	
<i>Revenue</i>					
External	6,631	6,329	-	-	12,960
Intercompany	-	-	-	-	-
Total	<u>6,631</u>	<u>6,329</u>	<u>-</u>	<u>-</u>	<u>12,960</u>
<i>Profit before tax</i>					
Continuing operations	1,516	477	-	(680)	1,313
Discontinued operations	-	-	(36)	-	(36)
Total	<u>1,516</u>	<u>477</u>	<u>(36)</u>	<u>(680)</u>	<u>1,277</u>
<i>Balance sheet</i>					
Assets	10,652	4,066	-	(1,215)	13,503
Liabilities	(2,011)	(1,637)	(272)	(868)	(4,788)
Net assets	<u>8,641</u>	<u>2,429</u>	<u>(272)</u>	<u>(2,083)</u>	<u>8,715</u>
<i>Other</i>					
Capital expenditure					
- property, plant and equipment	124	217	-	-	341
- intangible fixed assets	612	-	-	-	612
Depreciation, amortisation and other non-cash expenses	260	204	-	2	466
	<u>2008 £'000</u>	<u>2008 £'000</u>	<u>2008 £'000</u>	<u>2008 £'000</u>	<u>2008 £'000</u>
<i>Revenue</i>					
External	7,494	7,373	-	-	14,867
Intercompany	-	-	-	-	-
Total	<u>7,494</u>	<u>7,373</u>	<u>-</u>	<u>-</u>	<u>14,867</u>
<i>Profit before tax</i>					
Continuing operations	1,648	843	-	(619)	1,872
Discontinued operations	-	-	218	-	218
Total	<u>1,648</u>	<u>843</u>	<u>218</u>	<u>(619)</u>	<u>2,090</u>
<i>Balance sheet</i>					
Assets	9,509	4,378	3	(403)	13,487
Liabilities	(1,962)	(2,231)	(233)	(1,437)	(5,863)
Net assets	<u>7,547</u>	<u>2,147</u>	<u>(230)</u>	<u>(1,840)</u>	<u>7,624</u>
<i>Other</i>					
Capital expenditure					
- property, plant and equipment	168	98	-	4	270
- intangible	392	-	-	-	392
Depreciation, amortisation and other non-cash expenses	125	201	9	10	345

The Group's secondary reporting format for reporting segment information is geographic segments.

	External revenue by location of customers		Total assets by location of assets		Net tangible capital expenditure by location of assets	
	2009	2008	2009	2008	2009	2008
	£'000	£'000	£'000	£'000	£'000	£'000
UK	11,210	12,896	13,687	13,484	341	250
Europe	1,066	1,104	-	3	-	(215)
USA	471	690	-	-	-	-
Other	213	177	-	-	-	-
	<u>12,960</u>	<u>14,867</u>	<u>13,687</u>	<u>13,487</u>	<u>341</u>	<u>35</u>
	Revenue		Segment assets		Capital expenditure	
	2009	2008	2009	2008	2009	2008
	£'000	£'000	£'000	£'000	£'000	£'000
<i>Continuing operation</i>						
UK	11,210	12,896	13,687	13,484	341	250
Europe	1,066	1,104	-	-	-	-
USA	471	690	-	-	-	-
Other	213	177	-	-	-	-
	<u>12,960</u>	<u>14,867</u>	<u>13,687</u>	<u>13,484</u>	<u>341</u>	<u>250</u>
<i>Discontinued operations</i>						
UK	-	-	-	-	-	-
Europe	-	-	-	3	-	(215)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>3</u>	<u>-</u>	<u>(215)</u>
	<u>12,960</u>	<u>14,867</u>	<u>13,687</u>	<u>13,487</u>	<u>341</u>	<u>35</u>

## 6. Finance income and costs

	2009	2009	2008	2008
	£'000	£'000	£'000	£'000
<i>Finance income</i>				
Bank interest received		-		36
<i>Finance costs</i>				
Bank borrowings	(120)		(36)	
Interest on loan notes for deferred consideration	-		(41)	
Invoice discounting	(27)		(22)	
Finance leases	(17)		(16)	
Discount charge on deferred consideration	-		(47)	
Interest rate adjustment on deferred consideration	-		(50)	
		<u>(164)</u>		<u>(212)</u>
		<u>(164)</u>		<u>(176)</u>

## 7. Tax expense

	2009 £'000	2009 £'000	2008 £'000	2008 £'000
<i>Current tax expense</i>				
<i>Continuing businesses</i>				
UK corporation tax on profits for the year	98		324	
Adjustment for over provision in prior periods	(41)		(2)	
		57		322
<i>Deferred tax expense</i>				
Origination and reversal of temporary differences	118		85	
		118		85
		175		407
<i>Discontinued businesses</i>				
UK corporation tax and income tax of overseas operations on profits for the year	-		38	
Adjustment for over provision in prior periods	5		(838)	
		5		(800)
<b>Total tax charge/(credit)</b>		<b>180</b>		<b>(393)</b>

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

	2009 £'000	2008 £'000
Profit before tax	1,277	2,090
Expected tax charge based on the standard rate of corporation tax in the UK of 28 per cent. (2008 – 30 per cent.)	358	627
Interest discount charge on deferred consideration	-	29
Research and development allowances	(118)	-
Effects on profits of other items not deductible for tax purposes	30	(80)
Double tax relief	(5)	(10)
Utilisation of previously unrecognised tax losses	(36)	(59)
Adjustment to tax charge in respect of previous periods	(41)	(840)
Reduction in future tax rate to 28%	-	(3)
Other	(8)	(57)
<b>Total tax charge/(credit)</b>	<b>180</b>	<b>(393)</b>

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

	2009 £'000	2008 £'000
Management expenses	772	523
Trading losses	1,813	1,940

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

	2009 £'000	2008 £'000
Management expenses	216	146
Trading losses	507	543

## 8. Discontinued operations

	2009 £'000	2008 £'000
Turnover	-	-
Cost of sales	-	-
Gross profit	-	-
Administrative expenses/miscellaneous income	(36)	142
(Loss)/earnings from operations	(36)	142
Finance income	-	207
(Loss)/profit before tax	(36)	349
Tax	(5)	800
Post-tax (loss)/profit related to discontinued operations	(41)	1,149

The cash flow statement includes the following amounts relating to discontinued operations:

	2009 £'000	2008 £'000
Operating activities	(159)	56
Investing activities	-	215
Financing activities	-	(221)
	(159)	50

## 9. Earnings per share

	2009 £'000	2008 £'000
<i>Numerator</i>		
Earnings used in basic and diluted EPS	1,097	2,483
Earnings used in basic and diluted EPS – continuing operations	1,138	1,334
	<b>No.</b>	<b>No.</b>
<i>Denominator</i>		
Weighted average number of shares used in basic and diluted EPS – continuing and discontinued operations	450,432,316	449,089,691

Employee share options have been excluded from the calculation of diluted EPS as their exercise price is greater than the weighted average share price during the year (i.e. they are out-of-the-money) and therefore would not be advantageous for the holders to exercise those options. Further information concerning share options is set out in note 27.

The basic earnings per share before interest discount, results of discontinued operations, provision for exchange losses and abortive acquisition costs has also been presented since, in the opinion of the directors, this provides shareholders with a more appropriate measure of earnings derived from the Group's businesses. It can be reconciled to basic earnings per share as follows:

	<b>2009</b>	<b>2008</b>
	<b>pence</b>	<b>pence</b>
Basic earnings per share (pence) – basic and diluted	0.24	0.55
Discount charge on deferred consideration	–	0.02
Abortive acquisition costs	0.01	–
Provision for foreign exchange loss	–	0.01
	<u>          </u>	<u>          </u>
Earnings per share before interest discount, provision for foreign exchange loss and abortive acquisition costs	0.25	0.58
Losses/(profits) of discontinued operations	0.01	(0.25)
Earnings per share before interest discount, results of discontinued operations, provision for foreign exchange loss and abortive acquisition costs – basic and diluted	<u>          </u>	<u>          </u>
	<u>          </u>	<u>          </u>
	<b>2009</b>	<b>2008</b>
	<b>£'000</b>	<b>£'000</b>
Reconciliation of earnings		
Profit used for calculation of basic earnings per share	1,097	2,483
Discount charge on deferred consideration	–	97
Provision for foreign exchange loss	–	59
Abortive acquisition costs	57	–
	<u>          </u>	<u>          </u>
Earnings before interest discount, provision for foreign exchange loss and abortive acquisition costs	1,154	2,639
Losses/(profits) of discontinued operations	41	(1,149)
Earnings before interest discount, results of discontinued operations, provision for foreign exchange loss and abortive acquisition costs	<u>          </u>	<u>          </u>
	<u>          </u>	<u>          </u>

## 10. Property, plant and equipment

	Freehold land and buildings £'000	Short leasehold improvements £'000	Plant, machinery and motor vehicles £'000	Computers, fixtures and fittings £'000	Total £'000
<i>At 30 April 2008</i>					
Cost	–	272	1,351	613	2,236
Accumulated depreciation	–	(188)	(821)	(448)	(1,457)
Net book value	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
	–	84	530	165	779
<i>At 30 April 2009</i>					
Cost	–	303	1,454	716	2,473
Accumulated depreciation	–	(220)	(980)	(516)	(1,716)
Net book value	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
	–	83	474	200	757
<i>Year ended 30 April 2008</i>					
Opening net book value	195	95	479	111	880
Additions	–	12	367	71	450
Disposals	(215)	–	(18)	(2)	(235)
Reclassifications	–	–	(36)	36	–
Depreciation	(9)	(23)	(262)	(51)	(345)
Exchange differences	29	–	–	–	29
Closing net book value	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
	–	84	530	165	779

	Freehold land and buildings £'000	Short leasehold improvements £'000	Plant, machinery and motor vehicles £'000	Computers, fixtures and fittings £'000	Total £'000
<i>Year ended 30 April 2009</i>					
Opening net book value	-	84	530	165	779
Additions	-	31	221	103	355
Disposals	-	-	(14)	-	(14)
Depreciation	-	(32)	(263)	(68)	(363)
Closing net book value	-	83	474	200	757

The net book value of property plant and equipment for the Group includes an amount of £206,191 (2008: £207,835) in respect of assets held under finance leases and hire purchase contracts. The related depreciation charge on these assets for the year was £144,999 (2008: £149,353).

## 11. Intangible assets

	Goodwill £'000	Development costs (internally generated) £'000	Licences, patents and copyrights £'000	Total £'000
<i>At 30 April 2008</i>				
Cost	6,755	749	24	7,528
Accumulated impairment losses	-	-	-	-
Amortisation	-	-	-	-
Net book value	6,755	749	24	7,528
<i>At 30 April 2009</i>				
Cost	6,755	1,344	36	8,135
Accumulated impairment losses	-	-	-	-
Amortisation	-	(98)	(5)	(103)
Net book value	6,755	1,246	31	8,032
<i>Year ended 30 April 2008</i>				
Opening net book value	6,755	381	-	7,136
Additions				
- Internally developed	-	368	-	368
- External	-	-	24	24
Closing net book value	6,755	749	24	7,528
<i>Year ended 30 April 2009</i>				
Opening net book value	6,755	749	24	7,528
Additions				
- Internally developed	-	595	-	595
- External	-	-	12	12
Amortisation	-	(98)	(5)	(103)
Closing net book value	6,755	1,246	31	8,032

The Group has no contractual commitments for development costs (2008: £Nil).

All development costs have a finite useful economic life.

## 12. Goodwill and impairment

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

	Goodwill carrying amount	
	2009 £'000	2008 £'000
Electronic division	5,794	5,794
Asset protection division	961	961
	<u>6,755</u>	<u>6,755</u>

The recoverable amounts of all the above CGUs have been determined from value in use calculations based on cash flow projections from formally approved budgets covering a five year period to 30 April 2014. The discount rate which was applied was 14.7 per cent., the estimated weighted average cost of capital.

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

The reviews which are carried out at 30 April each year indicated that no impairment provision was necessary.

## 13. Subsidiaries

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

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

(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

## 14. Inventories

	2009 £'000	2008 £'000
Raw materials and consumables	872	1,014
Work-in-progress	121	107
Finished goods and goods for resale	711	781
	<u>1,704</u>	<u>1,902</u>



Finished goods include an amount of £Nil (2008: £Nil) carried at fair value less costs to sell. The value of stocks consumed in the year was £3,959,000 (2008: £5,033,000). The amount of stock write downs in the year was £Nil (2008: £Nil). There are no stocks recoverable after 12 months (2008: £Nil).

#### 15. Trade and other receivables

	2009 £'000	2008 £'000
Trade receivables (net)	1,994	2,653
Other receivables	19	26
Accrued income	201	259
Prepayments	190	253
	<u>2,404</u>	<u>3,191</u>

#### 16. Trade and other payables – current

	2009 £'000	2008 £'000
Trade payables	808	1,125
Other tax and social security taxes	440	476
Other payables	633	760
Deferred income	713	473
Accruals	569	620
	<u>3,163</u>	<u>3,454</u>

Other payables include an amount of £737,000 (2008: £692,000) in respect of an invoice discount facility which was secured on the trade debtors.

#### 17. Other short term borrowings

	2009 £'000	2008 £'000
Bank loans		
– secured (i)	63	250
– secured (ii)	429	449
Finance lease creditor (note 26)	115	110
	<u>607</u>	<u>809</u>

UK subsidiaries of the Group use the same principal banker. The Group has entered into a netting arrangement with the bank which enables group companies with bank accounts in surplus to be offset against overdrawn amounts of other group companies, with a Group overdraft facility.

Bank loan (i) is secured on the assets of the UK subsidiary companies and is repayable by equal monthly instalments until July 2009. Interest is payable at 2 per cent. above base rate.

Bank loan (ii) is secured on the assets of the UK subsidiary companies and is repayable by equal monthly instalments until November 2011. Interest is payable at 2 per cent. above base rate.

Information about fair values on the financial liabilities is given in note 20.

#### 18. Long term borrowings

	2009 £'000	2008 £'000
Bank loans – secured (note 17)	219	626
Finance lease creditor (note 26)	90	84
	<u>309</u>	<u>710</u>

## 19. Financial instruments – Risk Management

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

The Group's financial instruments comprise cash, borrowings and liquid resources, and various items such as trade receivables and payables that arise directly from its operations. The Group is exposed through its operations to one or more of the following financial risks:

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

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

### *Financial Instruments*

Categories of financial assets and financial liabilities are detailed below

	Loans and receivables	
	2009	2008
	£'000	£'000
<b>Current financial assets</b>		
Trade and other receivables	2,404	3,191
Cash and cash equivalents	606	87
<b>Total current financial assets</b>	<b>3,010</b>	<b>3,278</b>
	Financial liabilities measured at amortised cost	
	2009	2008
	£'000	£'000
<b>Current financial liabilities</b>		
Trade and other payables	3,163	3,454
Loans and borrowings	607	809
<b>Total current financial liabilities</b>	<b>3,770</b>	<b>4,263</b>
<b>Non-current financial liabilities</b>		
Loans and borrowings	309	710
<b>Total non-current financial liabilities</b>	<b>309</b>	<b>710</b>
<b>Total financial liabilities</b>	<b>4,079</b>	<b>4,973</b>

### *Financial instrument risk exposure management*

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

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

### *Principal financial instruments*

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

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

### *General objectives, policies and processes*

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

### *Credit risks*

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

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

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

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

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

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

The Group records impairment losses on its trade receivables separately from gross receivables and reports these net of provisions. The movements on this allowance account during the year are summarised below

	2009 £'000	2008 £'000
Opening balance	23	16
Increase in provisions	83	11
Receivable written off during the year	(84)	(4)
<b>Closing balance</b>	<b>22</b>	<b>23</b>

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 debtors.

The following table illustrates the concentration of credit risk within the Group as at the balance sheet date

2009	Trade Receivables				
	Turnover £'000	Total £'000	Current £'000	30 days past due £'000	60 days past due £'000
Geographical Area					
UK	11,210	1,840	1,096	523	221
USA	471	57	43	14	-
Europe	1,066	119	76	34	9
Rest of the World	213	-	-	-	-
<b>Total</b>	<b>12,960</b>	<b>2,016</b>	<b>1,215</b>	<b>571</b>	<b>230</b>

  

2008	Trade Receivables				
	Turnover £'000	Total £'000	Current £'000	30 days past due £'000	60 days past due £'000
Geographical Area					
UK	12,896	2,302	1,361	751	190
USA	690	213	54	121	38
Europe	1,104	143	42	(31)	132
Rest of the World	177	18	1	16	1
<b>Total</b>	<b>14,867</b>	<b>2,676</b>	<b>1,458</b>	<b>857</b>	<b>361</b>

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

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

*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*

	2009			2008		
	Gross Value £'000	Provision £'000	Net Carrying Amount £'000	Gross Value £'000	Provision £'000	Net Carrying Amount £'000
UK	1,840	(22)	1,818	2,302	(23)	2,279
USA	57	-	57	213	-	213
Europe	119	-	119	143	-	143
Rest of the World	-	-	-	18	-	18
<b>Total</b>	<b>2,016</b>	<b>(22)</b>	<b>1,994</b>	<b>2,676</b>	<b>(23)</b>	<b>2,653</b>

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.

As at 30 April 2009 trade receivables of £324,000 (2008: £702,000) were past due but not considered to be impaired. They relate to customers with no default history. The ageing analysis of these receivables is as follows

	2009 £'000	2008 £'000
Up to 3 months	212	651
3 to 6 months	112	51
	<b>324</b>	<b>702</b>

### *Liquidity risk*

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

The Group had floating rate invoice discounting facilities with a maximum aggregate facility limit at 30 April 2009 of £1,300,000 (2008: £800,000). These facilities are subject to 3 months' notice period. The Group also has term loans of £711,000 (2008: £1,325,000). The interest rate payable on the term loans is base rate plus 2%. The loans are repayable in monthly instalments.

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

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

	2009 £'000	2008 £'000
Up to 3 months	905	867
3 to 6 months	108	174
6 to 12 months	215	350
Later than 1 year and not later than 5 years	219	626
	<u>1,447</u>	<u>2,017</u>

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

### *Market risks*

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

### *Interest rate risk*

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

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

The following table demonstrates the effect of a 1% movement from a base rate plus 2% based on the term loan balances as at 30 April 2009 of £711,000.

<b>Interest rate movement from base rate plus 2%</b>	<b>-1%</b>	<b>+1%</b>
Interest (saving)/expenses (£000's)	<u>(4)</u>	<u>4</u>

### Interest Risk Profile

The following table sets out the carrying amount of the Group's financial instruments that are exposed to interest rate risk as at 30 April 2009.

	2009		2008	
	Effective Interest Rate	Carrying Amount £'000	Effective Interest Rate	Carrying Amount £'000
<i>Floating rate with maturity within one year</i>				
Cash and cash equivalents	Nil	606	2.50%	87
Advances drawn on invoice discounting	2.25%	(736)	6.75%	(692)
Term loan	2.50%	(492)	7.00%	(699)
<i>Floating rate with maturity over one year</i>				
Term loan	2.50%	(219)	7.00%	(626)
		<u>(841)</u>		<u>(1,930)</u>

### Foreign currency risk

The Group's main foreign currency risk is the short-term risk associated with trade debtors 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 trade payables which are denominated in currencies other than sterling.

The carrying values of the Group's trade receivables and trade payables are denominated in the following currencies:

	Trade receivables		Trade payables	
	2009 £'000	2008 £'000	2009 £'000	2008 £'000
Pound sterling	1,818	2,297	624	1,018
US dollar	57	213	5	-
Euro	119	143	179	107
	<u>1,994</u>	<u>2,653</u>	<u>808</u>	<u>1,125</u>

The effect of a 10 per cent. strengthening of the Euro and Dollar against Sterling at the balance sheet date on the Euro/Dollar denominated trade receivables and payables carried at that date would, all other variables held constant, have resulted in a net increase in pre-tax profit for the year and increase of net assets of £5,000 (2008: £22,000). A 10 per cent. weakening in the exchange rates would, on the same basis, have decreased pre-tax profit and decrease net assets by £6,000 (2008: £28,000).

### Capital

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

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

## 20. Financial assets and liabilities – Numerical information

### *Maturity of financial liabilities*

The carrying amounts of financial liabilities, all of which are exposed to cash flow or fair value interest rate risk, are repayable as follows:

	2009 £'000	2008 £'000
In less than one year	607	809
In more than one year but not more than two years	309	578
In more than two years but not more than three years	–	132
	<u>916</u>	<u>1,519</u>

### *Borrowing facilities*

The Group had undrawn committed borrowing facilities available at 30 April 2009 in which all conditions have been met.

	Floating rate £'000	Fixed rate £'000	2009 Total £'000	2008 Total £'000
Expiry within 1 year	<u>1,106</u>	<u>–</u>	<u>1,106</u>	<u>587</u>

### *Interest rate risk*

The currency and interest profile of the Group's financial assets and liabilities after taking account of interest rate swaps are as follows:

	Floating rate liabilities 2009 £'000	Fixed rate liabilities 2009 £'000	Interest free liabilities 2009 £'000	Total £'000
Sterling	<u>711</u>	<u>205</u>	<u>–</u>	<u>916</u>
	Floating rate liabilities 2008 £'000	Fixed rate liabilities 2008 £'000	Interest free liabilities 2008 £'000	Total £'000
Sterling	<u>1,325</u>	<u>194</u>	<u>–</u>	<u>1,519</u>
	Floating rate assets 2009 £'000	Fixed rate assets 2009 £'000	Interest free assets 2009 £'000	Total £'000
Sterling	<u>606</u>	<u>–</u>	<u>–</u>	<u>606</u>
	Floating rate assets 2008 £'000	Fixed rate assets 2008 £'000	Interest free assets 2008 £'000	Total £'000
Sterling	<u>87</u>	<u>–</u>	<u>–</u>	<u>87</u>

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

	Rate 2009 %	Period 2009 Years	Rate 2008 %	Period 2008 Years
Sterling	4.1	1.7	4.0	1.0

#### *Fair values*

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

	Book value 2009 £'000	Fair value 2009 £'000	Book value 2008 £'000	Fair value 2008 £'000
Bank loans	711	698	1,325	1,293
Finance lease creditor	205	196	194	185
	916	894	1,519	1,478

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 monetary assets and liabilities at 30 April 2009 and 2008 is equal to their book value.

## 21. Provisions

	Rental provision contracts £'000	Leasehold dilapidations £'000	Warranty £'000	Holiday pay £'000	Total £'000
At 1 May 2008	72	84	20	87	263
Released in year	(16)	-	-	-	(16)
Charged in year	-	-	-	-	-
At 30 April 2009	56	84	20	87	247
Due within one year or less	16	-	20	87	123
Due after more than one year	40	84	-	-	124
	56	84	20	87	247

The rental provision related to the excess of Safetell's contractual legal obligation at date of acquisition over the market rental, and will be reversed over the remaining three years of the lease.

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.



## 22. Deferred tax

Deferred tax is calculated in full on temporary differences under the liability method using a tax rate of 28 per cent. (2008: 28 per cent.).

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

	Group	
	2009	2008
Liability/(asset)		
At 1 May	48	(37)
Income statement	118	85
At 30 April	<u>166</u>	<u>48</u>

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

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

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

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

	Liability/ (Asset) 2009 £'000	Charged/ (credited) to income 2009 £'000
Accelerated capital allowances	(65)	(18)
Other temporary and deductible differences	296	136
Available losses	(65)	-
	<u>166</u>	<u>118</u>

  

	Liability 2008 £'000	Charged/ (credited) to income 2008 £'000
Accelerated capital allowances	(47)	(5)
Other temporary and deductible differences	160	85
Available losses	(65)	5
	<u>48</u>	<u>85</u>

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

	2009 £'000	2008 £'000
Unused tax losses	<u>723</u>	<u>841</u>

## 23. Share capital

	2009 Number	Authorised 2009 £	2008 Number	2008 £
Ordinary shares of 1p each	1,015,164,192	10,151,642	1,015,164,192	10,151,642
		Issued and fully paid		
	2009 Number	2009 £	2008 Number	2008 £
<i>Ordinary shares of 1p each</i>				
At beginning of the year	450,432,316	4,504,323	448,957,816	4,489,578
Issued in the year	-	-	1,474,500	14,745
At end of the year	450,432,316	4,504,323	450,432,316	4,504,323

## 24. Reserves

	Share premium £'000	Merger reserve £'000	Retained earnings £'000	Foreign exchange reserve £'000
At 30 April 2007	493	801	(600)	(38)
Translation differences on overseas operations	-	-	-	(109)
Share-based payments provision	-	-	41	-
Excess of market price over nominal value of shares issued in year	9	-	-	-
Profit for the year	-	-	2,483	-
At 30 April 2008	502	801	1,924	(147)
At 30 April 2008	502	801	1,924	(147)
Translation differences on overseas operations	-	-	-	(27)
Share-based payments provision	-	-	21	-
Profit for the year	-	-	1,097	-
At 30 April 2009	502	801	3,042	(174)

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.

## 25. Leases

### *Finance leases*

Future lease payments are due as follows:

	<b>Minimum lease payments 2009 £'000</b>	<b>Interest 2009 £'000</b>	<b>Present value 2009 £'000</b>
Not later than one year	129	14	115
Later than one year and not later than five years	100	10	90
	<u>229</u>	<u>24</u>	<u>205</u>

	<b>Minimum lease payments 2008 £'000</b>	<b>Interest 2008 £'000</b>	<b>Present value 2008 £'000</b>
Not later than one year	122	12	110
Later than one year and not later than five years	94	10	84
	<u>216</u>	<u>22</u>	<u>194</u>

The present value of future lease payments are analysed as:

	<b>2009 £'000</b>	<b>2008 £'000</b>
Current liabilities	115	110
Non-current liabilities	90	84
	<u>205</u>	<u>194</u>

### *Operating leases – lessee*

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

Commitments under non-cancellable operating leases expiring:

	<b>2009 £'000</b>	<b>2008 £'000</b>
Not later than one year	-	-
Later than one year and not later than five years	692	316
Later than five years	480	796
	<u>1,172</u>	<u>1,112</u>

## 26. Share-based payment

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

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

Date of Grant	Subscription Price payable	2009 Approved	2009 Unapproved	2008 Approved	2008 Unapproved
January 1999	8.25p	-	-	250,000	250,000
December 2001	5p	125,000	125,000	125,000	125,000
September 2002	2p	125,000	6,075,000	125,000	6,075,000
October 2005	1.5p	7,000,000	7,000,000	7,000,000	7,000,000
Total		<u>7,250,000</u>	<u>13,200,000</u>	<u>7,500,000</u>	<u>13,450,000</u>

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

The remaining weighted average contractual lives for Approved and Unapproved Options were 6.3 and 5.0 years respectively (2008: 7.2 and 5.9).

Of the total number of options outstanding at the end of the year 7,250,000 Approved and 13,200,000 Unapproved (2008: 500,000 and 6,450,000 respectively) had vested at the end of the year.

There were no options granted or exercised during the year.

The share based remuneration expense for equity settled schemes was £21,000 (2008: £41,000).

## 27. Related party transactions

Details of directors' remuneration are given in the Report of the Remuneration Committee on page 11.

## 28. Notes supporting cash flow statement

Cash and cash equivalents comprises:

	2009 £'000	2008 £'000
Cash available on demand	<u>606</u>	<u>87</u>
Net cash increase/(decrease) in cash and cash equivalents	519	(1,861)
Cash and cash equivalents at beginning of year	<u>87</u>	<u>1,948</u>
Cash and cash equivalents at end of year	<u>606</u>	<u>87</u>

Significant non-cash transactions are as follows:

### *Financing activities*

Proceeds from finance lease creditor	<u>152</u>	<u>180</u>
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**COMPANY BALANCE SHEET**  
**30 April 2009 – UK GAAP Financial Statements**

	Note	2009 £'000	2009 £'000	2008 £'000	2008 £'000
<b>Fixed assets</b>					
Investment in subsidiary	3		18,869		18,869
Tangible assets	4		<u>1</u>		<u>3</u>
			18,870		18,872
<b>Current assets</b>					
Debtors	5	1,188		24	
<b>Creditors: amounts falling due within one year</b>	6	<u>(12,957)</u>		<u>(12,624)</u>	
<b>Net current liabilities</b>			<u>(11,769)</u>		<u>(12,600)</u>
<b>Total assets less current liabilities</b>			7,101		6,272
<b>Creditors: amounts falling due after more than one year</b>	7		(219)		(626)
<b>Accruals and deferred income</b>			<u>(171)</u>		<u>(91)</u>
<b>Net assets</b>			<u><u>6,711</u></u>		<u><u>5,555</u></u>
<b>Capital and reserves</b>					
Called up share capital	8		4,504		4,504
Share premium account	9		502		502
Merger reserve	9		801		801
Profit and loss account	9		<u>904</u>		<u>(252)</u>
<b>Shareholder's funds–Equity</b>	10		<u><u>6,711</u></u>		<u><u>5,555</u></u>

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

These financial statements were approved by the Board of Directors and authorised for issue on 20 July 2009.

M Dwek  
 Director

**NOTES FORMING PART OF THE FINANCIAL STATEMENTS**  
for the year ended 30 April 2009

**1. Accounting policies**

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

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

*Profit and Loss Account*

Under Section 408 of the Companies Act 2006 the Company is exempt from the requirement to present its own profit and loss account. The loss for the year ended 30 April 2009 is disclosed in note 10. The charge for taxation is based on the loss for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

*Depreciation*

Depreciation is provided to write off the cost, less estimated residual values, of all fixed assets evenly over their expected useful lives. It is calculated at the following rates:

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

*Valuation of investments*

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

*Deferred taxation*

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

Deferred tax balances are not discounted.

*Leased assets*

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

**2. Employees and staff costs**

	2009 Number	2008 Number
The average number of employees, including directors, during the period was:		
Office and management	2	2
	<u>2</u>	<u>2</u>
	2009 £'000	2008 £'000
Staff costs (including Executive Director) comprise:		
Wages and salaries	130	128
Employer's national insurance contributions and similar taxes	15	16
	<u>145</u>	<u>144</u>

### 3. Investment in subsidiary

	£'000
Cost	
At 1 May 2008 and 30 April 2009	18,869
Net book value at 30 April 2008 and 30 April 2009	<u>18,869</u>

The subsidiaries of Newmark Security PLC, are as follows:

Name	Country of incorporation	Proportion of ownership interest
Newmark Technology (C-Cure Division) Limited	Great Britain	100%
Vema B.V.	The Netherlands	100%
Newmark Technology S.A.	Belgium	100%
Safetell International Limited	Great Britain	100%
Safetell Limited	Great Britain	100%
Safetell Security Screens Limited	Great Britain	100%
Newmark Technology Inc.	USA	100%
Grosvenor Technology Limited	Great Britain	100%
Newmark Group Limited	Great Britain	100%
Sateon Limited	Great Britain	100%
Custom Micro Products Limited	Great Britain	100%

### 4. Tangible assets

	Computers Fixtures & Fittings £'000	Total £'000
Cost		
At 1 May 2008 and 30 April 2009	<u>9</u>	<u>9</u>
<i>Depreciation</i>		
At 1 May 2008	6	6
Charge for the year	<u>2</u>	<u>2</u>
At 30 April 2009	<u>8</u>	<u>8</u>
<i>Net book value</i>		
At 30 April 2009	<u>1</u>	<u>1</u>
At 30 April 2008	<u>3</u>	<u>3</u>

## 5. Debtors

	2009 £'000	2008 £'000
Amount due from group undertakings	1,162	-
Other debtors	13	14
Prepayments	13	10
	<u>1,188</u>	<u>24</u>

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

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

	2009 £'000	2008 £'000
Bank overdraft	1,242	441
Loan (i)	63	250
Loan (ii)	429	449
Amount due to group undertakings	11,219	11,479
Other taxation and social security	4	5
	<u>12,957</u>	<u>12,624</u>

Bank loan (i) is repayable by equal monthly instalments until July 2009 and is secured on the assets of the UK subsidiary companies. Interest is payable at 2 per cent. above base rate.

Bank loan (ii) is secured on the assets of the UK subsidiary companies and is repayable by equal monthly instalments until November 2011. Interest is payable at 2 per cent. above base rate.

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

	2009 £'000	2008 £'000
Loans (see note 6)	<u>219</u>	<u>626</u>

## 8. Share capital

	2009	2008
Authorised:		
1,015,164,192 Ordinary shares of 1p each (2008: 1,015,164,192)	<u>10,151,642</u>	<u>10,151,642</u>
Allotted, called up and fully paid:		
450,432,316 Ordinary shares of 1p each (2008: 450,432,316)	<u>4,504,323</u>	<u>4,504,323</u>



## 9. Reserves

	Share premium account £'000	Merger reserve £'000	Profit and loss account £'000
At 1 May 2008	502	801	(252)
Loss for the year	-	-	(394)
Dividends received	-	-	1,550
At 30 April 2009	<u>502</u>	<u>801</u>	<u>904</u>

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

	2009 £'000	2008 £'000
Opening shareholder's funds	5,555	3,400
Loss for the year	(394)	(321)
Dividends received	1,550	2,453
New share capital subscribed	-	23
Closing shareholder's funds	<u>6,711</u>	<u>5,555</u>

## 11. Commitments under operating leases

At 30 April 2009 the company had annual commitments under non-cancellable operating leases as follows:

	2009 Land and buildings £'000	2008 Land and buildings £'000
Expiring within two to three years	<u>42</u>	<u>42</u>

## SUMMARY OF ALTERATIONS TO THE ARTICLES OF ASSOCIATION

As a consequence of certain provisions of the Companies Act 2006 (the "2006 Act") which have come into force on 1 October 2007, 6 April 2008 and 1 October 2008, as well as further provisions which will come into force on 1 October 2009, and some related matters, it is proposed to adopt new Articles of Association with effect from 1 October 2009.

The principal alterations to the existing Articles of Association, which are included in the proposed new Articles of Association to be adopted by Resolution [5] in the Notice of Annual General Meeting, can be summarised as follows:

1. Where sections in the Companies Act 1985 has been repealed, the proposed new Articles of Association refer throughout to the equivalent new sections in the Companies Act 2006.
2. The proposed new Articles of Association reflect the change to the law under the 2006 Act whereby, with effect from 1 October 2009, the provisions contained in a company's Memorandum of Association (other than statements regarding the subscribers) will be treated as part of the company's Articles of Association. The proposed new Articles of Association also reflect the abolition of the *ultra vices* doctrine, whereby a company will have unrestricted objects, unless the objects are specifically restricted by the company's articles of association. In this regard, clause 4 of the existing Memorandum of Association has been omitted from the proposed new Articles of Association.
3. The proposed new Articles of Association reflect the abolition under the 2006 Act of the concept of authorised share capital as from 1 October 2009. In particular, Article 3.1 of the existing Articles of Association has been omitted from the proposed new Articles of Association.
4. The proposed new Articles reflect the change in law under the 2006 Act whereby a company will no longer have the power to close the register of members.
5. The proposed new Articles of Association reflect the change in law under the 2006 Act that, from 1 October 2009, it will no longer be necessary for articles of association to authorise a company (i) to reduce its capital or (ii) to purchase its own shares, as a company will have authority to do so unless prohibited by its articles of association (Articles 13.2 and 3.5 of the existing Articles of Association have been omitted from the proposed new Articles of Association).
6. The proposed new Articles of Association reflect the change in terminology under the 2006 Act which no longer uses the term "extraordinary general meeting" and instead refers to all meetings as "general meetings", or as "annual general meetings".
7. The proposed new Articles of Association reflect the change in law under the 2006 Act which enables the Directors to exclude non-working days from the calculation of certain time periods referred to in the Articles of Association, for example, in connection with the deposit and/or revocation of instruments appointing proxies.
8. The proposed new Articles of Association reflect the current practices with regard to the use of electronic communications for the purposes of communication to and from members of the Board of Directors. The Act contains new deemed acceptance provisions which give rise to the potential for significant savings in print, paper and postage costs. Shareholders have the right to request hard copies of information printed on the website, and this must be sent within 21 days of receipt of such a request.
9. The proposed new Articles of Association clarify that a written resolution passed by the Directors will be effective for the purposes of authorising a Director's conflict of interest under the 2006 Act in circumstances where it has not been signed by a Director (or by his alternate) who is prohibited by the Articles of Association from voting thereon.
10. The new Articles of Association reflect the change in law under the 2006 Act extending the circumstances in which a director of a trustee company may be indemnified by the Company and clarifying the circumstances in which a company may advance a loan to a director for the purpose of funding his or her defence in connection with certain proceedings.

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

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

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

# NEWMARK SECURITY PLC

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

## NOTICE OF ANNUAL GENERAL MEETING

If you do not propose to attend the Annual General Meeting to be held at 57 Grosvenor Street, London W1K 3JA on 9 September 2009 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 not less than 48 hours before the time of the holding of the Annual General Meeting.

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Notice is hereby given that the Annual General Meeting of the above-mentioned company ("**the Company**") will be held at 57 Grosvenor Street, London W1K 3JA on 9 September 2009 at 11.00 a.m.

You will be asked to consider and pass the resolutions below. Resolutions 8 to 11 (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 2009 together with the reports of the directors and auditors thereon.

**2. Rotation and retirement of directors**

To re-elect Mr Brian Beecraft as a director of the Company, who is retiring by rotation in accordance with the articles of association of the Company.

**3. Rotation and retirement of director**

To re-elect Mr Alexander Reid as a non executive director of the Company, who is retiring by rotation in accordance with the articles of association of the Company.

**4. Appointment of director**

To reappoint Mr John William Nicholas Medlam as a non executive director of the Company in accordance with the articles of association of the Company, following his appointment since the annual general meeting of the Company held in 2008.

**5. Appointment of auditors**

To reappoint BDO Stoy Hayward LLP of 55 Baker Street, London W1U 7EU 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.

**6. Dividend**

To declare a final dividend for the financial year ended 30 April 2009 of 0.025 pence per ordinary share of one pence each.

**7. Remuneration of directors**

THAT the remuneration of the directors be approved as set out in the accounts for the year ended 30 April 2009.

## Special Resolutions

### 8. Disapplication of pre-emption rights

THAT, the directors be and are generally and unconditionally authorised pursuant to and for the purposes of section 80 of the Companies Act 1985 ("**the Act**") to exercise all the powers of the Company to allow relevant securities (within the meaning of that section) up to an aggregate nominal amount of £4,000,000, being equal to approximately 89 per cent of the nominal amount of ordinary shares of the Company in issue at the latest practicable date prior to the printing of the Notice of the Annual General Meeting, provided that this power unless renewed, shall 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 provided that the Company may before such expiry make any offer or agreement which would or might require Shares to be allotted after such expiry and the directors of the Company may allot Shares in pursuance of any such an offer or agreement as if the authority conferred hereby had not expired.

9. THAT, subject to the passing of resolution 8 above, the directors be and are empowered pursuant to section 95 of the Act to allot relevant securities) up to an aggregate nominal amount of £4,000,000, being equal to approximately 78 per cent of the nominal amount of ordinary shares of the Company in issue at the latest practicable date prior to the printing of the Notice of the Annual General Meeting without following the provisions set out in Section 89(1) of the Act during the period commencing on the date hereof and expiring 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, during which period the directors may make offers or agreements which would or might require the making of allotments after the expiry of such period.

### 10. Adoption of New Articles of Association

THAT, with effect from 1 October 2009:

- (a) the articles of association of the Company shall be amended by deleting all the provisions of the Company's memorandum of association which, by virtue of section 28 of the Companies Act 2006, are to be treated as part of the articles of association of the Company; and
- (b) the draft articles of association produced to the meeting and initialled by the chairman of the meeting for the purpose of identification shall be adopted as the articles of association of the Company in substitution for, and to the exclusion of, the existing articles of association of the Company.

### 11. Notice for General Meetings

THAT the Company hereby approves general meetings (other than annual general meetings) being called on 14 clear days' notice.

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

Registered in England and Wales No. 3339998

20 July 2009

## Notes to the Notice of Annual General Meeting

1. Members are entitled to appoint a proxy to exercise all or any of their rights to attend and to speak and vote on their behalf at the meeting. A shareholder may appoint more than one proxy in relation to the Annual General Meeting provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that shareholder. A proxy need not be a shareholder of the Company. A proxy form which may be used to make such appointment and give proxy instructions accompanies this notice.
2. To be valid any proxy form or other instrument appointing a proxy must be received by post or (during normal business hours only) by hand at Capita Registrars, Proxies, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU no later than 11.00am on 7 September 2009.
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. 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.
5. 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 these paragraphs can only be exercised by shareholders of the Company.
6. To be entitled to attend and vote at the Annual General Meeting (and for the purpose of the determination by the Company of the votes they may cast), Shareholders must be registered in the Register of Members of the Company at 11.00am on 7 September 2009 (or, in the event of any adjournment, 11.00am 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 20 July 2009 (being the last business day prior to the publication of this Notice) the Company's issued share capital consists of 450,432,316 ordinary shares, carrying one vote each. Therefore, the total voting rights in the Company as at 20 July 2009 are 450,432,316.
8. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so by using the procedures described in the CREST Manual. CREST Personal Members or other CREST sponsored members, and those CREST members who have appointed a service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.
9. In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specifications, and must contain the information required for such instruction, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or is an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by Capita Registrars by 11.00am on 7 September 2009. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Application Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.
10. CREST members and, where applicable, their CREST sponsors, or voting service providers should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular message. Normal system timings and limitations will, therefore, apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member, or sponsored member, or has appointed a voting service provider, to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting system providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.
11. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.
12. Shareholders should note that it is possible that, pursuant to requests made by shareholders of the Company under section 527 of the Companies Act 2006, the Company may be required to publish on a website a statement setting out any matter relating to: (i) the audit of the Company's accounts (including the auditor's report and the conduct of the audit) that are to be laid before the Annual General Meeting; or (ii) any circumstance connected with an auditor of the Company ceasing to hold office since the previous meeting at which annual accounts and reports were laid in accordance with section 437 of the Companies Act 2006. The Company may not require the shareholders requesting any such website publication to pay its expenses in complying with sections 527 or 528 of the Companies Act 2006. Where the Company is required to place a statement on a website under section 527 of the Companies Act 2006, it must forward the statement to the Company's auditor not later than the time when it makes the statement available on the website. The business which may be dealt with at the Annual General Meeting includes any statement that the Company has been required under section 527 of the Companies Act 2006 to publish on a website.
13. In order to facilitate voting by corporate representatives at the meeting, arrangements will be put in place at the meeting so that (i) if a corporate shareholder has appointed the chairman of the meeting as its corporate representative with instructions to vote on a poll in accordance with the directions of all of the other corporate representatives for that shareholder at the meeting, then on a poll those corporate representatives will give voting directions to the chairman and the chairman will vote (or withhold a vote) as corporate representative in accordance with those directions; and (ii) if more than one corporate representative for the same corporate shareholder attends the meeting but the corporate shareholder has not appointed the chairman of the meeting as its corporate representative, a designated corporate representative will be nominated, from those corporate representatives who attend, who will vote on a poll and the other corporate representatives will give voting directions to that designated corporate representative. Corporate shareholders are referred to the guidance issued by the Institute of Chartered Secretaries and Administrators on proxies and corporate representatives ([www.icsa.org.uk](http://www.icsa.org.uk)) for further details of this procedure. The guidance includes a sample form of representation letter if the chairman is being appointed as described in (i) above.

