SAFETELL LIMITED

Report and Financial Statements

Year Ended

30 April 2020

Company number 2408884

Contents

Country of incorporation

England & Wales

Legal form

Private limited Company

Directors

P Lovell
M-C Dwek
S McCrory
G Feltham

Secretary and registered office

G Feltham, Unit 46, Fawkes Avenue, Dartford, Kent, DA1 1JQ

Company number

2408884

Bankers

HSBC Plc, 59 Old Christchurch Road, Bournemouth, BH1 1EH

Auditors

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

Principal place of business

United Kingdom

Principal activity and business model

The company's principal activity is to create safe and secure workplaces for our customers – designing, installing and maintaining a diverse range of physical security solutions to a wide range of sectors.

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

A transitional year

While Safetell is best known for supplying and installing fast rising screens in the banking sector, our team of industry experts are here to provide a professional service and a personal response to all our customers' needs. We carried out a full-scale review and reorganisation of the division last year and are making good progress in expanding our product range and widening our customer base.

However, Safetell remains a business in transition, having generated significantly lower revenue this year – largely due to the end of the Post Office Network Transformation programme, and lower volumes in our traditional client base of banks and building societies. During the reorganisation, we combined our product and service divisions, and aligned our divisional resources into central teams, to create a much leaner organisation that offers even better value to our customers. This has helped us to improve our gross margins and maintain performance in line with expectations prior to the impact of COVID-19.

While COVID-19 only affected the last two months of our financial year, it did have an impact on our people and the business, both operationally and financially. The Company responded quickly to the changing environment to ensure we kept our people and communities safe, protect and maintain jobs and protect the business. The Company took the difficult decision and furloughed a number of staff along with the remaining staff agreeing to take a 10% pay cut across a 3 month period.

The Company continues to support and work closely with clients to help them fulfil their responsibilities during the changing COVID-19 situation. Management acted quickly to supply existing product lines such as hygiene screens and security hatches for both existing and new clients.

A simplified, more agile and responsive organisation

Transforming our Safetell business has dramatically reduced overheads, while simplifying reporting lines and management structures. This has allowed for quicker and better decision making, and we are building a much more agile and responsive operation, which has already been tested during the COVID-19 crisis. Many of our clients operate from critical locations, such as hospitals, retail sites, financial hubs, and major buildings (e.g., the Shard in London). Within a week of lockdown in March, we were designing and supplying new screens and products to meet their urgent needs during the pandemic.

The growth opportunity - what makes Safetell different?

The continuing threats of crime and terrorism have made physical security a priority for businesses in most sectors, while additional concerns around COVID-19 have increased demand for new and innovative solutions, as we have all been forced to adapt to new ways of working together. While we do not foresee a significant overall growth in the market for physical security products and services, we are ideally placed to make the most of the growth opportunities ahead and to gain market share.

Financial review

Revenue in the year reduced from £8,603,995 to £5,409,194 a decrease of 37% analysed as follows:

	2019/20	**2018/19**	**Increase/ (decrease)**
	£'000	£'000	%
Products	2,695	4,810	(44%)
Service	2,714	3,794	(28%)
Total	**5,409**	**8,604**	**(37%)**

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

Revenue decreased by 37% to £5,410k (2019: £8,604k) from the expected reduction on the Post Office Network Transformation project combined with the continued decrease in demand from high street banks and building societies.

Following the main restructuring in the Physical Security Solutions division in the prior year a number of strategic reviews were carried out which have resulted in an improved product portfolio where we have seen some green shoots of future profitable growth.

Physical Security Solutions – progress following strategic review

While Safetell generated considerably lower revenue than last year, the business achieved increased margins and performed in line with internal expectations. This slowdown resulted from the expected reduction in the volume of work as the Post Office Network Transformation programme came to an end, as well as lower demand from high street banks and buildings societies and less project work coming into Safetell's service division.

Safetell has been dominant for many years in the rising screen market, but we have long recognised the need to diversify its customer base and product range. That is why we carried out a full-scale review of the Company and, last year, we implemented significant changes, combining the product and service divisions and aligning divisional resources into central teams to create a much leaner organisation that offers real value to our customers.

During the year, the reorganisation started to bear fruit, and this is reflected in our improved performance, delivering improved gross margins that have added to the profitability of the Group. With increases in crime rates and the continued threat of terrorism, the directors are confident the Company is well placed to make the most of opportunities for growth over the next few years and to gain market share.

Strategy

As Safetell emerges as a leaner but more energetic and flexible organisation, we believe we are one of the few businesses of our type to offer a one-stop shop approach in a fragmented market.

Our new website puts a firm focus on our expanding product range, and the wide range of bespoke services that gives us a competitive advantage in the market.

We know that most customers will come to us with a requirement for a single product, rather than a 'solution', but that can quickly become an opportunity to upsell. We have extensive expertise in every product we sell, with highly qualified and experienced technical engineers who can create the bespoke designed solutions that will ultimately save our customers money and make them safer. This is how we build long-standing client relationships. Unlike most of our direct competitors, our people are multi-skilled, and we build ongoing revenue streams through our follow-up services, which include locksmiths, pneumatic experts, CCTV/speech systems and much more. We are even able to install third-party products where necessary and support them via a service contract.

While the expansion of the business may not initially come directly from our service business, we believe that as our product sales increase, this will drive the integrated service business. Most of the products we are installing now will generate service work for Safetell, particularly those products with mechanical aspects, rather than traditional static elements like screens. This service offering will help us build recurring revenue streams and deepen our relationships with customers.

Our fully certified 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

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

Key performance indicators

	2020/21 £'000	2019/20 £'000
Turnover from operations *Revenue growth is the prime measure of our economic output and is key to measuring shareholder return and the success of our growth strategy*	5,409	8,604
Operating (loss)/profit before exceptional items *Operating profit provides an indication of the quality of turnover growth and a measure of value added by the group*	(216)	118
Operating (loss)/profit percentage from operations (before exceptional items)	(4.0%)	1.4%

Principal risks and uncertainties

COVID-19 risk

The risk of a prolonged outbreak or further 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.

Service agreements

The majority of service revenues are from one to three 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.

Market conditions

The Company's product range is targeted at both the private (particularly financial, retail and construction sectors) and the public sector. Customer refurbishment programmes within the financial sector continue to act as an underlying positive trend for demand for many of the division's products. Our business is reliant on the timing of customer programmes and there is a risk that these may be delayed. The continuing uncertainty over the possibility of both the COVID-19 outbreak and Brexit could continue to affect the level of demand for our products. The division mitigates this risk by offering a wide range of product offerings, continuous new product development and maintaining a close working relationship with its customers so that we are aware of any potential delays and ensure that our product range is relevant for our customers' requirements. The division has constantly reviewed the resourcing levels and has adjusted as necessary to protect cash and profitability.

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 Company manages the effect of such demands through a rigid procurement process, long-term relationships with suppliers, economic purchasing, multiple suppliers and inventory management. Prices of imported products and components from the EU have continued to be affected following the Brexit vote as a result of the fall in value of the pound and this uncertainty continues.

The Board has been reviewing the potential impact of Brexit including looking at alternative sources of supply, as well as increasing stock levels in the short term until the outcome of the current negotiations becomes clearer. With this continuing uncertainty concerning the possible impact of the value of sterling and import tariffs following the conclusion of these negotiations, the Board continues to monitor the situation and the risks involved.

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 ongoing 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.

Financial instruments

Credit risk

Credit risk is the risk of financial loss to the Company if a customer fails to meet its obligations and the Company is mainly exposed to credit risk from credit sales. It is Company 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. Credit insurance exists for those customers where it is believed that there might be a credit risk.

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 management, otherwise pro forma invoices are raised requiring payment in advance.

Liquidity risk

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

The 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 the Company enters into transactions denominated in a currency other than its own functional currency. Liabilities are settled with the cash generated from the individual Company's operations in that currency wherever possible, otherwise the liabilities are settled in the functional currency of the Company.

Going concern

Whilst the current year results will be adversely affected by COVID-19, the Company remains confident that while we do not foresee a significant overall growth, we are ideally placed to make the most of the growth opportunities ahead. The Company continues to benefit from last year's restructure as we increase the range of products we offer through new product development and certification. With increasing crime rates and the continued threat of terrorism, our management team has also identified new markets and customers that will firmly position the Company for future growth. As we evolve our product portfolio, we are experiencing positive responses from our customers resulting in good growth in both our quote bank and order book.

Going concern *(continued)*

Many of our clients operate from critical locations such as hospitals, financial hubs and retail sites such as supermarkets and petrol stations. Our customers often come to us with a requirement for a single product rather than a 'solution', but that can quickly become an opportunity to upsell. We have extensive expertise in every product we sell with highly qualified and experienced technical engineers. This is how we build long-standing client relationships.

The Company recognises that there will be a continued impact on the business due to the COVID-19 crisis. As discussed within this report Safetell has undergone reorganisation as a direct response to the changing market factors impacting revenue levels. Based on recent forecasts management expect to achieve an operating profit for the year to April 2021 whilst maintaining a positive cash position. Management expects to continue this improved trend in the year to April 2022 as the new business strategy is rolled out.

Safetell's parent company, Newmark Security PLC has worked closely with our bank (HSBC) and secured financing for the Group via the Coronavirus Business Interruption Loan Scheme ("CBILS") government-backed loan to the value of £2 million. As a result, Safetell has repaid invoice discounting in the year to April 2021 and has the option to obtain funding from its parent company, or by re-utilising its invoice discounting facility and Group overdraft.

Based on the Company's latest trading, future expectations and associated cash flow forecasts, the Directors have considered the Company cash requirements and are confident that the Company will be able to continue trading for a period of at least 12 months following approval of these financial statements.

Approval

This strategic report was approved by order of the Board on 31 March 2021

G Feltham
Director
31 March 2021

Report of the directors for the year ended 30 April 2020

The directors present their report together with the audited financial statements for the year ended 30 April 2020.

Directors

The directors of the Company during the year were:

P Lovell
A J Pieterse (resigned 30 November 2019)
M-C Dwek
B G Beecraft (resigned 30 October 2019)
S McCrory (appointed 1 May 2019)
G Feltham (appointed 30 October 2019)

During the year M-C Dwek, B G Beecraft and G Feltham were also directors of the ultimate parent Company, Newmark Security PLC.

Auditors

All of the directors as at the date of this report have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information. The directors are not aware of any relevant audit information of which the Company's auditor is unaware.

Dividends

The directors have not paid an interim dividend in the year (2019: £Nil). No final dividend is proposed (2019: £Nil).

Future developments

Information on likely future developments in the business of the Company has been included in the Strategic report.

Qualifying third party indemnity provisions

The Company has put in place qualifying third party indemnity provisions for all of the directors of Safetell Limited.

Approval

This directors' report was approved by order of the Board on 31 March 2021

G Feltham
Director
31 March 2021

Statement of directors' responsibilities

Directors' responsibilities

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 the directors have elected to prepare the 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 the affairs of the Company and of the profit or loss of the company for that period.

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the 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 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.

Independent auditor's report to members of Safetell Limited

Opinion
We have audited the financial statements of Safetell Limited ("the Company") for the year ended 30 April 2020 which comprise the statement of comprehensive income, the balance sheet, the statement 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 their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 Reduced Disclosure Framework (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the Company's affairs as at 30 April 2020 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; 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 under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the 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, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern
We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information
The directors are responsible for the other information. The other information comprises the information included in the annual report, 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.

In connection with our audit of the financial statements, 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 audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. 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.

Opinions on other matters prescribed by the Companies Act 2006
In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and directors' report have been prepared in accordance with applicable legal requirements.

Opinions on other matters prescribed by the Companies Act 2006
In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception
In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report and directors' report.

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, 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.

Responsibilities of directors
As explained more fully in the statement of directors' responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, 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 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 Company or to 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. .

A further description of our responsibilities for the audit of the financial statements is located at 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 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.

BDO LLP

Nick Poulter (Senior Statutory Auditor)
For and on behalf of BDO LLP, statutory auditor
Guildford
31 March 2021

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

Statement of comprehensive income for the year ended 30 April 2020

	Note	2020 £	2019 £
Turnover	2	5,409,194	8,603,995
Operating costs	3	(5,625,557)	(8,485,551)
Operating profit/(loss) before exceptional items		(216,363)	118,444
Exceptional redundancy costs	3	(134,110)	(287,572)
Exceptional write down of right of use property lease	3	(82,218)	-
Release of provision against group Company balance		-	162,217
Operating loss		(432,691)	(6,911)
Interest receivable		-	333
Interest payable and similar charges	6	(23,517)	(10,009)
Loss on ordinary activities before taxation		(456,208)	(16,587)
Taxation on loss from ordinary activities	7	(65,682)	23,859
(Loss)/profit on ordinary activities after taxation		(521,890)	7,272
Other comprehensive income		-	-
Total comprehensive (loss)/income		**(521,890)**	**7,272**

All amounts relate to continuing activities.

There were no recognised gains and losses other than those included in the statement of comprehensive income.

The notes on pages 14 to 27 form part of these financial statements.

SAFETELL LIMITED

Balance sheet at 30 April 2020

Company number 2408884

	Note	2020	2020	2019	2019
		£	£	£	£
Fixed assets					
Tangible assets	8		504,766		303,778
			504,766		303,778
Current assets					
Stocks	9	363,784		582,036	
Debtors	10	1,104,532		2,053,642	
Cash at bank and in hand		988,253		599,523	
		2,456,569		3,235,201	
Creditors: amounts falling due within one year					
Creditors	11	(1,341,707)		(1,737,420)	
Short term borrowings	12	(198,898)		(30,978)	
Net current assets			915,965		1,466,803
Total assets less current liabilities			1,420,731		1,770,581
Creditors: amounts falling due after more than one year	13	(276,640)		(116,529)	
Provision for liabilities and charges	14	(100,000)		(100,000)	
			(376,640)		(216,529)
Net assets			1,044,091		1,554,052
Capital and reserves					
Called up share capital	18		100,000		100,000
Retained earnings			944,091		1,454,052
Shareholders' funds			1,044,091		1,554,052

The financial statements were approved by the Board and authorised for issue on 31 March 2021

G Feltham
Director

The notes on pages 14 to 27 form part of these financial statements.

Statement of changes in equity for the year ended 30 April 2020

	Share capital £	Retained earnings £	Total £
At 30 April 2019	**100,000**	**1,454,052**	**1,554,052**
Impact of IFRS 16 Lease transition (note 17)	-	11,929	11,929
At 1 May 2019	**100,000**	**1,465,981**	**1,565,981**
Loss for the year	-	(521,890)	(521,890)
Total comprehensive loss for the year	-	(521,890)	(521,890)
At 30 April 2020	100,000	944,091	1,044,091
1 May 2018	100,000	1,446,780	1,546,780
Comprehensive income for the year			
Profit for the year	-	7,272	7,272
Total comprehensive loss for the year	-	7,272	7,272
At 30 April 2019	100,000	1,454,052	1,554,052

1 Accounting policies

Basis of preparation

These financial statements have been prepared in accordance with Financial Reporting Standard 101 *'Reduced Disclosure Framework'* (FRS 101).

Disclosure exemptions adopted

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

- Certain 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;
- Certain disclosures regarding financial instruments, and
- Certain disclosures regarding revenue from contracts with customers.

The following principal accounting policies have been applied:

Basis of accounting

The financial statements have been prepared under the historical cost convention.

New standards, interpretations and amendments effective from 1 May 2019

New standards impacting the Group that have been adopted in the Group annual financial statements for the year ended 30 April 2020, and which have given rise to the changes in the Company's accounting policies are:

- IFRS 16 Leases issued January 2016 and effective for annual periods beginning on or after 1 January 2019 see note 17

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

Whilst the current year results will be adversely affected by COVID-19, the Company remains confident that while we do not foresee a significant overall growth, we are ideally placed to make the most of the growth opportunities ahead. The Company continues to benefit from last year's restructure as we increase the range of products we offer through new product development and certification. With increasing crime rates and the continued threat of terrorism, our management team has also identified new markets and customers that will firmly position the Company for future growth. As we evolve our product portfolio, we are experiencing positive responses from our customers resulting in good growth in both our quote bank and order book.

Many of our clients operate from critical locations such as hospitals, financial hubs and retail sites such as supermarkets and petrol stations. Our customers often come to us with a requirement for a single product rather than a 'solution', but that can quickly become an opportunity to upsell. We have extensive expertise in every product we sell with highly qualified and experienced technical engineers. This is how we build long-standing client relationships.

1 Accounting policies *(continued)*

Going concern *(continued)*

The Company recognises that there will be a continued impact on the business due to the COVID-19 crisis. As discussed within this report Safetell has undergone reorganisation as a direct response to the changing market factors impacting revenue levels. Based on recent forecasts management expect to achieve an operating profit for the year to April 2021 whilst maintaining a positive cash position. Management expects to continue this improved trend in the year to April 2022 as the new business strategy is rolled out.

Safetell's parent company, Newmark Security PLC has worked closely with our bank (HSBC) and secured financing for the Group via the Coronavirus Business Interruption Loan Scheme ("CBILS") government-backed loan to the value of £2 million. As a result, Safetell has repaid invoice discounting in the year to April 2021 and has the option to obtain funding from its parent company, or by re-utilising its invoice discounting facility and Group overdraft.

Based on the Company's latest trading, future expectations and associated cash flow forecasts, the Directors have considered the Company cash requirements and are confident that the Company will be able to continue trading for a period of at least 12 months following approval of these financial statements.

Turnover

Performance obligations and timing of revenue recognition

Turnover is stated net of value added tax. The majority of the Company's revenue is derived from selling physical security products 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. There is limited judgement needed in identifying the point control passes: once physical delivery of the products to the agreed location has occurred, the Company no longer has physical possession, usually will have a present right to payment and retains none of the significant risks and rewards of the goods in question. For one key customer goods are sold on a bill and hold arrangement. The goods are held in the warehouse until physical delivery is made although control is deemed to have passed as the customer has the ability to direct the use of these goods and obtain the benefit of these. The customer also insures the goods until the time they take physical possession.

The Company provides support and service contracts to customers, which are invoices separately to the noted above and are considered to be distinct performance obligations. Most service revenue is recognised at a point in time and is based on the work completed in any given month. For some smaller contracts it is recognised over time where it is the case that the customer simultaneously receives and consumes the benefit of the service over the life of the contract. This revenue is recognised straight line over the life of the contract.

The Company also provides 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

Turnover 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.

1 Accounting policies *(continued)*

Allocating amounts to performance obligations

For most contracts, there is a fixed unit price for each product or service sold. 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 Company 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.

Financial assets

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

The Company's financial assets comprise trade and other receivables, cash and cash equivalents. Trade and other 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 IFRS9 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 account with the loss being recognised within operating costs in the 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.

Impairment provisions for receivables from related parties and loans to related parties 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 loss 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.

Other financial liabilities

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

1 Accounting policies (continued)

Depreciation

Tangible fixed assets are initially recognised at cost. As well as the purchase price, cost includes directly attributable costs. Depreciation is provided on all items of property, plant and equipment so as to write off their carrying value over their expected useful economic lives on a straight line basis. It is provided at the following rates:

Leasehold improvements	-	over the life of the lease, subject to diminution in value
Plant and machinery	-	over 2 to 10 years
Motor vehicles	-	over 3 years
Fixtures and fittings	-	over 10 years

Stocks and work in progress

Stocks are initially recognised at actual cost, and subsequently at the lower of cost and net realisable value. Net realisable value is based on estimated selling price less additional costs to completion and disposal.

Work in progress includes the cost of direct materials and labour plus attributable overheads based on normal level of activity.

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 Company 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 Company 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 Company; or
- different Company 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.

Dividends

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders.

1 Accounting policies (continued)

Leases

IFRS 16 was adopted 1 May 2019 without restatement of comparative figures. For an explanation of the transitional requirements that were applied see note 17.

The following policies apply subsequent to the date of initial application, 1 May 2019. 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 Company if it is reasonably 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 Company 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 Company 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.

1 Accounting policies (continued)

Foreign currencies

Transactions in foreign currencies are recorded at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date.

All exchange differences are taken to the statement of comprehensive income.

Pension costs

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

Critical accounting estimates and judgements

Customer projects are usually completed within a short timeframe with the revenue being recognised when the work is completed and on invoice. On a small number of projects, the length of the contract may extend to two to three months. In these instances, revenue is recognised over the length of the contract depending on achieving certain milestones. Some judgement is used to recognise the appropriate level of revenue when reviewing milestones.

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 incremental borrowing rate on commencement of the lease is used. This has been determined from a review of leased assets and allocated using a company-wide incremental borrowing rate, one for property and one for other assets. A level of judgement is assumed when using company-wide rates however this was considered appropriate.

The level of inventory provision is reviewed on a quarterly basis. The detailed line by line review considers the historic usage of each line item and the potential future usage. Management applies a level of judgement when considering the potential future usage and therefore the level of provisioning.

A provision for leasehold dilapidations was determined on the initial recognition of leasehold improvements. The extent of cost associated with returning the leasehold property to its original state is an estimate determined by management.

2 Turnover

All turnover is attributable to the manufacture, installation and maintenance of security equipment and was carried out at the following locations:

	2020	2019
	£	£
United Kingdom	5,362,963	8,572,625
Europe	21,551	12,409
Middle East	14,276	18,961
Other	10,404	-
	5,409,194	8,603,995

3 Operating costs

	2020	2019
	£	£
Change in stocks and work in progress	218,251	152,448
Raw materials and consumables	1,306,525	2,682,092
Staff costs (note 5)	2,465,395	3,769,021
Depreciation	280,785	194,060
Other operating charges	1,067,840	1,369,655
Group management charge	427,901	499,623
Operating lease rentals plant and machinery	-	27,394
Operating lease rentals motor vehicles	-	16,773
Operating lease rentals property	-	91,499
(Profit) on disposal of tangible fixed assets	68,233	(32,081)
Loss/(profit) on exchange	6,955	2,639
Release provision against group Company balance	-	(162,217)
	5,841,885	8,610,906

Staff costs include exceptional redundancy costs of £134,110 (2019: £287,572) which were incurred as part of a restructuring within the business to reduce costs in light of the results for the year.

		2020	2019
		£	£
Other operating charges include:			
Auditors' remuneration for	- audit	14,900	16,503
	- tax	4,940	6,232

4 Directors' emoluments

	2020 £	2019 £
Directors' emoluments consist of:		
Aggregate emoluments	325,298	293,833
Company pension contributions	69,793	80,676
	395,091	374,509
Emoluments of the highest paid director:		
Emoluments	141,306	187,687
Amounts paid to Company's defined contribution pension scheme	23,461	38,694

There were three directors in the Company's defined contribution pension scheme during the year (2019-two).

5 Employees

	2020 Number	2019 Number
The monthly average number of employees, including directors, during the year was:		
Sales and management	28	16
Manufacture and installations	25	57
	53	73

	2020 £	2019 £
Staff costs for the above persons were:		
Wages and salaries	2,131,377	3,215,275
Social security costs	204,566	353,483
Other pension costs (see note 16)	129,451	200,263
	2,465,394	3,769,021

6 Interest payable and similar charges

	2020 £	2019 £
On hire purchase	-	4,773
On invoice discounting	5,524	5,236
On leased assets	17,993	-
	23,517	10,009

7 Taxation on loss from ordinary activities

	2020	2019
	£	£
Deferred tax		
Origination and reversal of timing differences	65,682	(23,859)
Adjustments in respect of previous periods	-	-
	65,682	(23,859)
Current tax		
Adjustment in respect of prior years	-	-
Current tax charge	-	-
Tax charge/(credit) on loss from ordinary activities	65,682	(23,859)

Reconciliation of taxation charge

	2020	2019
	£	£
Loss on ordinary activities before taxation	(456,208)	(16,587)
Loss on ordinary activities at the standard rate of corporation tax of 19 % (2019 -19%)	(86,680)	(3,152)
Effects of:		
Expenses/(income) not deductible for tax purposes	15,580	(29,078)
Deferred tax not recognised	71,100	8,371
Adjustment to deferred tax in respect of previous periods	65,682	-
Total tax charge for year	65,682	(23,859)

8 Tangible assets

	Right of use land and buildings	Leasehold improvements	Plant & machinery	Motor vehicles	Fixtures & fittings	Total
	£	£	£	£	£	£
Cost						
Balance at 1 May 2019	-	386,088	452,567	601,728	79,485	1,519,868
Adjustments on transition to IFRS16	431,710	-	-	150,156	-	581,866
Additions	-	74,225	13,649	42,350	1,079	131,303
Disposals	(107,486)	-	(12,350)	(143,307)	(2,630)	(265,773)
At 30 April 2020	324,224	460,313	453,866	650,927	77,934	1,967,264
Depreciation						
Balance at 1 May 2019	-	(381,712)	(397,672)	(371,837)	(64,869)	(1,216,090)
Adjustments on transition to IFRS16	(94,806)	-	-	(35,324)	-	(130,130)
Disposals	25,268	-	12,350	122,012	2,630	162,260
Depreciation	(84,031)	(4,376)	(53,049)	(134,048)	(3,033)	(278,537)
At 30 April 2020	(153,569)	(386,088)	(438,371)	(419,197)	(65,272)	(1,462,497)
Net book value						
At 30 April 2020	170,655	74,225	15,495	231,730	12,662	504,767
At 30 April 2019	-	4,376	54,895	229,891	14,616	303,778

The net book value of plant and machinery and motor vehicles includes an amount of £146,848 (2019 - £229,891) in respect of assets held under finance leases and hire purchase contracts. The related depreciation charge on these assets for the year was £104,099 (2019 - £103,785).

9 Stocks

	2020	2019
	£	£
Finished goods, raw materials and consumables	237,153	503,275
Work in progress	126,631	78,761
	363,784	582,036

There is no material difference between the replacement cost of stocks and the amounts stated above. Finished goods include an amount of £Nil (2019: £Nil) carried at fair value less costs to sell. The amount of inventories consumed in the year was £1,524,776 (2019: £2,834,540). The amount of inventory write downs in the year was £39,843 (2019: £75,580).

10 Debtors

	2020	2019
	£	£
Trade debtors	646,622	1,160,638
Prepayments and accrued income	311,236	255,162
Amounts due from group undertakings	-	425,486
Deferred tax asset (note 15)	146,674	212,356
	1,104,532	2,053,642

11 Creditors: amounts falling due within one year

	2020	2019
	£	£
Trade creditors	447,024	439,496
Amounts owed to group undertakings	135,382	-
Other taxation and social security	165,776	214,358
Obligations under hire purchase	-	94,676
Lease liability	211,912	-
Accruals and deferred income	381,613	988,890
	1,341,707	1,737,420

12 Short term borrowings

	2020	2019
	£	£
Invoice discount account	198,898	30,978

The invoice discount account is secured by a guarantee from the parent Company and fellow subsidiary Company and a fixed and floating charge over the assets of the Company.

13 Creditors: amounts falling due after more than one year

	2020	2019
	£	£
Obligations under hire purchase	-	116,529
Lease liability	276,640	-
	276,640	116,529

14 Provision for liabilities and charges

	Dilapidation Costs £	Total £
At 1 May 2019 and 30 April 2020	100,000	100,000

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 leasehold improvements. This cost was 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.

15 Deferred tax

Deferred tax assets have been recognised in respect of temporary timing differences where the directors believe it is probable that these assets will be recovered.

No deferred tax asset has been recognised in respect of tax losses carried forward of £146,674 (2019: £210,429).

16 Pension and similar obligations

The Company operates a fully insured defined contribution scheme open to all employees and more than half are members. The scheme's assets are held by an insurance Company in a separate trustee administered fund. Both the Company and employees make contributions to the fund.

The contributions made by the Company to the scheme during the year were as follows:

	Pension costs		Accrual	
	30 April 2020 £	30 April 2019 £	30 April 2020 £	30 April 2019 £
Defined contribution scheme	129,451	200,263	-	97

17 Leases

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

	2020 £
Existing liability described as finance leases	211,205
Recognised under transition rules IFRS 16 Leases	439,807
1 May 2019	651,012
Additions	37,832
Interest payments	(17,993)
Interest expense	17,993
Lease payments	(200,292)
Closing balance	488,552

17 Leases *(continued)*

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

There are no significant short-term or variable lease expense payments. Extension options have not been utilised when determining the lease liability with the lease term being considered to the earliest of a break clause or the end of the contract

The lease liability repayment profile is shown below:

	Minimum lease payments £	Interest £	Present value £
Within 1 year	225,897	13,985	211,912
1-2 years	162,521	11,783	150,738
2-3 years	124,627	9,772	114,855
3-4 years	11,820	773	11,047
	524,865	36,313	488,552

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	2		2-3 years	2	-	-	-
Vehicles	16	0-3	1-2 years	-	14	-	-
Other Equipment	4	1-4	2-3 years	-	-	-	-

On implementation of IFRS 16 Leases the modified retrospective approach was adopted, where leases were measured from lease commencement using the discount rate applicable at the date of transition on 1 May 2019. Practical expedients were taken for short-term leases that had less than one year remaining and low value leases. The Company recognised the following adjustments through reserves.

	Plant, plant and equipment £	Lease liabilities £	Reserves £
As at 30 April 2019 – HP finance lease assets and liability	146,848	(211,205)	1,454,052
Impact of IFRS 16 transition	451,736	(439,807)	11,929
As at 1 May 2019	598,584	(651,012)	1,465,981

18 Share capital

	Authorised, allotted, called up and fully paid	
	30 April 2020	30 April 2019
	£	£
100,000 Ordinary shares of £1 each	100,000	100,000

19 Reserves

Retained earnings represents the cumulative amount of retained profits/losses each year as reported in the income statement.

20 Ultimate parent Company

The ultimate and immediate parent Company is Newmark Security PLC, a Company registered in England and Wales. Newmark Security PLC is the parent of both the smallest and largest groups of which the Company is a member. Copies of the parent Company's consolidated financial statements may be obtained from Companies House, Crown Way, Cardiff, CF14 3UZ