Newmark
SECURITY PLC

Report and Financial Statements

Year ended 30th April 2021

Report and Financial Statements

Year ended 30th April 2021

Newmark Security PLC (AIM:NWT) delivers long-term shareholder value through the provision of products and services in the security and data sectors. From its locations in the UK and the US, the organisation operates through subsidiary businesses positioned in specialist, high-growth markets.

Safetell provides physical security installations to numerous end-user sectors. Products and services range from Asset Protection Solutions to Counter Terror Deployments. Grosvenor Technology serves the Access Control and Human Capital Management markets globally providing both hardware and software to collect and secure data while maintaining privacy, ensuring compliance and reducing operating costs for its clients. This is typically provisioned through a recurring software as a service model.

Generating a greater proportion of its revenues from recurring services is part of Newmark's overarching strategy which is dedicated to building a business that has long-term stability and sustainability at its core.

Company number: 3339998

Newmark
SECURITY PLC

Contents

About Newmark Security PLC

Newmark's products have become the industry standard in people and data security and the Company benefits from long-term relationships with many blue-chip customers.

For over 25 years, Newmark Security has delivered long-term stakeholder value through the provision of products and services in the security and data sectors. We continuously invest in innovative technology and, as a leading provider of electronic and physical security systems, the business is well positioned in specialist, high-growth markets.

Grosvenor Technology is a market leader in global Access Control and Human Capital Management solutions - with more than 25 years of innovative engineering experience. Our product offering encompasses hardware, software and cloud-enabled products and services for customers of all sizes from all sectors. We specialise in providing innovative solutions and support that endure.

For over 25 years, Safetell has been providing innovative security solutions to end users across the public and private sectors. Products and services range from asset protection solutions to counter-terror deployments. Safetell works collaboratively with clients to design complete and value-add solutions which leads to long-standing relationships, high degrees of customer retention and significant proportions of repeat business.

Newmark's products have become industry standard in people and data security and the company benefits from long-term relationships with many blue-chip customers.

Marie-Claire Dwek
Chief Executive Officer
Newmark Security

Highlights

Revenue	Gross Profit Margin	Operating Profit
£17.7M	37.5%	£79,000
Marginally behind last year at £17,658,000 (2020: £18,767,000), a decrease of 5.9%	Gross profit margin decreased to 37.5% (2020: 39.7%)	Operating Profit before exceptional items was £79,000 (2020: £604,000)

Operating Loss after exceptional items	Tax Credit	Profit After Tax For The Year
-£38,000	£297,000	£171,000
•Operating loss after exceptional items was £38,000 (2020: Operating profit £305,000)	Tax credit of £297,000 (2020: credit of £896,000)	(2020: £1,127,000)

Earnings Per Share	Cash generated from operations before exceptional items	Investment In Development
0.04p	£245,000	£744,000
(2020: 0.24p)	(2020: £1,267,000)	(2020: £886,000)

People and Data Management division (Grosvenor Technology)

Revenues from Human Capital Management (HCM) increased by 6% to £9,659,000 (2020: £9,142,000)

Successful onboarding of new customers and of significant end users to existing customers has shown growth year on year. After removing the impact of the expected reduction in revenue from the Ultimate and Kronos merger HCM has grown by 41% year on year.

Access Control revenues reduced by 29% to £2,988,000 (2020: £4,215,000).

Existing Access Control Legacy Janus product revenue reduced by 4% whilst Sateon revenue decreased by 50%.

The Janus C4, our Integrated Security Management and Access Control product, provides a single-platform, multi discipline solution and attained £351,000 of revenue in a COVID impacted year (2020: £383,000).

Physical Security Solutions division (Safetell)

Revenue decreased by 7% to £5,011,000 (2020: £5,410,000), which, in a year disrupted by reduced access to customer sites and other precautionary measures, shows a turning point for Safetell with product revenue being generated from new lines of business.

Commenting on the results, Maurice Dwek, Chairman of Newmark Security, said "It has been an encouraging year for Newmark Security, and the Group has continued to trade effectively, considering the circumstances and challenges we all faced. We have navigated the impacts of Covid-19 successfully, while also driving the business forward with a strong focus on growth."

"As we emerge from a year of unprecedented turmoil across the world, Newmark Security is in a healthy position. We have further strengthened our teams, developed valuable new technology, and expanded the range of products and services for our customers. We have exchanged some older contracts for a number of exciting new products which have significant potential for our customers and for our business. During the year we invested time in researching and formulating a strategic business plan which identifies the Group's growth potential over a three-to-five-year time frame."

– Marie-Claire Dwek, Chief Executive Officer

At A Glance

Newmark
SECURITY PLC

Group Annual Revenue

£17.7m (-5.9%)

Grosvenor
TECHNOLOGY

Workforce Management Technology for global markets and Access Control products for the UK market.

Annual Revenue £12.6m (-5%)	HCM Revenue £9.6m (+6%)
Access Control Rev. £3.0m (-29%)	Gross Margin 36.5% (-1.3%)

Safetell
SECURITY | MAINTENANCE

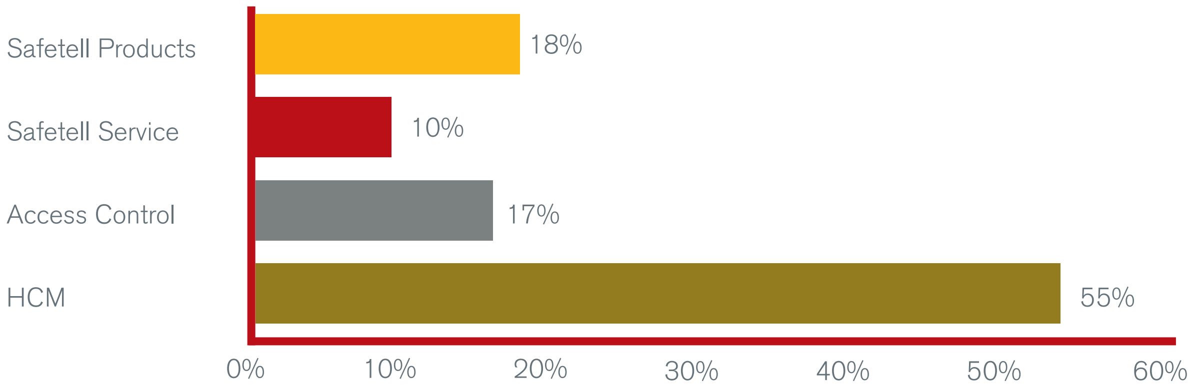
Designs, develops, installs and maintains a diverse range of physical security solutions to a variety of sectors.

Annual Revenue £5.0m (-7%)	Products £3.2m (+19%)
Service £1.8m (-34%)	Gross Margin 40.1% (-4.3%)

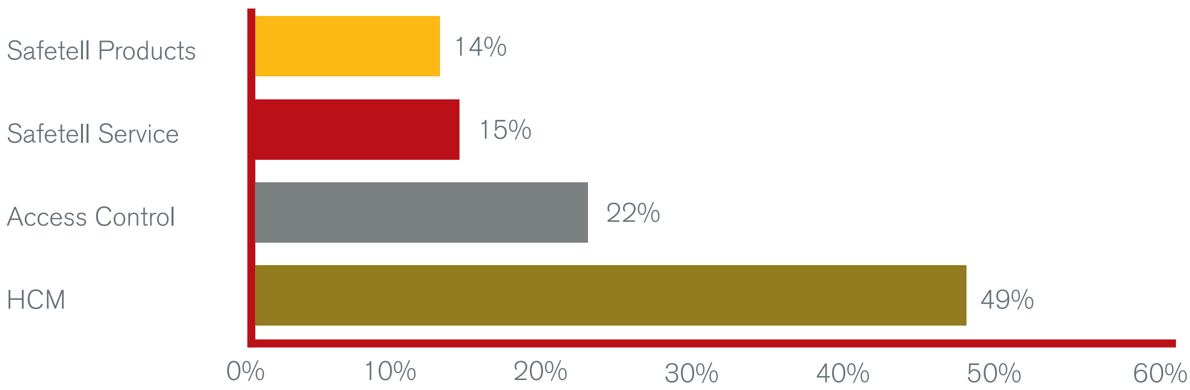
At A Glance

Revenue Split by Division and line of business

2021



2020



112 Employees

5 Locations

596 Customers

Strategic Report

Chairman's Statement

Overview

Having refocused the strategic direction of the Company in recent years, putting greater emphasis on a recurring revenue model, our transition continues. We rolled out and implemented our strategy across the Group during the year, laying the groundwork for future success.

Maurice Dwek
Chairman
Newmark Security

"It has been an encouraging year for Newmark Security, and the Group has continued to trade effectively, given the circumstances and challenges we all faced. We have navigated the impacts of Covid-19 successfully, while also driving the business forward with a strong focus on growth."

Driving growth in our People and Data Management division

This focus has helped us drive for growth. We continued to make good progress with our Human Capital Management (HCM) business in North America this year. Our ability to provide technical solutions and hardware without the need for us to physically attend a site has been a huge advantage during the pandemic as well as developing COVID-related solutions such as temperature readings and improved facial recognition for masks. We also onboarded a number of new contracts, including our first Clock as a Service (ClaaS) contract with the Market Intelligence Group. In addition, following investments in both our hardware and software platforms, two of our longstanding US HCM clients subscribed to our Cloud provisioned software, remotely connecting new and existing timeclock devices with our platform.

On the Access Control side, our latest security management platform, Janus C4, performed well in the year given the impact of COVID, albeit from a very modest base. I am delighted that we extended our contract with Gamanet, upon whose technology the platform relies, and this will enable us to put the maximum focus on Janus C4 in the years ahead.

Resilience and flexibility in our Physical Security Solutions division

With COVID-19 hampering our service and technical engineers' ability to work onsite safely during lockdowns, our Safetell team in the UK adapted quickly and with great resilience to protect the business and deliver for their customers in our traditional markets. We continue to make progress, cementing our existing client relationships further, bringing new product lines to the market, and I was extremely pleased to see that we won new projects this year with customers whose businesses remained in operation throughout the initial UK lockdown.

Performance ahead of expectations

Overall performance across the Group during the year was ahead

Chairman's Statement

of management's expectations, with revenue for the year from operations slightly down at £17,658,000 (2020: £18,767,000), largely due to the impact of COVID-19 in the first half of the year, with a much stronger performance in the second half. A loss from operations of £38,000 (2020: profit of £305,000) was incurred. Revenue in the People and Data Management division (Grosvenor) fell by 5.3% from £13,357,000 to £12,647,000, while revenue in the Physical Security Solutions division (Safetell) was down 7.4% from £5,410,000 to £5,011,000. A full Financial Review of our results is included within the Strategic Report on pages 28 to 29.

Moving on from Covid-19 into the 'new normal'

The pandemic has had a major impact on our people and the business, both operationally and financially. Some difficult choices had to be made, and a series of cost reduction initiatives were implemented across the Group including furloughs and temporary pay cuts and some redundancies. However, I am proud of the brilliant response from our people and our management team.

We refinanced the business with a government-backed £2 million loan under the Coronavirus Business Interruption Loan Scheme ("CBILS"). The facility has been fully drawn down, helping us to reduce interest charges on other borrowings, and enabling us to continue with core development activities to support future growth.

We have already brought the majority of people back to work, having largely returned to normal operations across the Group. As we move on from COVID-19 towards the 'new normal' for everyone, I am confident that we are emerging as a stronger business, well-positioned for growth.

Board and governance

The Board and its Committees maintain a robust governance framework, using individuals' experience to provide independent challenge and ensure that good governance is promoted across the Group. We follow the Quoted Companies Alliance Corporate Governance Code ("QCA Code"), and details on how the Company applies the principles of the QCA Code are set out in our Corporate Governance section on pages 34 to 39.

Our Group Finance Director, Graham Feltham, has left the Group in September 2021. I would like to thank Graham for his important contribution to Newmark Security over the past two years and wish him well for the future. Paul Campbell-White has joined us as our new Chief Financial Officer, also in September, having most recently

Chairman's Statement

held the position of Chief Commercial Officer at CognitionX, a technology company in the events space.

Going concern

The Board continues to have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. We are in a good position following COVID-19, although cash remains a key focus, especially with the challenges we face managing our inventory levels and dealing with the global shortage of components we need to build our products. We continue to work closely with our bank (HSBC), through which we have our CBILS facility. Post the balance sheet date we have agreed a temporary £200,000 extension to our overdraft facility until 1 November 2021 and are currently in discussion with our primary bankers to increase our UK invoice discounting facility and introduce a US invoice discounting facility. We have also renegotiated our covenant on the CBILS facility in light of our investment for growth.

The group is currently operating ahead of revenue expectations albeit with a different phasing of certain lines of business with varying margins which result in a reduced margin. The latest forecast of the Group exceeds the Tangible Net Worth (TNW) covenant test by 13.5% and will be tested more fully when a revised forecast is completed in October. As a consequence of the revised forecast findings the Group would explore the existing covenant test level with our Banking partners, HSBC, should the covenant headroom fall short of 10%.

Overall, the business has performed better than our own internal forecasting had suggested during the COVID-19 period, and we are optimistic that this trend will continue in the next 12 months, supported by sensitised forecasts, accordingly, the directors consider it appropriate to prepare the accounts on a going concern basis.

Dividend

The Board is not recommending the payment of a dividend for the year ended 30 April 2021 (2020: £Nil).

Outlook

While the Group has inevitably been affected by the global pandemic and restrictions imposed in the UK and internationally, I am pleased with the progress we have made this year. We enter the new financial year with growing optimism, we continue to invest in the US, and we expect to benefit from the rollout of our focused strategy and build a greater proportion of recurring revenues. The outlook for our HCM business in the Rest of the World is also very promising, as we develop our capabilities and onboard new customers.

Our Physical Security Solutions division, Safetell, stands out in the UK market as a 'one stop shop' for customers looking for a solution to their security issues. In particular, we expect to see growth in the year ahead in new product lines in the Entrance Control and Auto-door categories.

I am confident we are set up for growth and, overall, expect the Group to show an increase in revenue in the coming year. On behalf of the Board, I would like to extend my thanks for all the hard work and resilience shown by our teams this year, and I look forward to a successful 2021/22.

Maurice Dwek
Chairman
9 September 2021

Business Model

Key Resources

Longevity and experience

Newmark has been providing products and services for over 25 years and is recognised as being an innovator within the sectors it serves.

Our people

Our people are dedicated, passionate specialists in their field.

Established relationships

Newmark has longstanding and deep relationships right along the value chain, whether that's with suppliers, installers, resellers or customers. We value our relationships and understand the long term benefits and opportunities they can bring.

Investment

Newmark continues to invest in research and development allowing it to stay ahead of the curve and ensure the highest levels of secure technologies for its customers. We have sustained investment in emerging technologies and markets through the years and this has allowed us to remain current, competitive and positioned for growth.

Value Creation

We provide solutions – not just products

Newmark designs, manufactures and provides solutions for our customers. We form long term partnerships with our customers through provision of consultancy advice and service and maintenance agreements for our products.

Specialist products and services

We take good positions in high growth sectors, providing specialist products and services to our customers. The Group is continually innovating in fields such as biometrics, Cloud services and mobile authentication to ensure its products are at the forefront of the sectors it operates in.

Drive efficiency through innovation

Every business seeks to create an environment in which it can operate more efficiently and with greater levels of productivity. Achieving these goals, while providing smart, safe and secure workspaces is the added-value that Newmark Security brings.

Our Customers

Our customers

Safetell provides its products and services directly to the end users.

While Grosvenor Technology provides some products and services directly to end users, it's more common to trade through a channel of specialist providers of broader services. In access control, this is through security installers or systems integrators and in HCM its through software houses or Value Added Resellers (VARs).

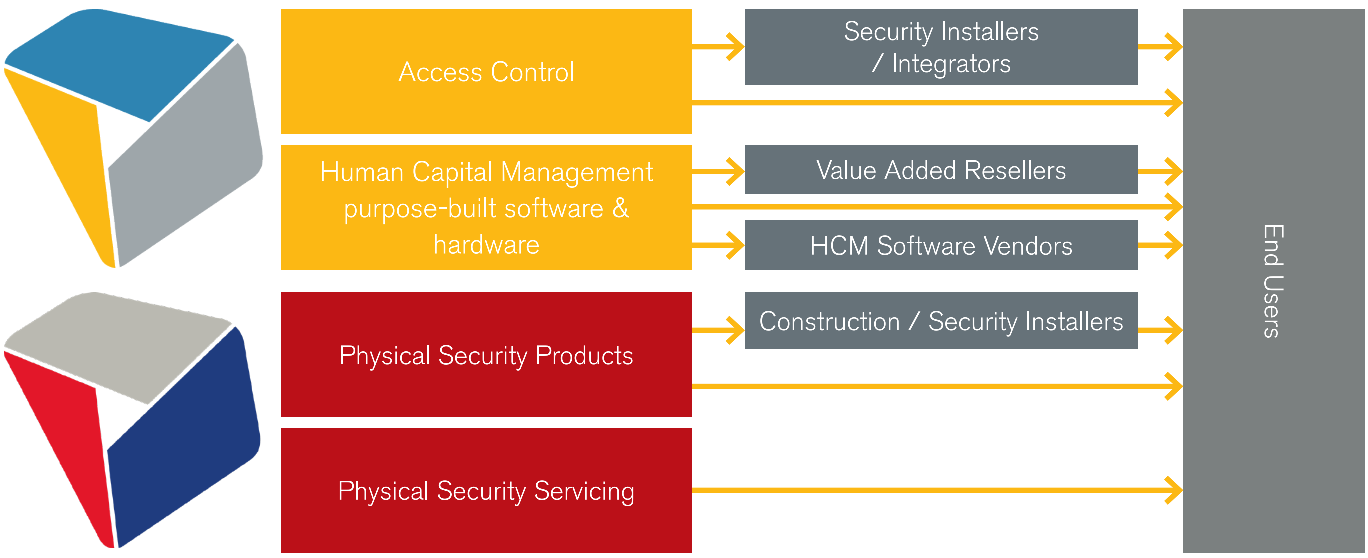
Outputs

Long term partnerships:

The Company benefits from long-term relationships with many blue-chip customers.

Recurring revenue streams:

Our longer term strategy is to build a business that generates a greater proportion of its revenues from recurring services over time. We will achieve this through encouraging subscription services and continuing to invest in the cloud provision of both our software and hardware.



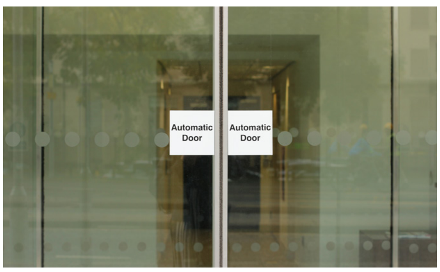
Business Model

Grosvenor Technology: People & Data Management Division

Access Control

Human Capital Management

Safetell: Physical Security Solutions



CEO Review

Marie-Claire Dwek
Chief Executive Officer
Newmark Security

"As we emerge from a tough year, I believe Newmark Security is in a strong position – we have enhanced our teams, developed valuable new technology, and expanded the range of products and services we offer our customers. We've even exchanged some older contracts for a number of fantastic new projects, which I believe have the potential to take us to the next level."

Overview

We made significant progress in the year to 30 April 2021, despite the impact of COVID-19 and related lockdowns and restrictions. Our proactive response to the global pandemic in the early months of the year supported our business, people and customers, while the Group's trading activity recovered strongly in the second half.

We demonstrated our resilience and ambition during the year, investing in the development of both our hardware and software platforms to support future growth. At the same time, we built on existing relationships, onboarded new customers, and continued to strengthen our presence in high-growth, specialist data and security markets.

Market focus

In a year when everything seemed to stop, the evolution in some of our markets gained pace, spurred on by the challenges presented by the pandemic. There is growing demand for new technologies to handle things like touchless entry and facial recognition, with or without masks; and for systems that can be maintained effectively without a physical on-site presence. There are also new opportunities as customers turn their attention to creating safer workspaces.

The market is moving away from stand-alone Access Control solutions, towards integrated Access Control, Intruder, CCTV, Fire and Building Management, all of which can be provided within a single platform. Since COVID-19, there has been a push for smarter devices that can carry out contactless temperature checks for employees, visitors and customers to identify abnormal body temperatures, and so reduce the risk of infection.

We put a strong focus on developing our market intelligence during the year. It's through a continuous and thorough understanding of our markets that we can target the product developments and offerings that will make a difference for our customers. There are a number of important trends we seek to address, with one of the most important being data protection and quality. This is

CEO Review

driven not just by stronger legislation in the US and Europe, but also by the increasing need for companies to present themselves as responsible and trustworthy in a competitive market.

We continue to see growth in the Human Capital Management (HCM) market being facilitated through the technology 'drivers' of high-speed internet availability and the subsequent mass shift to Cloud based computing. We are developing our HCM software platforms with a Cloud and Application Programming Interface ("API") first approach. This approach prioritises the use of a Cloud infrastructure along with APIs to provide seamless connectivity and integration between back-end and front-end systems for customers.

Products and services our customers can rely on

Newmark Security benefits from long-term relationships with many blue-chip customers and I was pleased to see that we had considerable success this year both in onboarding new customers and developing strong prospects for the future.

In our HCM businesses in particular, we continue to generate a greater proportion of our revenues from recurring services. This remains a key part of our strategy. Combined with our existing strengths in data privacy, security and providing end-to-end solutions, I believe this will be an important growth driver for the business in the years ahead.

That's why I am so excited about our newly developed Cloud platform, which we expect to launch in the winter. This will enable us to focus on both Security as a Service (SaaS) and our unique offering, Clock as a Service (ClaaS), which allows customers to choose any clock, bundled with our GT Services, and benefit from one low-cost monthly fee, with a no-quibble lifetime warranty.

Our focus is all about giving our customers confidence in what we can deliver for them – total data management, device management, and identity management, which ensures they have total regulatory compliance and a highly secure environment built in. It's all part of the service.

We have extended our contract for Janus C4, our latest security management platform for Access Control, for a further three years. This recognises the fact that the platform has been well received by both existing and prospective customers, and that uptake is increasing, following our investments in additional training resource to support clients adopting the platform.

Following its reorganisation last year, our Safetell business had identified new markets, products and customers that complemented its existing offering. While COVID-19 has delayed the market launch of some of these new products, I was pleased to see that the business has proactively addressed the new market opportunities this year by replacing traditional business with new business.

Investing in growth

Despite the challenges of operating under COVID-19 restrictions, the Group continued to trade in all divisions this year. I'm immensely proud of the resilience and flexibility our people showed, handling unprecedented pressures and providing uninterrupted services to our customers. During the year, we have had to respond to component shortages and global challenges in our supply chain, however we maintained our productivity levels and continued to onboard valuable new accounts.

While we took the difficult decision to furlough colleagues at the height of the crisis, many of us were able to work seamlessly from home. We've put new policies in place and complied with all regulations, and I'm delighted to say that we are now very much on the other side of the disruption, with all colleagues back to work, and a firm investment strategy in place to build back better.

We are investing in both people and technology. As a growing business, it is vital that we have the right people in the right roles. We also need to upgrade our underlying systems to support growth and new lines of business. That means investing in our customer relationship management (CRM), enterprise resource planning (ERP), people management and marketing systems to ensure we manage our day-to-day business activities and organise our key resources more effectively.

Overview of Divisional Performance

People and Data Management division

Having achieved significant growth in the previous three years, Grosvenor Technology continued to perform well, though revenues decreased by 5.6% overall, to £12,647,000 (2020:

CEO Review

£13,357,000). This included revenue from HCM, which increased by 5.7% to £9,659,000 (2020: £9,142,000), and revenue from Access Control, which fell by 29.1% to £2,988,000 (2020: £4,215,000). This reduction in revenues came as COVID-19 impacted some of our clients' end-user projects, and the anticipated reduction in HCM sales to Ultimate Software (following the merger of Ultimate Software Group and Kronos).

Human Capital Management (HCM)

Our HCM sales at GT Clocks in North America were slightly lower, largely due to the Ultimate Software merger, though revenues have held up well overall. We have onboarded new clients, including an HCM software company that provides HR and Payroll solutions to over 30,000 businesses. Also, one of our existing partners entered into an agreement, expected to be worth approximately £2.9 million over three years, to supply the GT10, our flagship hardware device, to an international retailer.

We continue to engage with several Tier 1 target HCM software providers in the US, who are interested in our next generation hardware. And three of our longstanding HCM clients in the country have subscribed to our Cloud provisioned software, which means they are remotely connecting new and/or existing timeclock devices with our platform with a new addition in the year for both a ClaaS and SaaS subscription.

In our Rest of World HCM business, we also continued to negotiate with new Tier 1 clients for both products and services. While the effects of COVID-19 impacted our revenues, particularly in Europe, they held up better than expected and improved in the second half of the year.

Access Control

With the vast majority of our Access Control sales coming from the UK, national and regional restrictions imposed to control the spread of COVID-19 resulted in a dramatic fall in demand – as our installation partners were only carrying out essential maintenance, rather than new installs.

A drop in the sales of our legacy Janus product range was also expected, as this platform is no longer installed in our 'new' systems. However, many end-user sites still use legacy Janus products, and this continues to generate revenues for the business, albeit at a diminishing rate.

I was pleased to see sales have held up in our latest access control platform, Janus C4, which can be considered a full Security Management System (SMS). Our ability to onboard new partners has been severely hampered, as we have not been able to conduct face-to-face visits during much of the year, and this limited the number new installations that took place.

Sales of Sateon, our previous flagship access control platform, also decreased in the year – partly due to the business development focus on Janus C4, which was expected, but also as a result of supply chain disruptions arising from border restrictions and other impacts of the pandemic.

Physical Security Solutions division

Revenue in the Physical Security Solutions division decreased by 7.4% to £5,011,000 (2020: £5,410,000), due the impact on trading activity of COVID-19 and the expected reduction

CEO Review

in work with the Post Office Network Transformation having come to an end. However, we built on existing client relationships and won new projects in the year, pivoting the business where necessary to help customers meet the challenges they faced during the extensive lockdowns in the UK.

While COVID-19 meant our service and technical engineers were often unable to work onsite safely, and many projects were delayed during lockdowns, it was a busy year as new opportunities arose in helping customers create safer workspaces. Notably, demand rose for products such as hygiene screens and night-pay hatches that would protect our customers' employees and customers alike.

Pent up demand and a significant order book, thanks to our expanded product range and a wider customer base, drove a stronger performance in the second half of the year. Safetell also took the opportunity to build a full demonstration facility where customers can now view our full product range, including our Autodoor and Entrance Control products.

Changes to our senior team

I would like to take this opportunity to say thank you again to all of our colleagues in what has been a challenging year for everyone. Safetell's Managing Director, Paul Lovell, made the decision to retire on 30 June 2021, having been with the Group since 1991. I'm sure everyone will join me in wishing Paul the best for the future, and I am grateful for the contribution he has made to the business over the past 20 years. The search for Paul's permanent successor is ongoing, but for the moment Safetell is in the extremely capable hands of Bob Darke, who kindly agreed to step in as Interim Managing Director.

We have also recruited Brian Hack as our new Global Operations and Supply Chain Director for Grosvenor Technology in the US. Brian is very experienced in the HCM industry and I am sure he will play a key role in ensuring our business in the US has the solid platform it needs to meet our ambitious growth targets.

Gearing up for future growth

As we emerge from a tough year, I believe Newmark Security is in a strong position – we have enhanced our teams, developed valuable new technology, and expanded the range of products and services we offer our customers. We've even exchanged some older contracts for a number of fantastic new projects, which I believe have the potential to take us to the next level.

Over the next five years, I am confident we can increase our penetration into the vibrant US market, and significantly increase our turnover across the Group. That will mean building our capabilities and skills-base further and earning a market-leading reputation for customer service.

We'll also need to continue onboarding major Software Houses as part of our HCM businesses, and a renewed focus on Janus C4 should see a transition away from legacy products in our Access Control operations. In Safetell, I expect to see an even greater diversification of product lines, as there is a continued shift from traditional markets to innovative new markets.

With such exciting times ahead, 'Living our Values' will be especially important. If and when we encounter setbacks, clarity about our essential values will hold us together, as we work to deliver our business vision and goals. That will underpin our "will-to-win."

I have worked with the Leadership Team to articulate a Vision, a Mission and a set of Core Values for Newmark Security Group. Since launching this programme I am committed to consistently reinforce it throughout our companies. I believe bringing people together in this way is an important step in our evolution as business. It is a key part in our growth story, as well as enhancing Newmark Security's profitability and our enterprise value for shareholders.

Marie-Claire Dwek

Chief Executive Officer

9 September 2021

People & Data Management Division

Revenue Information

People & Data Management Division	2021 £'000	2020 £'000	Increase/ (Decrease) £'000	Percentage Change %
Legacy Janus	1,491	1,549	(58)	(4)
Sateon Advance	1,146	2,283	(1,137)	(50)
Janus C4	351	383	(32)	(8)
Total Access Control	**2,988**	**4,215**	**(1,227)**	**(29)**
HCM Rest of World	3,150	3,238	(88)	(3)
HCM US	6,509	5,904	605	10
Total HCM	**9,659**	**9,142**	**517**	**6**
Division Total	**12,647**	**13,357**	**(710)**	**(5)**

Overview of performance and future

At Grosvenor Technology, we provide security and attendance solutions via our Access Control and Human Capital Management (HCM) businesses. Our Janus access control product was the world's first Windows-based access control platform and has been installed at over 10,000 sites globally. In our HCM line of business, we help turn diverse data into real information while increasing security, ensuring compliance, and reducing time and cost for our partners.

Growth opportunities in North America

Following a three-year period of good growth, Grosvenor Technology continued to trade well across all lines of business and regions in a more challenging year. Our HCM revenues in North America, through our trading name of GT Clocks held up well, although they were affected by the merger between Ultimate Software and Kronos, who make their own device, and as a result we saw lower sales to this key customer. We have greatly benefited from our relationship with Ultimate and will continue to work with them.

The reduction of business with Ultimate was largely offset as GT Clocks onboarded new clients, including an HCM software company that provides HR and Payroll solutions to over 30,000 businesses. During the year, one of our existing partners also entered into a new agreement to supply our flagship hardware device, the GT10, to an international retailer.

Our specialist offering continues to gain traction in the sector and in the year, our US based business generated 52% (2020: 44%) of our total revenues for this division. We still believe the HCM business in the Americas represents our greatest opportunity, and we are increasing our business investment in our

People & Data Management Division

people and technology to future proof the business and maximise this opportunity.

We are investing in the development of both hardware and software platforms to support our growth in the HCM market globally. During the year, a big focus for our hardware, electronics and software teams has been the development of our latest Android based timeclock, the GT8, which launched close to the end of the financial year in April.

Launch of the GT8 Timeclock

The GT8 is a thoroughly modern timeclock with an 8" full-colour high-resolution touch screen providing the user with a concise, impressive interaction, comparable to the latest mobile devices. It is a step forward in technology – a next generation device using the latest processors with hardware encryption for biometric data that meets US and European legislation.

The timeclock uses the Android 10 operating system, which means applications for the device can be easily developed using familiar tools and frameworks. The GT8 can also be updated remotely Over The Air ("OTA"), keeping the operating system up-to-date and secure.

We launched the GT8 in April 2021, and we have had a tremendous response from the market. We are already in negotiations with one of our Tier 1 clients about the potential of supplying the GT8, and we are extremely confident that the clock will generate good business over the next year.

Building on our strong reputation

Above all, we are investing in our reputation for providing reliable and high performing hardware. That's how we have been successful in onboarding new Tier 1 clients in the US, and why we remain in negotiation with others. We are talking with several major HCM software providers about supplying them with our next generation hardware and a range of complementary Software as a Service (SaaS) solutions.

These services are becoming as important as the hardware for some clients. This is encouraging as we try to balance our hardware sales with our Software as a Service (SaaS) offering, which provides us with recurring income and bolsters the flow of cash into the business.

We also offer Clock as a Service (ClaaS), which brings everything together by allowing customers to choose any clock, bundled with our GT services, for one low-cost monthly fee.

Managing data privacy and security

Another element of building a strong reputation is how we manage data privacy and data security, in particular biometric data, such as fingerprints and face identification. In the US, there are different rules for biometric data capture and what you can do with it, depending on which state you are in, while in Europe and the UK, we have to adhere to General Data Protection Regulation ("GDPR") rules.

It is complex, which is why we have also invested significantly in our workflow management of biometric data. That has meant gathering the consent of people for using their data in the US and Europe, and ensuring that we have annual penetration testing of our systems, both timeclock and Cloud platforms. We are dealing with this ahead of any potential Federal legislation in the US, reassuring our customers that we are secure, and future proofing our systems.

New Cloud platform

With our newly developed Cloud

People & Data Management Division

Our Services

The SaaS we provide customers are offered through two distinct brands:

GT CONNECT

Manages the services we provide and our clients' connection to the Cloud.

GT PROTECT

Protects our clients' assets, and is essentially a lifetime hardware warranty.

We also have a dedicated Professional Services team to help us onboard customers quickly. They tailor solutions to our clients' requirements, building an end-to-end solution to meet their needs.

platform due to launch in the winter, we are using a Cloud and Application Programming Interface ("API") first approach. This means we can prioritise the use of a Cloud infrastructure along with APIs to provide seamless connectivity and integration between back-end and front-end systems for customers. We have incorporated new technologies to support Internet of Things (IoT) connectivity to the platform, and we have significantly expanded its middleware capabilities – which will enable smoother integration with our partners' time management platforms, and help us onboard customers, as our systems will talk to each other better.

HCM business outside of the US

While around two thirds of the world's HCM business is in the US, or is dependent on the US, our Rest of World HCM business continues to trade well, with revenues only down 3% in the year. We are building on the strong partnerships we have with our existing HCM clients, and – while hardware sales remain the mainstay of our business – the trend towards enquiries for our subscription 'data management' services has continued during the year.

Steady progress in our Access Control business

Our Access Control business is predominantly centred on the UK, and government restrictions imposed to control the spread of Covid-19 resulted in a sharp fall in demand through much of the year – as many shops, venues and offices were closed. For those that were open, investing in upgrading their security systems was understandably not a priority.

We now view our Sateon platform, the successor to our original Janus product range, as mature and complete, with development efforts limited to essential bug fixes and maintenance. Sateon Advance, which is the last iteration of this platform, continues to be used by some access control installers and integrators, while many end-user sites still use legacy Janus products. These platforms continue to generate revenues for the business, albeit at a diminishing rate.

People & Data Management Division

Focus on our Janus C4 Security Management System

Janus C4, our latest access control platform has progressed well during the year, maintaining reasonably consistent revenues despite the impact of COVID. Janus C4 is the first time we have ever gone to an external third party and bought a solution from them, but it represents an advance on previous systems, as it is a fully Integrated Security Management System ("ISMS"), integrating traditionally disparate offerings such as CCTV, Fire Safety, Intrusion Detection and Energy Management to create a seamless, single platform solution that protects buildings and people.

Unfortunately, our ability to onboard new partners with Janus C4 has been severely hampered, as we have not been able to conduct face-to-face visits during much of the year, and this limited the number of new installations that took place. As restrictions ease, the ISMS is starting to gather more interest from our installation partners, so we are optimistic it will gain traction in the remainder of 2021 and 2022.

Rationalising our supply chain

One of the biggest challenges we have faced during the year has been on the supply side. The supply of components like semiconductors has been affected by various socio-economic factors, not least of which have been freight restrictions due to the global pandemic. Even without that, we have seen enormous price hikes in certain components, and we have limited opportunities to pass that on to the market due to contractual obligations where the price is fixed.

This situation appears likely to continue, which means that our margin will become increasingly squeezed. This further highlights the need for our business strategy to balance capital sales with a subscription model, as that makes margin at the point of sale much less relevant.

In our efforts to mitigate this challenge, we are looking to rationalise our global supply chains over the next 12 months. Having been in business in Europe for decades, our primary supply infrastructures are UK-based, with contract manufacturers based in Hungary and Poland, and a lot of our components coming from the Far East. However, most of our growth now comes from the US, which is a much more recent development, and we need to address that.

We have employed a new Vice-President of Operations and Supply Chain based in the US. He will work with the third party logistics company we use in the US to improve our local supply chain, but, more importantly, we need to build out our operational capability in the US. We are looking at the potential of a supply chain based wholly within the US, and what that would mean to our business in the region. A rationalisation of our supply chain and procurement could allow us to manufacture in dollars and sell in dollars in the US, while allowing for a failover if there is a problem with our supply chain in Europe or the US.

The future

In 2021, we have invested in our business, bolstered our strategy, and built the momentum we need to push for growth in the year ahead.

Although we expect to see some progress in Access Control, and the business is in a good place, the biggest opportunities are likely to come in our HCM businesses. We have ambitious growth plans in the UK and the EU, where we have onboarded new clients, with more good prospects lined up.

However, the real step change for Grosvenor Technology could come in the US, where we will grow our business with existing partners and look to onboard new Tier 1 clients with a compelling offering that encompasses a combination of market-leading technology, products and services.

"We are making significant investments in our people in our US business, expanding the team at GT Clocks to serve the market better. As a result, our labour costs will increase, but we are building out our capabilities to fuel future growth."

Andy Rainforth

Chief Commercial Officer

Grosvenor Technology

Physical Security Solutions Division

Revenue Information

Physical Security Solutions Division	2021 £'000	2020 £'000	Increase/ (Decrease) £'000	Percentage Change %
Products	3,220	2,695	525	19
Services	1,791	2,715	(924)	(34)
Division Total	**5,011**	**5,410**	**(399)**	**(7)**

Overview of performance and future

At Safetell, our team of industry experts are here to provide a professional service and a personal response to all our customers' needs. We help them create safe and secure places for their people and customers, by designing, installing and maintaining physical security solutions that best meet their evolving requirements.

Re-focusing our business and services

During a year that has brought unique challenges for many businesses, we have worked hard to transform the Safetell business, both through the introduction of new product lines, and with new ways of working. Our traditional market – supplying and installing fast rising screens in the banking sector – is being impacted by falling numbers of bank branches, so we are steadily adapting our offer to use our skills and coverage to install and Entrance Control solutions and Automatic Door installation & maintenance.

We made good progress in the Autodoor market business this year, and plan to increase the pace of growth in this area significantly. We now look after around half of the network for a major petrol retailer, following their approach to us 18 months ago. We are particularly proud of our record in repairing and upgrading their doors rather than replacing them all, saving them thousands of pounds each time. We refitted around 100 of their sites during the last year – attending their premises, changing the glass, changing the locks and bringing them up to standard. We expect to do increased numbers with them over the next two years at least, giving us good repeat revenue.

Entrance Control projects have even greater potential to drive our business, as typically they generate bigger contracts, and they take less time to manage and install. We secured our first order with a major watch retailer this year, and installation on that is now complete.

Overall, we have grown our quote bank, in this sector alone, from nothing to around £1.1 million. However, we recognise we are still in the early days of this initiative, as Entrance Control sales take a while to come to fruition – they are not quick wins. It can be an 18 month long process, as our range has to be specified in the plans by the architects, everything has to go through planning, and the Entrance

Our security products and services are used in many environments, including:

- NHS
- Finance, Safety Deposit Centres and Jewellers
- Education and Local Authorities
- Corporate Buildings
- Stadia, Leisure and Hospitality
- Retail, ATM and Petrol Forecourts
- Government, Police and Prisons
- Data Centres and Utilities

Physical Security Solutions Division

Control requirement is the last thing to be installed.

To promote our Entrance Control initiative, we've completely refitted our showroom to incorporate all our Entrance Control equipment, allowing customers to see first-hand the value of what we offer.

Seizing new opportunities

Of course, while we were busy building up these key product lines, Covid-19 hit the country, and measures to prevent the spread of the virus have had a significant effect on the Safetell business during the year, both in our new and traditional markets. With banks closed, the need for screen servicing in their branches stopped. However, many of our clients operate from critical locations, such as hospitals, retail sites, financial hubs, and key buildings, so it was important for us to adapt and pivot the business in any way we could to support customer needs during the pandemic.

A good example of how we have flexed what we do to meet a need in the market is our work with Britain's leading supermarket chain during the year. They had a problem where their people were getting threatened or attacked late at night. We designed a screen system for them put on their counters, protecting their staff at around 130 sites, and generating about £850,000 in turnover for us.

Bringing this product online has been a major driver for Safetell over the last 12 months, and we now see it as a long-term part of our range. Having previously focused on very highly specified, bulletproof screens, these manual attack screens were new to us, but many other retailers have the same problem. We're now taking these products and selling them into other convenience stores and supermarkets, both in the UK and Ireland.

What makes Safetell different?

We offer a broad range of products and services, and are able to provide a 'one-stop shop' approach in a fragmented market. None of our competitors do everything that we do. That's why even when customers come to us with a requirement for a single product, we are keen to offer a full solution. We have highly qualified, experienced technical engineers who can create bespoke designed solutions that will ultimately save our customers money and make them safer.

For example, when we supplied around £250,000 worth of our traditional products as part of a large Metropolitan Police project at their head office in London, we were also in a position to offer our range of Entrance Control equipment, reception counters, speed gates,

Physical Security Solutions Division

blast-proof walling, and bomb-proof windows, along with service contracts to maintain everything, significantly increasing the quote and converting it into an order.

Safetell has unique coverage in the physical security market, and we offer service contracts on everything we do. That helps us build long-standing relationships with clients, who can rely on our multi-skilled installers and engineers, while we enjoy ongoing revenue streams through further business and our follow-up services.

Market trends

The move away from our traditional markets continues, in particular due to the large number of bank branch closures across the UK. However, this has given us impetus to retrain our field force to provide a wider package of support to different industries and different product markets.

Threats from crime and terrorism continue to make physical security a priority for businesses in most sectors, while Covid-19 has increased the demand for new and innovative solutions.

The new 'Protect Duty' legislation, should it become law, will mean that the owners and operators of businesses and public spaces such as concert halls, shopping centres and parks will be legally bound to protect their sites and shut them down in the event of a terrorist attack. That means they will need remote locking facilities, screens on all their counters, and even breakout facilities where people can get to and stay safe. We anticipate that many new opportunities will open for us to support businesses that need to comply with such new legislation.

Trust in our products and services will also play an important role in Safetell's efforts to gain market share. Two of our traditional products – a level 4 attack rated door and a level 4 attack rated walling partition system – have now been recertified by The Loss Prevention Certification Board (LPCB), an independent certification body. Our products are listed on the LPCB's certification website, redbooklive.com, which is accessible by any client, architect, or member of the public.

What's ahead?

It's going to be a busy year ahead for

A long-term relationship with Safetell offers a complete package of products and services:

- Bespoke design capability to help select the most appropriate solutions to meet various business needs
- Professional and experienced project management with specialist knowledge of demanding site conditions and high-risk locations
- Specialist installation teams dedicated to working in disciplined and challenging environments
- Aftersales support and extended lifetime warranties to maintain our products to the highest standards

Physical Security Solutions Division

Our fully accredited product portfolio is designed to meet the changing needs of our customers:

Building Security

- Manual attack and ballistic resistant cash counters, windows and moving security screens
- Bullet resistant doors and partitions
- Security portals

Asset Protection

- Customised cash and asset storage and protection
- Cash and speech transfer units
- Storage functions to reduce risk of harm or damage to a secure environment

Entrance Control

- Certified secure portals and revolving doors
- Integrated speed gates to control the flow of staff and visitors to buildings
- Door automation and remote locking solutions

Other Products

- Counter-terror and target hardening solutions
- Range of 'touchless' security solutions
- Other standard and bespoke physical products and services

"The good thing about Safetell is that, rather than just supplying one or two products, we prefer to work with customers who bring us problems we can help them to solve. No competitor offers the wide expertise and full range of products and services that we do. That gives us an edge, which is helping us grow our quote bank and order book."

Sean McCrory

Sales & Projects Director

Safetell

"We have made excellent progress with our Autodoor and Entrance Control initiatives during the year. And we've been quick to upsell where that meets a current need – like including the ability to remotely lock a door or include a traffic light system to help manage the flow of people. Getting closer to our customers will help us meet all their needs, and ultimately, grow the business."

Bob Darke

Managing Director (interim)

Safetell

Safetell. There's a lot going on with our product range, and our quote bank and order book are both strong. Our biggest challenges over the next year will be to keep driving the Entrance Control initiative, and to continue to build on our service contracts and our Autodoor operations.

We will look at potential new areas, such as fire door maintenance and inspection, as recent legislation means that many of the fire doors out there now need to meet a higher standard. Our installers and engineers could take that on without the need for additional training, as long as they are supported by proper qualified inspectors on the job with them.

To achieve all that, and to push for growth across the business, we'll need to recruit new people to the team, including a new permanent Managing Director. However, with the right resource in place, and the focus we have put into the business this year, Safetell will be in a strong position to succeed.

Financial Review

Revenue

Key Performance Indicators	2021 £'000	2020 £'000	Increase/ (Decrease) £'000	Percentage Change %
People & Data Management Division				
Access Control	2,988	4,215	(1,227)	(29.1)
HCM	9,659	9,142	517	5.7
Total	**12,647**	**13,357**	**(710)**	**(5.3)**
Physical Security Division				
Products	3,220	2,695	525	19.5
Service	1,791	2,715	(924)	(34)
Total	**5,011**	**5,410**	**399**	**(7.4)**
Group Revenue	**17,658**	**18,767**	**(1,109)**	**(5.9)**

Group revenue reduced by (5.9%) to £17.66million (2020: £18.77million). The revenue performance has arrived as expected with a far stronger second half of the year. Given the impact of COVID-19 the revenue levels have been extremely positive with further growth from HCM and a turning point for Products at Safetell. Further commentary and discussion can be found in the relevant divisional sections.

Gross profit margins have reduced to 37.5% (2020: 39.7%). Physical Security Solutions division obtained a gross profit of 40.1% (2020: 44.4%) being impacted by selling lower margin COVID related products during lockdown. People and Data Management division was less impacted at a gross margin of 36.5% (2020: 37.8%) however the reduced sales levels in Access Control had an impact on margins with some fixed elements of cost of sales such as licenses. Both divisions were also impacted by the necessary timing difference of levels of sales activity and furloughs.

	2021 £'000	2020 £'000	Increase/ Decrease £'000	Percentage Change %
Gross Profit	**6,629**	**7,449**	**(820)**	**(11)**
Gross Profit Margin	37.5%	39.7%		

Administrative expenses & average employees

Administrative expenses before exceptional items have fallen by 4.4% to £6.55million (2020: £6.85million). This has mainly been the result of furloughs, which saved £183,000, and group-wide contractual pay reductions along with other savings in travel countered by increased costs for legal contract work in delivering our ClaaS and SaaS contracts across multiple territories and consultancy support for delivery of the Strategic Business Plan. Overall average employees have remained consistent at 112 (2020: 115) with a 3% reduction in staff costs by £198,000 to £6,781,000 (2020: £6,979,000).

Exceptional costs

During the year exceptional costs of £117,000 (2020: £299,000) were incurred with £181,000 (2020: £167,000) of restructuring costs incurred as a result of COVID-19 mainly in Grosvenor. An exceptional credit of £64,000 (2020: cost £82,000) related to the exit of a lease commitment at Safetell whereby the asset had been written down in the prior year.

Profitability

The Group achieved a Profit from operations before exceptional items of £79,000 (2020: £604,000) which is a very positive outcome to a challenging year. After exceptional items the Group made a loss from operations of £38,000 (2020: profit £305,000) however this operating loss turns into a profit after tax for the year of £171,000 (2020: £1,127,000) as a result of further tax credits which are discussed in more detail below.

Financial Review

Taxation

A tax credit of £297,000 (2020: £896,000) was recognised in the year. This resulted from a current tax credit of £420,000 (2020: £583,000). The current tax credit is made up of the continued revised R&D claim at Grosvenor of £262,000 and a new R&D claim for Safetell of £260,000, included within this is a £185,000 catch up of prior year credit, countered by a tax charge in the Grosvenor Technology LLC of £42,000 with a prior year additional charge relating to US tax on deferred revenue of £60,000. An additional element of the claim related to RDEC (Research and Development Expenditure Claim) which resulted in a £91,000 credit shown within operating profit. A deferred tax charge of £123,000 (2020: credit £313,000) was driven by timing of R&D at Grosvenor of £91,000 and on fixed assets at Safetell of £32,000. In the prior year, the deferred tax credit recorded largely related to a deferred tax asset of £450,000 recognised on losses arising in both the prior year and preceding years. The asset was recognised based on the expected future profitability of the People and Data Management division.

Earnings per share

Earnings per share of 0.04p (2020: 0.24p) was achieved being a reduction of 0.20p. The decrease resulted from the reduction in profitability related to COVID-19 and the significant impact of both R&D credits and deferred tax asset recognition in the previous year.

Balance sheet

Net assets have reduced by £12,000 to £8,290,000 (2020: £8,302,000) as a result of profit after tax less foreign exchange losses on translation of the US subsidiary. This is presented as an increase to trade and other receivables of £774,000 reflecting the increased year end trading activity compared to the prior year along with an additional £132,000 for increase corporation tax recoverable related to the R&D tax credit. Inventory has increased by £581,000 as a result of anticipated demand for finished goods combined with some impact of the global componentry shortage on prices and additional purchases. Similarly trade and other payables have increased by £536,000 again related to levels of year end trading activity. During the year the Group entered into the Coronavirus Business Interruption Loan Scheme ("CBILS") for a £2 million facility which was immediately fully drawn and used to repay £905,000 invoice discounting borrowing.

Research & Development

The Group has reduced its investment by £142,000 to £731,000 (2020: £873,000) in the People and Data Management division. The investment has been focused on the cloud development of GT Connect, our SaaS platform. Clock development continued with enhancements to our existing GT10 offering and we launched the next generation device GT8 during the year being more compact with enhanced capabilities. The level of investment reduced year on year owing to an intentional slowing down of development activity with the onset of COVID-19 to safeguard our cash position and we were pleased to recommence development once additional financing was in hand.

Cashflow

During the year we have reduced cash by £136,000 to £484,000 (2020: £620,000). Cash generated from operating activities decreased by £535,000 to £370,000 (2020: £905,000) mainly driven by trading and working capital outflow compared to prior year of £1,022,000, a reduction in exceptional cost by £182,000 and a net tax receipt of £369,000 (2020: £nil). As mentioned above we have continued investment in research and development and also property plant and equipment of £1,016,000 (2020: £993,000) with the main other movements related to the £2,000,000 (2020: £nil) CBILS draw down and the repayment of £905,000 (2020: drawdown of £212,000) of invoice discounting and lease principle repayments of £487,000 (2020: £475,000).

Cashflow forward currency contracts

During the year we executed our foreign exchange strategy by entering into forward contracts. The strategy effectively hedges 75% of excess USD and reduces the level of volatility compared to using spot rates. The contracts manage our currency mismatch between an increasing US Dollars (USD) position from revenues and the existing cost base in both GBP and Euros. The adopted process involved currency forecasting three quarters ahead and taking out tranches of forward contracts for 25% of each of the forecasted quarters relating to our excess USD position.

"The Group achieved a profit from operations before exceptional items of £79,000 (2020: £604,000) which is a very positive outcome to a challenging year"

Graham Feltham

Group Finance Director

Newmark Security

Principal Risks & Uncertainties

Risk management is integral to the way the Board and leadership team manage the Group and each divisional Managing Director monitors and reports on their most significant risks on a continuing basis. Risks are reviewed by the Board on a quarterly basis and actions are taken as appropriate to provide reasonable mitigation against those risks.

The principal risks facing the business, the potential impact and mitigating actions are detailed below:

Market conditions

The risk of further future lockdowns could result in a period of depressed trading activity and delays in customer projects. The impact is somewhat reduced by the geographic spread and the nature of our customers. Commercially we have been sensitive to the evolving demands of our customers but we also operationally monitor activity levels for support and new business. The Group Finance Director monitors cashflows and potential financing opportunities and discusses these regularly with the Board in order to support the reduced cash generation from lower levels of trading. Lag effects of COVID-19 such as the global componentry shortage have constricted certain lines of supply which has meant longer lead times for ordering and an increase in cost to purchase. The Group monitors the position regularly with detailed inventory modelling and welcomes the onboarding of Brian Hack into the team at Grosvenor as Operations and Supply Chain Director. Brexit has resulted in an additional administration burden but as yet has not significantly impacted trading.

Sales of new products

The Group has incurred substantial strategic expenditure on new developments within the People and Data Management division, based on market intelligence. Due to the dynamic nature of the market itself there is a risk of the market needs moving on during the development process. The Group mitigates this risk by carrying out customer trials and ascertaining features required by customers.

Service agreements

The majority of service revenues within the Physical Security Solutions division are from 1 to 3 year service agreements and there is the risk that these may not be renewed due to cost reduction programmes, by managing the contract externally or by utilising in-house resource. If the service agreements are not renewed it is likely that those customers would still require our services but would be charged on a call out basis without an overriding contract resulting in less certainty over future revenues. The Company has service level agreements with these customers which are closely monitored and holds regular meetings with those customers to check on their satisfaction levels.

Input prices and availability

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

Quality control

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

Credit risk

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

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

Liquidity risk

Liquidity risk arises from the Group's

Principal Risks & Uncertainties

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

The Group Finance Director receives daily reports of balances on all bank accounts and regular cash forecasts in order to assess the required level of short-term financing to draw down on.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in interest rates (interest rate risk), foreign exchange rates (currency risk) or other market factors (other price risk). Foreign exchange risk arises when individual Group entities enter transactions denominated in a currency other than their functional currency. Liabilities are settled with the cash generated from the individual group entities' operations in that currency wherever possible, otherwise the liabilities are settled in the functional currency of the group entities. During the year a forward contract currency strategy was implemented to reduce the volatility of exchange rate fluctuations to the Group.

S172 Statement

The Companies Regulations 2018 require Directors to explain how they considered the interests of key stakeholders and the broader matters when performing their duty to promote the success of the Company under s172. This includes considering the interest of other stakeholders which will have an impact on the long-term success of the company. This s172 statement explains how the Directors act accordingly.

Key Board decisions

During the year the Board approved the Strategic Business Plan spanning the period to 30 April 2025 which has a number of significant workstreams attributed to it driving increased shareholder value.

1. Initiate a US expansion plan and market intelligence forum at Grosvenor ensuring considered and executable plans are in place. This involves investment in people and processes which support scalable and sustaninable growth in the existing business and to drive both ClaaS and SaaS uptake.

2. Invest in enterprise wide internal systems at Grosvenor Technology in order to support the effective roll out of SaaS and ClaaS as well as streamlining processes and further enabling staff capability.

3. Invest in our people by communicating core values, investing in our skills inventory and mobilising recruitment for growth.

The Board took the decision to take out a £2m Coronavirus Business Interruption Loan (CBILS) during the year. This was to ensure that the short-term cash availability during the peak of the COVID pandemic was secured.

The Board took a number of difficult decisions during the year relating to the COVID pandemic. For a 3-month period all of the employees of the group took a 10% pay reduction and a number of the staff were placed on furlough. A number of staff were made redundant as the group looked to secure its short-term future during the pandemic and as a new five year strategic business plan process was undertaken.

As part of the new strategic business plan the Board has also considered its funding arrangements and after the year end date has extended the overdraft facility.

Approval

The Strategic Report was approved by order of the Board on 9 September 2021.

By order of the Board.

M-C Dwek

Director

Regular updates and announcements provided to the market.

Closely engage with Allenby, our brokers, to ensure fair practices are in place

Attendance on retail events such as Mello provides engagement with investors with the presentations made available on our website.

Utilise Investor relations and Financial PR experts to support when needed.

Understanding our customers' needs and providing solutions in partnership is the ethos behind our operations.

Group HR operates seamlessly across the divisions and acts truly to ensure fit for purpose practices are in place.

Finance is integrated with decision making and ensures adequate controls are in place.

Focus on improved systems and processes to support our people to perform EG ISO

The decisions of the Board and with wider business are reflected within budgets and 5 year plans. Which are then flexed and updated for changing environments.

Formally the Board consists of a PLC Board however each quarter the PLC Board combines with the Exec teams of each division for presentations and strategic discussions.

Provide solutions to facilitate the proper usage of Personally Identifiable Information when utilising our products.

Following COVID we will commence a programme for measuring and improving the impact we have on the community and the environment.

Wider team meetings used to ensure understanding and engagement in business priorities.

Fair dealings and management of issues and grievances.

Significant emphasis placed on employee safety enhanced regarding COVID outbreak.

Employee questionnaires utilised to engage and obtain sentiment.

Focus on the right people in the right role with good support and training programmes with succession planning in place.

Regular updates and meetings with HSBC.

Communications with customers and suppliers focus over last 12 months.

Trade shows and exhibitions with our own stands utilised to engage with our customer base.

Online training initiated for Installers.

Continuously improve websites.

Corporate Governance

Our Board

Chairman's Introduction

The Board and its Committees have a fundamental role in the governance framework by using their wide experience in providing independent challenge and support and ensuring that good governance is promoted across the different businesses within the Group. The Board is responsible for the success of the Group and providing leadership within the framework of existing controls and ensures that its duties to shareholders and other stakeholders are understood.

The Board

A brief summary of the career history of each of the Directors is given below showing their vast experience in senior management positions across a wide variety of industries.

Maurice Dwek - Chairman

Maurice Dwek was the founder of the Dwek Group in 1963 as a distributor of PVC products with factories involved in engineering and other consumer products. The company was listed on the London Stock Exchange in 1973 and he was Director of Subsidiary Companies and subsequently responsible for Group acquisitions and disposals. He disposed of this interest in 1988 through a management buyout. Subsequently he was Chairman of Arlen PLC (electronics) and Owen & Robinson PLC (sports footwear, retailing and jewellery) and floated Newmark Security on the Alternative Investment Market of the London Stock Exchange in 1997 and was Executive Chairman until 2005.

Marie-Claire Dwek - Chief Executive Officer

Marie-Claire Dwek was Marketing Director of Newmark Technology Limited (specialised electronic security systems) 1996-2000, responsible for the planning, leadership and strategic marketing. Between 2002–2013 Marie-Claire was responsible for the management and investment in various property portfolios for Motcomb Estates and joined Newmark Security as Chief Executive Officer in 2013. Marie-Claire regularly attends training courses and modules for executive development e.g. Cranfield University. Any changes in the business environment are monitored and researched closely within the leadership team and with the CEO. Strategic responses are formed accordingly and executed with Board approval. Trade journals and news articles are used to keep abreast of current market conditions.

Graham Feltham - Group Finance Director

Graham Feltham is a Fellow Chartered Accountant qualifying in 2000 whilst working with Ernst & Young. Subsequent to Ernst & Young, Graham worked at Belron International Ltd, the world's largest vehicle glass repair and replacement company. Following his time at Belron, Graham spent approximately five years at StatPro Group plc, an AIM listed Software development group, as European Financial Controller and Group Financial Controller, where he managed the external financial reporting and performance and analysis teams. Following StatPro, Graham spent over four years as Group Financial Controller of Safetykleen Group, a private equity owned group specialising in a recurring book of business in surface cleaners and with annual revenues of over £235 million. Graham played a key role in the sale of Safetykleen by Warbug Pincus to APAX Partners for £800 million in 2017.

Graham has stepped down as Group Finance Director in September and has been replaced by Paul Campbell-White as Chief Financial Officer.

Our Board

Michel Rapoport - Non-Executive Director

Michel Rapoport held various senior positions in Ripolin (paint) in Paris between 1974-79 including President 1976-79. He then worked at Alcatel (telephony and electronics) 1979-91 including President Mailing and Shipping products division 1990-91. He moved to Pitney Bowes between 1991-95 where he was Chairman Pitney Bowes France and Vice President Pitney Bowes International. Michel was president and CEO of Mosler ($300m revenue physical and electronic security products and services) 1995-2001 and was President and CEO at Laroche Industries Inc., (chemical product manufacturer and distributor) between 2001 and 2005. He has been managing partner of SAR Industries (real estate holdings) since 2007. Michel thus brings to the Board his experience from holding senior positions in similar industries, and his knowledge of operating in US markets which is particularly relevant given the growth in revenue from that source in the current year.

Robert Waddington - Non-Executive Director

Robert Waddington qualified as a Chartered Accountant in 1964. He was a director of Hambros Bank Ltd from 1984 to1997, and director/chairman of a number of private companies involved in engineering, property, and steel stockholding between 1996 and 2008. He was also a director from 1997 to 2006 of Stanley Leisure PLC, a UK Stock Exchange listed company operating in the Betting and Gaming industries. Robert therefore contributes his experience from holding senior positions in different businesses as well as his financial and accounting knowledge.

Terence Yap - Non-Executive Director

Terence Yap, a Singapore citizen resident in Hong Kong, is currently the Chairman of Guardforce AI Co Ltd, a group focusing on delivering technologically innovative security solutions within the Asia Pacific region. Prior to this he was Chief Executive of Guardforce Cash Solutions (Thailand) a leading security solution provider with more than 12,000 international employees. From 2006 to 2014 he was Chief Financial Officer of China Security and Surveillance Technology, Inc which was listed on both the NYSE and Dubai International Financial Exchange.

Throughout his career Terence has developed specific skill sets regarding change management, investor relations, capital market operations and corporate restructuring. Terence has over 25 years' experience in the telecommunications and security sectors and is a member of the Hong Kong Security Services Training Board, a Fellow member of the Hong Kong Institute of Directors, a Fellow member of the Chartered Management Institute (UK) and a member of the Australian Institute of Company Directors.

Governance Principles

We have adopted the Quoted Companies Alliance Corporate Governance Code ("QCA Code") to assist in putting into place an effective corporate governance framework which will deliver results. Your Board understands that good governance is one of the foundations of its sustainable growth strategy. The Chairman is responsible for Corporate Governance in the Group. There were no key governance related matters that occurred in the year and no significant changes in governance arrangements.

Details on how the Company applies the principles of the QCA Code are set out below.

Principle 1: Establish a strategy and business model which promote long-term value for shareholders

Newmark Security is a leading provider of people and data management and physical security solutions through its subsidiaries, Grosvenor Technology Limited and Safetell Limited, in the UK, and Grosvenor Technology LLC in the USA, with exports to Europe and USA, and worldwide through our established customer base. The Company aims to help address some of the major challenges facing corporations in an environment of ever-increasing global security concerns and add value for all of our stakeholders through partnership and innovation. We will continue to develop exceptional and secure products backed up by industry leading support. The Company strategy is focused on delivering growth through the development of new products, providing its customers with much-needed peace of mind whilst also improving business efficiency and flexibility through innovative technology. The three core markets served, Access Control, Human Capital Management (HCM) and physical security, are anticipated by industry analysts to grow significantly in the medium to long-term. The company takes a 'deep and narrow' approach in each of these markets through the provision of products and services that are highly developed and specialist, thus delivering tangible added-value to its downstream partners and creating barriers to entry to potential competitors.

Grosvenor Technology's products are at the cutting edge of access control and human capital management technology. The business is well positioned to capitalise on the crossover between these two aspects of electronic security and continued investment ensures that it stays at the forefront of this marketplace. Long term strategies are in place to increase recurring revenues through the provision of more cloud-based services on an ongoing basis, particularly in the HCM sector. This is envisaged to deliver greater shareholder value over time as both quantity and quality of earnings increase through this strategy.

Safetell is one of the industry leaders in a number of high-demand physical security products and is perfectly placed to service the industry. The market for asset security products and services is fast growing with the ever-increasing threat of terrorism and crime placing security high on the priority list for corporate clients. It is the policy of the Company to maintain the highest standards of product quality meeting statutory and regulatory requirements by the control of its sales, purchasing, production, delivery, installation and service activities.

The principal risks and uncertainties associated with the business activities are set out on page 30 of the Strategic Report.

Principle 2: Seek to understand and meet shareholder needs and expectations

The Company engages with shareholders through a variety of traditional and digital media. In addition to regulatory announcements and reports, the Company communicates through a variety of channels. The CEO participates in periodic interviews with online investor news platforms and channels as well as giving regular non- material updates on social media platforms. The Company makes announcements in industry, trade and general business publications and through RNS feeds.

Subject to COVID-19 restrictions, the Board members attend AGMs and welcome shareholder attendance. Our corporate broker maintains a dialogue with our institutional investors and arranges meetings with the Executive Directors as required. The website contains an overview of the markets operated in, the Company's vision and strategy and multi-media detail of the separate Physical Security Solutions and People and Data Management divisions. Historic reports, statements, announcements and share price information are also accessible within the website (https://newmarksecurity.com).

Principle 3: Take into account wider stakeholder and social responsibilities and their implications for long-term success (see also s172 section)

The Company recognises that there are several resources and relationships that are considered to be strategically important. These include major clients, key suppliers, value added resellers and our banking partners and these relationships are managed at a senior

Governance Principles

level within each division with the most important receiving additional executive attention.

The Company further identifies the need to nurture and develop relationships with all stakeholder groups. Feedback is gathered from customers through sales and marketing functions with key customer meetings. Regular supplier reviews are conducted to ensure the Company's and vendors' needs and ambitions are met.

The Company recognises the importance of its employees to its achievements. Regular internal communication meetings are conducted across all sites to ensure employees are knowledgeable about a number of topics. Questions and suggestions are encouraged through a range of formal and informal channels directly to divisional Managing Directors. These employee feedback channels have led to a number of tangible outputs and changes to working practices. Our staff expect to be able to work in a safe and comfortable environment, and to be provided with the necessary skills and knowledge to perform their work to the required standard. We provide ongoing training wherever required and conduct routine appraisals with the staff.

Principle 4: Embed effective risk management, considering both opportunities and threats, throughout the organisation

The Board has overall responsibility for the Group's systems of internal control and risk management. The Board identifies the major business risks with management and establishes appropriate procedures to measure and manage those risks. These involve a system of measurement, control and reporting on a variety of internal and external factors. There are detailed procedures for the production of budgets covering profit and loss accounts, balance sheets and cash flows. Monthly subsidiary and group management accounts are produced with comparisons against budget and prior year.

Management also reports on major changes in the business environment including any possible impact on forecasts.

The principal risks and uncertainties associated with the business activities are set out in the Strategic Report on page 30.

Principle 5: Maintaining the Board as a well-functioning, balanced team led by the Chair

The Chairman's role is to ensure that the Board operates effectively to deliver the long term success of the Group. This includes ensuring that the Non-Executive Directors always have access to the executive management team to provide both support and challenge, all directors are able to express their views openly at Board meetings and that all directors are encouraged to bring independent judgement to bear on all issues. There are specific instructions in place for the timetable and content of Board papers so that the directors are properly briefed before the Board meetings. 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, to approve major capital expenditure and to review budgets.

At 30 April 2021, the Board comprised a Non-Executive Chairman, two Executive Directors and three Non-Executive Directors. 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.

Board meetings are held a minimum of four times a year and the Board of the Parent Company also attend the Board meetings of the subsidiary companies on the same day. All members of the Board attended all four Board meetings held over the last year. The Board members also have discussions during the year on the progress of the Group and any particular issues which arise. All Directors commit the time necessary to meet their responsibilities as directors. There were two meetings of both the Audit and Remuneration Committee during the year, both of which were attended by all members of those committees.

For the year under review two of the four Non-Executive Directors are considered to be independent. Maurice Dwek and Michel Rapoport are not considered to be independent in view of their substantial shareholdings in the Company. However, the Board considers that both Mr Dwek and Mr Rapoport bring a wealth of experience from across a range of businesses, as well as their knowledge of being involved in listed and other companies together with their experience of the People and Data Management and the Service industry.

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

Governance Principles

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.

Marie-Claire Dwek and Graham Feltham, as Executive Directors, are full time employees of the company during the year. In September 2021 Graham Feltham resigned as a Director. There are no minimum time commitments for the Non-Executive Directors who spend whatever time is required to fulfil their duties and responsibilities.

Principle 6: Ensure that between them the Directors have the necessary up-to-date experience, skills and capabilities

The CEO works closely with the senior leadership teams of the subsidiary companies to keep abreast of market trends, economic trends, technological advances and customer expectations to remain agile and adjust to the changing times. She meets with customers and suppliers on a regular basis. She also regularly attends security exhibitions in the UK and worldwide as well as forums, corporate and networking events, and keeps the Board up to date with all developments.

Changes in the business and economic environment are discussed fully at Board meetings. The Board is informed of changes in accounting requirements by the Company auditors and in regulatory requirements by the NOMAD via the Group Financial Director.

Principle 7: Evaluate Board performance based on clear and relevant objectives, seeking continuous improvement

The Chairman carried out an evaluation of the Board during the year and deemed that it was working satisfactorily, in particular:

1. The good mix of skills and experience of the Board members.

2. The amount of challenge and expression of views at meetings.

3. The attendance of all the Company Board members at the subsidiary company Board meetings.

4. The level of information, both financial and operational, available prior to and at the Board meetings.

5. Matters arising at each meeting are followed up promptly and the results reported back to Board members.

The performance of the Board is kept under continuous review. The Board does not consider that it is appropriate to perform a more formal board appraisal process utilising third parties at the current date, taking into consideration the size and nature of the Company. However, this will be kept under review and the board will consider on an annual basis whether to implement a more formal appraisal process.

Principle 8: Promote a corporate culture that is based on ethical values and behaviours

The Group aims to have a corporate culture that keeps staff satisfied in their roles and fully motivated so that staff retention levels are high, and absenteeism is low. All senior management are aware of our culture. Staff are encouraged to submit ideas and suggestions as to how this can be achieved. The Group also tries to ensure that the staff have the appropriate lifestyle benefits and are provided with appropriate development training, both internally and externally.

All senior leadership team members (including Group Human Resources manager) attend monthly management meetings, attended by both Executive Directors, to report on their department's activities and where relevant to highlight any issues with customers, suppliers, employee or other stakeholders.

The Group is committed to maintaining high standards for the environment, and our relationship with employees, customers and suppliers. The Group is committed to being environmentally friendly and we have identified the key waste streams from our businesses so that the amount of landfill is reduced by separating waste into these different streams. Records are maintained as evidence that these forms of waste are separated and collected by licensed waste collection companies and these are reported at management meetings. Our efforts with stakeholder groups are detailed under principle 3 above.

Principle 9: Maintain governance structures and processes that are fit for purpose and support good decision making by the board

The Chief Executive Officer, Marie-Claire Dwek, is responsible for the day-to-day management of the business, developing the Group's strategy for discussion with the Board and then implementing that strategy. The Group Finance Director, Graham Feltham, was responsible for the financial reporting of the Group and supporting the CEO in developing and implementing the Group strategy. Graham resigned as a Director and left the Group in September 2021. Paul Campbell-White has joined the business as Chief Financial Officer in September 2021 as Graham's replacement. The two Executive Directors have prime responsibility for engagement with shareholders.

Governance Principles

The Non-Executive Directors, Michel Rapoport, Robert Waddington and Terence Yap are responsible for bringing their expertise and judgement in assisting in the development of strategy and measuring its performance, challenging the Executive Directors and reviewing their performance. All Directors are required to notify the Company Secretary of any conflicts of interest and there have been no such relationships declared.

The Audit Committee assists the Board and its terms of reference are included on the company web site. Its composition, duties and main activities during the year is included in the Report of the Directors. The terms of reference of the Remuneration Committee are included on the company web site. Its composition, duties and main activities during the year is included in the Directors' Remuneration report. There is no Nomination Committee. Given the size of the business, all senior appointments are considered by the Board as a whole. The matters reserved for the Board are set out under Principle 5. The Board will continue to monitor the governance framework in line with the Group's plans for growth and will make further adjustments and improvements as required.

Principle 10: Communicate how the company is governed and performing by maintaining a dialogue with shareholders and other relevant stakeholders

The Board communicates with shareholders through the annual report and accounts, interim report other regulatory announcements, the Annual General Meeting (AGM) and one-on-one meetings with both existing and potential shareholders. At the end of the Annual General Meeting shareholders are encouraged to express their views to the Directors. Corporate information is available to shareholders and other stakeholders on the Company website including details of the activities of the different businesses, and announcement. The Company also receives updates from its corporate brokers on the views of shareholders.

The Directors' remuneration report is on page 32 and an overview of the Audit Committee's duties and activities during the year are on page 30 and on the Corporate Governance section of the Company's website.

Maurice Dwek

Chairman

9 September 2021

Directors' Report

The Directors submit their annual report and audited financial statements of the Group for the year ended 30 April 2021.

Financial results and dividends

The Board is proposing a dividend of Nil per share (2020: Nil per share).

Directors

The Directors who served during the year and to the date of signing were as follows:

M Dwek
M-C Dwek
G Feltham (resigned 3 Sept 2021)
M Rapoport
R Waddington
T Yap

Details of the Directors' service contracts are shown in the Directors' remuneration report on page 43. M Rapoport and M-C Dwek retire in accordance with the articles of association. M Rapoport and M-C Dwek being eligible, offer themselves for re-election at the next annual general meeting.

Financial instruments

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

Likely future developments in the business of the Company

Information on likely future developments, exposure to relevant risks and subsequent events in the business of the Group has been included in the Strategic Report and in note 26 - Subsequent events, of which there are none stated.

Directors

Directors' interests

The beneficial and other interests of the Directors in the shares of the Company as at 30 April 2021 and 30 April 2020 were as follows:

	Percentage holding at 30 April 2021	30 April 2021	30 April 2020
M Dwek[(a)]	20.2%	94,799,467	94,799,467
M Rapoport	12.5%	58,555,000	23,055,000
R Waddington	0.9%	4,400,000	3,300,000
M-C Dwek	0.5%	2,500,000	2,500,000
G Feltham	0.2%	800,000	800,000

(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 2021 and 30 April 2020 were as follows:

	Number of Ordinary Shares under EMI Scheme 30 April 2021	Number of Ordinary Shares under the EMI Scheme 30 April 2020
M-C Dwek	28,668,4274	28,668,274
G Feltham	5,900,000	5,900,000

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

Research & Development (R&D)

The Group is committed to on-going R&D. The strategy is based upon market demand to meet identified security needs in conjunction with a commercial assessment of the short to medium term profitability of each project. The amount of development costs capitalised in the year was £731,000 (2020: £877,000). This is discussed further in the Financial review.

Going concern

Based on the Group's latest trading, future expectations and associated cash flow forecasts, the Directors have considered the Group cash requirements and forecast covenant compliance and are confident that the Company and the Group will be able to continue trading for a period of at least twelve months following approval of these financial statements, being the going concern period.

In August 2020, the Group secured a £2 million financing facility from its bankers, HSBC, via the Coronavirus Business Interruption Loan Scheme

Directors' Report

("CBILS"). This loan is for a term of 6 years, with the first year being interest, repayment and covenant free under the Business Interruption Payment scheme. The original covenant requires the Group to deliver a pre-debt service cashflow of 1.2 times the level of debt service commencing for the year end 30 April 2022, based on audited accounts. As a result of the Strategic Business Plan certain investments were identified and factored into a forward looking model. Management identified that the investments and cash outlay may result in a potential default of the covenant and therefore the Directors agreed a waiver of the debt service ratio to be replaced by a Tangible Net Worth ("TNW") test applicable for the year ended 30 April 2022 based on audited accounts. This test uses the calculation of Net Assets less Intangible Assets and requires the result to exceed £3.1million. No other financing facilities of the Group have any covenant requirements.

As a combined result of COVID-19 pandemic global componentry shortage and the requirement to increase stock levels to meet anticipated demand, inventory levels have increased by £1.5 million since January 2021 which has reduced the levels of available headroom in our facilities. Management are in advanced discussions with the Group's primary bankers in respect of an extension to the UK invoice financing facility and a new US invoice financing facility. Both facilities are expected to be finalised imminently and Management have the ongoing support of the Group's primary bankers should there be any unforeseen delays. Management have recently secured an additional overdraft facility of £200,000 to reach a £450,000 facility as a short term, interim measure to 1 November 2021 to cover earlier stock purchases. The expected overall outcome will make the Group more flexible in determining mix of financing and provides a USD currency liability supporting our hedging strategy. Whilst the Group's going concern assessment includes the assumption that these facilities will be received and the Group has the support of the Bank, the directors have also considered forecast scenarios to September 2022 excluding this additional financing.

As at 30 April 2021 no financing facility was being utilised apart from the CBILS loan of £2 million although following the year end the invoice discounting facility has been utilised to finance additional stock purchases. The level of invoice discounting available varies with the open book of trade debtors at any point in time and therefore the level of financing fluctuates with indicative numbers being analysed above.

The Group is currently operating ahead of revenue expectations albeit with a different phasing of certain lines of business with varying margins which result in a reduced margin. The latest forecast of the Group results in exceeding the TNW covenant test by 13.5% and will be tested more fully when a revised forecast is completed in October. As a consequence of the revised forecast findings the Group would explore the existing covenant test level with our Banking partners, HSBC, should the covenant headroom fall short of 10%. Further scenario testing and sensitivity analysis was completed to model certain criteria that would indicate a potential covenant breach against the latest formally approved budget. A shortfall of sales against forecast of 3.4% or a reduction in Gross Material Margin by 2.8% points would result in a covenant breach at April 2022 with an improving position thereafter. Management are confident that the shortfalls will not occur and are undertaking regular reviews and forecasts to ensure this. Management are confident that the Group would be able to meet loan repayments and working capital outflows with the required levels of cash to proceed with investing in the Group in partnership with our banking partners within the going concern review period. The Group is expected to be able to operate within existing finance facilities, based on Management's detailed monthly cashflow forecasts to September 2022. Should profits or cashflow movements fall behind expectations in this period, and there be an unexpected delay to the additional financing arrangement beyond October 2021, the Group expects to be able to extend the overdraft in order to cover any delay in finalising the additional financing. With this financing, the group could see a drop in operating profit of up to 20%, combined with some negative working capital movements and remain cash positive. Accordingly, the Directors consider it appropriate to prepare the financial statements on a going concern basis.

Audit Committee

The Audit Committee comprises R Waddington, M Dwek and M Rapoport and a copy of its written terms of reference are included on the web site. The Audit Committee principal duties are as follows:

• Reviewing and approving the interim results for the six months ended 31 October 2020.

• Agreement of the independence of the auditors and their planning report for the year end financial statements including the proposed audit fees and non-audit services.

• Reviewing and approving the audited annual report and accounts for the year ended 30 April 2021.

• Discussion with the external auditors

Directors' Report

of any accounting or financial issues arising in the course of their work.

- Discussion of the auditors' assessment of the adequacy of internal controls.

The main areas of activity during the year included:

- Discussion of the development costs capitalised.
- Impairment reviews of the underlying businesses.
- Review and discussion of going concern and forecasts including the impact of COVID-19.

Remuneration Committee

The Remuneration Committee comprises M Rapoport, M Dwek and R Waddington and 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 Directors' Remuneration report is set out on pages 43 and 44 and the terms of reference are on the website.

Directors' responsibilities

The Directors are responsible for preparing the annual 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 accounting standards in conformity with the requirements of the Companies Act 2006 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 international accounting standards in conformity with the requirements of the Companies Act 2006, subject to any material departures disclosed and explained in the financial statements and the company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law).
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Company will continue in business.

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

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

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.

Auditors

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

Approval

This Directors Report was approved by order of the Board on 9 September 2021. By order of the Board

M-C Dwek

Director

9 September 2021

Directors' Remuneration Report

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 2021 comprised three existing Non-Executive Directors, Maurice Dwek, Michel Rapoport and Robert Waddington.

The relevant parts of the career history of the members of the Remuneration Committee are summarised in the Corporate Governance on page 34.

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. The Committee approved the implementation of a 10% contractual pay reduction throughout the Group for a three month period between April and July 2020. Bonuses are awarded based on company performance as contractually stipulated.

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. The Company entered into a service agreement on 12 April 2013 with Ms M-C Dwek which may be terminated by either party serving twelve months' notice. The Company entered into a service agreement on 9 September 2019 with Mr Feltham which may be terminated by either party serving six months' notice. Mr Feltham left the business on 3 September 2021.

Loss of office

When determining any loss of office payment for a departing Director the Committee will always seek to minimise cost to the Company while complying with the contractual terms and seeking to reflect the circumstances in place at the time. The Committee reserves the right to make additional payments where such payments are made in good faith in discharge of an existing legal obligation (or by way of damages for breach of such an obligation); or by way of settlement or compromise of any claim arising in connection with the termination of an Executive Director's office or employment.

Director's emoluments

Emoluments of the directors (including pension contributions) of the Company during the year ended 30 April 2021 were as follows:

	Consul-tancy £'000	Salary £'000	Fees £'000	Bonus £'000	Other Benefits* £'000	Total £'000	Pension £'000	Total incl. pension £'000
Executive Directors								
M-C Dwek	-	203	-	79	31	313	24	337
G Feltham	-	130	-	-	4	134	7	141
Non Executive Directors								
M Dwek[(a)]	78	-	-	-	17	95	-	85
M Rapoport	-	-	25	-	-	25	-	25
R Waddington	-	-	25	-	-	25	-	25
T Yap	-	-	25	-	-	25	-	25
2021	**78**	**333**	**75**	**79**	**52**	**617**	**31**	**648**
2020	80	360	50	87	66	643	28	671

*Includes £13,000 for share options expense

Emoluments of the highest paid Director were £337,000 (2020: £332,000). Bonus payments are based on performance against set targets at an increasing percentage of salary for the extent of exceeding the agreed targets. The Directors' share interests are detailed in the Directors' Report on page 40. (a) The Company paid a consultancy fee of £78,000 (2020: £80,000) to Arbury Inc., a company 51 per cent. owned by M Dwek.

Directors' Remuneration Report

Share option schemes

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

The Remuneration Committee has administered and operated the scheme. Further details of the share option schemes are set out in note 24 to the financial statements.

The number of approved share options issued to the Directors are as follows:

	No. of options	Date of grant	Subscription price payable
M-C Dwek	12,363,636	August 2013	1.8p
M-C Dwek	1,909,589	September 2014	1.8p
M-C Dwek	1,142,857	September 2015	1.8p
M-C Dwek	7,312,500	October 2019	1.8p
M-C Dwek	5,939,692	October 2019	1p
G Feltham	5,900,000	October 2019	1.7p

There were no options granted or exercised during the year with 2,005,952 (2020: 812,500) vesting.

Approval

This remuneration report was approved by order of the Board on 9 September 2021.

By order of the Board

M-C Dwek

Director

9 September 2021

Independent Auditor's Report

TO THE MEMBERS OF NEWMARK SECURITY PLC

Opinion on the financial statements

In our opinion:

• the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 30 April 2021 and of the Group's profit for the year then ended;

• the Group financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006;

• the Parent Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and

• the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Newmark Security Plc (the 'Parent Company') and its subsidiaries (the 'Group') for the year ended 30 April 2021 which comprise the consolidated income statement, the consolidated statement of comprehensive income, the consolidated and parent company statements of financial position, the consolidated statement of cash flows and the consolidated and parent company statements of changes in equity and notes to the financial statements, including a summary of significant accounting policies.

The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and international accounting standards in conformity with the requirements of the Companies Act 2006. The financial reporting framework that has been applied in the preparation of the Parent Company financial statements is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 Reduced Disclosure Framework (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remain independent of the Group and the Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

We have identified going concern as a Key Audit Matter, with the risks most likely to adversely affect the Company's ability to continue as a going concern being the Group's reliance on external funding to maintain cashflows, covenant compliance and increased uncertainty around the longer-term impact on the economy and impact on Group operations.

Our evaluation of the Directors' assessment of the Group and the Parent Company's ability to continue to adopt the going concern basis of accounting included the following key procedures:

• We obtained and reviewed post year end covenant documentation for the CBILs covenant update for the year ending April 2022 to confirm management have correctly calculated covenant forecast and sensitivity analysis.

• We obtained and reviewed communications with the Group's primary bankers with regards to additional financing, including the overdraft and UK invoice financing extensions and US invoice financing facility and confirmed that these were appropriately considered in cash flow forecast and sensitivity analysis.

• We reviewed FY21 results against budgets as an indicator of management budget accuracy.

• We reviewed management's budgets split by division and parent company, as relevant to the going concern period, including a detailed assessment and discussion of assumptions made relating to revenue growth, gross margins and overheads year on year movements.

• We performed a detailed review of management's monthly cash flow base case to September 2022, being the going concern period, against audit evidence from our review of the FY22 budget and FY21 audit actuals.

• We completed a detailed review and performed additional scenario testing of management stress testing.

• We compared the cash requirements shown by the forecasts above to

Independent Auditor's Report

the available facilities of the group, including additional facilities obtained or in the process of being finalised subsequent to year end, including the overdraft extension and US invoice discounting and satisfied ourselves that the Group was not dependent upon the facilities currently in the process of being finalised to enable the Group to operate as a going concern.

• We reviewed the disclosures in the financial statement against best practice guidance and accounting standards.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the entity's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

Coverage	100% (2020: 100%) of Group profit before tax 100% (2020: 100%) of Group revenue 97% (2020: 100%) of Group total assets		
		2021	2020
Key audit matters	Revenue Recognition	Yes	Yes
	Going Concern	Yes	Yes
	Existence and valuation of inventory	No	Yes
	Recoverability of goodwill and non-current assets	Yes	Yes
	Existence and valuation of inventory is no longer considered to be a key audit matter as we were able to attend the onsite stock counts at 30 April 2021		
Materiality	Group financial statements as a whole £182,000 (2020: £188,000) based on 1% average revenue for 2021 and 2020 (2020: 1% of 2020 revenue). An average measure was used in the current year to account for temporary fluctuations in performance as a result of COVID-19.		

An overview of the scope of our audit

Our Group audit was scoped by obtaining an understanding of the Group and its environment, including the Group's system of internal control, and assessing the risks of material misstatement in the financial statements. We also addressed the risk of management override of internal controls, including assessing whether there was evidence of bias by the Directors that may have represented a risk of material misstatement.

Audit work to respond to the assessed risks was performed directly by the Group audit engagement team, and full scope audit procedures were performed on all four operating entities within the group, which were considered to be the significant components of the group. Analytical procedures were carried out where relevant on the non-significant components. All work was carried out by the Group engagement team.

Independent Auditor's Report

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit, and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matters described in the Conclusions relating to going concern section we have determined the matters below to be the key audit matters to be communicated in our report.

Key audit matter		How the scope of our audit addressed the key audit matter
Revenue Recognition (Notes 1 and 2)	As detailed in note 1 and 2, the Group's revenue relates to the sale of products and services recognised at a point in time (delivery), and services recognised over time. There is a risk around the identification of performance obligations and application of IFRS 15 for material new and existing contracts and ensuring revenue around the year end is recognised in the appropriate period. We therefore determined the recognition of revenue to be a key audit matter.	Our audit work included, but was not restricted to, the following: We reviewed management's assessment of the separable performance obligations attached to a sample of revenue contracts against the requirements of IFRS 15 and sample tested sales transactions over the period to confirm appropriate and consistent revenue recognition policies had been applied. We sample tested revenue transactions from the sale of support and maintenance services in the final month of the audit period and the first month of the new financial year, tracing to delivery notes or confirmation of service completion to confirm the timing and amount of revenue recognised. We selected a sample of products dispatched in the final month of the year and first month post year end from the goods dispatched notes listing and confirmed the timing and associated performance obligations had been applied correctly. We tested a sample of deferred and accrued revenue, recalculating expected revenue and deferred/accrued revenue based on the status of work performed at year end. The status of the work performed was verified against timesheet data or the period of the contract covered to date. We tested a sample of post year-end credit notes to related invoices to check that revenue was recognised in the correct period. We reviewed material manual journals to revenue to confirm that they had been posted in line with normal business transactions or supporting evidence obtained from management. Key observations: We did not identify any indicators to suggest that revenue has not been recognised appropriately in accordance with IFRS 15.

Independent Auditor's Report

Key audit matters continued...

Recoverability of goodwill and non-current assets - Group (Notes 1, 10 and 11) Recoverability of Parent Company Investment in subsidiaries – Parent Company (Note 1, 3)	The Group's accounting policy in relation to impairment of goodwill and intangible assets is included within note 1 and further explained in note 10 of the group financial statements. The Parent Company's accounting policy on investment in subsidiaries is included within Company note 1. Accounting standards require management to perform an impairment review annually to consider possible impairment in goodwill and consider whether there are any indicators of impairment impacting other group non-current assets and investments in subsidiaries balance in the parent company. Management exercise significant judgement in determining the underlying assumptions used in the impairment review of the two operating cash generating units (CGUs). These assumptions include the discount rate, the forecast operating margins and the growth rate. There was increased uncertainty over operating results in the short to medium term due to COVID-19. Because of the judgements exercised by management over this area we determined it to be a key audit matter.	Our audit work included, but was not restricted to, the following: We have assessed management's impairment review: we recalculated the CGU component's value in use using our calculated discount rate, based on applicable gearing, risk and equity premiums, and methodology in line with accounting standards and compared these values against the CGU component value and the investment in subsidiaries value. We have challenged and assessed the reasonableness of the CGU component level FY22 budgets and expected growth rate assumptions within the impairment models through discussions with management, comparisons to the industry and, where appropriate, agreement to supporting documentation and historical trends. We have performed sensitivity analysis over the key assumptions used by management, specifically the discount rate, long term growth rate and operating profit, and reviewed the disclosures in group note 11 and parent company note 3 against accounting standard requirements, including the impact of changes in key assumptions. Key observations: We did not identify anything to suggest that management's impairment review failed to identify indicators impacting the recoverability of goodwill and non-current assets in the group or investments in subsidiaries in the parent.

Independent Auditor’s Report

Our application of materiality

	Group financial statements		Parent company financial statements	
	2021 £	2020 £	2021 £	2020 £
Materiality	182,000	188,000	125,000	102,000
Basis for determining materiality	1% average revenue for 2021 and 2020	1% revenue for 2020.	2% Parent Company net assets	54% of Group materiality.
Rationale for the benchmark applied	Loss making entity, revenue is key performance driver. Average used in 2021 to mitigate COVID 19 impact.		Parent company is primarily a holding company and includes significant investment balances. In the prior year Parent company materiality was restricted to a percentage of group materiality for group aggregation purposes.	
Performance materiality	127,000	133,000	87,500	71,400
Basis for determining performance materiality	70% Group materiality based on various factors including the expected total value of known and likely misstatements, brought forward misstatements, and the number of material estimates.	70% Group materiality based on various factors including the expected total value of known and likely misstatements, brought forward misstatements, and the number of material estimates.	70% materiality based on various factors including the expected total value of known and likely misstatements, brought forward misstatements, and the number of material estimates.	70% materiality based on various factors including the expected total value of known and likely misstatements, brought forward misstatements, and the number of material estimates.

Component materiality

We set materiality for each component of the Group based on a percentage of between 46% and 90% of Group materiality dependent on the size and our assessment of the risk of material misstatement of that component. Component materiality ranged from £83,000 to £163,800. In the audit of each component, we further applied performance materiality levels of 70% of the component materiality to our testing to ensure that the risk of errors exceeding component materiality was appropriately mitigated.

Reporting threshold

We agreed with the Audit Committee that we would report to them all individual audit differences in excess of £3,600 (2020: £3,800). We also agreed to report differences below this threshold that, in our view, warranted reporting on qualitative grounds.

Independent Auditor's Report

Other information

The directors are responsible for the other information. The other information comprises the information included in the Annual Report and Financial Statements, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Other Companies Act 2006 reporting

Based on the responsibilities described below and our work performed during the course of the audit, we are required by the Companies Act 2006 and ISAs (UK) to report on certain opinions and matters as described below.

Strategic report and Directors' report	In our opinion, based on the work undertaken in the course of the audit: the information given in the Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and the Strategic report and the Directors' report have been prepared in accordance with applicable legal requirements. In the light of the knowledge and understanding of the Group and Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the Directors' report.
Matters on which we are required to report by exception	We have nothing to report in respect of the following matters in relation to which 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 explanations we require for our audit.

Responsibilities of Directors

As explained more fully in the Directors' responsibilities statement, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Parent Company or to

Independent Auditor's Report

cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Extent to which the audit was capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

• We gained an understanding of the legal and regulatory framework applicable to the Group and the industry in which it operates and considered the risk of non-compliance or fraud by the Group.

• We considered these risks to be highest within areas of material estimation, including impairment of goodwill and non-financial assets, calculation of provisions against inventory and receivables and valuation of deferred tax assets, as well as transactions around the year-end and manual journals at component and consolidation level.

• We designed audit procedures at both the Group and significant component levels to detect material misstatements due to fraud and error.

• We focused on laws and regulations that could give rise to a material misstatement in the Group and Parent Company financial statements, including, but not limited to, IFRS, Companies Act 2006 and certain requirements from UK and US tax legislation.

• Our tests included, but were not limited to, agreement of the financial statement disclosures to underlying supporting documentation, review of correspondence with regulators and legal advisors, enquiries of management and review of board minutes

• We also addressed the risk of management override of internal controls, including testing journals and evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud. To address the risk of fraud due to revenue recognition through our journals testing we obtained a list of journal entries to revenue and reviewed manual postings with values greater than predetermined thresholds.

• We communicated relevant identified laws and regulations and potential fraud risks to all engagement team members and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities is available on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the Parent 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 Parent Company's members those matters we are required to state to them in an auditor's report and for no

Independent Auditor's Report

other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Parent Company and the Parent Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Nick Poulter (Senior Statutory Auditor)

For and on behalf of BDO LLP, Statutory Auditor

Guildford, UK

9 September 2021

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

Newmark
SECURITY PLC

Financial Statements

Financial Statements

Consolidated income statement for the year end 30 April 2021

	Note	2021 £'000	2020 £'000
Revenue	**2**	**17,658**	**18,767**
Cost of sales		(11,029)	(11,318)
Gross profit		6,629	7,449
Administrative expenses		(6,667)	(7,144)
Profit from operations before exceptional items		79	604
Exceptional redundancy costs	3	(181)	(167)
Other exceptional costs	3	64	(132)
(Loss)/profit from operations	3	(38)	305
Finance costs	6	(88)	(74)
(Loss)/profit before tax		(126)	231
Tax credit	7	297	896
Profit for the year		171	1,127
Attributable to:			
- Equity holders of the parent		171	1,127
Earnings per share			
- Basic (pence)	8	0.04	0.24
- Diluted (pence)	8	0.04	0.24

Consolidated statement of comprehensive income

	2021 £'000	2020 £'000
Profit for the year	171	1,127
Foreign exchange on the retranslation of overseas operation	(196)	26
Total comprehensive income for the year	(25)	1,153
Attributable to:		
- Equity holders of the parent	(25)	1,153

The notes on pages 58 to 88 form part of these financial statements.

Financial Statements

Consolidated statement of financial position at 30 April 2021

	Note	2021 £'000	2020 £'000
Assets			
Non-current assets			
Property, plant and equipment	9	1,088	1,262
Intangible assets	10	5,505	5,234
Deferred tax	7	206	329
Total non-current assets		6,799	6,825
Current assets			
Inventory	13	3,125	2,544
Trade and other receivables	14	4,438	3,664
Cash and cash equivalents		484	620
Total current assets		8,047	6,828
Total assets		14,846	13,653
Liabilities			
Current liabilities			
Trade and other payables	15	3,782	3,246
Other short-term borrowings	16	627	1,351
Total current liabilities		4,409	4,597
Non-current liabilities			
Long term borrowings	17	2,047	654
Provisions	20	100	100
Total non-current liabilities		2,147	754
Total liabilities		6,556	5,351
TOTAL NET ASSETS		8,290	8,302
Capital and reserves attributable to equity holders of the company			
Share capital	21	4,687	4,687
Share premium reserve	22	553	553
Merger reserve	22	801	801
Foreign exchange difference reserve	22	(302)	(106)
Retained earnings	22	2,511	2,327
Total attributed to equity holders		8,250	8,262
Non-controlling interest		40	40
TOTAL EQUITY		8,290	8,302

The notes on pages 58 to 88 form part of these financial statements.

Financial Statements

Consolidated statement of cash flows for year ended 30 April 2021

	Note	2021 £'000	2020 £'000
Cash flow from operating activities before exceptional items			
Net profit after tax from ordinary activities		171	1,127
Adjustments for: Depreciation, amortisation and impairment	3	1,033	1,022
Exceptional items	3	117	299
Finance cost	6	88	74
Gain on sale of property, plant and equipment	3	(5)	(58)
Share based payment		13	13
Income tax (credit)/expense	7	(297)	(896)
Operating profit before changes in working capital and provisions		1,120	1,581
(Increase)/decrease in trade and other receivables		(805)	290
(Increase)/decrease in inventories		(652)	71
Increase/(decrease) in trade and other payables		582	(675)
Cash generated from operations before exceptional items		245	1,267
Exceptional items	15	(244)	(362)
Cash generated from operations after exceptional items		1	905
Income taxes received		369	-
Cash flows from operating activities		370	905
Cash flow from investing activities			
Acquisition of property, plant and equipment	9	(272)	(150)
Sale of property, plant and equipment		-	43
Research and development expenditure	10	(744)	(886)
		(1,016)	(993)
Cash flow from financing activities			
Bank loans received	17	2,000	-
Principal paid on lease liabilities	23	(487)	(475)
(Repayment)/proceeds on invoice discounting	16	(905)	212
Interest paid on lease liabilities	23	(37)	(44)
Interest paid		(51)	(30)
		520	(337)
Decrease in cash and cash equivalents		(126)	(425)
Cash and cash equivalents at beginning of year		620	1,041
Exchange differences on cash and cash equivalents		(10)	4
Cash and cash equivalents at end of year		484	620

The notes on pages 58 to 88 form part of these financial statements.

Financial Statements

Consolidated statement of changes in equity

	Share capital £'000	Share premium £'000	Merger reserve £'000	Foreign exchange reserve £'000	Retained earnings £'000	Amounts attributable to owners of the parent £'000	Non-controlling interest £'000	Total equity £'000
At 1 May 2020	4,687	553	801	(106)	2,327	8,262	40	8,302
Profit for the period	-	-	-	-	171	171	-	171
Other comprehensive (loss)	-	-	-	(196)	-	(196)	-	(196)
Total comprehensive (loss) for the year	-	-	-	(196)	171	(25)	-	(25)
Transactions with owners								
Share based payment	-	-	-	-	13	13	-	13
As at 30 April 2021	**4,687**	**553**	**801**	**(302)**	**2,511**	**8,250**	**40**	**8,290**
At 30 April 2019	4,687	553	801	(132)	1,165	7,074	40	7,114
Impact of IFRS 16 Lease transition (note 23)	-	-	-	-	22	22	-	22
At 1 May 2019 as restated	4,687	553	801	(132)	1,187	7,096	40	7,136
Profit for the period	-	-	-	-	1,127	1,127	-	1,127
Other comprehensive income	-	-	-	26	-	26	-	26
Total comprehensive income for the year	-	-	-	26	1,127	1,153	-	1,153
Transactions with owners								
Share based payment	-	-	-	-	13	13	-	13
As at 30 April 2020	**4,687**	**553**	**801**	**(106)**	**2,327**	**8,262**	**40**	**8,302**

The notes on pages 58 to 88 form part of these financial statements.

Financial Statements

1. Accounting policies

Newmark Security PLC (the "Company") is a public limited company, limited by shares, registered number 3339998 in England & Wales. The consolidated financial statements of the Company for the year ended 30 April 2021 comprise the Company and its subsidiaries (together referred to as the "Group").

Basis of preparation

The consolidated financial statements have been prepared on a historical cost basis.

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 accounting standards in conformity with the requirements of the Companies Act 2006.

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

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

None of the new standards or amendments to standards have had any impact on the accounting policies of the group in the year.

No new standards that are not yet effective have been early adopted or are expected to have a material impact on the Group's profit or loss.

Going concern

Based on the Group's latest trading, future expectations and associated cash flow forecasts, the Directors have considered the Group cash requirements and forecast covenant compliance and are confident that the Company and the Group will be able to continue trading for a period of at least twelve months following approval of these financial statements, being the going concern period.

In August 2020, the Group secured a £2 million financing facility from its bankers, HSBC, via the Coronavirus Business Interruption Loan Scheme ("CBILS"). This loan is for a term of 6 years, with the first year being interest, repayment and covenant free under the Business Interruption Payment scheme. The original covenant requires the Group to deliver a pre-debt service cashflow of 1.2 times the level of debt service commencing for the year end 30 April 2022, based on audited accounts. As a result of the Strategic Business Plan certain investments were identified and factored into a forward looking model. Management identified that the investments and cash outlay may result in a potential default of the covenant and therefore the Directors agreed a waiver of the debt service ratio to be replaced by a Tangible Net Worth ("TNW") test applicable for the year ended 30 April 2022 based on audited accounts. This test uses the calculation of Net Assets less Intangible Assets and requires the result to exceed £3.1 million. No other financing facilities of the Group have any covenant requirements.

As a combined result of COVID-19 pandemic global componentry shortage and the requirement to increase stock levels to meet anticipated demand, inventory levels have increased by £1.5 million since January 2021 which has reduced the levels of available headroom in our facilities. Management are in advanced discussions with the Group's primary bankers in respect of an extension to the UK invoice financing facility and a new US invoice financing facility. Both facilities are expected to be finalised imminently and Management have the ongoing support of the Group's primary bankers should there be any unforeseen delays. Management have recently secured an additional overdraft facility of £200,000 to reach a £450,000 facility as a short term, interim measure to 1 November 2021 to cover earlier stock purchases. The expected overall outcome will make the Group more flexible in determining mix of financing and provides a USD currency liability supporting our hedging strategy. Whilst the Group's going concern assessment includes the assumption that these facilities will be received and the Group has the support of the Bank, the directors have also considered forecast scenarios to September 2022 excluding this additional financing.

As at 30 April 2021 no financing facility was being utilised apart from the CBILS loan of £2 million although following the year end the invoice discounting facility has been utilised to finance additional stock purchases. The level of invoice discounting available varies with the open book of trade debtors at any point in time and therefore the level of financing fluctuates with indicative numbers being analysed above.

The Group is currently operating ahead of revenue expectations albeit with a different phasing of certain lines of business with varying margins which result in a reduced margin. The latest forecast of the Group results in exceeding the TNW covenant test by 13.5% and will be tested more fully when a revised forecast is completed in October. As a consequence of the revised forecast findings the Group would explore the existing covenant test level with our Banking partners, HSBC, should the covenant headroom fall short of 10%. Further scenario testing and sensitivity analysis was completed to model certain criteria that would indicate a potential covenant breach against the latest formally approved budget. A shortfall of sales against forecast of 3.4% or a reduction in Gross Material Margin by 2.8% points would result in a covenant breach at April 2022 with an improving position thereafter. Management are confident that the shortfalls will not occur and are undertaking regular reviews and forecasts to ensure this. Management are confident that the Group would be able to meet loan repayments and working capital outflows with the required levels of cash to proceed with investing in the Group in partnership with our banking partners within the going concern review period. The Group is expected to be able to operate within existing finance facilities, based on Management's detailed monthly cashflow forecasts to September 2022. Should profits or cashflow movements fall behind expectations in this period, and there be an unexpected delay to the additional financing arrangement beyond October 2021, the Group expects to be able to extend the overdraft in order to cover any delay in finalising the additional financing. With this financing, the group could see a drop in operating profit of up to 20%, combined with some negative working capital movements and remain cash positive. Accordingly, the Directors consider it appropriate to prepare the financial statements on a going concern basis.

Segment reporting

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

Basis of consolidation

The Group financial statements consolidate the results of the company and all of its subsidiary undertakings drawn up to 30 April 2021. Subsidiaries are entities controlled by the group. The company controls a subsidiary if all three of the following elements are present: power over the subsidiary; exposure to variable returns from the subsidiary; and the ability of the investor to use its power to affect those variable returns. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Revenue

Performance obligations and timing of revenue recognition

The majority of the group's revenue is derived from selling hardware, with revenue recognised at a point in time when control of the goods has transferred to the customer. This is generally when the goods are delivered to the customer. However, for export sales, control might also be transferred when delivered either to the port of departure or port of arrival, depending on the specific terms of the contract with a customer. There is limited judgement needed in identifying the point control passes: once physical delivery of the products to the agreed location has occurred, the group no longer has physical possession, usually will have a present right to payment (as a single payment on delivery) and retains none of the significant risks and rewards of the goods in question.

Software sales are recognised when the license key is given to the customer, as the customer has a right to use the Group's intellectual property as it exists at a point in time when the licence is granted (a 'passive' license). There is ongoing support provided but this is a distinct separate performance obligation, and provided under a separate contract. There are no significant upgrades provided that are fundamental to the ongoing use of the license by the customer.

The Group provides support and service contracts to customers, which are invoiced separately to the goods and software noted above and are considered to be distinct performance obligations. The revenue from support, Software-as-a-Service (SaaS) and Clocks-as-a-Service (ClaaS) contracts in the people and data management division is recognised over time as the customer simultaneously receives and consumes the benefits of the service over the life of the contract. The revenue is recognised straight line over the life of the contract.

In the Physical Security Solutions division, most service revenue is recognised at a point in time and is based on the company fulfilling its performance obligations with work completed in any given month. For some smaller contracts a regular fee is charged for a period of service rather than per visit and is therefore recognised over time.

Financial Statements

The Group also provide maintenance and installation services. Revenue for maintenance contracts is recognised at a point in time, as and when maintenance work is performed for the customer and is based on the level of work required at that time. Revenue for installation services is also recognised at a point in time, when the work has been completed. Where there is an additional fee for project management relating to the installation, this is treated as one performance obligation and invoiced when the installation is complete.

Determining the transaction price

The Group's revenue is derived from fixed price contracts for each revenue stream and therefore the amount of revenue to be earned from each contract is determined by reference to those fixed prices.

Allocating amounts to performance obligations

For most contracts, there is a fixed unit price for each product or service sold, with reductions given for bulk orders placed at a specific time. Therefore, there is no judgement involved in allocating the contract price to allocate to each revenue stream sold to one customer. Where a customer orders more than one service (i.e. product, installation and ongoing service), the Group is able to determine the split of the total contract price between each revenue stream by reference to each standalone selling price (all revenue streams are capable of being, and are, sold separately).

Payment terms

Payment for all revenue streams noted above is due between 30 and 60 days after the invoice is raised. For all revenue recognised at a point in time, the invoice is raised when the product or service has been supplied. Deferred income arises where invoices relate to maintenance visits for several sites and not all have been visited at year end. Accrued income is recognised following a service visit that requires an application process to be adhered to under the main contract spanning 1-3 years. Once the application process is finalised an invoice is raised and the value is removed from accrued income.

For service revenue recognised over time, the invoice is raised on a monthly basis for most customers.

Business combinations

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

Goodwill

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

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

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

Impairment of non-financial assets

Impairment tests on goodwill are undertaken annually on 30 April. Other non-financial assets are subject to impairment tests whenever events or changes in circumstances indicate that their carrying value may not be recoverable. Where the carrying value of an asset exceeds its recoverable amount (i.e. 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 (i.e. the lowest group of assets in which the asset belongs for which there are separately identifiable cash flows). Goodwill is allocated on initial recognition to each of the Group's cash- generating units that are expected to benefit from the synergies of the combination giving rise to the goodwill.

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

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

Foreign currency

The consolidated financial statements are presented in sterling, which is the main functional currency of the Group's operating entities.

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

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

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

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

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

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

All of the Group's financial assets are measured at amortised cost.

The Group's financial assets comprise trade and other receivables, accrued income, cash and cash equivalents. Trade and other receivables, excluding VAT receivables, are measured initially at fair value and subsequently at amortised cost using the effective interest rate method, less provision for impairment. Impairment provisions for current trade receivables are recognised based on the simplified approach within IFRS 9 using a provision matrix in the determination of the lifetime expected credit losses. During this process the probability of the non-payment of the trade receivables is assessed. This probability is then multiplied by the amount of the expected loss arising from default to determine the lifetime expected credit loss for the trade receivables. For trade receivables, which are reported net, such provisions are recorded in a separate provision account with the loss being recognised within overheads in the consolidated statement of comprehensive income. On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision.

Financial liabilities

Financial liabilities are obligations to pay cash and are recognised when the Group becomes a party to the contractual provisions of the instrument. The Group's financial liabilities comprise trade payables, other payables, overdraft, accruals, loan and invoice discount account. All financial liabilities are measured initially at fair value and subsequently at amortised cost using the effective interest method.

Cash flow hedges

Cash flow hedges are accounted for under fair value. Fair value is calculated by establishing the mark to market value. Movements on the fair value are reflected in the income statement with the fair value being reflected in current assets or liabilities on the balance sheet.

Share-based payments

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

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

Leases

For any new contracts entered into the Group considers whether a contract is, or contains a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an asset for a period of time in exchange for consideration'. To apply this definition the Group assesses whether the contract meets three key evaluations which are whether:

• the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Group

• the Group has the right to obtain

Financial Statements

substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract

• the Group has the right to direct the use of the identified asset throughout the period of use. The Group assess whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use

Lease liabilities are measured at the present value of the contractual payments due to the lessor over the lease term, with the discount rate determined by reference to the rate inherent in the lease unless (as is typically the case) this is not readily determinable, in which case the group's incremental borrowing rate on commencement of the lease is used. Variable lease payments are only included in the measurement of the lease liability if they depend on an index or rate. In such cases, the initial measurement of the lease liability assumes the variable element will remain unchanged throughout the lease term. Other variable lease payments are expensed in the period to which they relate.

On initial recognition, the carrying value of the lease liability also includes:

• amounts expected to be payable under any residual value guarantee;

• the exercise price of any purchase option granted in favour of the Group if it is reasonable certain to assess that option;

• any penalties payable for terminating the lease, if the term of the lease has been estimated on the basis of termination option being exercised.

Right of use assets are initially measured at the amount of the lease liability, reduced for any lease incentives received, and increased for:

• lease payments made at or before commencement of the lease;

• initial direct costs incurred; and

• the amount of any provision recognised where the group is contractually required to dismantle, remove or restore the leased asset (typically leasehold dilapidations)

Subsequent to initial measurement lease liabilities increase as a result of interest charged at a constant rate on the balance outstanding and are reduced for lease payments made. Right-of-use assets are amortised on a straight-line basis over the remaining term of the lease or over the remaining economic life of the asset if, rarely, this is judged to be shorter than the lease term. When the Group revises its estimate of the term of any lease (because, for example, it re-assesses the probability of a lessee extension or termination option being exercised), it adjusts the carrying amount of the lease liability to reflect the payments to make over the revised term, which are discounted using a revised discount rate. The carrying value of lease liabilities is similarly revised when the variable element of future lease payments dependent on a rate or index is revised, except the discount rate remains unchanged. In both cases an equivalent adjustment is made to the carrying value of the right-of-use asset, with the revised carrying amount being amortised over the remaining (revised) lease term. If the carrying amount of the right-of-use asset is adjusted to zero, any further reduction is recognised in profit or loss.

All leases are accounted for by recognising a right-of-use asset and a lease liability except for:

• Leases of low value assets; and

• Leases with a duration of 12 months or less.

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 hardware and firmware development costs are amortised over seven years being the period the Group expected 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.

Software development costs are generally written off over four years which is deemed to be an accurate reflection of the useful economic life of the products developed.

Each project is reviewed individually between Finance and the Technical Director regularly to ascertain appropriate accounting treatment.

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

Licences, patents, trademarks and copyright

Costs associated with licences, patents, trademarks, copyrights etc. are capitalised as incurred and are amortised over the expected life of

Financial Statements

the asset of seven years or to another period if specified in the contract.

Taxation

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

Research & Development (R&D) claims are made each year on the basis that the Group overcomes technological uncertainties. This work is carried out for the internal development of hardware and software in the Groups own products and services that it sells and also carries out this work on behalf of other companies. The internal development R&D claim results in a deduction that can be used to reduce tax payable or shown as a credit within current tax, at a reduced rate, as a cash tax credit. Where the Group performs the research and development on behalf of other companies a Research and Development Expenditure Credit (RDEC) is claimed whereby a credit is received within administration costs as reducing the costs to serve.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the statement of financial position date unless the tax is adjusted regarding a previous period whereby the appropriate rate is used accordingly.

Deferred taxation

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

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

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

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

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

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

Property, plant and equipment

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

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

Short leasehold improvements – evenly over the length of the lease

Plant and machinery
20 per cent. per annum straight line

Fixtures and fittings
10-15 per cent. per annum straight line

Computer equipment
25-33.3 per cent. per annum straight line

Motor vehicles
25-33 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

Financial Statements

obligation.

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

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 included within the overall cost of the right of use asset and depreciated over the remaining term of the lease.

Cash and cash equivalents

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

Borrowing costs

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

Dividends

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

Pension costs

Contributions to the company's defined contribution pension scheme are charged to the consolidated income statement in the year in which they become payable.

Holiday pay provision

A liability is recognised to the extent of any unused holiday pay entitlement which has accrued at the balance sheet date and carried forward to future periods. This is measured at the undiscounted salary costs of the future holiday entitlement and so accrued at the balance sheet date.

Government grants

A government grant is recognised only when there is reasonable assurance that the Group will comply with any conditions attached to the grant and that the grant will be received. The grant is recognised net against the costs that they are intended to compensate.

Non-controlling interests

Non-controlling interests are recognised at the Group's proportionate share in the recognised amounts of the acquiree's identifiable net assets. The total comprehensive income of non-wholly owned subsidiaries is attributed to owners of the parent and to the non-controlling interests in proportion to their relative ownership interests.

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.

Estimates

(a) Estimate – cash forecasts used for value in use of cash-generating units and going concern review

The Group tests annually whether goodwill, intangible and tangible assets have 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 derived from cash forecasts . These calculations require the use of estimates as detailed in note 11 including forecasts from formally approved cash projections to April 2025. Management uses judgement to estimate the extent and timing of future cashflows. The forecasts used to assess the going concern within the review period to September 2022 are based on the same operating forecasts as the impairment review.

(b) Estimate - value of recognised deferred tax relating to losses

The Group tests the recoverability of tax losses based on recent results combined with Management's projections. Management reviews profitability over a period of 5 years and assesses the utilisation of tax losses prior to being in a position of tax paying. Management uses judgement to estimate the quantum of taxable losses that will be utilised and recognises a deferred tax asset as appropriate. See note 7.

Judgements

(a) Judgement - Development costs

Development costs on internally developed products are capitalised if it can be demonstrated that the expenditure meets the criteria set out on page 50. These costs are amortised over the period that the Group expects to benefit from selling the products developed. The judgements concerning compliance with the above criteria and the expected useful life of these assets are made using the historical, commercial and technical experience of senior members of the management team.

2. Revenue

The Group has disaggregated revenue into various categories in the following table which is intended to:

• depict how the nature, amount, timing of revenue are affected by economic data and the relationship with the revenue recognition policy above.

	People and Data Management division		Physical Security Solutions division		Group	
	2021	**2020**	**2021**	**2020**	**2021**	**2020**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Product sales (includes hardware and software)	11,941	12,635	3,220	2,054	15,161	14,689
Installation and Professional Services	241	96	-	641	241	737
Support, Service and SaaS contracts						
Recurring revenue - point in time	-	-	1,575	2,500	1,575	2,500
Recurring revenue - over time	465	626	216	215	681	841
	12,647	**13,357**	**5,011**	**5,410**	**17,658**	**18,767**
Revenue recognised as follows						
Point in time	12,182	12,731	4,795	5,195	16,977	17,926
Over time	465	626	216	215	681	841
	12,647	**13,357**	**5,011**	**5,410**	**17,658**	**18,767**

Support, Service, SaaS and ClaaS contracts have a recurring nature to the contracts whereby the customer has purchased products along with a contract usually spanning 12 – 36 months for maintenance and call outs, warranty, technical support or for SaaS contracts – device, data and identity management services. The nature of certain contracts such as support, maintenance, SaaS and ClaaS are consumed over the course of the contract whereas the customer benefits from service and call out obligations at the time of delivery.

Primary Geographic Markets	**2021**	**2020**
	£'000	**£'000**
UK	8,425	9,872
USA	7,237	6,224
Belgium	854	1,010
Netherlands	676	690
Middle East	37	349
Sweden	20	5
Switzerland	81	55
Ireland	43	63
Other	285	499
	17,658	**18,767**

There was one customer that accounted for more than 10% of Group revenue at £3.2 million (2020: one customer accounted for more than 10% of revenue at £3.5 million).

Financial Statements

3. Profit from operations

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

	Note	2021 £'000	2020 £'000
Staff costs	4	6,781	6,979
Exceptional redundancy costs		181	167
Exceptional costs relating to group rationalisation project		-	50
Exceptional adjustments for onerous lease surrender (2020: impairment of an asset)		(64)	82
Depreciation of property, plant, and equipment	9	560	618
Amortisation of intangibles assets	10	473	405
Foreign exchange differences		17	62
(Profit) on disposal of tangible non-current assets		(5)	(21)

Auditors remuneration:

	2021 £'000	2020 £'000
Audit fees payable to the Company's auditor for the audit of:		
- Company annual accounts	15	15
- Group annual accounts	25	33
Other fees payable to the Company's auditors:		
- Audit of subsidiary companies	45	44
- Tax compliance	30	30
- Other services (shown above as group rationalisation project)	-	50
	115	**172**

Exceptional Costs

During the year exceptional costs of £117,000 (2020: £299,000) were incurred with £181,000 (2020: £167,000) of restructuring costs incurred as a result of COVID-19 mainly in Grosvenor as compared to the previous year whereby the restructuring costs were derived from the continued streamlining of positions at Safetell. An exceptional credit of £64,000 (2020: cost £132,000) related to the exit of a lease commitment at Safetell whereby the asset of £82,000 had been written down in the prior year along with £50,000 as a result of the group rationalisation project.

4. Staff costs

Staff costs (including the Executive Directors and excluding exceptional redundancy costs) comprise:

	2021 £'000	2020 £'000
Wages and salaries	5,861	6,008
Share options expense	13	13
Defined contribution pension costs	261	353
Employer's national insurance contributions and similar taxes	646	605
	6,781	**6,979**

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

	2021 No.	2020 No.
Management, sales and administration	56	56
Production	56	59
	112	**115**

Furlough credits of £183,000 were received during the year and recognised in the lines where the costs were incurred.

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

	2021 £'000	2020 £'000
Salaries*	1,202	1,243
Defined contribution pension costs	89	123
Employers national insurance contributions and similar taxes	103	156
Share options expense	13	13
	1,407	**1,535**

The emoluments of the Directors of the parent company are set out in the Directors' remuneration report on page 43.

*Includes termination costs of £90,000 in prior year.

Financial Statements

5. Segment information

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

The Group has two main reportable segments:

• People and Data Management 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 HCM hardware only, for time-and-attendance, shop-floor data collection, and access control systems. This division contributed 71.6 per cent. (2020: 71.2 per cent.) of the Group's revenue.

• Physical Security Solutions division (previously called the 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 28.4 per cent. (2020: 28.8 per cent.) of the Group's revenue.

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

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

Segment assets and liabilities exclude group company balances.

	People and Data Management division 2021 £'000	**Physical Security Solutions division 2021 £'000**	**Total 2021 £'000**
Revenue from external customers	12,647	5,011	17,658
Finance cost	54	18	72
Depreciation	301	246	547
Amortisation	470	-	470
Segment profit before income tax	1,115	161	1,276
Additions to non-current assets*	1,012	254	1,266
Disposal/modification of non-current assets	322	440	762
Reportable segment assets	10,657	2,515	13,172
Reportable segments liabilities	2,575	1,435	4,010

Financial Statements

	People and Data Management division 2020 £'000	Physical Security Solutions division 2020 £'000	Total 2020 £'000
Revenue from external customers	13,357	5,410	18,767
Finance cost	50	24	74
Depreciation	324	280	604
Amortisation	405	-	405
Segment profit before income tax	1,623	(12)	1,611
Additions to non-current assets	999	132	1,131
Disposal of non-current assets	-	159	159
Reportable segment assets	10,250	2,961	13,211
Reportable segments liabilities	3,022	1,782	4,804

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

		2021 £'000	2020 £'000
Revenue			
Total revenue for reportable segments		17,658	18,767
Profit or loss before income tax expense			
Total profit or loss for reportable segments		1,276	1,611
Parent company salaries and related costs		(868)	(755)
Other parent company costs		(534)	(625)
Profit before income tax expense		(126)	231
Corporation taxes		297	896
Profit after income tax expense		171	1,127
Assets			
Total assets for reportable segments		13,172	13,211
Parent company assets	*	1,674	442
Group's assets		14,846	13,653
Liabilities			
Total liabilities for reportable segments		4,010	4,804
Parent company liabilities	**	2,546	547
Group's liabilities		6,556	5,351

*PLC bank overdraft is set off against other group cash balances and has therefore been included within the asset line owing to an offsetting arrangement that is in place with HSBC.

**Parent company liabilities include dormant companies' intercompany balances which eliminate fully.

Financial Statements

Geographical Information

Geographical information:	Non-current assets by location of assets 2021 £'000	2020 £'000
UK	6,384	6,456
USA	209	40
	6,593	**6,496**

Other material items

	Reportable segment totals 2021 £'000	PLC 2021 £'000	Group Totals 2021 £'000	Reportable segment totals 2020 £'000	PLC 2020 £'000	Group Totals 2020 £'000
Other material items						
Additions to non-current assets	1,266	-	1,266	1,131	43	1,174
Disposals and modifications of non-current assets	762	-	762	159	66	225
Depreciation and amortisation	1,017	16	1,033	1,009	14	1,023

6. Finance costs

	2021 £'000	2020 £'000
Lease interest cost	37	44
Invoice discounting	51	30
	88	**74**

Financial Statements

7. Tax and deferred tax

	2021 £'000	2020 £'000
Current tax expense		
UK corporation tax on profit for the year	(337)	(176)
Overseas corporation tax	42	29
Adjustment to provision in prior periods	(125)	(436)
	(420)	(583)
Deferred tax expense		
Origination and reversal of temporary differences	169	137
Recognition of previously unrecognised deferred tax assets	(46)	(450)
	123	(313)
Total tax (credit) / charge	**(297)**	**(896)**

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

	2021 £'000	2020 £'000
(Loss)/profit before income tax	(126)	231
Expected tax (credit)/charge based on the standard rate of corporation tax in the UK of 19.0 per cent. (2019: 19.0 per cent)	(24)	44
Research and development allowances	(199)	(176)
Effects on profits on items not taxable or deductible for tax purposes	(77)	23
Recognition of previously unrecognised deferred tax assets	46	(450)
Utilisation of unrecognised deferred tax	-	61
Temporary differences on deferred tax liabilities	71	35
Different tax rates applied in overseas jurisdictions	11	3
Adjustments for tax credit relating to previous periods	(125)	(436)
Total tax (credit)	**(297)**	**(896)**

Financial Statements

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

	2021 £'000	2020 £'000
Management expenses	177	185
Trading losses	4,591	4,678
	4,768	**4,863**

A deferred tax asset has not been recognised for the following	2021 £'000	2020 £'000
Management expenses	2	-
Trading losses	321	338
	323	**338**

Deferred tax

Deferred tax is calculated in full on temporary differences under the liability method using a tax rate of 19 per cent. (2020: 19 per cent.) The March 2021 Budget announced a further increase to the main rate of corporation tax to 25% from 1 April 2023 and was substantively enacted in May 2021. As this rate had not been substantively enacted at the balance sheet date, as result deferred tax balances as at 30 April 2021 continue to be measured at 19%. If the deferred tax rate were to reverse at the substantively enacted rate, the impact on the deferred tax balance would be £65,000.

Deferred tax assets have been recognised in respect of all temporary timing differences giving rise to deferred tax assets if 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:

	Total	Accelerated capital allowances	Other temporary/ deductible differences	Available losses
Asset/(liability)				
At 1 May 2020	329	185	(442)	586
Income statement (charge)/credit	(123)	(39)	(84)	-
At 30 April 2021	**206**	**146**	**(526)**	**586**
Asset/(liability)				
At 1 May 2019	16	213	(333)	136
Income statement (charge)/credit	313	(28)	(109)	450
At 30 April 2020	**329**	**185**	**(442)**	**586**

Deferred tax assets have been recognised in respect of available losses which are expected to be matched against future trading profits. Management reviews the estimate mid-year and assesses whether latest projections impact the level of recognised deferred tax. Management allow for a fluctuation in projections and apply a level of cautiousness to recognition so that it allows for profit fluctuations. A 10% fluctuation in future profitability could result in a change of £120,000 to the recognition of deferred tax.

There are unrecognised deferred tax assets as listed above, which have not been recognised due to the uncertainty of the timing of future profits.

8. Earnings per share (EPS)

	2021 £'000	2020 £'000
Numerator		
Profit used in basic and diluted EPS	171	1,127
Denominator		
Weighted average number of shares used in basic EPS	468,732,316	468,732,316
Weighted average number of dilutive share options	5,939,692	3,449,903
Weighted average number of shares used in diluted EPS	**474,672,008**	**472,182,219**

The total number of share options are disclosed in note 24. The weighted average number of dilutive share options relate to options, without any performance criteria, issued with an exercise price being less than the average mid-market price. The basic earnings per share before exceptional items 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:

	2021 £'000	2020 £'000
Earnings per share - basic and diluted	0.04	0.24
Exceptional costs	0.02	0.06
Earnings per share before exceptional items	**0.06**	**0.30**
Reconciliation of earnings		
Profit for calculation of basic and diluted earnings per share	171	1,127
Exceptional costs	117	299
Profit before exceptional items	**288**	**1,426**

Financial Statements

9. Property plant and equipment

	Right of use land and buildings	Right of use plant, machinery / motor vehicles	Leasehold improve-ments	Plant, machinery and motor vehicles	Computers, fixtures and fittings	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Cost						
Balance at 1 May 2020	975	697	686	283	1,426	4,067
Additions	62	188	29	61	182	522
Disposals	(138)	(29)	(153)	(80)	(79)	(479)
Lease modification	(283)	-	-	-	-	(283)
Net exchange differences	(2)	(3)	-	(2)	(12)	(19)
Balance at 30 April 2021	**614**	**853**	**562**	**262**	**1,517**	**3,808**
Depreciation						
Balance at 1 May 2020	(356)	(314)	(567)	(281)	(1,287)	(2,805)
Disposals	138	24	153	80	79	474
Lease modification	160	-	-	-	-	160
Net exchange differences	1	-	-	2	8	11
Depreciation	(237)	(199)	(40)	(15)	(69)	(560)
Balance at 30 April 2021	**(294)**	**(489)**	**(454)**	**(214)**	**(1,269)**	**(2,720)**
Net book value 30 April 2021	**320**	**364**	**108**	**48**	**248**	**1,088**
Cost						
Balance at 1 May 2019	-	-	612	833	1,347	2,792
Adjustments on transition to IFRS16	973	654	-	(425)	-	1,202
Additions	-	138	74	-	76	288
Disposals	-	(96)	-	(126)	(3)	(225)
Net exchange differences	2	1	-	1	6	10
Balance at 30 April 2020	**975**	**697**	**686**	**283**	**1,426**	**4,067**
Depreciation						
Balance at 1 May 2019	-	-	(553)	(594)	(1,154)	(2,301)
Adjustments on transition to IFRS16	-	(189)	-	189	-	-
Impairment	(82)	-	-	-	-	(82)
Disposals	-	74	-	126	3	203
Net exchange differences	(2)	-	-	(1)	(4)	(7)
Depreciation	(272)	(199)	(14)	(1)	(132)	(618)
Balance at 30 April 2020	**(356)**	**(314)**	**(567)**	**(281)**	**(1,287)**	**(2,805)**
Net book value 30 April 2020	**619**	**383**	**119**	**2**	**139**	**1,262**

Financial Statements

10. Intangible assets

	Goodwill	Development costs	Licenses, patents and copyrights	Other	Total
	£'000	£'000	£'000	£'000	£'000
Gross carrying amount					
Balance at 1 May 2020	6,872	8,681	48	9	15,610
Additions - internally developed	-	501	-	-	501
Additions - external costs	-	230	13	-	243
Balance at 30 April 2021	**6,872**	**9,412**	**61**	**9**	**16,354**
Amortisation and impairment					
Balance at 1 May 2020	(4,137)	(6,222)	(17)	-	(10,376)
Amortisation	-	(464)	(6)	(3)	(473)
Balance at 30 April 2021*	(4,137)	(6,686)	(23)	(3)	(10,849)
Carrying amount 30 April 2021	**2,735**	**2,726**	**38**	**6**	**5,505**
Gross carrying amount					
Balance at 1 May 2019	6,872	7,808	44	-	14,724
Additions - internally developed	-	497	-	-	497
Additions - external costs	-	376	4	9	389
Balance at 30 April 2020	**6,872**	**8,681**	**48**	**9**	**15,610**
Amortisation and impairment					
Balance at 1 May 2019	(4,137)	(5,823)	(11)	-	(9,971)
Amortisation	-	(399)	(6)	-	(405)
Balance at 30 April 2020*	**(4,137)**	**(6,222)**	**(17)**	**-**	**(10,376)**
Carrying amount 30 April 2020	**2,735**	**2,459**	**31**	**9**	**5,234**

*balance includes impairment provisions for Goodwill of £4,137,000 and Development costs of £3,578,000 totalling £7,715,000

The Group has no contractual commitments for development costs (2020: £Nil).

Financial Statements

11. Goodwill and impairment

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

	2021	**2020**
	£'000	**£'000**
People and Data Management division	2,735	2,735
	2,735	2,735

The recoverable amounts have been determined from value in use calculations based on cash flow projections from formally approved projections from the Strategic Business Plan updated with the results from the annual budget process covering a four year period to 30 April 2025. The value in use exceeded the carrying value by £17.9 million (2020: £7.5 million). The additional headroom arises from a combination of carrying out a robust strategic review at a customer by customer level along with the impact of uncertainty in the previous years estimates relating to COVID. The discount rate that was applied was 17 per cent. for the People and Data Management division (2020: 15 per cent.), representing the pre-tax discount rate that reflects the current market assessment of the time value of money and risk specific to the asset. The compound revenue growth rate for the People and Data Management division increased to 16 per cent. (2020: 12 per cent.). The growth rate reflects the impact of customer expansion supported by existing products and products being delivered in the short term. The gross margin assumed in the forecasts is 38% to 42% (2020: 34% to 40%) with improvement due to product mix and material cost savings. The impairment review applied sensitivities reducing the long term growth rate to 1 per cent. which indicated no impairment. If the discount rate is increased to 20 per cent., there is no impairment. In order for the carrying value to equate to the value in use the discount rate would need to increase by 27%.

12. Subsidiaries

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

Name		Country of incorporation	Proportion of ownership interest (*)	Activity
Custom Micro Products Limited		Great Britain	100%	Dormant
Newmark Technology Limited	(2a)	Great Britain	100%	Dormant
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%	Dormant
Vema B.V.		The Netherlands	100%	Holding
Vema N.V.	(2b)	The Netherlands	98%	Dormant
Vema UK Limited	(2c)	Great Britain	100%	Dormant
Grosvenor Technology Limited		Great Britain	100%	Trading
Grosvenor Technology Hong Kong Limited	(4)	Hong Kong	100%	Dissolved
Newmark Group Limited		Great Britain	100%	Dormant
Sateon Limited		Great Britain	100%	Dormant
ATM Protection (UK) Limited	(2d)	Great Britain	86.70%	Non-trading
ATM Protection Limited	(2e)	Great Britain	86.70%	Non-trading
Grosvenor Technology LLC	(2a)	USA	100%	Trading

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

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

(a) Owned by Grosvenor Technology Limited

(b) Owned by Vema BV 51 per cent., Newmark Security PLC 47 per cent.

(c) Owned by Vema NV

(d) Owned by Safetell Limited

(e) 100 per cent. Owned by ATM Protection (UK) Limited

(3) The registered offices for Group companies are as follows:

For all the companies incorporated in Great Britain and the Netherlands the registered office is 91 Wimpole Street, London W1G 0EF apart from Safetell Limited, Safetell International Limited and Safetell Security Screens Limited registered office is Unit 46, Fawkes Avenue, Dartford, Kent DA1 1JQ.

Grosvenor Technology LLC registered office is 3009 Green Street Florida USA.

(4) Grosvenor Technology Hong Kong Limited registered office was Unit 1902, Prosperity Place, 6 Shing Yip Street Kuon Tong, Kowloon Hong Kong and was formally deregistered and dissolved on 17 July 2020.

Financial Statements

13. Inventories

	2021 £'000	2020 £'000
Raw materials and consumables	1,719	1,425
Work in progress	220	132
Finished goods and goods for resale	1,479	1,337
Less provision for slow moving and obsolete stock	(293)	(350)
	3,125	**2,544**

	2021 £'000	2020 £'000
Opening provision	(350)	(289)
Stock written off	57	40
Provided for in year	-	(101)
Closing Provision	**(293)**	**(350)**

The amount of inventories consumed in the year was £7,530,000 (2020: £7,658,000).

14. Trade and other receivables

	2021 £'000	2020 £'000
Trade receivables	2,496	2,296
Less provision for impairment	(40)	(54)
Trade receivables (net)	2,456	2,242
Other receivables	429	223
Accrued income	103	150
Prepayments	631	362
Corporation tax recoverable	819	687
	4,438	**3,664**

At 30 April 2021 £nil (2020 £896,000) of trade receivables had been transferred to a provider of invoice discounting services. The Group is committed to secure any of the debts transferred and therefore continues to recognise the debts sold within trade receivables until the debtors repay or default. Since the trade receivables continue to be recognised, the business model of the Group is not affected. The proceeds from transferring the debts are included in other financial liabilities until the debts are collected or the Group makes good any losses incurred by the service provider.

The Group applies the IFRS 9 simplified approach to measuring expected credit losses using a lifetime expected credit loss provision for trade receivables and contract assets. To measure expected credit losses on a collective basis, trade receivables and contract assets are grouped based on similar credit risk and aging. The contract assets have similar risk characteristics to the trade receivables for similar types of contracts.

The expected loss rates for the Physical Security Solutions division are based on the historical credit losses experienced over the three year period prior to the period end, the risk profile of the customer mix and the assumption that this mix will not change significantly. Credit insurance also exists for those customers where it is believed that there might be a credit risk.

The expected loss rates for the People and Data Management division are also based on the historical credit losses experienced over the three year period prior to the period end, the ageing of debtors, the credit control procedures which are in place and the type of business customer which is not expected to change significantly. Where necessary for customers with a different risk profile and for new customers, the customer's most recent financial and any forward looking information is reviewed on an individual basis.

The historical loss rates are then reviewed for current and forward-looking information on macroeconomic factors affecting the Group's customers which are normally not expected to change significantly in the geographic areas in which those customers are based. The impact of COVID was considered in the prior year however the risk was not realised and, along with taking out a trade credit insurance policy in Grosvenor, similar to the existing policy at Safetell, the risk is seen to reduce reflected in a lower expected loss ratio for 2021.

At 30 April 2021 trade receivables of £164,000 (2020: £300,000) were past due but not impaired. The ageing analysis of these receivables is as follows:

	Current	**30 days past due**	**60 days past due**	**120 days past due**	**Total**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
As at 30 April 2021					
Gross carrying amount	2,322	111	9	54	2,496
Loss provision	(30)	(2)	-	(8)	(40)
Expected Loss ratio	(1.3%)	(1.8%)	0.0%	(14.8%)	(1.6%)
As at 30 April 2020					
Gross carrying amount	1,975	220	63	38	2,296
Loss provision	(33)	(2)	(2)	(17)	(54)
Expected Loss ratio	(1.7%)	(0.9%)	(3.2%)	(44.7%)	(2.4%)

Certain contracts require an applications process to be followed whereby the services are carried out, validated with the customer and then invoiced. These amounts are recorded as accrued income collected in the year, without impairment, prior to validation and following the service. These total £103,000 (2020:150,000) and are not included in the above table.

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

	2021	**2020**
	£'000	**£'000**
Opening balance	54	16
(Decrease)/increase in provisions	(14)	38
Closing balance	**40**	**54**

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

Financial Statements

15. Trade and other payables

	2021 £'000	2020 £'000
Trade payables	2,085	1,316
Other tax and social security	473	579
Other payables	160	167
Deferred income	282	480
Accruals	727	604
Holiday pay provision	36	70
Corporation tax payable	19	30
	3,782	**3,246**

All deferred income brought forward in 2021 and 2020 has been fully recognised in the current year.

Reconciliation of exceptional items included within trade and other payables:

	2021 £'000	2020 £'000
Brought forward	(94)	(239)
Charge in the year	(117)	(299)
Paid	244	362
Non cash credit/impairment related to property lease/asset	(64)	82
Carried forward	**(31)**	**(94)**

16. Short term borrowings

	2021 £'000	2020 £'000
Lease creditor (note 23)	386	446
Invoice discount account	-	905
Bank loan	241	-
	627	**1,351**

The invoice discount account is secured by a debenture on all assets of Grosvenor Technology Limited, and a corporate guarantee and indemnity from the parent company and Safetell Limited.

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

Financial Statements

17. Long term borrowings

	2021 £'000	2020 £'000
Lease creditor (note 23)	288	654
Bank loan	1,759	-
	2,047	**654**

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

In August 2020, the Group secured a £2million financing facility from its bankers, HSBC, via the Coronavirus Business Interruption Loan Scheme ("CBILS"). This loan is for a term of 6 years, with the first year being interest, repayment and covenant free under the Business Interruption Payment scheme. The covenant requires the Group to deliver a pre-debt service cashflow of 1.2 times the level of debt service commencing for the year end 30 April 2023. As a result of our increased level of investment we have renegotiated our 30 April 2022 covenant to a Tangible Net Worth (Net assets less intangible assets) of £3.1m.

18. Financial instruments

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

The Group's financial instruments comprise cash, borrowings and liquid resources, and various items such as trade receivables and payables that arise directly from its operations. The Group is exposed through its operations to one or more financial risks the details of which are disclosed in the Strategic report on page 30.

Financial instruments

Categories of financial assets and liabilities are detailed below:

	Amortised cost	**Fair value**		
	2021 **£'000**	**2020** **£'000**	**2021** **£'000**	**2020** **£'000**
Current financial assets				
Trade and other receivables*	2,665	2,416	-	-
Foreign exchange derivative contracts	-	-	10	-
Cash and cash equivalents	484	620	-	-
Total current financial assets	**3,149**	**3,036**	**10**	**-**

**includes accrued income and excludes VAT receivable

Financial Statements

	Financial liabilities measured at amortised cost	
	2021	**2020**
	£'000	**£'000**
Current financial liabilities		
Trade and other payables	2,245	1,483
Accruals and holiday pay provision	763	674
Loans and borrowings	627	1,351
Total current financial liabilities	3,635	3,508
Non-current financial liabilities		
Loans and borrowings	2,047	654
Total non-current financial liabilities	2,047	654
Total financial liabilities	**5,682**	**4,092**

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, apart from as mentioned within the expected credit loss review in note 14, 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, other receivables excluding VAT and accrued income
- Cash and cash equivalents including overdrafts
- Trade and other payables including holiday pay and accruals
- Invoice discounting
- Lease liabilities.

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.

Liquidity risk

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

The Group's policy is to ensure that the Group has sufficient funds to meet its liabilities when they become due. The Group has one major central bank facility under which any overdrafts can be offset against cash balances held by other UK subsidiaries. Both Grosvenor Technology Limited and Safetell Limited have invoice discounting facilities. The Group Finance Director receives daily reports of all bank and invoice discount accounts, and the balance of the available invoice discount facility.

Financial Statements

Overdraft and banking facilities are renewed annually.

Budgets are prepared by each subsidiary and approved by the Group Board so that the cash requirements of the Group facility are anticipated and revised forecasts will be produced for any major variances from budget.

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

	2021 £'000	2020 £'000
up to 3 months	3,111	3,111
3 to 6 months	178	119
6 to 12 months	429	239
Later than 1 year and not later than 5 years	2,237	684
	5,955	**4,153**

Credit Risk

Credit risk is the risk of financial loss to the Group if a customer fails to meet its obligations, and the Group is mainly exposed to credit risk from credit sales.

In line with Group policy potential new customers are subject to a financial review, including where possible, external credit ratings, before goods or services are supplied. This is used to set credit terms and purchase limits (representing the maximum open amount they can order without requiring approval) for each customer. A monthly review of the trade receivables' ageing analysis is undertaken and customers' credit is reviewed continuously. Customers that become "high risk" are placed on a restricted customer list, and future credit sales are made only with the approval of the local mangement otherwise pro forma invoices are raised requiring payment in advance. Credit insurance is obtained by the Group when considered appropriate. A review of the existing credit loss exposure can be found in note 14.

Foreign currency risk

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

The Group is exposed to currency risk on financial liabilities which are denominated in currencies other than sterling and this risk is measured against costs of purchasing in foreign currencies. The Group is also exposed to currency risk on the translation of profits generated in the US.

During the year we executed our foreign exchange strategy by entering into forward contracts. The strategy effectively hedges 75% of excess USD and reduces the level of volatility compared to using spot rates. The contracts manage our currency mismatch between an increasing USD position generated from revenues and the existing cost base in both GBP and euros. The adopted process involved currency forecasting three quarters ahead and taking out tranches of forward contracts for 25% of each of the forecasted quarters relating to our excess USD position. As at 30 April 2021 contracts were in place for $1,488,084 which would translate to £1,089,443 on settlement over following three quarters. The fair value gain of £10,000 has been recognised in other debtors as a reflection of the mark to market value.

Financial Statements

Functional currency of individual entity

As of 30 April the net exposure to foreign exchange risk in currencies other than the functional currency of that operating company was as follows:

	US Dollar		Euro	
	2021	**2020**	**2021**	**2020**
	£'000	**£'000**	**£'000**	**£'000**
Net foreign currency financial assets/(liabilities)	1,234	283	(412)	(226)
Pound sterling	1,234	283	(412)	(226)

The effect of a 10 per cent. strengthening of the Euro and Dollar against Sterling at the statement of financial position date on the Euro/Dollar denominated trade and other receivables and payables carried at that date would, all other variables held constant, have resulted in a net decrease in pre-tax profit for the year and decrease of net assets of £91,000 (2020: £52,000). A 10 per cent. weakening in the exchange rates would, on the same basis, have increased pre-tax profit and increased net assets by £75,000 (2020: £63,000).

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.

Loan covenants are disclosed in note 17.

The cash-to-adjusted-capital ratios were as follows:

	2021	**2020**
	£'000	**£'000**
Loans and borrowings	2,674	2,005
Less cash and cash equivalents	(484)	(620)
Net borrowings	**2,190**	**1,385**
Total equity	8,290	8,302
Net borrowings to adjusted capital ratio	**26.4%**	**16.7%**

19. Financial assets and liabilities

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

	Rate 2021	Period 2021 Years	Rate 2020	Period 2020 Years
Sterling	10.17%	4.37	5.45%	1.93

Fair values

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

	Book value 2021 £'000	Fair value 2021 £'000	Book value 2020 £'000	Fair value 2020 £'000
Bank Loan	2,000	2,242	-	-
Lease liabilities (2019: Finance lease liabilities)	674	704	1,100	1,160
	2,674	**2,946**	**1,100**	**1,160**

Fair values of financial liabilities have been determined by discounting cash payments at prevailing market rates of interest having regard to the specific risks attaching to them.

The fair values of all other financial assets and liabilities at 30 April 2021 and 2020 are equal to their book value.

20. Provision

	Leasehold dilapidations £'000
As at 1 May 2020 and 30 April 2021	**100**

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.

Financial Statements

21. Share Capital

	2021		2020	
	Number	**£**	**Number**	**£**
Ordinary shares of 1p each Allotted, called up and fully paid				
At 30 April	**468,732,316**	**4,687,323**	**468,732,316**	**4,687,323**
Authorised				
At 30 April	**1,015,164,192**	**10,151,642**	**1,015,164,192**	**10,151,642**

22. Reserves

The share premium account represents the excess of the subscription price 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. Foreign exchange reserve represents the cumulative exchange differences on the retranslation of foreign operations.

23. Leases

The group's liabilities relating to leased assets are as follows:

	2021
Lease Liability at 30 April 2020	(1,100)
Additions	(248)
Interest payments	37
Interest expense	(37)
Lease surrendered (non cash)	64
Lease modification (non cash)	123
Lease payments	487
Lease Liability at 30 April 2021	**(674)**
	2020
Existing liability described as finance leases	(252)
Recognised under transition rules IFRS 16 Leases	(1,180)
1 May 2019 restated	(1,432)
Additions	(143)
Interest payments	44
Interest expense	(44)
Lease payments	475
Lease Liability at 30 April 2020	**(1,100)**

Financial Statements

The group mainly enters into leases for properties, vehicles and office equipment such as photocopiers. In the assessment of the right of use asset valuation management consider available extension and termination options and apply the most likely contract end date that will be utilised.

The lease liability repayment profile is shown below:

	Total	Within 1 yr	1-2 years	2-3 years	3-4 years
	£'000	£'000	£'000	£'000	£'000
Lease payments	704	404	232	63	5
Finance charges	(30)	(18)	(10)	(2)	-
Net present values at 30 April 2021	**674**	**386**	**222**	**61**	**5**

	Total	Within 1 yr	1-2 years	2-3 years	3-4 years	4-5 years
	£'000	£'000	£'000	£'000	£'000	£'000
Lease payments	1,160	478	382	230	64	6
Finance charges	(60)	(32)	(19)	(8)	(1)	-
Net present values at 30 April 2020	**1,100**	**446**	**363**	**222**	**63**	**6**

The nature of the right of use assets contracts are described below:

	No of right of use assets leased	Range of remaining term (years)	Average remaining lease term	No of leases with extension option	No of leases with option to purchase	No of leases with variable payments linked to index	No of leases with termination option
Office building	5	1-2	2-4 years	-	-	-	2
Vehicles	22	0 to 5	1-2 years	-	21	-	-
Other Equipment	4	0-3	2-3 years	-	-	-	-

See note 9 for further disclosures of the Group's Right of Use Assets. There are no significant short term or variable lease expense payments however the Newmark Security PLC main office is a short term rental agreement with the rentals being reflected through administration expenses of £56,000 (2020: £55,000).

Financial Statements

24. Share based payments

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

Date of Grant	2021 Subscription price payable (pence)	2021 No. of options	2020 Subscription price payable (pence)	2020 No. of options
August 2013	1.800	12,363,636	1.800	12,363,636
August 2014	1.800	1,909,589	1.800	1,909,589
September 2015	1.800	1,142,857	1.800	1,142,857
May 2016	2.920	2,000,000	2.920	2,000,000
October 2019	1.800	7,312,500	1.800	7,312,500
October 2019	1.000	5,939,692	1.000	5,939,692
October 2019	1.700	5,900,000	1.700	5,900,000
Weighted average share prices	**1.72**	**36,568,274**	**1.72**	**36,568,274**

1 Share options modified in October 2019 by cancelling and issuing new options retaining the same traits as the cancelled share options with an updated subscription price at a weighted average impact of 0.22p

2 Change reflects cancelled share options for scheme leavers at a weighted average share price of 1.66p

3 New share options issued at a weighted average share price of 1.52p

The remaining weighted average contractual lives for both Approved and Unapproved Options under this scheme were 5.3 years (2020: 6.3 years). The total number of exercisable share options outstanding at 30 April 2021 was 19,853,582 (2020: 17,847,630). The share based remuneration expense for equity settled schemes was £13,000 (2020: £13,000).

25. Related party transactions

Details of Directors' remuneration are given in the Directors' Remuneration report on page 43.

26. Subsequent events

There are no subsequent events

Financial Statements

Company Statement of Financial Position

At 30 April 2021 Financial Statements
Company Number: 3339998

	Note	2021 £'000	2021 £'000	2020 £'000	2020 £'000
Fixed assets					
Investment in subsidiaries	3		16,361		16,619
Tangible assets	4		21		34
Intangible assets	4		6		9
Deferred tax asset			35		35
			16,423		**16,697**
Current assets					
Debtors	5	4,133		3,402	
Creditors: amounts falling due within one year	6	(12,767)		(13,795)	
Net current liabilities			(8,634)		(10,393)
Total assets less current liabilities			7,789		6,304
Amounts falling due after one year					
Long term borrowings	7		(1,772)		(22)
Net assets			**6,017**		**6,282**
Capital and reserves					
Called up share capital	8		4,687		4,687
Share premium account	8		553		553
Merger reserve	8		801		801
Profit and loss account			(24)		241
Shareholder's funds			**6,017**		**6,282**

The Company's loss for the current year was £278k (2020: profit £83k) The notes on pages 91 to 95 form part of these financial statements. These financial statements were approved by the Board of Directors and authorised for issue on 9 September 2021.

M-C Dwek

Director

9 September 2021

Financial Statements

Company Statement of Changes in Equity

	Share capital	Share premium	Merger reserve	Retained earnings	Total equity
01 May 2020	4,687	553	801	241	6,282
Comprehensive Income/(loss) for the year					
Income and total comprehensive income/(loss) for the year				(278)	(278)
Transaction with owners					
Share based payments	-	-	-	13	13
30 April 2021	**4,687**	**553**	**801**	**(24)**	**6,017**
01 May 2019	4,687	553	801	145	6,186
Comprehensive Income/(loss) for the year					
Income and total comprehensive income/(loss) for the year				83	83
Transaction with owners					
Share based payments	-	-	-	13	13
30 April 2020	**4,687**	**553**	**801**	**241**	**6,282**

Financial Statements

1. Accounting Policies

Basis of preparation

The financial statements have been prepared in accordance with Financial Reporting Standard 100 Application of Financial Reporting Requirements ("FRS 100") and Financial Reporting Standard 101 Reduced Disclosure Framework) ("FRS 101"). All policies are the same for the Group and company except as noted.

Disclosure exemptions adopted

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

• Certain comparative information as otherwise required by the UK endorsed IFRS;

• Certain disclosures regarding the company's capital;

• A statement of cash flows;

• The effect of future accounting standards not yet adopted;

• Disclosure of related party transactions with other wholly owned members of the Group headed by Newmark Security PLC;

• The disclosure of the remuneration of key management personnel; and

• Separate disclosure of lease maturity analysis.

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

• Share based payments; and

• Financial instruments.

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 2021 is £278,000 (2020: profit of £83,000).

Tangible and Intangible assets

Items of property, plant and equipment and intangible website costs are recognised at cost. Depreciation is provided to write off the cost, less estimated residual values, of all fixed assets evenly over their expected useful lives. It is calculated at the following rates:

Computer equipment –
33 per cent. per annum straight line

Fixtures and fittings –
10 per cent. per annum straight line

Motor vehicles –
over the term of the lease, usually 3 years on a straight line basis.

Website costs are amortised –
33 per cent. per annum straight line

Dividends

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

Investments

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

Intercompany balances

Balances between Group companies which reflect trading and funding activity are short term. Balances between group companies are interest free and due on demand. Impairment provisions for intercompany balances are recognised based on a forward looking expected credit loss model. The methodology used to determine the amount of the provision is based on whether there has been a significant increase in credit risk since initial recognition of the financial asset. For those where the credit risk has not increased significantly since initial recognition of the financial asset, twelve month expected credit losses along with gross interest income are recognised. For those for which credit risk has increased significantly, lifetime expected credit losses along with the gross interest income are recognised. For those that are determined to be credit impaired, lifetime expected credit losses along with interest income on a net basis are recognised.

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 investment in subsidiaries

Where indicators of an impairment exist the carrying value is compared to the recoverable amount to identify the extent of the impairment.

The recoverable amounts are determined based on value-in-use calculations. These calculations require the use of estimates as detailed in note 3 of the company accounts.

Financial Statements

2. Staff costs

Staff costs (including the Executive Directors) comprise:	2021 £'000	2020 £'000
Wages and salaries	656	502
Defined contribution pension costs	32	30
Employer's national insurance contributions and similar taxes	68	66
	756	598

The average numbers employed (including the Executive Directors) were:	2021	2020
	No.	No.
Office and management	4	3
	4	3

3. Investment in subsidiaries

	£'000
Cost	
At 1 May 2020 and 30 April 2021	**21,869**
Impairment provision	
At 1 May 2020	**5,250**
Impairment	258
At 30 April 2021	**5,508**
Net book value	
At 30 April 2021	**16,361**
At 30 April 2020	**16,619**

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

Impairment reviews were completed for operating cash generating units of People and Data Management division and the Physical Security Solutions division. The recoverable amounts have been determined from value in use calculations based on cash flow projections from formally approved projections covering a four year period to 30 April 2025 (2020 – five year period). The discount rate that was applied was 17 per cent. for the People and Data Management division and 15% for the Physical Security Solutions division (2020: 15 per cent. both), representing the pre-tax discount rate that reflects the current market assessment of the time value of money and risk specific to the asset.

For People and Data Management division the value in use exceeded the carrying value by £17.9 million (2020: £7 million). The additional headroom arises from a combination of carrying out a robust strategic review at a customer by customer level along with the impact of uncertainty in the previous years estimates relating to COVID. The compound revenue growth rate for the People and Data Management division increased to 16 per cent. (2020: 4 per cent.). The gross margin assumed in the forecasts is 38 per cent. to 42 per cent. (2020: 34% to 40%) with improvement due to product mix and material cost savings.

For the Physical Security Solutions division the value in use fell below the carrying value by £258,000 (2020: exceeded by £1.5 million). The compound annual revenue growth rate for the year ended April 2021 to the year ended April 2025 is growing at a 6% rate (2020: reduction of 6%). The gross margin assumed in the forecasts is 40% to 41% (2020: 43% to 45%). The impairment has been adjusted through the income statement and is a reflection of the division undergoing a transitionary period whilst being impacted by COVID. By reducing the long term growth rate to 1 per cent. an additional impairment of £120,000 would be arrived at. An increase in the discount rate by 2 per cent. would arrive at an additional impairment of £258,000.

For the People and Data Management division the growth rate reflects the impact of customer expansion supported by existing products and products being delivered in the short term. The impairment review applied sensitivities reducing the long term growth rate to 1 per cent. which indicated no impairment. If the discount rate is increased to 20 per cent., there is no impairment. In order for the carrying value to equate to the value in use the discount rate would need to increase by 26.5%.

4. Tangible and intangible assets

	Right of use Motor vehicles	Computers Fixtures and Fittings	Total Tangible assets	Intangible Website costs
	£'000	£'000	£'000	£'000
Cost				
Balance at 1 May 2020	34	11	45	9
Balance at 30 April 2021	34	11	45	9
Depreciation				
Balance at 1 May 2020	(4)	(7)	(11)	-
Depreciation	(9)	(4)	(13)	(3)
Balance at 30 April 2021	(13)	(11)	(24)	(3)
Net book value 30 April 2021	21	-	21	6
Cost				
Balance at 1 May 2019	66	11	77	-
Additions	34	-	34	9
Disposals	(66)	-	(66)	-
Balance at 30 April 2020	34	11	45	9
Depreciation				
Balance at 1 May 2019	(60)	(3)	(63)	-
Disposals	66	-	66	-
Depreciation	(10)	(4)	(14)	-
Balance at 30 April 2020	(4)	(7)	(11)	-
Net book value 30 April 2020	30	4	34	9

Financial Statements

5. Debtors

	2021	2020
	£'000	£'000
Amount due from Group undertakings	4,125	3,386
Prepayments	8	16
	4,133	**3,402**

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

6. Creditors: amounts falling due within one year

	2021	2020
	£'000	£'000
Bank overdraft*	141	1,455
Bank loan	241	-
Trade payables	47	-
Amount due to group undertakings	11,815	11,814
Other taxation and social security	262	210
Other payables	-	-
Lease creditor	8	8
Accruals	253	308
	12,767	**13,795**

*The overdraft relates to a Group composite overdraft facility, which is in a net cash positive position at the year end and there is a legal right and intention to settle this net.

7. Long term borrowings

	2021	2020
	£'000	£'000
Lease creditor (2020: Finance lease creditor)	14	22
Bank loan	1,758	-
	1,772	**22**

The lease arises on a motor vehicle which is denominated sterling and is for a period of 36 months.

In August 2020, the Group secured a £2 million financing facility from its bankers, HSBC, via the Coronavirus Business Interruption Loan Scheme ("CBILS"). This loan is for a term of 6 years, with the first year being interest, repayment and covenant free under the Business Interruption Payment scheme. The covenant requires the Group to deliver a pre-debt service cashflow of 1.2 times the level of debt service commencing for the year end 30 April 2023. As a result of our increased level of investment we have renegotiated our 30 April 2022 covenant to a Tangible Net Wealth (Net assets less intangible assets) of £3.1 million.

Financial Statements

8. Share capital

	2021		2020	
	Number	**£**	**Number**	**£**
Ordinary shares of 1p each Allotted, called up and fully paid				
At 30 April	**468,732,316**	**4,687,323**	**468,732,316**	**4,687,323**
Authorised				
At 30 April	**1,015,164,192**	**10,151,642**	**1,015,164,192**	**10,151,642**

A description of reserves is included in note 22 of the Group notes.

Newmark
SECURITY PLC

Shareholder Information

Directors, Secretary and Advisors

Country of incorporation of parent company:
England and Wales

Legal form:
Public company limited by shares

Directors:
M Dwek
M-C Dwek
M Rapoport
R Waddington
T Yap

Registered office:
91 Wimpole Street, London W1G 0EF

Company number:
3339998

Auditors:
BDO LLP, 31 Chertsey Street, Guildford, Surrey GU1 4HD

Nominated Adviser and Brokers:
Allenby Capital Limited, 5 St. Helens Place, London EC3A 6AB

Registrars:
Link Group, PXS1, Central Square, 29 Wellington Street, Leeds, LS1 4DL

Solicitors:
Bracher Rawlins LLP, 77 Kingsway, London WC2B 6SR

Notes

Notes

Newmark
SECURITY PLC