

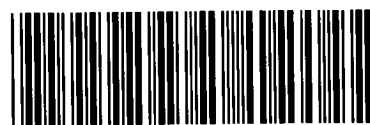
**OpSec Security Limited**

**Annual report and financial statements**

**Registered number 1997954**

**31 March 2022**

TUESDAY



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COMPANIES HOUSE

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## Strategic report

The directors present their strategic report for the year ended 31 March 2022.

### Principal activities

The principal activity of OpSec Security Limited ("the Company") is the design, manufacture and provision of authentication, brand enhancement and anti-counterfeiting products and services.

### Business model and strategy

The Company's objective is to be the leading provider of authentication, brand enhancement and anti-counterfeiting products and services to the sectors and geographical areas we service.

The Company's principal customers are major brand owners and government organisations throughout Europe, Africa, the Middle East and Far East.

The strategy to achieve our objectives is to:

- Focus on chosen security markets and secure new business;
- Continue to grow our pipeline of opportunities;
- Maintain quality and efficiency in our manufacturing facilities;
- Continue to design and develop new technologies and products;
- Develop our people;
- Maintain high levels of health and safety compliance.

### Business review and results

For the year to 31 March 2022, the Company reported a profit before income tax of £240,000 (2021: profit of £1,070,000).

In this period, revenue decreased by 2.5% to £16.09m. The decrease is principally driven by a reduction in demand across all sectors principally by major transaction card customers and Brands. Reductions in ordering from some Government Security customers also impacted on the overall reduction in revenue.

The business expects recovery from this in the next financial year and experienced some new business wins in the Government Security Sector in Q4.

Gross margins decreased to 42.3% from 44% in the prior year. This was due primarily to the overall impact of decreasing revenue against a relatively fixed cost base and an adverse impact of sales mix. Distribution and Administrative expenses increased by £1.4m compared to the prior year, as a result of investment in sales personnel to support future sales growth and increased product and research and development spend.

Profit before tax has decreased by £0.8m due to the combined impact of the above factors.

During the year the Company generated a net cash outflow of £0.3m compared with a net cash outflow of £1.5m in the prior year. This increase is a result of favourable working capital movements and favourable movement on intercompany balances with other group companies.

### Carbon Reporting

The largest energy use is for the manufacturing facility in the UK. The figures are as follows:

UK	2022	2021
Electricity usage (KWH)	2,146,663	2,153,640
Gas Usage (KWH)	5,643,284	5,769,055
CO2 (Tonnes)	1,794	1,819

The numbers above reflect lower volumes and a number of energy efficiency measures that have been taken during the year including the replacement of lighting and equipment with more energy efficient alternatives and a significant increase in the Company's recycling efforts.

## Strategic report *(continued)*

### Key performance indicators

The Company uses a number of financial and non-financial Key Performance Indicators (“KPIs”) to measure performance and these are reported both at Board level and to employees in quarterly briefings. The non-financial KPIs include:

- On Time in Full Delivery – to measure customer service levels;
- Customer Claims as a % of sales – to measure quality;
- Material and Production yield – to measure manufacturing efficiency and quality;
- Health & safety, accident and incident reporting.

The Board considers that the Company has a very effective measurement and reporting system, consistent with its size and complexity.

As far as financial performance is concerned the key measurements used by the Company are revenue, gross profit percentage, working capital and cash calculated as reported on the face of the income statement and balance sheet included in the Business review and results section above.

In addition the Company reviews standard accounts receivable, accounts payable and inventory ratios to measure working capital levels.

### Principal risks and uncertainties

The main risks facing the Company are;

- that revenue is concentrated with a small number of large customers and the loss of one would significantly reduce revenues and profitability. Conversely, winning a new customer would significantly enhance revenues and profitability. The Company has focused efforts on securing new business and growing the pipeline of opportunities in the year to address this.
- efficiency in its manufacturing and operations in order to fully utilise the capacity available in our facilities to support growth. The Company has focussed on key areas of material yield improvement and manufacturing development as part of the continuous improvement programme, which has seen benefit in the current year.
- that new acquisitions and capital investments are not effectively integrated into OpSec. The company appoints project teams to manage integration efforts and commissioning of new equipment and uses external consultants to assist where this is appropriate to mitigate this risk.
- the Company has not been materially impacted due to the current Russian/Ukraine conflict but continues to monitor the situation closely. We have stopped any shipments to Russian Customers and are monitoring the position with respect to any Ukraine customers.
- this potentially has an impact on our supply chain both in terms of material supplies – which we continue to work closely with our key suppliers on – and our utility costs where we have seen a significant increase in costs short term. We are implementing energy efficiency policies and procedures to partially mitigate some of that increase.
- inflationary pressures are expected to impact the Company in the current and future years. The Company manages this risk in its longer-term contracts with protective clauses in respect of inflationary indexes and continues to be active in client pricing reflecting our internal cost risks which are mainly centred around staff remuneration and energy costs.

### Future developments

The Company views the future with confidence. The Company is expecting a favourable impact on revenue of the significant Government Security contract wins in Q4 of the year ended 31 March 2022 and an increase in demand for certain transaction card products following a change in design from one of our key customers. In addition, the Company expects to continue to realise efficiencies and economies of scale following investment and development in the year just ended.

## Strategic report *(continued)*

### Section 172 statement

Under s172 of the Companies Act 2006 the directors have a duty to act in good faith in a way that is most likely to promote the success of the Company for the benefit of its members as a whole, having regard to the likely consequences of decisions for the long term, the interests of the Company's employees, the need to foster relationships with other key stakeholders, the impact on the community and the environment, maintaining a reputation for high standards of business conduct, and the need to act fairly as between members of the Company.

The senior management team communicate regularly with all employees via virtual town hall meetings and newsletters. Regular on site briefings are also held by management at all locations. Management has implemented employee policies and procedures which are appropriate for the size of the Company.

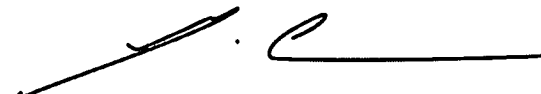
The Company is working with its customers to develop a range of sustainable products for our markets. Roadmaps are being developed to support this activity with new products being introduced to the market in the near future.

Supplier relationships are important across all areas of the business. The Company has developed key long-term relationships that have ensured a stable and sustainable supply chain.

Partnerships are an active part of the markets the Company serves. In markets where the Company is not vertically integrated partnerships have been formed that allow the Company to bid for contracts as part of a consortium or as prime when needed. In other markets, partnerships are formed that allow local supply in country or enable the Company to leverage expertise and capabilities that the Company does not have in-house.

Historically, environmental initiatives have largely been managed locally. This is being changed to drive a more cohesive strategy within the group in the coming year. An initiative to move to common remote collaboration platforms to share data and allow remote working is reducing the need to travel. Benefits are expected in the coming year.

By order of the board



**MJ Currie**  
Director

40 Phoenix Road  
Crowther  
Washington  
Tyne and Wear  
NE38 0AD

21 October 2022

## Directors' report

The directors present their directors' report and financial statements for the year ended 31 March 2022.

### Research and development

The main research and development activity undertaken by the company covers product development – application and materials; and optical development – new security and optical features to enhance our product offering. This activity supports products and features in each market sector and is focussed on supporting growth and securing new business.

### Financial instruments

A description of the company's financial risk management objectives and policies, and the exposure of the company to credit risk, liquidity risk, interest rate risk and foreign currency risk is set out in note 20.

### Dividend

The directors do not propose payment of a dividend (2021: £nil).

### Directors

The directors who held office during the year and up to the date of this report were as follows:

MJ Currie  
D Bowden (resigned 8 June 2021)  
B Dew (appointed 21 June 2021)

All of the directors benefited from qualifying third party indemnity provisions in place during the financial year and at the date of this report.

### Employees

The employment policies of the Company embody the principles of equal opportunity. The sole criteria for selection, training, development and promotion is the individual's suitability for the position of employment offered and his or her aptitudes and abilities. The Company takes seriously its statutory obligations relating to disabled persons and seeks not to discriminate against current or prospective employees by reason of their disability.

The Company maintains its commitment to providing employees with information on matters of concern to them as employees. Consultation with employees allows the company to take the view of employees into account in making decisions that are likely to affect their interests.

### Political contributions

The Company made no political contributions during the year (2021: £nil).

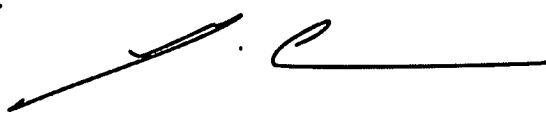
### Disclosure of information to the auditor

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

### Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

By order of the board



MJ Currie  
Director

40 Phoenix Road  
Crowther  
Washington  
Tyne and Wear  
NE38 0AD

21 October 2022

## **Statement of directors' responsibilities in respect of the Strategic report, the Directors' report and the financial statements**

The directors are responsible for preparing the strategic report, the directors' 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 they have elected to prepare the financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 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 company and of the profit or loss of the company for that period.

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant and reliable;
- state whether they have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

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 Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.



**KPMG LLP**

Quayside House  
110 Quayside  
Newcastle upon Tyne  
NE1 3DX  
United Kingdom

**Independent auditor's report to the members of OpSec Security Limited**

**Opinion**

We have audited the financial statements of OpSec Security Limited ("the company") for the year ended 31 March 2022 which comprise the Income statement and the Statement of comprehensive income, Statement of changes in equity, Balance sheet, Statement of cash flows, and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2022 and of its profit for the year then ended;
- have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

**Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

**Going concern**

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the group or the company or to cease their operations, and as they have concluded that the group and the company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period.

Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for the going concern period.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the group or the company will continue in operation.



## **Independent auditor's report to the members of OpSec Security Limited *(continued)***

### **Fraud and breaches of laws and regulations – ability to detect**

#### *Identifying and responding to risks of material misstatement due to fraud*

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of directors and inspection of policy documentation as to the Company's high-level policies and procedures to prevent and detect fraud, as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading Board minutes.
- Considering remuneration incentive schemes and performance targets for management and other staff.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards, we perform procedures to address the risk of management override of controls and the risk of fraudulent revenue recognition, in particular the risk that revenue is recorded in the wrong period and the risk that Group management may be in a position to make inappropriate accounting entries.

We did not identify any additional fraud risks.

We performed procedures including:

- Identifying journal entries and other adjustments to test based on risk criteria and comparing the identified entries to supporting documentation. These included those posted to unusual accounts; and
- For a sample of revenue transactions around the period end, vouching to supporting external documentation to corroborate whether those items were recorded in the correct accounting period.

#### *Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations*

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience and through discussion with the directors and other management (as required by auditing standards), and discussed with the directors and other management the policies and procedures regarding compliance with laws and regulations.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the company is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the company is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect: health and safety, anti-bribery, employment law, regulatory capital and liquidity and certain aspects of company legislation recognising the nature of the company's activities and its legal form. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. Therefore if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

## **Independent auditor's report to the members of OpSec Security Limited *(continued)***

### *Context of the ability of the audit to detect fraud or breaches of law or regulation*

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

### **Strategic report and directors' report**

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

### **Matters on which we are required to report by exception**

Under the Companies Act 2006, we are required to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the 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.

We have nothing to report in these respects.

### **Directors' responsibilities**

As explained more fully in their statement set out on page 5, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the 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 they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

## **Independent auditor's report to the members of OpSec Security Limited *(continued)***

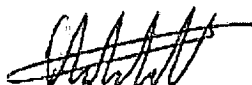
### **Auditor's responsibilities**

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities).

### **The purpose of our audit work and to whom we owe our responsibilities**

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



**David Mitchell (Senior Statutory Auditor)**  
**for and on behalf of KPMG LLP, Statutory Auditor**  
*Chartered Accountants*  
Quayside House  
110 Quayside  
Newcastle upon Tyne  
NE1 3DX

21 October 2022

## Income statement

for year ended 31 March 2022

	Note	2022 £000	2021 £000
<b>Revenue</b>	1,2	<b>16,091</b>	<b>16,506</b>
Cost of sales		(9,277)	(9,304)
<b>Gross profit</b>		<b>6,814</b>	<b>7,202</b>
Distribution expenses	3	(2,794)	(1,772)
Administrative expenses	3	(3,503)	(3,905)
Exceptional administrative expenses	4	(144)	(156)
Total administrative expenses		(3,647)	(4,061)
<b>Operating profit</b>	3-6	<b>373</b>	<b>1,369</b>
Finance income	7	-	-
Finance expense	8	(133)	(299)
<b>Profit before income tax</b>		<b>240</b>	<b>1,070</b>
Taxation	9	158	(298)
<b>Profit for the year</b>		<b>398</b>	<b>772</b>

All results derive from continuing operations.

## Statement of comprehensive income

for year ended 31 March 2022

	2022 £000	2021 £000
Profit for the year	398	772
<b>Total comprehensive income for the year</b>	<b>398</b>	<b>772</b>

**Statement of changes in equity**  
*for year ended 31 March 2022*

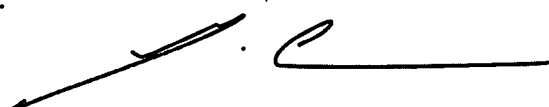
	Share capital £000	Retained earnings £000	Total £000
Balance at 1 April 2020	571	15,441	16,012
Total comprehensive income for the year	-	772	772
	<hr/>	<hr/>	<hr/>
<b>Transactions with owners, recorded directly in equity</b>			
Dividends	-	-	-
	<hr/>	<hr/>	<hr/>
Total transactions with owners	-	-	-
	<hr/>	<hr/>	<hr/>
Balance at 31 March 2021	<b>571</b>	<b>16,213</b>	<b>16,784</b>
	<hr/>	<hr/>	<hr/>
Balance at 1 April 2021	571	16,213	16,784
Total comprehensive income for the year		398	398
	<hr/>	<hr/>	<hr/>
<b>Transactions with owners, recorded directly in equity</b>			
Dividends	-	-	-
	<hr/>	<hr/>	<hr/>
Total transactions with owners	-	-	-
	<hr/>	<hr/>	<hr/>
<b>Balance at 31 March 2022</b>	<b>571</b>	<b>16,611</b>	<b>17,182</b>
	<hr/>	<hr/>	<hr/>

The accompanying notes form an integral part of these financial statements.

**Balance sheet**  
*at 31 March 2022*

	<i>Note</i>	<b>31 March 2022 £000</b>	<b>31 March 2021 £000</b>
<b>Non-current assets</b>			
Property, plant and equipment	10	5,558	4,424
Intangible assets	11	5,107	5,107
Investments	12	47	45
Deferred tax assets	13	419	46
		<hr/>	<hr/>
		11,131	9,622
		<hr/>	<hr/>
<b>Current assets</b>			
Inventories	14	1,430	1,258
Trade and other receivables	15	10,967	10,767
Cash and cash equivalents	16	773	1,100
		<hr/>	<hr/>
<b>Total current assets</b>		13,170	13,125
		<hr/>	<hr/>
<b>Total assets</b>		24,301	22,747
		<hr/>	<hr/>
<b>Current liabilities</b>			
Trade and other payables	17	(4,800)	(3,375)
Lease liabilities	21	(336)	(324)
		<hr/>	<hr/>
		(5,136)	(3,699)
		<hr/>	<hr/>
<b>Non-current liabilities</b>			
Provisions	18	(840)	(840)
Lease liabilities	21	(1,143)	(1,424)
		<hr/>	<hr/>
		(1,983)	(2,264)
		<hr/>	<hr/>
<b>Total liabilities</b>		(7,119)	(5,963)
		<hr/>	<hr/>
<b>Net assets</b>		17,182	16,784
		<hr/>	<hr/>
<b>Equity</b>			
<b>Capital and reserves</b>			
Share capital	19	571	571
Retained earnings		16,611	16,213
		<hr/>	<hr/>
<b>Total equity</b>		17,182	16,784
		<hr/>	<hr/>

These financial statements were approved by the board of directors on 21 October 2022 and were signed on its behalf by:



**MJ Currie**  
*Director*  
Registered number: 1997954

**Statement of cash flows**  
*for year ended 31 March 2022*

	<i>Note</i>	<b>2022</b> <b>£000</b>	<b>2021</b> <b>£000</b>
<b>Cash flows from operating activities</b>			
(Loss)/profit for the year		<b>398</b>	<b>772</b>
<i>Adjustments for:</i>			
Depreciation		<b>1,049</b>	<b>1,308</b>
Amortisation		-	<b>436</b>
Deferred government grant		-	<b>(5)</b>
Finance income and expenses		<b>133</b>	<b>299</b>
Income tax		<b>(158)</b>	<b>298</b>
		<hr/>	<hr/>
<b>Operating profit before changes in working capital</b>		<b>1,422</b>	<b>3,108</b>
(Increase)/decrease in trade and other receivables		<b>(1,029)</b>	<b>947</b>
Movement on operating intercompany receivables		<b>342</b>	-
Increase in inventories		<b>(172)</b>	<b>(381)</b>
Increase/(decrease) in trade and other payables		<b>1,280</b>	<b>(365)</b>
Income tax paid		<b>(68)</b>	<b>(66)</b>
		<hr/>	<hr/>
<b>Net cash inflow from operating activities</b>		<b>1,775</b>	<b>3,243</b>
		<hr/>	<hr/>
<b>Cash flows from investing activities</b>			
Acquisition of subsidiary		-	<b>(44)</b>
Acquisition of owned property, plant and equipment		<b>(2,213)</b>	<b>(1,331)</b>
Disposal of property, plant and equipment		<b>30</b>	-
Decrease in inter-company receivables		<b>487</b>	-
		<hr/>	<hr/>
<b>Net cash outflow from investing activities</b>		<b>(1,696)</b>	<b>(1,375)</b>
		<hr/>	<hr/>
<b>Cash flow from financing activities</b>			
Payment of lease liabilities		<b>(321)</b>	<b>(205)</b>
Increase in intercompany receivables		-	<b>(2,950)</b>
Finance expenses		<b>(85)</b>	<b>(253)</b>
		<hr/>	<hr/>
<b>Net cash flow from financing activities</b>		<b>(406)</b>	<b>(3,408)</b>
		<hr/>	<hr/>
<b>Net decrease in cash and cash equivalents</b>		<b>(327)</b>	<b>(1,540)</b>
Cash and cash equivalents at the start of the year		<b>1,100</b>	<b>2,640</b>
		<hr/>	<hr/>
<b>Cash and cash equivalents at the end of the year</b>	<i>16</i>	<b>773</b>	<b>1,100</b>
		<hr/>	<hr/>

## Notes

### 1 Accounting policies

#### *Significant accounting policies*

OpSec Security Limited (the “Company”) is a company incorporated and domiciled in England.

### 2 Statement of compliance

The financial statements have been prepared and approved by the Directors in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 (‘IFRSs’).

#### b) Basis of preparation

The financial statements are presented in pounds sterling, rounded to the nearest thousand and are prepared on the historical cost basis.

The company’s business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Report. In addition, note 20 to the financial statements includes the company’s objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments; and its exposures to credit risk and liquidity risk.

#### *Going concern*

The financial statements have been prepared on a going concern basis which the directors consider to be appropriate for the following reasons.

The company is financed through cash generated from operating activities. The directors have prepared cash flow forecasts for a period of 12 months from the date of approval of these financial statements which indicate that, taking account of reasonably possible downsides, the company will have sufficient funds, through cash generated from operations, to meet its liabilities as they fall due for that period. The base case forecasts have been adjusted to take into consideration any downside impacts of global political uncertainty, high levels of inflation and potential recession.

Consequently, the directors are confident that the company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

#### Accounting judgements and estimates

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of Adopted IFRSs that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are described in note 26.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

#### c) Foreign currency

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are re-translated to the functional currency at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement.



## Notes (continued)

### 1 Accounting policies (continued)

#### d) Property, plant and equipment

##### (i) Owned assets

Items of property, plant and equipment are stated at cost less accumulated depreciation (see below) and impairment losses (see accounting policy i).

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

##### (ii) Leased assets

Leases in terms of which the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. Assets acquired by way of finance lease are stated at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation (see below) and impairment losses (see accounting policy i).

##### (iii) Subsequent costs

The Company recognises in the carrying amount of an item of property, plant and equipment the cost of replacing part of such an item when that cost is incurred if it is probable that the future economic benefits embodied with the item will flow to the Company and the cost of the item can be measured reliably. All other costs are recognised in the income statement as an expense as incurred.

##### (iv) Depreciation

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Land is not depreciated. The estimated useful lives are as follows:

Short leasehold improvements	-	term of lease
Plant and equipment	-	4 – 10 years
Fixtures and fittings	-	4 – 5 years
Motor vehicles	-	4 years
Right of use assets	-	term of lease

Depreciation methods, useful lives and residual values are reviewed at each balance sheet date.

#### e) Intangible assets

##### (i) Goodwill

All business combinations are accounted for by applying the purchase method.

##### *Acquisitions prior to 1 April 2005*

As part of its transition to IFRS, the Company elected to restate only those business combinations that occurred on or after 1 April 2005. In respect of acquisitions prior to 1 April 2005, goodwill represents the amount recognised under the Company's previous accounting framework (UK GAAP).

##### *Acquisitions on or after 1 April 2005*

For acquisitions on or after 1 April 2005, goodwill represents the excess of the cost of the acquisition over the Company's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquiree. When the excess is negative (negative goodwill), it is recognised immediately in the income statement.

##### *Subsequent measurement*

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash-generated units and is tested annually for impairment (see accounting policy i).

## Notes (continued)

### 1 Accounting policies (continued)

#### f) Trade and other receivables

Trade and other receivables are initially recognised at fair value and subsequently at amortised cost as reduced by an appropriate allowance for irrecoverable amounts.

#### g) Inventories

Inventories are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

The cost of inventories is based on the first-in first-out principle and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of overheads based on normal operating capacity.

#### h) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the company's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

#### i) Impairment

The carrying amounts of the company's assets, other than inventories (see accounting policy g) and deferred tax assets (see accounting policy r), are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement.

Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to cash-generating units and then to reduce the carrying amount of the other assets in the unit on a pro rata basis.

##### (i) Calculation of recoverable amount

The recoverable amount of assets is the greater of their net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

##### (ii) Reversals of impairment

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 loss had been recognised.

#### j) Share capital

Dividends unpaid at the balance sheet are only recognised as a liability at that date to the extent that they are appropriately authorised and are no longer at the discretion of the company. Unpaid dividends that do not meet these criteria are disclosed in the notes to the financial statements.

## Notes (continued)

### 1 Accounting policies (continued)

#### k) Classification of financial instruments issued by the company

Financial instruments issued by the company form part of shareholders' funds only to the extent that they meet the following conditions:

- (i) they include no contractual obligations upon the Company to deliver cash or other financial assets or to exchange assets or financial liabilities with another party under conditions that are potentially unfavourable to the Company; and
- (ii) where the instruments will or may be settled in the Company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Company's own equity instruments or is a derivative that will be settled by the Company exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability.

Finance payments that are associated with financial instruments that are classified as equity are dividends and recorded directly in equity. Dividends are recognised as a liability in the period in which they are declared.

Where the Company enters into financial guarantee contracts which guarantee the indebtedness of other companies within the Group, the Company considers these to be insurance arrangements and accounts for them as such. In this respect, the Company treats the guarantee contract as a contingent liability until such time as it becomes probable that the Company will be required to make a payment.

#### l) Employee benefits

##### (i) Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which the company pays fixed contributions in to a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the income statement when they are due.

#### m) Provisions

A provision is recognised in the balance sheet when the company has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

#### n) Trade and other payables

Trade and other payables are recognised initially at fair value and subsequently at amortised cost.

#### o) Revenue

Revenue from the sale of goods is recognised in the income statement when the associated performance obligations from its contracts with customers have been satisfied. The group typically satisfies its performance obligations when control of the goods has been transferred to the customer or as the services are rendered. Control is deemed to transfer when the goods are dispatched or delivered to the customer dependent on Incoterms, resulting in legal transfer of title. Revenue from services rendered, where services are performed by an indeterminate number of acts over a specified period of time, is recognised on a straight line basis over the period of the contract. No contracts have a significant financing component.

#### p) Government grants

A government grant is recognised in the balance sheet initially as deferred income when there is reasonable assurance that it will be received and that the company will comply with the conditions attaching to it. Grants that compensate the company for expenses incurred are recognised as revenue in the income statement on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the company for the cost of an asset are recognised in the income statement as other operating income on a systematic basis over the useful life of the asset.

## Notes (continued)

### 1 Accounting policies (continued)

#### q) Expenses

##### (i) Operating lease payments (policy applicable before 1 April 2018)

Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives received are recognised in the income statement as an integral part of the total lease expense.

##### r) Finance lease payments (policy applicable before 1 April 2018)

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. See 1(w) for the accounting policy applicable after 1 April 2018.

#### s) Finance income and expense

Financing expenses include interest payable on borrowings calculated using the effective interest rate method and finance charges on lease liabilities (prior to 1 April 2018 finance charges on finance leases under IAS 17) recognised in profit or loss using the effective interest method, unwinding of the discount on provisions, and net foreign exchange losses arising on foreign currency borrowing that are recognised in the income statement (see foreign currency accounting policy). Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that takes a substantial time to be prepared for use, are capitalised as part of the cost of that asset.

Financing income comprise interest receivable on funds invested and foreign exchange gains and losses arising on foreign currency deposits. Interest income is recognised in the income statement as it accrues, using the effective interest method.

##### (iii) Research and development

Expenditure on research activities, undertaken with the prospect of gaining new technical knowledge and understanding, is recognised in the income statement as an expense as incurred.

#### t) Income tax

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Additional income taxes that arise from distribution of dividends are recognised at the same time as the liability to pay the related dividend is recognised.

## Notes (continued)

### 1 Accounting policies (continued)

#### u) Non-current assets held for sale and discontinued operations

Immediately before classification as held for sale, the measurement of the assets (and all assets and liabilities in a disposal group) is brought up-to-date in accordance with applicable IFRSs. Then, on initial classification as held for sale, non-current assets and disposal groups are recognised at the lower of carrying amount and fair value less costs to sell.

Impairment losses on initial classification as held for sale are included in profit or loss, even when there is a revaluation. The same applies to gains and losses on subsequent re-measurement.

#### t) IFRSs applied for the first time

The Company has adopted the following IFRSs in these financial statements for the first time. The adoption of these pronouncements has not had a material impact to the Company's accounting policies, financial position or performance:

- Amendments to References to the Conceptual Framework in IFRS Standards (issued on 29 March 2018)
- Amendments to IAS 1 and IAS 8: Definition of Material (issued on 31 October 2018)
- Amendments to IFRS 9, IAS 39 and IFRS17: Interest Rate Benchmark Reform (issued on 26 September 2019)
- Amendments to IFRS 3 Business Combinations (issued on 22 October 2018)

#### u) UK-adopted IFRS not yet applied

The following UK-adopted IFRSs have been issued but have not been applied by the Group in these consolidated financial statements. Their adoption is not expected to have a material effect on the financial statements unless otherwise indicated:

- IFRS 17 Insurance Contracts (effective from 1 January 2023).
- Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current and Classification of Liabilities as Current or Non-current (effective from 1 January 2024).
- Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to introduce a new definition for accounting estimates (effective date from 1 January 2023).
- Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statements 2 Making Materiality Judgements (effective from 1 January 2023).
- Amendments to IAS 12 Income Taxes – Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction (effective from 1 January 2023).

#### v) Financial instruments

##### (i) Recognition and initial measurement

Trade receivables are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the company becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

## Notes (continued)

### 1 Accounting policies (continued)

#### v) Financial instruments (continued)

##### (ii) Classification and subsequent measurement

###### *Financial assets*

###### *(a) Classification*

On initial recognition, a financial asset is classified as measured at: amortised cost or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All financial assets not classified as measured at amortised cost as described above are measured at FVTPL. This includes all derivative financial assets.

Investments in joint ventures, associates and subsidiaries are carried at cost less impairment.

###### *Cash and cash equivalents*

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose only of the cash flow statement.

###### *(b) Subsequent measurement and gains and losses*

*Financial assets at FVTPL* – these assets (other than derivatives designated as hedging instruments) are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.

*Financial assets at amortised cost* – These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

###### *Financial liabilities and equity*

Financial instruments issued by the Company are treated as equity only to the extent that they meet the following two conditions:

- (a) they include no contractual obligations upon the company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the company; and
- (b) where the instrument will or may be settled in the company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the company's own equity instruments or is a derivative that will be settled by the company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

## Notes (continued)

### 1 Accounting policies (continued)

#### v) Financial instruments (continued)

##### *Financial liabilities and equity (continued)*

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

##### *Intra-group financial instruments*

Where the company enters into financial guarantee contracts to guarantee the indebtedness of other companies within its group, the company considers these to be insurance arrangements and accounts for them as such. In this respect, the company treats the guarantee contract as a contingent liability until such time as it becomes probable that the company will be required to make a payment under the guarantee.

#### (iii) Impairment

The company recognises loss allowances for expected credit losses (ECLs) on financial assets measured at amortised cost and contract assets (as defined in IFRS 15).

The company measures loss allowances at an amount equal to lifetime ECL, except for other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition, which are measured as 12-month ECL.

Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECL.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the company's historical experience and informed credit assessment and including forward-looking information.

The company assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The company considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the company in full, without recourse by the company to actions such as realising security (if any is held); or
- the financial asset is more than 90 days past due

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the company is exposed to credit risk.

##### *Measurement of ECLs*

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the company expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

##### *Credit-impaired financial assets*

At each reporting date, the company assesses whether financial assets carried at amortised cost and debt securities at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

## Notes (continued)

### 1 Accounting policies (continued)

#### v) Financial instruments (continued)

##### Write-offs

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery.

#### w) Leases

The Company applied IFRS 16 using the retrospective approach.

At inception of a contract, the company assesses whether a contract is, or contains a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether:

- the contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- the company has the right to obtain substantially of the economic benefits from the use of the asset throughout the period of use; and
- the company has the right to direct the use of the asset. The company has the right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where all the decisions about how and for what purposes the asset is used are predetermined, the company has the right to direct the use of the asset if either:
  - the company has the right to operate the asset; or
  - the company designed the asset in a way that predetermines how and for what purpose it will be used.

The company has applied this approach to contracts entered into or changed on or after 1 April 2018.

At inception or on reassessment of a contract that contains a lease component, the company allocates the consideration in the contract of each lease component on the basis of their relative stand-alone prices. However, for the leases of land and buildings in which it is a lessee the company has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

##### As a lessee

The company recognises a right of use asset and a lease liability at the lease commencement date. The right of use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right of use asset is subsequently depreciated using the straight line method from the commencement date to the earlier of the end of the useful life of the right of use asset or the end of the lease term. The estimated useful lives of right of use assets are determined on the same basis as those of property and equipment. In addition, the right of use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid as the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the company's incremental borrowing rate. Generally, the company uses its incremental borrowing rate as the discount rate.



## Notes (continued)

### 1 Accounting policies (continued)

#### Leases (continued)

Lease payments included in the measurement of the lease liability comprise:

- fixed payments, including in substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the company is reasonably certain to exercise, lease payments in an optional renewal period if the company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the company is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is any change in the company's estimate of the amount expected to be payable under a residual value guarantee or if the company changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right of use asset, or is recorded in profit or loss if the carrying amount of the right of use asset has been reduced to zero.

The company presents right of use assets that do not meet the definition of investment property in 'property, plant and equipment' and lease liabilities in 'loans and borrowings' in the statement of financial position.

#### i. Property leases

The Company leases land and buildings for its office and manufacturing facilities at the two UK sites. One runs for a period of fifteen years and the other for a period of ten years with a five year break clause.

#### ii. Other leases

The Company also leases equipment with typical terms of five years.

The Company also leases storage facilities on rolling monthly contracts and other low value items. These leases are short-term and/or leases of low value items. The Company has elected not to recognise right-of-use assets and lease liabilities for these leases.

## Notes (continued)

### 2 Analysis of revenue

Revenue arises from the supply of anti-counterfeiting technologies and services and all sales are made from facilities in the UK.

Revenue by geographical market:	2022 £000	2021 £000
UK	1,432	1,753
Europe	4,851	4,723
The rest of the world	9,808	10,030
	<u>16,091</u>	<u>16,506</u>

### 3 Operating expenses

	2022 £000	2021 £000
<b>Distribution expenses</b>		
Selling and marketing costs	<u>2,794</u>	<u>1,772</u>
<b>Administrative expenses</b>		
Technical support	521	124
Research and development costs	1,939	1,654
Administration costs	<u>1,187</u>	<u>2,283</u>
	<u>3,647</u>	<u>4,061</u>
<b>Total operating expenses</b>	<u>6,441</u>	<u>5,833</u>

## Notes (continued)

### 4 Operating profit

	2022 £000	2021 £000
<i>Operating profit is stated after charging/(crediting):</i>		
Depreciation of owned property, plant and equipment	741	993
Depreciation of right of use assets	308	315
Amortisation of intangibles	-	436
Provision for bad and doubtful debts	(22)	(66)
Release of government grants	-	(5)
	<u>          </u>	<u>          </u>
Auditor's remuneration:		
Audit of these financial statements	45	45
	<u>          </u>	<u>          </u>

Amounts receivable by the company's auditor and its associates in respect of services to the company and its associates, other than the audit of the company's financial statements, have not been disclosed as the information is required instead to be disclosed on a consolidated basis in the consolidated financial statements of the company's ultimate parent, Orca Bidco Limited.

#### *Exceptional items*

The exceptional items charged in the year are in relation to consultancy and data migration costs in relation to operations restructuring associated with the core business.

### 5 Staff numbers and costs

The average number of persons employed by the Company (including directors) during the year, analysed by category, was as follows:

	Number of employees 2022	2021
Production	95	100
Selling and marketing	22	17
Technical	5	11
Research and development	15	11
Administration	10	11
	<u>          </u>	<u>          </u>
	147	150
	<u>          </u>	<u>          </u>

The aggregate payroll costs of these persons were as follows:

	2022 £000	2021 £000
Wages and salaries	6,646	5,558
Social security costs	554	539
Other pension costs (note 22)	238	223
	<u>          </u>	<u>          </u>
	7,438	6,320
	<u>          </u>	<u>          </u>

## Notes (continued)

### 6 Directors' remuneration

	2022 £000	2021 £000
Directors' emoluments	151	219
Company contributions to money purchase pension plans	13	20
	<u>164</u>	<u>239</u>

The aggregate of emoluments of the highest paid director was £131,000 (2021: £111,000), and company pension contributions of £11,000 (2021: £10,000) were made to the scheme on his behalf.

	Number of directors	
	2022	2021
Retirement benefits are accruing to the following number of directors under:		
Money purchase schemes	2	2

	Number of directors	
	2022	2021
The number of directors in respect of whose services shares in Orca Bidco Limited were received or receivable under long term incentive schemes	2	2

All directors benefited from qualifying third party indemnity provisions.

### 7 Finance income

	2022 £000	2021 £000
Net foreign exchange gains	-	-

### 8 Finance expense

	2022 £000	2021 £000
Net foreign exchange loss	(82)	(254)
Interest payable on lease liabilities	(51)	(45)
	<u>(133)</u>	<u>(299)</u>

## Notes (continued)

### 9 Taxation

	2022 £000	2021 £000
<i>Current tax expense</i>		
Current year	-	93
Adjustments for prior years	13	66
	<hr/>	<hr/>
Current tax charge	13	159
	<hr/>	<hr/>
<i>Deferred tax expense (note 13)</i>		
Origination and reversal of temporary differences	(226)	145
Adjustment for prior years	55	(6)
	<hr/>	<hr/>
Deferred tax charge	(171)	139
	<hr/>	<hr/>
Total tax (credit)/charge in income statement	(158)	298
	<hr/>	<hr/>
<i>Reconciliation of effective tax rate</i>		
	£000	£000
Profit for the year	398	772
Total tax (credit)/charge	(158)	298
	<hr/>	<hr/>
Profit excluding taxation	240	1,070
	<hr/>	<hr/>
Income tax using domestic corporation tax rate of 19% (2021: 19%)	46	203
Non-deductible expenses	1	14
Other timing differences	(53)	88
Other tax adjustments	(168)	(67)
Adjustments in respect of prior periods	68	60
Remeasurement of deferred tax for change in tax rates	(52)	-
	<hr/>	<hr/>
Total tax (credit)/charge in income statement	(158)	298
	<hr/>	<hr/>

#### Factors affecting the future tax charge

On 23 September 2022 the Chancellor of the Exchequer announced that the corporation tax rate will remain at 19% from 1 April 2023, reversing a previously enacted measure to increase the rate to 25%. This reversal in the tax rate from 1 April 2023 has not been enacted or substantively enacted and accordingly has no impact on the tax balances at 31 December 2021.

**Notes** *(continued)*

**10 Property, plant and equipment**

	<b>Right of use assets £000</b>	<b>Short leasehold improvements £000</b>	<b>Plant and equipment £000</b>	<b>Fixtures and fittings £000</b>	<b>Total £000</b>
<b>Cost</b>					
At 1 April 2020	2,538	2,157	17,626	510	22,831
Additions	28	12	1,291	-	1,331
Disposals	-	(80)	(1,261)	(82)	(1,423)
<b>Balance at 31 March 2021</b>	<b>2,566</b>	<b>2,089</b>	<b>17,656</b>	<b>428</b>	<b>22,739</b>
<b>Balance at 1 April 2021</b>	<b>2,566</b>	<b>2,089</b>	<b>17,656</b>	<b>428</b>	<b>22,739</b>
Additions	22	-	2,188	3	2,213
Disposals	-	(30)	-	-	(30)
<b>Balance at 31 March 2022</b>	<b>2,588</b>	<b>2,059</b>	<b>19,844</b>	<b>431</b>	<b>24,922</b>
<b>Accumulated depreciation</b>					
1 April 2020	657	1,410	16,001	361	18,429
Charge for year	315	149	801	43	1,308
Disposals	-	(80)	(1,260)	(82)	(1,422)
<b>Balance at 31 March 2021</b>	<b>972</b>	<b>1,479</b>	<b>15,542</b>	<b>322</b>	<b>18,315</b>
<b>Balance at 1 April 2021</b>	<b>972</b>	<b>1,479</b>	<b>15,542</b>	<b>322</b>	<b>18,315</b>
Charge for the year	308	133	567	41	1,049
Disposals	-	-	-	-	-
<b>Balance at 31 March 2022</b>	<b>1,280</b>	<b>1,612</b>	<b>16,109</b>	<b>363</b>	<b>19,364</b>
<b>Net book value</b>					
At 1 April 2020	1,881	747	1,625	149	4,402
At 31 March 2021	1,594	610	2,114	106	4,424
<b>At 31 March 2022</b>	<b>1,308</b>	<b>447</b>	<b>3,735</b>	<b>68</b>	<b>5,558</b>

## Notes (continued)

### 11 Intangible assets

	Customer relationships £000	Goodwill £000	Total £000
<b>Cost</b>			
Balance at 1 April 2020, 1 April 2021 and 31 March 2022	2,180	5,607	7,787
<b>Impairment and amortisation</b>			
Balance at 31 March 2020	1,744	500	2,244
Amortisation	436	-	436
Balance at 31 March 2021	2,180	500	2,680
Balance at 1 April 2021	2,180	500	2,680
Amortisation	-	-	-
<b>Balance at 31 March 2022</b>	<b>2,180</b>	<b>500</b>	<b>2,680</b>
<b>Net book value</b>			
At 31 March 2022	-	5,107	5,107
At 31 March 2021	-	5,107	5,107
At 31 March 2020	436	5,107	5,543

#### *Impairment test for cash-generating units containing goodwill*

The carrying value of goodwill at 31 March 2022 relates to one cash generating unit.

The impairment test is based on value in use calculations. Those calculations are based upon a three year business plan starting from the 2022/2022 budget approved by the Directors, together with a perpetuity calculation reflecting the expected maintenance of the market position at the end of the third year. The key assumptions for the calculations are those regarding discount rates and growth rates. The pre-tax discount rates and the growth rates used in the calculations are shown below.

	2022	2021
Discount rate	10%	10%
Inflationary growth	1%	1%
Real growth	2%	1%

The growth assumptions do not exceed the long term average growth rates for the industry. The discount rate represents management's best estimate of the weighted average cost of capital, risk adjusted to reflect the specific circumstances of the cash generating unit to which the goodwill is assigned. The recoverable amount of the cash generating unit exceeds its carrying amount and remains so after adjustment for reasonably possible sensitivities.

## Notes (continued)

### 12 Investments

	Subsidiary undertakings £000
<b>Cost</b>	
At 1 April 2020	1
Additions	44
	<hr/>
At 31 March 2021	45
	<hr/>
At 1 April 2021	45
Additions	-
Exchange movement	2
	<hr/>
At 31 March 2022	47
	<hr/>
<b>Carrying value</b>	
At 31 March 2022	47
	<hr/>
At 31 March 2021	45
	<hr/>
At 31 March 2020	1
	<hr/>

During the prior year the company acquired 100% of the shares in OpSec Security Vietnam Company Limited.

The Company has the following investments in subsidiaries:

Subsidiary undertakings	Principal place of business/ country of Incorporation	Principal activity	Class and ownership of shares held	Registered office
OpSec Security Malta Limited	Malta	Distribution of High Security products	100% Ordinary	33 Triq Carini Santa Venera Malta
OpSec Security Vietnam Company Limited	Vietnam	Distribution of Brand Production products	100% Ordinary	Floor 16, Becamex Tower Building, 230 Bong Duong Boulevard, Thus Dau Mot City Bing Duong Province

### 13 Deferred tax assets

Deferred tax assets provided in the accounts comprise:

	2022 £000	2021 £000
Short term timing differences	419	46
Tax losses	-	-
	<hr/>	<hr/>
	419	46
	<hr/>	<hr/>



## Notes (continued)

### 13 Deferred tax assets (continued)

#### Movements in deferred tax assets

	£000
1 April 2020	185
Amounts debited to the income statement	(139)
	<hr/>
At 31 March 2021	46
	<hr/>
1 April 2021	46
Amounts credited to the income statement	171
Reclassification from corporation tax	202
	<hr/>
	419
	<hr/>

The deductible temporary short term differences and tax losses do not expire under current tax legislation. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profits will be available against which the company can utilise the benefits therefrom.

Future tax charges may be reduced to the extent that the reversal of the timing differences and tax losses in the company, which give rise to unprovided deferred tax assets, can be deducted from suitable taxable profits arising after 31 March 2022.

### 14 Inventory

	2022 £000	2021 £000
Raw materials and consumables	584	413
Work in progress	269	168
Finished goods	577	677
	<hr/>	<hr/>
	1,430	1,258
	<hr/>	<hr/>

Raw materials, consumables and changes in finished goods and work in progress recognised as cost of sales in the year amounted to £3,381,275 (2021: £3,108,533).

### 15 Trade and other receivables

	2022 £000	2021 £000
Trade receivables	3,111	2,361
Other receivables and prepayments	757	478
Amounts due from group undertakings	7,099	7,928
	<hr/>	<hr/>
	10,967	10,767
	<hr/>	<hr/>

Amounts owed to group undertakings are not secured, are trading in nature so do not carry any interest and are payable within agreed terms in line with our standard terms and conditions of sale.

**Notes** *(continued)*

**16**      **Cash and cash equivalents**

	<b>2022</b> <b>£000</b>	2021 £000
Cash and cash equivalents per balance sheet	773	1,100
Cash and cash equivalents in Statement of cash flows	773	1,100

**17**      **Trade and other payables**

	<b>2022</b> <b>£000</b>	2021 £000
Trade payables	2,883	1,988
Other payables and accrued expenses	1,917	1,387
	<b>4,800</b>	<b>3,375</b>

**18**      **Provisions**

	<b>Dilapidation provision £000</b>
Balance at 1 April 2020	840
Increase in year	-
<b>Balance at 31 March 2021</b>	<b>840</b>
Balance at 1 April 2021	840
Increase in the current year	-
<b>Balance at 31 March 2022</b>	<b>840</b>
Current liabilities	-
Non-current liabilities	840
	<b>840</b>

*Dilapidation provision*

The dilapidation provision relates to the estimated costs of restoring the leased premises of the Company to their original condition on termination of the lease agreements. The actual amount of dilapidation costs will be determined following lease termination and settlement with the landlord, and as such the timing and value of the transfer of economic benefits required to settle the obligation are uncertain at the balance sheet date.

## Notes (continued)

### 19 Share capital

	2022 £000	2021 £000
<i>Allotted, called up and fully paid</i>		
570,549 Ordinary shares of £1 each	571	571

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

All of the shares in issue in the current and preceding year are classified in shareholders' funds.

### 20 Financial instruments

Exposure to credit, interest and currency risks arise in the normal course of the company's business.

The entire company's surplus cash is invested as cash placed on deposit.

The company's treasury policy has as its principal objective the achievement of the maximum interest rate on cash balances whilst maintaining an acceptable level of risk. Other than mentioned below there are no financial instruments, derivatives or commodity contracts used. No financial instruments are measured at fair value.

#### Financial assets and liabilities

The company's main financial asset comprises cash and cash equivalents. Other financial assets include trade receivables arising from the company's activities.

As at 31 March 2022 the company had debit balances with group undertakings of £7,099,000 (2021: debit balances £7,928,000). These balances are unsecured.

The maturity profile of the total contracted payments in respect of financial liabilities is as follows:

	Carrying amount £000	Contractual cash flows £000	Within 1 year or on demand £000	1 to <2 years £000	2 to <5 years £000	5 years and over £000
Trade and other payables	2,883	2,883	2,883	-	-	-
Lease liabilities	1,478	1,549	376	378	705	90
<b>At 31 March 2022</b>	<b>4,361</b>	<b>4,432</b>	<b>3,259</b>	<b>378</b>	<b>705</b>	<b>90</b>
	Carrying amount £000	Contractual cash flows £000	Within 1 year or on demand £000	1 to <2 years £000	2 to <5 years £000	5 years and over £000
Trade and other payables	1,988	1,988	1,988	-	-	-
Lease liabilities	1,748	1,900	374	371	932	223
<b>At 31 March 2021</b>	<b>3,736</b>	<b>3,888</b>	<b>2,362</b>	<b>371</b>	<b>932</b>	<b>223</b>

Other than the balances with group undertakings listed above, trade and other payables and lease liabilities, the company had no financial liabilities within the scope of IFRS 9 as at 31 March 2022 (2021: £nil).

## Notes (continued)

### 20 Financial instruments (continued)

#### Fair values

The fair value of the company's financial assets and liabilities is not materially different from their carrying values.

#### Credit risk

The company's credit risk policy is to manage its trade receivables by taking credit references, requesting payment in advance should this be considered necessary and obtaining a letter of credit where deemed appropriate.

The ageing of trade receivables at the balance sheet date was:

	2022		2021	
	Gross £000	Impairment £000	Gross £000	Impairment £000
Not past due	3,144	(168)	1,925	(109)
Past due (0-30 days)	75	(24)	367	(36)
Past due (31-120 days)	22	(2)	27	(16)
More than 120 days	74	(10)	224	(21)
	<u>3,315</u>	<u>(204)</u>	<u>2,543</u>	<u>(182)</u>

Management assesses the necessity for impairment on a specific item by item basis. Management incorporate, amongst other criteria, their knowledge and understanding of the business along with the age of the item.

No other receivables are past due in the current or prior year.

The movement in the allowance for impairment in respect of trade receivables during the year was as follows:

	2022 £000	2021 £000
Balance as at 1 April	182	248
Impairment loss recognised	12	32
Write offs	10	(98)
Impairment loss released	-	-
	<u>204</u>	<u>182</u>
Balance as at 31 March		

The impairment provision in respect of trade receivables is used to record impairment losses unless the company is satisfied that no recovery of the amount owing is possible; at that point the amount considered irrecoverable is written off against the financial asset directly.

## Notes (continued)

### 20 Financial instruments (continued)

#### Market risk – Foreign currency risk

The company's exposure to foreign currency risk is as follows. This is based on the carrying amount for monetary financial instruments.

	Sterling £000	Euro £000	US Dollar £000	Other £000	Total £000
<b>As at 31 March 2022</b>					
Cash and cash equivalents	43	157	573	-	773
Trade and other receivables	6,593	2,150	1,677	(210)	10,210
Trade and other payables	(2,431)	(185)	(105)	(162)	(2,883)
Lease liabilities	(1,478)	-	-	-	(1,478)
	<u>2,727</u>	<u>2,122</u>	<u>2,145</u>	<u>(372)</u>	<u>6,622</u>
<b>As at 31 March 2021</b>					
Cash and cash equivalents	222	329	549	-	1,100
Trade and other receivables	6,450	2,213	1,190	436	10,289
Trade and other payable	(1,444)	(77)	(463)	(4)	(1,988)
Lease liabilities	(1,748)	-	-	-	(1,748)
	<u>3,480</u>	<u>2,465</u>	<u>1,276</u>	<u>432</u>	<u>7,653</u>

The significant exchange rates applied during the year were:

	Average		Closing	
	2022	2021	2022	2021
US\$:£	1.36	1.32	1.32	1.38
€:£	1.18	1.13	1.19	1.17
HK\$:£	10.61	10.22	10.30	10.73

#### Sensitivity analysis

The difference between the average and closing exchange rates is such that if the results for the year ended 31 March 2022 were translated at the closing rates rather than the average rates, revenue would be increased by £285,000 (2021: reduced by £788,000) and operating profit increased by £195,000 (2021: profit by £706,000).

The difference in exchange rates, closing and average, is 2.5% (2021: -4.9%).

#### Market risk – Interest rate risk

##### Effective interest rates

In respect of income-earning financial assets and liabilities the following table indicates their effective rates at the balance sheet date.

	2022		2021	
	Effective interest rate	£000	Effective interest rate	£000
Bank balances	0.00000%	773	0.00000%	1,100

#### Sensitivity analysis

A 1% increase in the interest rate of the bank balances would result in an increase in profit of £9,000 (2021: £19,000).

## Notes (continued)

### 20 Financial instruments (continued)

#### Liquidity risk

The company's policy on liquidity risk has been to maintain sufficient cash balances and undrawn facilities to provide flexibility in the management of the company's liquidity. Further information on liquidity risk faced by the company is given in note 1(b).

#### Capital management

The company's capital base comprises share capital and reserves, and its objectives are to grow retained earnings to fund future investment. The funding position is therefore closely linked to capital management. The company has access to funding from its ultimate parent undertaking as set out in note 1(b).

### 21 Lease liabilities

Lease liabilities are payable as follows:

	Future minimum lease payments 2022 £000	Interest 2022 £000	PV of minimum lease payments 2022 £000	Future minimum lease payments 2021 £000	Interest 2021 £000	PV of minimum lease payments 2021 £000
Less than one year	377	41	336	374	50	324
Between one and five years	1,083	28	1,055	1,302	95	1,207
More than five years	89	1	88	223	6	217
Current liabilities			336			324
Non current liabilities			1,143			1,424

### 22 Employee benefits

#### Defined contribution plans

The Group operates a number of defined contribution pension plans. The total expense relating to these plans in the current year was £238,000 (2021: £223,000).

### 23 Commitments

At the end of the year capital commitments were:

	2022 £000	2021 £000
Contracted but not provided in the accounts	923	428

### 24 Contingencies

The company's bankers have in place a debenture over the company's assets in support of borrowings within the group which at 31 March 2022 amounted to £nil (2021: £nil).

As at 31 March 2022 the company had contingent liabilities in respect of bank and contractual performance guarantees and other matters arising in the ordinary course of business entered into. It is not expected that any material liability will arise in respect thereof.

## Notes (continued)

### 25 Related parties

#### Identity of related parties

The company has a related party relationship with its holding Company, its ultimate holding company, its fellow subsidiaries and its Directors.

#### Transactions with group companies:

	Sales to £000	Purchases from £000	Management charges (from)/to £000	Intra-group financing £000	Balance due (to)/from £000
OpSec Security GmbH	-	-	8	(23)	626
OpSec Delta (HK) Limited	100	(181)	325	(1,029)	(538)
Orca Bidco Limited	-	-	(482)	(830)	(1,528)
OpSec Online Limited	-	-	-	1,178	7,678
OpSec Security Malta Limited	98	-	15	(143)	193
UAB OpSec Online	-	-	-	(3)	340
OpSec Online APS	-	-	-	8	17
OpSec Security Vietnam Company Limited	-	-	-	206	250
Orca Bidco Representative Office Shanghai	-	-	-	(68)	(24)
OpSec Online Branch Office Japan	-	-	-	(8)	85
OpSec Security Group Inc	-	-	(225)	225	-
<b>Total</b>	<b>198</b>	<b>(181)</b>	<b>(359)</b>	<b>(486)</b>	<b>7,099</b>

	Sales to £000	Purchases from £000	Management charges (from)/to £000	Intra-group financing £000	Balance due (to)/from £000
OpSec Security GmbH	-	-	7	53	642
OpSec Delta (HK) Limited	51	(128)	300	(994)	246
Orca Bidco Limited	-	-	(287)	(1,005)	(216)
OpSec Online Limited	-	-	-	4,388	6,500
OpSec Security Malta Limited	47	-	14	(73)	223
UAB OpSec Online	-	-	-	343	343
OpSec Online APS	-	-	-	9	9
OpSec Security Vietnam Company Limited	-	-	-	44	44
Orca Bidco Representative Office Shanghai	-	-	-	44	44
OpSec Online Branch Office Japan	-	-	-	93	93
OpSec Security Group Inc	-	-	-	-	-
<b>Total</b>	<b>98</b>	<b>(128)</b>	<b>34</b>	<b>2,902</b>	<b>7,928</b>

## Notes (continued)

### 25 Related parties (continued)

Trade receivables (note 15) includes a receivable from OpSec Security Inc of £1,784,000 (2021: £885,000), a receivable from OpSec Delta (HK) Limited of £632,000 (2021: £5,000), and a receivable from OpSec Security Malta Limited of £138,000 (2021: £nil). In addition to the balances reported above. Trade payables (note 17) includes a payable to OpSec Security Inc of £29,000 (2021: £145,000), a payable to OpSec Security GmbH of £nil (2021: £10,000) and a payable to OpSec Delta (HK) Limited of £130,000 (2021: £8,000) in addition to the balances reported above.

#### *Transactions with key management personnel*

The Directors are the key management personnel of the Company. None of the Directors own shares in the company. Details of Directors' share options, emoluments, pension benefits and other non-cash benefits can be found in note 6.

### 26 Accounting estimates and judgements

The preparation of financial statements requires the Directors to make judgements, estimates and assumptions that may affect the application of accounting policies and the reported amounts of assets and liabilities, and income and expenses. The key areas requiring the use of estimates and judgements which may significantly affect the financial statements are considered to be:

#### *Recognition of deferred tax assets*

In determining how much of these assets can be recognised this requires an assessment of the extent to which it is probable that future taxable profits will be available. This assessment is based on management's assessment of the company's financial performance and forecast financial information.

#### *Measurements of the recoverable amounts of cash generating units containing goodwill*

This requires the identification of appropriate cash generating units and the allocation of goodwill to these units. The assessment of impairment involves assumptions on the estimated future operating cash flows from these cash generating units and the comparison of these cash flows to the carrying value of the investments in these cash generating units and any related goodwill.

### 27 Ultimate parent company and parent company of larger group

The Company is a subsidiary undertaking of OpSec Security Group Holdings (Europe) Limited incorporated in England.

The largest and smallest group in which the results of the company are consolidated is that headed by Orca Bidco Limited incorporated in England. The consolidated accounts of this company are available to the public and may be obtained from The Company Secretary, OpSec Security Group Limited, 40 Phoenix Road, Crowther, Washington, Tyne & Wear NE38 0AD. No other group accounts include the results of the company.