



Company number: 3339998

Report and Financial Statements

Year ended 30 April 2010

INDEX

	Page
DIRECTORS, SECRETARY AND ADVISERS	2
CHAIRMAN'S STATEMENT	3
REPORT OF THE DIRECTORS	7
REPORT OF THE REMUNERATION COMMITTEE	12
INDEPENDENT AUDITOR'S REPORT	13
FINANCIAL STATEMENTS	15
NOTES FORMING PART OF THE FINANCIAL STATEMENTS	20
COMPANY BALANCE SHEET	49
NOTES FORMING PART OF THE FINANCIAL STATEMENTS OF THE COMPANY	50
NOTICE OF ANNUAL GENERAL MEETING	55
FORM OF PROXY	

DIRECTORS, SECRETARY AND ADVISERS

Country of incorporation of parent company:	Great Britain
Legal form:	Public Limited Company
Directors:	M Dwek B Beecraft M Rapoport N Medlam D Blethyn D Ishag
Secretary and registered office:	B Beecraft, 57 Grosvenor Street, London W1K 3JA
Company number:	3339998
Auditors:	BDO LLP, 55 Baker Street, London W1U 7EU
Nominated Adviser:	Seymour Pierce Limited, 20 Old Bailey, London EC4M 7EN
Brokers:	Seymour Pierce Limited, 20 Old Bailey, London EC4M 7EN
Registrars:	Capita Registrars, Northern House, Woodsome Park, Feney Bridge, Huddersfield, West Yorkshire HD8 0LA
Solicitors:	Field Fisher Waterhouse, 35 Vine Street, London EC3N 2AA

CHAIRMAN'S STATEMENT

Overview

Trading in the year has continued to be affected by the ongoing financial crisis here in the United Kingdom. However, the Asset Protection division has enjoyed a substantial recovery from the previous year with revenue 18 per cent. higher. The OEM sector of the Electronic division also increased revenue in the year following the problems in the retail sector in the previous year and we were particularly pleased to announce in the year that we had signed contracts with two leading global retailers. The access control sector however suffered from end users freezing expenditure on major contracts as the economic issues continued to dominate business thinking.

The Board explored the possible acquisition of a relatively new development company which would have been an excellent fit with the Electronic division. Having spent a considerable amount of time with the company the level of sales being achieved and forecast did not match up to the Board's original hopes and expectations. The Board therefore did not believe that the investment could be justified and were required to write off the professional costs that we had incurred.

However on 28 April the Group was able to complete the acquisition of 60 per cent. of ATM Protection (UK) Limited and its wholly owned subsidiary company ATM Protection Limited. The previous owners of the business have retained a 40 per cent. interest and have signed three year employment contracts with the company. ATM Protection has developed a product that enables Safetell to enter an entirely new market of Cash In Transit ("CIT") deliveries and ATM cash protection. The development has been made over a number of years in conjunction with Loomis (UK) Limited ("Loomis"), one of the largest CIT delivery companies in Britain. The development involves the application of a glue that works with the linen properties of the bank note allowing a unique chemical reaction resulting in the note degradation. The existing methods of security used by CIT companies involve the use of ink to stain the notes and have not provided the desired results with the British Banking Association reporting a 69 per cent. increase in attacks on ATM cash replenishment and normal branch cash deliveries. The development of the product is being completed in conjunction with Safetell and will then be tested by Loomis before being sold to the Loomis branch network. The Group has acquired a 60 per cent. stake in the business at a cost of £264,000.

The year included a personal tragedy for myself with the sudden death of Alexander Reid who I had known for a period of thirty years and had been a non-executive director of the Company since its formation. Apart from the personal loss, his contribution to the Group through his knowledge and experience will also be missed. Our thoughts and best wishes are with his wife and family.

During the year the Board appointed Derek Blethyn as an executive director of the Group. Derek has been the managing director of the Electronic division since we acquired Grosvenor Technology in 2002. The Board also appointed David Ishag as a non executive director. David became a partner at Knowledge Universe in 1997, a private equity fund based in Los Angeles. In 1999 he joined Idealab in Los Angeles and opened their London office in order to develop Idealab's US model of creating and supporting pioneering technology companies moving into Europe. Since leaving Idealab in 2003, David has been an active investor and advisor to a wide range of industries including oil, gas, mining, telecoms and financial services. He also acts as a special advisor to Financo, a leading boutique US investment bank that specialises in the retail industry. The Board joins me in welcoming them both.

Revenue for the year from continuing businesses was £13,792K compared to £12,960K, an increase of 6.4 per cent. Gross margin for the year from continuing operations was £5,980K (43.4 per cent. of sales) compared to £5,760K (44.4 per cent.). The change in overall gross margin reflects the increase in sales in the asset protection division in the year, which has a lower margin than the electronic division.

Revenue in the Electronic division decreased in the year from £6,631K to £6,325K. Turnover in the Asset Protection division increased in the year from £6,329K to £7,467K.

Earnings per share are shown in the income statement as 0.31 pence (2009: 0.24 pence). However, the earnings per share before losses of discontinued operations and abortive acquisition costs are 0.33 pence (2009: 0.26 pence) as calculated in note 9 to the accounts.

As a consequence of the increase in revenue, revenue per employee increased to £109,460 from £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 £8.7 million to £10.0 million.

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

Financial results

The profit from operations for the year was £1,667,000 (2009: £1,477,000).

Revenue for the year for continuing operations was £13,792,000 (2009: £12,960,000). The main commercial factors affecting the results of the divisions are set out below.

Electronic Division

Turnover £6,325,000 (2009: £6,631,000)

Profit from operations £1,402,000 (2009: £1,562,000)

Profit before tax £1,386,000 (2009: £1,516,000)

Sales in the division were lower than last year with business continuing to be affected by the recession with customers delaying projects in particular in the build up to the general election and the uncertainty before the announcement of the emergency budget post the election. However the division has continued its substantial investment in new systems and developments which are explained in detail below, and which will greatly enhance Grosvenor's product offering in the future in terms of both number of products available and the advanced features included within.

Revenue from OEM hardware, data collection and time and attendance terminals has seen a small increase on the previous year, £2,157K to £2,221K, (approximately 3 per cent.) even though sales to our US distributor have fallen by more than 10 per cent. (£470K to £420K).

The Group announced during the year that Grosvenor had been awarded two major contracts to supply equipment to two leading global retailers for their integrated Time and Attendance solutions. Both of these contracts started towards the end of the year under review and are expected to contribute approximately £1 million total revenue over the next two to three years.

The new CUSTOM IT41 and IT51 terminals are about to be released and will add 6.5" and 10" touch screen capability to our IT offering as requested by a large proportion of our customer base. Grosvenor will also be introducing a Windows version (IT55) for those customers preferring such a version as opposed to a Linux solution.

Grosvenor is also about to release CUSTOM Exchange 'middleware' which is a software application that allows an OEM customer to easily interface their software with our IT terminals and directly tap into the power of the operating system and our unique feature set. This will require comparatively little coding or development by the customer who will gain other major benefits which are inbuilt into CUSTOM Exchange such as biometric template management, template distribution, and hardware diagnostic notification that will be released at a later date.

Grosvenor recently profiled the IT series with CUSTOM Exchange in the US and the reaction from potential partners has been extremely positive. The Group believes that it has a world-beating product that has much to offer the US market in particular. Grosvenor is about to start discussions with four major companies, any one of which would be a key account in their own right so substantial growth is expected in this area within the next year or two.

Sales of access control systems were lower than the previous year, £3,751K compared to £3,992K (6 per cent. lower) due mainly to a single contract the previous year with Network Rail (approximately £200K), and a long-term manufacturing licence that was terminated. The manufacturing licence has however been renegotiated since the year end as a supply contract for up to five years but three months revenue was lost with a one-time shortfall of £78K for that period. It is expected that the difference between the two contracts will be at worst neutral from an earnings perspective.

Sales in Newmark Technology of third-party access control products have been affected by the recession and the fact that we cannot control third-party supply prices as we can with our own products. The net effect is that overall sales in Newmark were down from £482K to £353K (a fall of 26.8 per cent.). The only current product within Newmark Technology of our own manufacture, N-TEC Access, which sells into the Middle East via Simplex Fire and Security, has remained comparably steady at £205K (£215K for the previous year).

The development of the new SATEON access control software is on target and due to be launched at the Intersec exhibition in Dubai in January 2011. Grosvenor already has indications that it will be a success with its foreign language capability and Silverlight web browser GUI. The first languages to be released will be Arabic and Russian for the N-TEC access markets and other languages will follow soon thereafter to widen the appeal of the system. In the past Grosvenor has been limited to English speaking customers because JANUS was difficult for our developers to translate. SATEON will be translatable by the client, and switchable on demand so that any business language can be accommodated.

SATEON access will eventually replace JANUS and become the main product stream for Grosvenor and it will be easy for JANUS systems to upgrade to SATEON so allowing an extended life span for existing Grosvenor systems. The development of SATEON version II is on track and expected for May/June next year and will include both direct interfacing to a major CCTV product and the capability of JANUS Enterprise which is Grosvenor's current high-end enterprise access solution. Basic ONVIF CCTV features will also be included.

In summary the Group is pleased that Grosvenor has maintained its position during the recession and are very excited about the future for CUSTOM OEM products and the launch of SATEON access together with the branded products for Simplex and Tyco/ADT.

CUSTOM and SATEON product streams will allow Grosvenor to enter new geographic areas and supply new customers with unique products which are both cost effective and feature rich in their respective markets. Grosvenor has been accepted on the UK Trade & Investment Passport to Export Programme which will greatly assist its sales efforts, in particular into the USA for OEM products and into the Middle East for SATEON.

Asset Protection Division

Turnover £7,467,000 (2009: £6,329,000)

Profit from operations £919,000 (2009: £497,000)

Profit before tax £897,000 (2009: £477,000)

Safetell achieved revenue growth of approximately 18 per cent. over the previous period with the major contributions from a single programme of work for a large UK bank for Eclipse rising screens and the continuation of the Crown Office refurbishment programme by the Post Office.

Sales of Eclipse rising screens to HBOS increased in the first and second quarters after a temporary suspension last year. Although Safetell had received orders from various long-term customers in retail finance, petrol retailing and police forces, reduced sales were experienced due to budget cuts across all sectors. Upgrades, refurbishment and reconfigurations of previous installations were similarly affected by budget cuts and accounted for only 6 per cent. of Eclipse revenue.

The number of CounterShield installations was similar to the previous year with sales to various police forces contributing 62 per cent. of the CounterShield sales.

After an initial increase in requests for quotes for Eye2Eye in the first quarter, sales were also in line with the previous year after cut backs by the train operating companies. Safetell has however obtained several new customers which could increase sales in future years.

Sales of RollerCash and BiDiSafe to the Post Office as part of the Crown Office refurbishment programme continued but was affected in the last quarter when Post Office funding dried up due to overspend in other areas. An order for the supply of 30 RollerCash to a large UK bank resulted in sales 33 per cent. above plan.

Fixed glazing installations were 17 per cent. less than last year with disappointing sales to petrol retail customers during the period.

Service and maintenance revenues were in line with the previous year with operating profits up by 8.5 per cent. These results are very commendable bearing in mind the large cost constraints Safetell's larger customers placed upon the division. Margin improvement was driven by efficiency gains from improved labour utilisation assisted by a large installation programme. Contract retention levels remain high. Some less profitable contracts were allowed to expire allowing concentration on higher margin work. A new two year service support contract with a large UK bank worth in excess of £1 million per annum was ratified in February 2010.

Sales for the current year will be affected by the continuing uncertainty in the banking and financial sectors particularly following the recent emergency budget. There is also uncertainty following recent EU guidance on the number of branches which banks should retain. This could result in Safetell's existing customers acquiring more branches from other banks which will benefit sales in future years. The Post Office and WH Smith have indicated that they will embark on a new roll out of Post Office Agency branches within the WH Smith retail set up, but the number of outlets has yet to be confirmed.

The development of the new Cash Recycler has been completed and the unit has successfully passed the Bank of England framework test by rejecting 100 per cent. of the test samples of counterfeit notes currently in circulation in the UK.

Despite cutbacks by train operating companies, sales of Eye2Eye units are expected to be similar to last year with the successful installation of Eye2Eye units into demountable ticket offices resulting in further orders.

The new Safetell Lite product line that has been developed should produce more orders and marketing efforts to promote this product to the construction and building industry will be intensified.

Acceptance on the UK Trade & Investment Passport to Export Programme will assist in exploring new market potential in Europe, Russia and Canada and we will actively promote the Eclipse rising screen, CounterShield and Eye2Eye in these territories.

The current period offers many opportunities for the service and maintenance division particularly in the retail banking arena. Safetell's technology improvements continue to reduce unit costs and ensure that this division remains competitive whilst still supplying a premium service to its long-term blue chip customers. The service and maintenance division will continue to form a stable base underpinning the results of the Asset Protection division.

Balance sheet and cash flow

Cash flows from operating activities decreased from £2.2 million to £1.7 million in the year, whilst net bank debt fell from £0.3 million to £0.2 million. The balance on the invoice discount account reduced significantly from £736K to £516K.

The Group has continued to conserve cash whilst safeguarding its assets in the year. Inventories have been reduced further from £1,704K to £1,503K in the year (a reduction of 12 per cent.) through further reviews of our purchasing policies and other efficiencies. The substantial increase in non-current assets reflects the increased development expenditure in the year from £0.6 million to £1.0 million which have been described within the Electronic division operating review above. The major part of the reduction in payables was the reduction in the balance on the invoice discount account. The Group's work at credit control has been successful in the year with no new bad debts arising.

The above factors contributed to the increase in the net assets from £8.7 million to £10.0 million.

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.

Summary

Trading in the first few months of the new financial year has been variable for Grosvenor and Safetell due to the delay in placing orders by some customers prior to the general election and the emergency budget. As a consequence of this, the Board expects whilst revenues are likely to be lower during the first half of the current year against strong prior half year comparatives, this temporary postponement of orders is expected to be caught up in the second half. The Board is therefore satisfied with the Group's current trading performance and is cautiously optimistic as to the future outlook of the Group. In particular, the Board is excited about its investment in ATM Protection although its contribution to the Group in the current year is difficult to gauge due to the uncertainty over the timing of the completion of the trial programme and the commencement of the roll out programme.

M DWEK
Chairman

26 July 2010

REPORT OF THE DIRECTORS

The Directors submit their annual report and audited financial statements of the Group for the year ended 30 April 2010.

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 £1,667,000 (2009: £1,477,000).

The profit for the year was £1,409,000 (2009: £1,097,000).

Turnover for the year for continuing operations was £13.8 million (2009: £13.0 million). A review of the business and future prospects is given in the Chairman's Statement on pages 3 to 6.

The Board is proposing to pay a dividend of £125,000 (2009: £113,000).

Directors

The Directors who served during the year were as follows:

M Dwek
B Beecraft
M Rapoport
A Reid (died 5 October 2009)
N Medlam
D Blethyn
D Ishag

Details of the Directors' service contracts are shown in the Report of the Remuneration Committee on page 12.

M Dwek retires in accordance with the articles of association. M Dwek being eligible, offers himself for re-election at the next annual general meeting.

D Blethyn was appointed an executive director on 28 January 2010, and an ordinary resolution will be proposed at the annual general meeting for his re-appointment.

D Ishag was appointed a non-executive director on 28 January 2010, and an ordinary resolution will be proposed at the annual general meeting for his re-appointment.

Share capital

Full details of changes to the share capital in the year are given in note 23 to the financial statements on page 45.

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 pages 37 to 41.

Directors

Directors' interests

The beneficial and other interests of the Directors in the shares of the Company as at 1 May 2009 (or the date of their appointment to the Board, if later) and 30 April 2010 were as follows:

	Percentage holding at 30 April 2010	30 April 2010	1 May 2009 (or date of appointment if later)
M Dwek ^(a)	13.1%	59,099,467	53,319,467
M Rapoport	2.3%	10,555,000	10,555,000
N Medlam	0.2%	720,000	720,000

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

The interests of Directors in Share Option Schemes operated by the Company at 30 April 2009 (or the date of their appointment to the Board, if later) and 2010 were as follows:

	Number of Ordinary Shares under the EMI Scheme 30 April 2010	Number of Ordinary Shares under the Approved Scheme 30 April 2010	Number of Ordinary Shares under the Unapproved Scheme 30 April 2010	Number of Ordinary Shares under the EMI Scheme 1 May 2009 (or date of appointment if later)	Number of Ordinary Shares under the Approved Scheme 1 May 2009	Number of Ordinary Shares under the Unapproved Scheme 1 May 2009
M Dwek	–	–	5,000,000	–	–	5,000,000
B Beecraft	1,000,000	250,000	3,750,000	1,000,000	250,000	3,750,000
D Blethyn	1,000,000	2,000,000	3,000,000	1,000,000	2,000,000	3,000,000

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

Research and development

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

Employee involvement

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

Share option schemes

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

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

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

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

The Remuneration Committee has administered and operated each scheme. Further details of the share option schemes are set out in note 27 to the financial statements on page 47.

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 27 days (2009: 33 days) of average supplies for the period. The parent company does not trade and therefore there is no corresponding company only figure.

Corporate governance

The Group has 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 2010, the Board comprised a Chairman, two Executive Directors and three Non-Executive Directors.

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

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

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

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

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

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

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

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

During the year, key controls were:

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

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

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

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

The Remuneration Committee, comprising M Rapoport and M Dwek 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 12.

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

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

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

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

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

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.

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

By order of the Board

B BEECRAFT
Company Secretary

26 July 2010

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 2010 comprised two existing Non-Executive Directors, Maurice Dwek (replaced Alexander Reid during the year) and Michel Rapoport.

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

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

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 during the year ended 30 April 2010 were as follows:

	Consultancy/ management agreement £'000	Salary £'000	Fees £'000	Total £'000	Pension contributions £'000
Executive Directors					
B Beecraft	-	130	-	130	-
Non-Executive Directors					
M Dwek ^(a)	75	-	-	75	-
A Reid ^(b)	-	-	11	11	-
M Rapoport	-	-	25	25	-
N Medlam	-	-	19	19	-
D Blethyn ^(c)	-	162	-	162	-
D Ishag	-	-	4	4	-
	<u>75</u>	<u>292</u>	<u>59</u>	<u>426</u>	<u>-</u>
2009	<u>50</u>	<u>113</u>	<u>30</u>	<u>193</u>	<u>-</u>

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

(a) The Company paid a consultancy fee of £75,000 (2009: £50,000) to Arbury Inc., a company 51 per cent. owned by M Dwek which covers salary, pension and car benefits.

(b) Directors' fees in respect of A Reid of £10,938 (2009: £15,000) were paid by the Company to R. K. Harrison & Co. Limited.

(c) The emolument of D Blethyn relate to his services as a director of Grosvenor Technology Limited for the year ended 30 April 2010.

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 2010 which comprise the consolidated income statement, the consolidated statement of financial position and parent company balance sheet, the group statement of cash flows, the group statement of comprehensive income, the consolidated statement of changes in equity and the related notes. The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

Respective responsibilities of directors and auditors

As explained more fully in the statement of directors' responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit 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 2010 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 matters where the Companies Act 2006 requires us 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.

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

Gatwick
United Kingdom

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

Date 26 July 2010

CONSOLIDATED INCOME STATEMENT
for the year ended 30 April 2010

	Note	2010 £'000	2009 £'000
Continuing operations			
Revenue	2	13,792	12,960
Cost of sales		(7,812)	(7,200)
Gross profit		<u>5,980</u>	<u>5,760</u>
Administrative expenses pre abortive acquisition costs		(4,243)	(4,226)
Abortive acquisition costs		(70)	(57)
Administrative expenses – total		<u>(4,313)</u>	<u>(4,283)</u>
Profit from operations	3	1,667	1,477
Finance costs	6	(89)	(164)
Profit before tax		<u>1,578</u>	<u>1,313</u>
Tax expense	7	(154)	(175)
Profit for the year from continuing operations		<u>1,424</u>	<u>1,138</u>
Post-tax loss related to discontinued operations	8	(15)	(41)
Profit for the year	24	<u><u>1,409</u></u>	<u><u>1,097</u></u>
Attributable to:			
– Equity holders of the parent		<u><u>1,409</u></u>	<u><u>1,097</u></u>
Earnings per share			
– Basic (pence)	9	<u><u>0.31p</u></u>	<u><u>0.24p</u></u>
– Diluted (pence)	9	<u><u>0.30p</u></u>	<u><u>0.24p</u></u>
Continuing operations			
– Basic (pence)	9	<u><u>0.32p</u></u>	<u><u>0.25p</u></u>
– Diluted (pence)	9	<u><u>0.31p</u></u>	<u><u>0.25p</u></u>
Discontinued operations			
– Basic and diluted (pence)	9	<u><u>(0.01p)</u></u>	<u><u>(0.01p)</u></u>

The notes on pages 20 to 48 form part of these financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the year ended 30 April 2010

	2010	2009
	£'000	£'000
Profit for the year	1,409	1,097
Foreign exchange profits/(losses) on retranslation of overseas operations	7	(27)
Total comprehensive income for the year	<u>1,416</u>	<u>1,070</u>
Attributable to:		
– Equity holders of the parent	<u>1,416</u>	<u>1,070</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
at 30 April 2010

Company number: 3339998

	Note	2010 £'000	2010 £'000	2009 £'000	2009 £'000
ASSETS					
Non-current assets					
Property, plant and equipment	10	730		757	
Intangible assets	11	9,313		8,032	
Total non-current assets		<u>10,043</u>		<u>8,789</u>	
Current assets					
Inventories	14	1,503		1,704	
Trade and other receivables	15	2,402		2,404	
Cash and cash equivalents		211		606	
Total current assets		<u>4,116</u>		<u>4,714</u>	
Total assets			14,159		13,503
LIABILITIES					
Current liabilities					
Trade and other payables	16	2,958		3,163	
Other short term borrowings	17	312		607	
Corporation tax liability		160		296	
Provisions	21	123		123	
Total current liabilities		<u>3,553</u>		<u>4,189</u>	
Non-current liabilities					
Long term borrowings	18	68		309	
Provisions	21	100		124	
Deferred tax	22	412		166	
Total non-current liabilities		<u>580</u>		<u>599</u>	
Total liabilities			4,133		4,788
TOTAL NET ASSETS			<u>10,026</u>		<u>8,715</u>
Capital and reserves attributable to equity holders of the company					
Share capital	23	4,504		4,504	
Share premium reserve	24	502		502	
Merger reserve	24	801		801	
Foreign exchange difference reserve	24	(167)		(174)	
Retained earnings	24	4,346		3,042	
			9,986		8,675
Minority interest			<u>40</u>		<u>40</u>
TOTAL EQUITY			<u>10,026</u>		<u>8,715</u>

The financial statements were approved by the Board of Directors and authorised for issue on 26 July 2010.

M Dwek
 Director

The notes on pages 20 to 48 form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
for the year ended 30 April 2010

	Note	2010 £'000	2010 £'000	2009 £'000	2009 £'000
Cash flow from operating activities					
Net profit after tax		1,409		1,097	
Adjustments for:					
Depreciation and amortisation		526		466	
Interest expense		89		164	
Income tax expense		154		175	
Share option charge		8		21	
Discontinued operations		-		(16)	
		<u> </u>		<u> </u>	
Operating cash flows before changes in working capital					
		2,186		1,907	
Decrease in trade and other receivables		2		779	
Decrease in inventories		201		198	
(Decrease) in trade and other payables		(550)		(277)	
		<u> </u>		<u> </u>	
Cash generated from operations					
Income taxes paid			1,839		2,607
			(143)		(373)
			<u> </u>		<u> </u>
Cash flows from operating activities					
			1,696		2,234
Cash flow from investing activities					
Payments for property, plant & equipment		(239)		(204)	
Sale of property, plant & equipment		13		14	
Research & development expenditure		(1,003)		(595)	
Intangible asset expenditure		(1)		(12)	
Acquisition of subsidiary, net of cash acquired		(20)		-	
		<u> </u>		<u> </u>	
			(1,250)		(797)
Cash flow from financing activities					
Repayment of bank loans		(501)		(614)	
Repayment of finance lease creditors		(138)		(140)	
Dividends paid		(113)		-	
Interest paid		(89)		(164)	
		<u> </u>		<u> </u>	
			(841)		(918)
(Decrease)/increase in cash and cash equivalents	29		<u> </u>	<u> </u>	<u> </u>
			(395)		519

The notes on pages 20 to 48 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital £'000	Share premium £'000	Merger reserve £'000	Foreign exchange reserve £'000	Retained earnings £'000	Minority interest £'000	Total equity £'000
1 May 2008	4,504	502	801	(147)	1,924	40	7,624
Dividends	-	-	-	-	-	-	-
Share based payment	-	-	-	-	21	-	21
Total comprehensive income	-	-	-	(27)	1,097	-	1,070
30 April 2009	<u>4,504</u>	<u>502</u>	<u>801</u>	<u>(174)</u>	<u>3,042</u>	<u>40</u>	<u>8,715</u>
1 May 2009	4,504	502	801	(174)	3,042	40	8,715
Dividends	-	-	-	-	(113)	-	(113)
Share based payment	-	-	-	-	8	-	8
Total comprehensive income	-	-	-	7	1,409	-	1,416
30 April 2010	<u>4,504</u>	<u>502</u>	<u>801</u>	<u>(167)</u>	<u>4,346</u>	<u>40</u>	<u>10,026</u>

NOTES FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 April 2010

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 2010 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 49 to 53.

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

New standards, interpretations and amendments effective from 1 January 2009

The following new standards, interpretations and amendments, applied for the first time from 1 May 2009, have had an effect on the financial statements:

- **IFRS 8 Operating Segments:** IFRS 8 requires an entity to adopt a "management approach" in the identification of its operating segments and its reporting on their financial performance. Generally, the information to be reported would be what management uses internally for evaluating segment performance and deciding how to allocate resources to operating segments. Such information may be different from that used to prepare the income statement and statement of financial position. The Standard also requires an explanation of the basis on which the segment information is prepared and reconciliations to the amounts recognised in the income statement and statement of financial position.
- **Improvements to IFRSs (2008):** The improvements in this Amendment clarify the requirements of IFRSs and eliminate inconsistencies between Standards. The most significant changes cover the following issues: The classification of assets and liabilities as held for sale where a non-controlling interest is retained; accounting by companies that routinely sells assets previously held for rental to others; accounting for loans given at a nil or below market rate of interest; the reversal of impairments against investments in associates accounted for using the equity method; the timing of expense recognition for costs incurred on advertising and other promotional activity; and, accounting for properties in the course of construction.
- **Amendments to IAS 1 Presentation of Financial Statements: A Revised Presentation:** As a result of the application of this Amendment the Group has elected to present two separate statements, an income statement and a statement of comprehensive income, previously it presented an income statement and the statement of recognised income and expense. In addition, a statement of changes in equity is now presented as a primary statement where previously the information was included in a note. The Amendment does not change the recognition or measurement of transactions and balances in the financial statements.

The following new standards, interpretations and amendments, also effective for the first time from 1 January 2009, have not had a material effect on the financial statements:

- *Amendment to IAS 23 Borrowing Costs*
- *Amendment to IFRS 2 Share-based Payment: Vesting Conditions and Cancellations*
- *Amendments to IAS 32 and IAS 1 Puttable Financial Instruments and Obligations Arising on Liquidation*

- *IFRIC 15 Agreements for the Construction of Real Estate*
- *Embedded Derivatives (Amendments to IFRIC 9 and IAS 39)*

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 2009 or later periods but which the Group has not adopted early.

- *Amendments to IAS 27 Consolidated and Separate Financial Statements* (effective for accounting period beginning on or after 1 July 2009). This Amendment affects in particular the acquisition of subsidiaries achieved in stages and disposals of interests, with significant differences in the accounting depending on whether or not control is obtained as a result of the transaction, or where a transaction results only in a change in the percentage of a controlling interest. The Amendment does not require the restatement of previous transactions.
- *Revised IFRS 3 Business Combinations* (effective for accounting period beginning on or after 1 July 2009). The basic approach of the existing IFRS 3 to apply acquisition accounting in all cases and identify an acquirer is retained in this revised version of the standard. It also includes much of the current guidance for the identification and recognition of intangible assets separately from goodwill. However, in some respects the revised standard may result in very significant changes, including: The requirement to write off all acquisition costs to profit or loss instead of including them in the cost of investment; the requirement to recognise an intangible asset even if it cannot be reliably measured; and, an option to gross up the balance sheet for goodwill attributable to minority interests (which are renamed "non-controlling interests"). The revised standard does not require the restatement of previous business combinations. IFRS 3(R) must be adopted at the same time as the Amendment to IAS 27.
- *Amendment to IAS 39 Financial Instruments: Recognition and Measurement: Eligible Hedged Items* (effective for accounting period beginning on or after 1 July 2009). This Amendment clarifies how the principles that determine whether a hedged risk or portion of cash flows is eligible for designation should be applied in the designation of a one-sided risk in a hedged item, and inflation in a financial hedged item.
- *IFRIC 17 Distributions of non-cash assets to owners* (effective for accounting period beginning on or after 1 July 2009). Prior to this Interpretation, IFRSs did not address how an entity should measure distributions of assets other than cash. Non-cash dividends payable were sometimes recognised at the carrying amount of the assets to be distributed and sometimes at their fair value. The Interpretation clarifies that: (a) A dividend payable should be recognised when the dividend is appropriately authorised and is no longer at the discretion of the entity; (b) that an entity should measure the dividend payable at the fair value of the net assets to be distributed; and, (c) that an entity should recognise the difference between the dividend paid and the carrying amount of the net assets distributed in profit or loss. The Interpretation also requires an entity to provide additional disclosures if the net assets being held for distribution to owners meet the definition of a discontinued operation. IFRIC 17 applies to pro rata distributions of non-cash assets except for common control transactions. It does not have to be applied retrospectively.
- *Improvements to IFRSs (2009)* (effective for accounting periods beginning on or after 1 January 2010). The improvements in this Amendment clarify the requirements of IFRSs and eliminate inconsistencies within and between Standards.

The changes include the clarification that: The disclosure requirements of other IFRSs do not generally apply to non-current assets (or disposal groups) classified as held for sale; total assets for each reportable segment need only be disclosed when such information is regularly provided to the chief operating decision maker; that the terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification; and, that only expenditures which result in a recognised asset can be classified as a cash flow from investing activities. It also confirms that the combination of entities or businesses under common control and the contribution of a business on the formation of a joint venture are outside of the scope of IFRS 2 and that IFRIC 9 also does not apply to embedded derivatives in contracts acquired in such transactions.

The Amendment changes IAS 38 to bring the guidance on the treatment of intangible assets acquired as part of a business combination in line with the requirements of IFRS 3(R) and to clarify the description of valuation techniques used in the absence of an active market. It removes the restriction in IFRIC 16 on the entity that can hold a hedging instrument used in the hedge of a net investment in a foreign operation and also introduces changes to IAS 17 that eliminate the inconsistencies between the general lease classification

guidance and the guidance applicable to the classification of the land element in long-term leases of land and buildings. The latter changes may lead to an increased number of instances when the land element of a lease of land and buildings is classified as a finance lease.

Finally, Improvements to IFRSs (2009) introduces a number of changes to IAS 39. These changes restrict the scope exemption in IAS 39.2(g) to forward contracts between an acquirer and a selling shareholder to buy or sell an acquiree in a business combination at a future acquisition date (i.e. removing the scope exemption for option contracts whether or not currently exercisable, that on exercise will result in control of an entity). It also clarifies when embedded prepayment options can be considered closely related to a host contract, the timing of reclassification adjustments in designated cash flow hedging relationships and, the use of internal contracts in hedging relationships.

- **Group Cash-settled Share-based Payment Transactions (Amendments to IFRS 2)** (effective for accounting periods beginning on or after 1 January 2010). This Amendment clarifies that, where a parent (or another group entity) has an obligation to make a cash-settled share-based payment to another group entity's employees or suppliers, the entity receiving the goods or services should account for the transaction as equity-settled. The Amendment also moves the IFRIC 11 requirements in respect of equity-settled share-based payment transactions among group entities and the clarification of the scope of 2 contained within IFRIC 8 into 2 itself.
- **Classification of Rights issues (Amendments to IAS 32)** (effective for accounting periods beginning on or after 1 February 2010). This Amendment addresses the accounting for rights issues (rights, options or warrants) that are denominated in a currency other than the functional currency of the issuer. Previously such rights issues were accounted for as derivative liabilities. However, the Amendment requires that, provided the entity offers the rights, options or warrants *pro rata* to all of its existing owners of the same class of its own non-derivative equity instruments, such rights issues are classified as equity regardless of the currency in which the exercise price is denominated.
- **Improvements to IFRSs (2010)** (effective for accounting periods beginning on or after 1 January 2011) The improvements in this Amendment clarify the requirements of IFRSs and eliminate inconsistencies within and between Standards.

The changes include amendments to:

- IFRS 1 'First-time adoption of International Financial Reporting Standards' regarding changes in accounting policies in the year of adoption of IFRSs; the use of an event-driven revaluation occurring during the period covered by the first IFRS financial statements as a deemed cost; and, the use of deemed cost for operations subject to rate regulation.
- IFRS 3 (Revised 2008) 'Business combinations' including: (i) Clarification that the treatment of contingent consideration arising in business combinations occurring before the effective date of IFRS 3(R) continues to be treated under the old requirements. (ii) Limiting the choice to measure non-controlling interests at a proportionate share in recognised amounts of the acquiree's identified net assets to present ownership interests with other components of the non-controlling interest being measured at fair value. (iii) The inclusion or otherwise in the cost of investment of replacement share-based payment awards provided to employees of the acquiree.
- IFRS 7 'Financial instruments: Disclosures' including clarification that an entity should provide qualitative disclosures in the context of quantitative disclosures to enable users to link related disclosures and hence form an overall picture of the nature and extent of risks arising from financial instruments.
- IAS 1 (Revised 2007) 'Presentation of financial statements' clarifying that the analysis of components of other comprehensive income in the statement of changes in equity may be presented in a note.
- IAS 34 'Interim financial reporting' clarifying the disclosures required in respect of significant events and transactions during the period.

Improvements to IFRSs (2010) also made minor amendments to the wording of IFRIC 13 'Customer loyalty programmes' regarding the valuation of award credits and the transitional arrangements for amendments to IAS 21 'The effects of changes in foreign exchange rates' and IAS 28 'Investments in associates' in respect of the loss of control or significant influence which were introduced by IAS 27 (as amended 2008) 'Consolidated and separate financial statements'.

- *IFRS 9 Financial instruments.* IFRS 9 will eventually replace IAS 39 in its entirety. However, the process has been divided into three main components: Classification and measurement; impairment; and, hedge accounting. As each phase is completed, it will delete the relevant portions of IAS 39 and create new chapters in IFRS 9.

IFRS 9 as issued on 12 November 2009 addresses the classification and measurement of financial assets only. The requirements for the classification and measurement of financial liabilities will be finalised and added to IFRS 9 once issues related to the recognition of changes in an entity's own credit risk have been addressed.

The main features IFRS 9 as issued on 12 November 2009 are:

A financial asset should be:

- Classified on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset;
- measured at amortised cost if it meets two conditions: (a) The entity's business model is to hold the financial asset in order to collect the contractual cash flows; and, (b) the contractual terms of the asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principle outstanding; and,
- subsequently measured at amortised cost or fair value depending on the business model of the entity and the terms of the instrument.

Hybrid contracts with a host that is within the scope of IFRS 9 (i.e. a financial host) must be classified in its entirety in accordance with the classification approach stated above. This eliminates the existing IAS 39 requirements to separately account for an embedded derivative and a host contract. The embedded derivative requirements under IAS 39 continue to apply where the host contract is a non-financial asset and for financial liabilities.

IFRS 9 includes an accounting policy choice allowing investments in equity instruments to be measured at fair value through other comprehensive income. This is an irreversible election made, on an instrument by instrument basis, at the date of initial recognition. Where this option is not taken, all equity instruments with the scope of IFRS 9 will be classified as fair value through profit or loss. Irrespective of the policy choice made, dividends received on equity instruments will always be recognised in profit or loss.

Subsequent reclassification of financial assets between the amortised cost and fair value categories is permitted only when an entity changes its business model for managing its financial assets.

The held to maturity and available for sale classifications have been eliminated

Segment reporting

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

Revenue

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

Basis of consolidation

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

Business combinations

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

Goodwill

Goodwill represents the excess of the cost of a business combination over the interest in the fair value of identifiable assets, liabilities and contingent liabilities acquired. Cost comprises the fair values of assets given, liabilities assumed and equity instruments issued, plus any direct costs of acquisition.

Goodwill is capitalised as an intangible asset with any impairment in carrying value being charged to the income statement.

Where the fair value of identifiable assets, liabilities and contingent liabilities exceed the fair value of consideration paid, the excess is credited in full to the income statement.

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 from its tax base, except for differences arising on:

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

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

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

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

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

Property, plant and equipment

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

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

Freehold buildings	–	5 per cent. per annum straight line
Short leasehold improvements	–	evenly over the length of the lease
Plant and machinery	–	20 per cent. per annum straight line
Fixtures and fittings	–	10 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 estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Estimated impairment of goodwill

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

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

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

Dividends

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

2. Revenue

Revenue arises from:	2010	2009
	£'000	£'000
Sale of goods	9,953	9,288
Provision of services	3,839	3,672
	<u>13,792</u>	<u>12,960</u>

3. Profit from operations

This has been arrived at after charging/(crediting):	2010	2009
	£'000	£'000
Staff costs (note 4)	5,511	5,240
Depreciation of property, plant and equipment		
– owned assets	214	218
– leased assets	145	145
Amortisation of intangible assets	162	98
Abortive acquisition costs	70	57
Foreign exchange differences	(22)	(37)
Operating lease expense		
– Plant and machinery	40	14
– Property	341	271
Auditors remuneration:		
Parent company auditors		
Audit fees (Group)	51	36
Audit fees (parent company)	8	23
Tax fees (Group)	17	8
Tax fees (parent company)	3	4
(Profit) on disposal of tangible non-current assets	(4)	(12)
	<u>5,511</u>	<u>5,240</u>

4. Staff costs

Staff costs (including the Executive Directors) comprise:	2010	2009
	£'000	£'000
Wages and salaries	4,672	4,381
Short-term non-monetary benefits	212	227
Defined contribution pension cost	131	135
Share-based payment expense	8	21
Employer's national insurance contributions and similar taxes	488	476
	<u>5,511</u>	<u>5,240</u>

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

	2010	2009
	No.	No.
Management, sales and administration	86	80
Production	40	40
	<u>126</u>	<u>120</u>

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

	2010	2009
	£'000	£'000
Salaries	704	758
Short-term non-monetary benefits	31	23
Defined contribution pension costs	50	58
Share-based payment expenses	8	21
Employers national insurance contributions and similar taxes	69	86
	<u>862</u>	<u>946</u>

The emoluments of the Directors of the parent company are set out in the Report of the Remuneration Committee on page 12.

5. Segment information

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

The Group has 2 main reportable segments:

- Electronic division – This division is involved in the design, manufacture and distribution of access-control systems (hardware and software) and the design, manufacture and distribution of OEM hardware only, for time-and-attendance, shop-floor data collection, and access control systems. This division contributed 46 per cent. (2009: 51 per cent.) of the Group's revenue.
- Asset Protection division – This division is involved in the design, manufacture, installation and maintenance of fixed and reactive security screens, reception counters, cash management systems and associated security equipment. This division contributed 54 per cent. (2009: 49 per cent.) of the Group's revenue.

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

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

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

Segment assets and liabilities exclude group company balances.

	Electronic 2010 £'000	Asset Protection 2010 £'000	Total 2010 £'000
<i>Revenue</i>			
Total revenue	6,325	7,467	13,792
Inter-segmental revenue	–	–	–
Revenue from external customers	6,325	7,467	13,792
Finance cost	16	22	38
Depreciation	149	208	357
Amortisation	167	–	167
Segment profit before income tax	1,386	897	2,283
Additions to non-current assets	1,163	625	1,788
Reportable segment assets	5,331	3,358	8,689
Reportable segment liabilities	1,867	1,758	3,625
	Electronic 2009 £'000	Asset Protection 2009 £'000	Total 2009 £'000
<i>Revenue</i>			
Total revenue	6,631	6,329	12,960
Inter-segmental revenue	–	–	–
Revenue from external customers	6,631	6,329	12,960
Finance cost	42	20	62
Depreciation	157	204	361
Amortisation	103	–	103
Segment profit before income tax	1,516	477	1,993
Additions to non-current assets	730	230	960
Reportable segment assets	4,858	3,105	7,963
Reportable segment liabilities	2,010	1,635	3,645

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

	2010 £'000	2009 £'000
Revenue		
Total revenue for reportable segments	13,792	12,960
	2010 £'000	2009 £'000
Profit or loss after income tax expense		
Total profit or loss for reportable segments	2,283	1,993
Share based payments	(8)	(21)
Corporation taxes	(154)	(175)
Unallocated amounts – other corporate expenses	(697)	(659)
Profit after income tax expense (continuing activities)	1,424	1,138
	2010 £'000	2009 £'000
Assets		
Total assets for reportable segments	8,689	7,963
PLC	5,470	5,540
Group's assets	14,159	13,503
Liabilities		
Total liabilities for reportable segments	3,625	3,645
PLC	452	978
Liabilities of discontinued activities	56	165
Group's liabilities	4,133	4,788

	Reportable segment		Group	Reportable segment		Group
	totals	Adjustments	totals	totals	Adjustments	totals
	2010	2010	2010	2009	2009	2009
	£'000	£'000	£'000	£'000	£'000	£'000
Other material items						
Capital expenditure	1,788	5	1,793	960	2	962
Depreciation and amortisation	524	2	526	464	2	466

Geographical information:

	External revenue by location of customers		Non-current assets by location of assets	
	2010	2009	2010	2009
	£'000	£'000	£'000	£'000
UK	12,072	11,210	10,043	8,789
Europe	1,050	1,066	–	–
USA	424	471	–	–
Other countries	246	213	–	–
	<u>13,792</u>	<u>12,960</u>	<u>10,043</u>	<u>8,789</u>

6. Finance income and costs

	2010 £'000	2009 £'000
<i>Finance costs</i>		
Bank borrowings	51	120
Invoice discounting	16	27
Finance leases	22	17
	<u>89</u>	<u>164</u>

7. Tax expense

	2010 £'000	2010 £'000	2009 £'000	2009 £'000
<i>Current tax expense</i>				
<i>Continuing businesses</i>				
UK corporation tax on profits for the year	(31)		98	
Adjustment for over provision in prior periods	(8)		(41)	
		(39)		57
<i>Deferred tax expense</i>				
Origination and reversal of temporary differences	211		118	
Adjustment for over provision in prior periods	(18)		-	
		193		118
		154		175
<i>Discontinued businesses</i>				
UK corporation tax and income tax of overseas operations on profits for the year	-		-	
Adjustment for over provision in prior periods	-		5	
		-		5
Total tax charge		<u>154</u>		<u>180</u>

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

	2010 £'000	2009 £'000
Profit before tax	<u>1,563</u>	<u>1,277</u>
Expected tax charge based on the standard rate of corporation tax in the UK of 28 per cent. (2009 – 28 per cent.)	438	358
Research and development allowances	(211)	(118)
Effects on profits of other items not deductible for tax purposes	2	30
Double tax relief	-	(5)
Utilisation of previously unrecognised tax losses	(36)	(36)
Adjustment to tax charge in respect of previous periods	(26)	(41)
Other	(13)	(8)
Total tax charge	<u>154</u>	<u>180</u>

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:

	2010 £'000	2009 £'000
Management expenses	772	772
Trading losses	1,434	1,563

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

	2010 £'000	2009 £'000
Management expenses	216	216
Trading losses	402	437

8. Discontinued operations

	2010 £'000	2009 £'000
Turnover	-	-
Cost of sales	-	-
Gross profit	-	-
Administrative expenses	(15)	(36)
Loss from operations	(15)	(36)
Finance income	-	-
Loss before tax	(15)	(36)
Tax	-	(5)
Post-tax loss related to discontinued operations	(15)	(41)

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

	2010 £'000	2009 £'000
Operating activities	(117)	(159)
Investing activities	-	-
Financing activities	-	-
	(117)	(159)

The losses of the discontinued businesses relate to the costs incurred in respect of Newmark Technology SA and the Vema group of companies. Newmark Technology SA was put into liquidation in the year, and it is intended that the Vema group of companies will be liquidated.

9. Earnings per share

	2010 £'000	2009 £'000
<i>Numerator</i>		
Earnings used in basic and diluted EPS	1,409	1,097
Earnings used in basic and diluted EPS – continuing operations	1,424	1,138
	No.	No.
<i>Denominator</i>		
Weighted average number of shares used in basic EPS		
– continuing and discontinued operations	450,432,316	450,432,316
Effect of employee share options	12,800,000	-
Weighted average number of shares used in diluted EPS – continuing and discontinued operations	463,232,316	450,432,316

Certain employee options have also been excluded from the calculation of diluted EPS as their exercise price is greater than the weighted average share price during the year (i.e. they are out-of-the-money) and therefore it would not be advantageous for the holders to exercise those options. The total number of options in issue is disclosed in note 27.

The basic earnings per share before results of discontinued operations 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:

	2010	2009
	pence	pence
Basic earnings per share (pence) – basic	0.31	0.24
Abortive acquisition costs	0.01	0.01
Earnings per share before abortive acquisition costs	<u>0.32</u>	<u>0.25</u>
Losses of discontinued operations	0.01	0.01
Earnings per share before results of discontinued operations, and abortive acquisition costs – basic	<u><u>0.33</u></u>	<u><u>0.26</u></u>
	2010	2009
	£'000	£'000
Reconciliation of earnings		
Profit used for calculation of basic earnings per share	1,409	1,097
Abortive acquisition costs	<u>70</u>	<u>57</u>
Earnings before abortive acquisition costs	1,479	1,154
Losses of discontinued operations	15	41
Earnings before results of discontinued operations and abortive acquisition costs	<u><u>1,494</u></u>	<u><u>1,195</u></u>

10. Property, plant and equipment

	Short leasehold improvements £'000	Plant, machinery and motor vehicles £'000	Computers, fixtures and fittings £'000	Total £'000
<i>At 30 April 2009</i>				
Cost	303	1,454	716	2,473
Accumulated depreciation	<u>(220)</u>	<u>(980)</u>	<u>(516)</u>	<u>(1,716)</u>
Net book value	<u>83</u>	<u>474</u>	<u>200</u>	<u>757</u>
<i>At 30 April 2010</i>				
Cost	404	1,422	826	2,652
Accumulated depreciation	<u>(251)</u>	<u>(1,075)</u>	<u>(596)</u>	<u>(1,922)</u>
Net book value	<u>153</u>	<u>347</u>	<u>230</u>	<u>730</u>
<i>Year ended 30 April 2009</i>				
Opening net book value	84	530	165	779
Additions	31	221	103	355
Disposals	–	(14)	–	(14)
Depreciation	<u>(32)</u>	<u>(263)</u>	<u>(68)</u>	<u>(363)</u>
Closing net book value	<u><u>83</u></u>	<u><u>474</u></u>	<u><u>200</u></u>	<u><u>757</u></u>

	Short leasehold improvements £'000	Plant, machinery and motor vehicles £'000	Computers, fixtures and fittings £'000	Total £'000
<i>Year ended 30 April 2010</i>				
Opening net book value	83	474	200	757
Additions	100	122	120	342
Business acquisitions	-	3	-	3
Disposals	-	(13)	-	(13)
Depreciation	(30)	(239)	(90)	(359)
Closing net book value	<u>153</u>	<u>347</u>	<u>230</u>	<u>730</u>

The net book value of property plant and equipment for the Group includes an amount of £62,755 (2009: £206,191) in respect of assets held under finance leases and hire purchase contracts. The related depreciation charge on these assets for the year was £144,993 (2009: £144,999).

11. Intangible assets

	Goodwill £'000	Development costs (internally generated) £'000	Licences, patents and copyrights £'000	Total £'000
<i>At 30 April 2009</i>				
Cost	6,755	1,344	36	8,135
Accumulated impairment losses	-	-	-	-
Amortisation	-	(98)	(5)	(103)
Net book value	<u>6,755</u>	<u>1,246</u>	<u>31</u>	<u>8,032</u>
<i>At 30 April 2010</i>				
Cost	6,755	2,347	37	9,139
Acquisition of businesses	97	347	-	444
Accumulated impairment losses	-	-	-	-
Amortisation	-	(260)	(10)	(270)
Net book value	<u>6,852</u>	<u>2,434</u>	<u>27</u>	<u>9,313</u>
<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	<u>6,755</u>	<u>1,246</u>	<u>31</u>	<u>8,032</u>
<i>Year ended 30 April 2010</i>				
Opening net book value	6,755	1,246	31	8,032
Additions				
- Internally developed	-	1,003	-	1,003
- External	-	-	1	1
Acquisition of businesses	97	347	-	444
Amortisation	-	(162)	(5)	(167)
Closing net book value	<u>6,852</u>	<u>2,434</u>	<u>27</u>	<u>9,313</u>

The Group has no contractual commitments for development costs (2009: £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	
	2010 £'000	2009 £'000
Electronic division	5,794	5,794
Asset protection division	1,058	961
	<u>6,852</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 2015. The discount rate which was applied was 16.7 per cent., the estimated weighted average cost of capital.

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

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

The average growth rates used for each of the CGUs were as follows:

	2010	2009
Electronic division	5%	8%
Asset protection division	<u>2%</u>	<u>5%</u>

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 ⁽¹⁾	Activity
Custom Micro Products Limited	Great Britain	100%	Dormant
Newmark Technology Limited ^(2a)	Great Britain	100%	Trading
Newmark Technology (C-Cure Division) Limited	Great Britain	100%	Dormant
Safetell International Limited	Great Britain	100%	Dormant
Safetell Limited	Great Britain	100%	Trading
Safetell Security Screens Limited	Great Britain	100%	Trading
Newmark Technology Inc.	USA	100%	Dormant
Vema B.V.	The Netherlands	100%	Holding
Vema N.V. ^(2b)	The Netherlands	98%	Finance
Vema UK Limited ^(2c)	Great Britain	100%	Finance
Grosvenor Technology Limited	Great Britain	100%	Trading
Newmark Group Limited	Great Britain	100%	Dormant
Sateon Limited	Great Britain	100%	Dormant
ATM Protection (UK) Limited ^(2d)	Great Britain	60%	Trading
ATM Protection Limited ^(2e)	Great Britain	60%	Trading

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

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

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

14. Inventories

	2010 £'000	2009 £'000
Raw materials and consumables	671	872
Work-in-progress	55	121
Finished goods and goods for resale	777	711
	<u>1,503</u>	<u>1,704</u>

Finished goods include an amount of £Nil (2009: £Nil) carried at fair value less costs to sell. The value of inventories consumed in the year was £4,215,000 (2009: £3,959,000). The amount of inventory write downs in the year was £Nil (2009: £Nil). There are no stocks recoverable after 12 months (2009: £Nil).

15. Trade and other receivables

	2010 £'000	2009 £'000
Trade receivables (net)	1,920	1,994
Other receivables	10	19
Accrued income	232	201
Prepayments	240	190
	<u>2,402</u>	<u>2,404</u>

16. Trade and other payables – current

	2010 £'000	2009 £'000
Trade payables	740	808
Other tax and social security taxes	483	440
Other payables	646	776
Deferred income	469	713
Deferred purchase consideration	204	-
Accruals	416	426
	<u>2,958</u>	<u>3,163</u>

Other payables include an amount of £516,000 (2009: £736,000) in respect of an invoice discount facility which was secured on the trade receivables.

17. Other short term borrowings

	2010 £'000	2009 £'000
Bank loans		
– secured (i)	-	63
– secured (ii)	210	429
Finance lease creditor (note 26)	102	115
	<u>312</u>	<u>607</u>

UK subsidiaries of the Group use the same principal banker.

Bank loan (i) was secured on the assets of the UK subsidiary companies and was repayable by equal monthly instalments. The last instalment was paid in July 2009. Interest was 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

	2010 £'000	2009 £'000
Bank loans – secured (note 17)	–	219
Finance lease creditor (note 26)	68	90
	<u>68</u>	<u>309</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	
	2010 £'000	2009 £'000
Current financial assets		
Trade and other receivables	2,402	2,404
Cash and cash equivalents	211	606
Total current financial assets	<u>2,613</u>	<u>3,010</u>
	Financial liabilities measured at amortised cost	
	2010 £'000	2009 £'000
Current financial liabilities		
Trade and other payables (excluding deferred purchase consideration)	2,754	3,163
Deferred purchase consideration	204	–
Loans and borrowings	312	607
Total current financial liabilities	<u>3,270</u>	<u>3,770</u>
Non-current financial liabilities		
Loans and borrowings	68	309
Total non-current financial liabilities	<u>68</u>	<u>309</u>
Total financial liabilities	<u>3,338</u>	<u>4,079</u>

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

	2010 £'000	2009 £'000
Opening balance	22	23
Increase in provisions	-	83
Receivable written off during the year	-	(84)
Closing balance	22	22

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

2010	Trade Receivables				
	Turnover £'000	Total £'000	Current £'000	30 days past due £'000	60 days past due £'000
Geographical Area					
UK	12,072	1,895	1,138	418	339
USA	424	4	2	2	-
Europe	1,050	43	2	41	-
Rest of the World	246	-	-	-	-
Total	13,792	1,942	1,142	461	339

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	-	-	-	-
Total	12,960	2,016	1,215	571	230

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

	2010			2009		
	Gross Value £'000	Provision £'000	Net Carrying Amount £'000	Gross Value £'000	Provision £'000	Net Carrying Amount £'000
UK	1,895	(22)	1,873	1,840	(22)	1,818
USA	4	-	4	57	-	57
Europe	43	-	43	119	-	119
Rest of the World	-	-	-	-	-	-
Total	1,942	(22)	1,920	2,016	(22)	1,994

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 2010 trade receivables of £527,000 (2009: £324,000) 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

	2010 £'000	2009 £'000
Up to 3 months	470	212
3 to 6 months	57	112
	<u>527</u>	<u>324</u>

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 2010 of £1,100,000 (2009: £1,300,000). These facilities are subject to 3 months' notice period. The Group also has term loans of £210,000 (2009: £711,000). The interest rate payable on the term loans is base rate plus 2 per cent. The loans are repayable in monthly instalments.

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

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

	2010 £'000	2009 £'000
Up to 3 months	621	905
3 to 6 months	105	108
6 to 12 months	-	215
Later than 1 year and not later than 5 years	-	219
	<u>726</u>	<u>1,447</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 per cent. movement from a base rate plus 2 per cent. based on the term loan balances as at 30 April 2010 of £210,000.

Interest rate movement from base rate plus 2%	-1%	+1%
Interest (saving)/expenses (£000's)	(1)	1
	<u>(1)</u>	<u>1</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 2010.

	2010		2009	
	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	211	Nil	606
Advances drawn on invoice discounting	3.25%	516	2.25%	(736)
Term loan	2.50%	(210)	2.50%	(429)
<i>Floating rate with maturity over one year</i>				
Term loan		-	2.50%	(219)
		<u>517</u>		<u>(778)</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	
	2010 £'000	2009 £'000	2010 £'000	2009 £'000
Pound sterling	1,873	1,818	592	624
US dollar	4	57	-	5
Euro	43	119	148	179
	<u>1,920</u>	<u>1,994</u>	<u>740</u>	<u>808</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 £9,000 (2009: £5,000). A 10 per cent. weakening in the exchange rates would, on the same basis, have decreased pre-tax profit and decrease net assets by £11,000 (2009: £6,000).

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:

	2010 £'000	2009 £'000
In less than one year	312	607
In more than one year but not more than two years	68	309
In more than two years but not more than three years	–	–
	<u>380</u>	<u>916</u>

Borrowing facilities

The Group had undrawn committed borrowing facilities available at 30 April 2010 in which all conditions have been met.

	Floating rate £'000	Fixed rate £'000	2010 Total £'000	2009 Total £'000
Expiry within 1 year	<u>511</u>	<u>–</u>	<u>511</u>	<u>1,106</u>

Interest rate risk

The currency and interest profile of the Group's bank loans and cash are as follows. The Group's other financial assets and liabilities are interest free.

	Floating rate liabilities 2010 £'000	Fixed rate liabilities 2010 £'000	Interest free liabilities 2010 £'000	Total £'000
Sterling	<u>210</u>	<u>170</u>	<u>–</u>	<u>380</u>
	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 assets 2010 £'000	Fixed rate assets 2010 £'000	Interest free assets 2010 £'000	Total £'000
Sterling	<u>211</u>	<u>–</u>	<u>–</u>	<u>211</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>

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

	Rate 2010 %	Period 2010 Years	Rate 2009 %	Period 2009 Years
Sterling	4.0	1.2	4.1	1.7

Fair values

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

	Book value 2010 £'000	Fair value 2010 £'000	Book value 2009 £'000	Fair value 2009 £'000
Bank loans	210	208	711	698
Finance lease creditor	170	163	205	196
	380	371	916	894

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 2010 and 2009 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 2009	56	84	20	87	247
Released in year	(24)	-	-	-	(24)
Charged in year	-	-	-	-	-
At 30 April 2010	32	84	20	87	223
Due within one year or less	16	-	20	87	123
Due after more than one year	16	84	-	-	100
	32	84	20	87	223

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 two 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. (2009: 28 per cent.).

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

	Group	
	2010	2009
Liability		
At 1 May	166	48
Income statement	193	118
Transfer from corporation tax recoverable	(44)	-
On acquisition of company	97	-
At 30 April	412	166

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) 2010 £'000	Charged/ (credited) to income 2010 £'000
Accelerated capital allowances	(89)	(24)
Other temporary and deductible differences	610	217
Available losses	(109)	-
	412	193
	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)	-
	166	118

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

	2010 £'000	2009 £'000
Unused tax losses	618	653

23. Share capital

	2010 Number	Authorised 2010 £	2009 Number	2009 £
Ordinary shares of 1p each	1,015,164,192	10,151,642	1,015,164,192	10,151,642
		Issued and fully paid		
	2010 Number	2010 £	2009 Number	2009 £
<i>Ordinary shares of 1p each</i>				
At beginning and end of the year	450,432,316	4,504,323	450,432,316	4,504,323

24. Reserves

	Share premium £'000	Merger reserve £'000	Retained earnings £'000	Foreign exchange reserve £'000
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)
At 30 April 2009	502	801	3,042	(174)
Translation differences on overseas operations	-	-	-	7
Share-based payments provision	-	-	8	-
Profit for the year	-	-	1,409	-
Dividends paid	-	-	(113)	-
At 30 April 2010	502	801	4,346	(167)

The share premium account represents the excess of the market value of shares issued over the nominal value of those shares, less expenses of issue.

The merger reserve arose in the year ended 30 April 2003 when the Company made an offer to the Global Depository Receipt ("GDR") holders of Vema N.V. for the 49 per cent. of the issued share capital of that company not already owned by the Group. The offer represented 1.5 Newmark shares for each GDR and the merger reserve represented the excess of market value over nominal value of the shares issued.

Retained earnings represents the cumulative amount of retained profits/losses each year as reported in the income statement, plus the exchange differences on the retranslation of foreign operations up to 1 May 2005 (the date of transition to IFRS).

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

Dividends

	2010 £'000	2009 £'000
Final dividend of 0.025 pence (2009: Nil) per ordinary share proposed and paid, during the year relating to the previous year's results	113	-

The directors are proposing a final dividend of 0.0275 pence (2009: 0.025 pence) per share totalling £125,000 (2009: £113,000). The dividend has not been accrued in the consolidated statement of financial position.

25. Acquisitions

On 28 April 2010, the Group acquired 60 per cent. of the voting equity instruments of ATM Protection (UK) Limited ("ATMP(UK)") and its wholly owned subsidiary ATM Protection Limited ("ATMP"), companies whose principal activity is the security of the cash in transit business.

Details of the fair value of identifiable assets and liabilities acquired, purchase consideration and goodwill are as follows:

	Book Value £'000	Revaluation to Fair Value £'000	Fair Value £'000
Fixed assets			
Tangible	3	–	3
Intangible	–	347	347
Total assets	<u>3</u>	<u>347</u>	<u>350</u>
Current liabilities:			
Trade creditors	(40)	–	(40)
Other creditors	(19)	–	(19)
Short term loan	(20)	–	(20)
Current taxation	(7)	–	(7)
Total current liabilities	<u>(86)</u>	<u>–</u>	<u>(86)</u>
Non-current liabilities			
Deferred tax	–	(97)	(97)
Net (liabilities)/assets	(83)	250	167
Purchased goodwill	97	–	97
Total purchase consideration	<u>14</u>	<u>250</u>	<u>264</u>
Purchase consideration comprises:			
Cash consideration	60	–	60
Deferred cash consideration	204	–	204
	<u>264</u>	<u>–</u>	<u>264</u>

The trading results of ATMP(UK) and ATMP for the companies unaudited statutory accounts for the twelve months to 30 April 2010, that were earned in the period prior to acquisition and therefore not included in the Group results, were as follows:

	£'000
Turnover	–
Loss before taxation	(58)
Taxation	5
Loss after taxation	<u>(53)</u>

The loss after tax of ATMP(UK) and ATMP for the previous year's unaudited statutory accounts was £29,000.

26. Leases

Finance leases

Future lease payments are due as follows:

	Minimum lease payments 2010 £'000	Interest 2010 £'000	Present value 2010 £'000
Not later than one year	113	11	102
Later than one year and not later than five years	77	9	68
	<u>190</u>	<u>20</u>	<u>170</u>
	Minimum lease payments 2009 £'000	Interest 2009 £'000	Present value 2009 £'000
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>

The present value of future lease payments are analysed as:

	2010 £'000	2009 £'000
Current liabilities	102	115
Non-current liabilities	68	90
	<u>170</u>	<u>205</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:

	2010 £'000	2009 £'000
Not later than one year	-	-
Later than one year and not later than five years	564	692
Later than five years	420	480
	<u>984</u>	<u>1,172</u>

27. 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	2010 Approved	2010 Unapproved	2009 Approved	2009 Unapproved
December 2001	5p	125,000	125,000	125,000	125,000
September 2002	2p	125,000	5,625,000	125,000	5,625,000
October 2005	1.5p	7,000,000	7,000,000	7,000,000	7,000,000
Total		<u>7,250,000</u>	<u>12,750,000</u>	<u>7,250,000</u>	<u>12,750,000</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 5.3 and 4.0 years respectively (2009: 6.3 and 5.0).

Of the total number of options outstanding at the end of the year 7,250,000 Approved and 12,750,000 Unapproved (2009: 7,250,000 and 12,750,000 respectively) had vested at the end of the year.

There were no options granted or exercised during the year.

In April 2008, the Group adopted the Newmark Security PLC EMI Share Option Plan which enabled the Board to grant qualifying share options under the HM Revenue and Custom's Enterprise Management Incentive ("EMI") tax code and also unapproved share options to employees and directors. The EMI share options vest and become exercisable 3 years from the date of grant (subject to leaver and takeover provisions), or such other period of time specified by the Remuneration Committee. Performance conditions set by the Remuneration Committee will apply to these EMI options. In that year the Company granted 4,800,000 options under the EMI approved share option scheme and 1,000,000 options under the EMI unapproved share option scheme. The options were granted at a price of 1.425 pence per share. No further options were granted in the year. The remaining weighted average contractual lives for both Approved and Unapproved Options under this scheme were 7.5 years (2009: 8.5 years). None of these options had vested at the year end.

The share based remuneration expense for equity settled schemes was £8,000 (2009: £21,000).

28. Related party transactions

Details of directors' remuneration are given in the Report of the Remuneration Committee on page 12.

29. Notes supporting cash flow statement

Cash and cash equivalents comprises:

	2010 £'000	2009 £'000
Cash available on demand	211	606
Net cash (decrease)/increase in cash and cash equivalents	(395)	519
Cash and cash equivalents at beginning of year	606	87
Cash and cash equivalents at end of year	211	606
Significant non-cash transactions are as follows:		
<i>Financing activities</i>		
Proceeds from finance lease creditor	102	152

COMPANY BALANCE SHEET
30 April 2010 – UK GAAP Financial Statements
Company number: 3339998

	Note	2010 £'000	2010 £'000	2009 £'000	2009 £'000
Fixed assets					
Investment in subsidiary	3		18,869		18,869
Tangible assets	4		4		1
			<u>18,873</u>		<u>18,870</u>
Current assets					
Debtors	5	1,389		1,188	
Creditors: amounts falling due within one year	6	<u>(12,877)</u>		<u>(12,957)</u>	
Net current liabilities			<u>(11,488)</u>		<u>(11,769)</u>
Total assets less current liabilities			7,385		7,101
Creditors: amounts falling due after more than one year	7		-		(219)
Accruals and deferred income			<u>(133)</u>		<u>(171)</u>
Net assets			<u><u>7,252</u></u>		<u><u>6,711</u></u>
Capital and reserves					
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>1,445</u>		<u>904</u>
Shareholder's funds–Equity	10		<u><u>7,252</u></u>		<u><u>6,711</u></u>

The notes on pages 50 to 53 form part of these financial statements.

These financial statements were approved by the Board of Directors and authorised for issue on 26 July 2010.

M Dwek
 Director

NOTES FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 April 2010

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 2010 is disclosed in note 10.

Depreciation

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

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

Valuation of investments

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

Deferred taxation

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

Deferred tax balances are not discounted.

Leased assets

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

Dividends

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

2. Employees and staff costs

	2010 Number	2009 Number
The average number of employees, including directors, during the period was:		
Office and management	2	2
	<u>2</u>	<u>2</u>
	2010	2009
	£'000	£'000
Staff costs (including Executive Director) comprise:		
Wages and salaries	140	130
Employer's national insurance contributions and similar taxes	14	15
	<u>154</u>	<u>145</u>
	<u>154</u>	<u>145</u>

3. Investment in subsidiary

	£'000
Cost	
At 1 May 2009 and 30 April 2010	18,869
Net book value at 30 April 2009 and 30 April 2010	18,869

The subsidiaries of Newmark Security PLC are as follows:

Name	Country of incorporation	Proportion of ownership interest ⁽¹⁾	Activity
Custom Micro Products Limited	Great Britain	100%	Dormant
Newmark Technology Limited ^(2a)	Great Britain	100%	Trading
Newmark Technology (C-Cure Division) Limited	Great Britain	100%	Dormant
Safetell International Limited	Great Britain	100%	Dormant
Safetell Limited	Great Britain	100%	Trading
Safetell Security Screens Limited	Great Britain	100%	Trading
Newmark Technology Inc.	USA	100%	Dormant
Vema B.V.	The Netherlands	100%	Holding
Vema N.V. ^(2b)	The Netherlands	98%	Finance
Vema UK Limited ^(2c)	Great Britain	100%	Finance
Grosvenor Technology Limited	Great Britain	100%	Trading
Newmark Group Limited	Great Britain	100%	Dormant
Sateon Limited	Great Britain	100%	Dormant
ATM Protection (UK) Limited ^(2d)	Great Britain	60%	Trading
ATM Protection Limited ^(2e)	Great Britain	60%	Trading

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

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

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

4. Tangible assets

	Computers Fixtures & Fittings £'000	Total £'000
Cost		
At 1 May 2009	9	9
Additions in the year	5	5
Disposals in the year	(9)	(9)
At 30 April 2010	5	5
Depreciation		
At 1 May 2009	8	8
Disposals in the year	(9)	(9)
Charge for the year	2	2
At 30 April 2010	1	1
Net book value		
At 30 April 2010	4	4
At 30 April 2009	1	1

5. Debtors

	2010 £'000	2009 £'000
Amount due from group undertakings	1,374	1,162
Other debtors	–	13
Prepayments	15	13
	<u>1,389</u>	<u>1,188</u>

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

6. Creditors: amounts falling due within one year

	2010 £'000	2009 £'000
Bank overdraft	1,650	1,242
Loan (i)	–	63
Loan (ii)	210	429
Amount due to group undertakings	10,984	11,219
Other taxation and social security	33	4
	<u>12,877</u>	<u>12,957</u>

Bank loan (i) was repayable by equal monthly instalments until July 2009 and was secured on the assets of the UK subsidiary companies. Interest was 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 2010. Interest is payable at 2 per cent. above base rate.

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

	2010 £'000	2009 £'000
Loans (see note 6)	<u>–</u>	<u>219</u>

8. Share capital

	2010	2009
Authorised:		
1,015,164,192 Ordinary shares of 1p each (2009: 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 (2009: 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 2009	502	801	904
Loss for the year	-	-	(96)
Dividends received	-	-	750
Dividends paid	-	-	(113)
At 30 April 2010	<u>502</u>	<u>801</u>	<u>1,445</u>

10. Reconciliation of movements in shareholder's funds

	2010 £'000	2009 £'000
Opening shareholder's funds	6,711	5,555
Loss for the year	(96)	(394)
Dividends received	750	1,550
Dividends paid	(113)	-
Closing shareholder's funds	<u>7,252</u>	<u>6,711</u>

11. Commitments under operating leases

At 30 April 2010 the company had annual commitments under non-cancellable operating leases as follows:

	2010 Land and buildings £'000	2009 Land and buildings £'000
Expiring within two to three years	<u>42</u>	<u>42</u>

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

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

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

NEWMARK SECURITY PLC

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

NOTICE OF ANNUAL GENERAL MEETING

If you do not propose to attend the Annual General Meeting to be held at 57 Grosvenor Street, London W1K 3JA on 8 September 2010 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.

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 8 September 2010 at 11.00 a.m.

You will be asked to consider and pass the resolutions below. Resolutions 8 to 10 (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 2010 together with the reports of the directors and auditors thereon.

2. Rotation and retirement of directors

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

3. Appointment of director

To re-appoint Mr Derek Blethyn as an 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 2009.

4. Appointment of director

To re-appoint Mr David Ishag 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 2009.

5. Appointment of auditors

To re-appoint BDO 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 2010 of 0.0275 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 2010.

Special Resolutions

8. Authority to allot

THAT, in accordance with section 551 of the Companies Act 2006 ("the 2006 Act"), the directors be generally and unconditionally authorised to allot shares in the Company up to an aggregate nominal amount of £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 authority shall, unless renewed, varied or revoked by the Company, expire on the earlier of the conclusion of the next following annual general meeting of the Company and 15 months from the passing of this resolution save that the Company may, before such expiry, make an offer or agreement which would or might require shares to be allotted and the directors may allot shares in pursuance of such offer or agreement notwithstanding that the authority conferred by this resolution has expired.

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

9. Disapplication of pre-emption rights

THAT, subject to the passing of the resolution 8 above and in accordance with section 570 of the 2006 Act, the directors be generally empowered to allot equity securities (as defined in section 560 of the 2006 Act) pursuant to the authority conferred by resolution 8, as if section 561(1) of the 2006 Act did not apply to any such allotment, provided that this power shall:

- 9.1. be limited to the allotment of equity securities up to an aggregate nominal amount of £4,000,000; and
- 9.2. expire on the earlier of the conclusion of the next following annual general meeting of the Company and 15 months from the passing of this resolution (unless renewed, varied or revoked by the Company prior to or on that date) save that the Company may, before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and the directors may allot equity securities in pursuance of any such offer or agreement notwithstanding that the power conferred by this resolution has expired.

10. 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

26 July 2010

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 6 September 2010.
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 6 September 2010 (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 23 July 2010 (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 23 July 2010 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 6 September 2010. 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.

