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SAFETELL LIMITED

Report and Financial Statements

Year Ended

30 April 2023

Company number 02408884

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Contents

Country of incorporation

England & Wales

Legal form

Private limited Company

Directors

P Campbell-White
M-C Dwek
S-P McCrory
N Shannon

Registered office

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

Company number

02408884

Bankers

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

Auditor

Cooper Parry Group Limited, Sky View, Argosy Road, East Midlands Airport, Castle Donington, DE74 2SA

Principal place of business

United Kingdom

The directors present their report together with the audited financial statements for the year ended 30 April 2023.

Principal activity

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 the NHS, banks, safety deposit centres, stadia, petrol forecourts and police stations.

Directors

The directors of the Company during the year and to the date of approval of these financial statements were:

M-C Dwek
S McCrory
P Campbell-White
N Shannon (appointed 9 January 2023)

Auditor

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 auditor is 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 (2022: £Nil). No final dividend is proposed (2022: £Nil).

Going concern

Based on the Company's latest trading, future expectations and associated cash flow forecasts, the Directors have considered the Company's cash requirements and are confident that the Company will be able to continue trading until at least September 2024 being the going concern period.

During the current year, the Company made a loss after tax of £854,963 in the year (2022: loss of £421,262) and was in a net current liabilities position at year end of £638,945 (2022: net current assets of £248,760).

During the year to 30 April 2024, the Company is forecasting a return to profitability as a result of an expected increase in sales and gross margins, partially offset by inflationary and operational increases in overheads. The forecast growth in revenues is a result of the execution of the Company's strategic business plan to diversify from the Company's traditional bank and building society market. The Company has started the year to 30 April 2024 with a significant increase in confirmed orders year on year.

The Company expects to continue to utilise its available invoice financing facility to aid with operational cash flows. In January 2023 this HSBC facility was increased to £1.0 million generating funds based on 91% of the value of invoices raised.

However due to the reliance on Group financing, the Company may require support from its Parent Company, Newmark Security PLC, including access to shared financing facilities. Newmark Security PLC has provided a letter of support to the Company confirming continued financial support as required to meet liabilities as they fall due for at least the going concern review period.

Going concern *(continued)*

In order to confirm that this support can be provided from the Parent Company, the Company's directors have reviewed the available financing facilities for the Group and Group forecasts to September 2024. Newmark Security PLC continues to work closely with its bank (HSBC) and regularly reviews the cash flow needs of the Group against the facilities secured.

In August 2020, the Group secured a £2 million financing facility from its bankers, HSBC, via the Coronavirus Business Interruption Loan Scheme ("CBILS"). This loan is for a term of 6 years, with the first year being interest, repayment and covenant free under the Business Interruption Payment scheme. The interest is fixed at 4.69%. Repayments are made monthly. The original covenant required the Group to deliver a pre-debt service cashflow of 1.2 times the level of debt service commencing for the year end 30 April 2022, based on audited accounts. As a result of the Strategic Business Plan certain investments were identified and factored into a forward looking model. Management identified that the investments and cash outlay may result in a potential default of the covenant and therefore the Directors agreed a waiver of the debt service ratio to be replaced by a Tangible Net Worth ("TNW") test applicable for the year ended 30 April 2022 based on audited accounts. This test used the calculation of Net Assets less Intangible Assets and required the result to exceed £3.1 million. In the year ended 30 April 2022 profitability and cashflows were significantly impacted by the COVID-19 pandemic, increase in freight costs and the global componentry shortage as the Group had to increase stock levels to meet anticipated demand and pay higher prices for many components. As a result of this, in January 2022, HSBC agreed to a waiver of the year ended 30 April 2022 covenant calculation. For the year ended 30 April 2023 the covenant returned to the original pre-debt service cashflow of 1.2 times the level of debt service commencing, based on audited accounts. The 2023 calculation was 1.45 so 121% of the target. No other financing facilities of the Group have any covenant requirements.

In January 2023, the Group increased its UK HSBC invoice financing facility to £2.3 million to provide additional working capital headroom. At 30 April 2023, £2.0 million was being utilised. In February 2022, the Group secured a 3 year $2 million invoice financing facility with Seacoast National Bank against invoices raised from our US operation. At 30 April 2023, $0.6 million of the facility was being utilised. The level of invoice financing available varies with the open book of trade debtors at any point in time and therefore the level of financing fluctuates.

At 30 April 2023 the Group had a £0.2 million overdraft facility with its bankers, HSBC, although none was utilized as the Group had a positive bank balance of £0.6 million at year end. This overdraft facility increased to £0.4 million on 27 July 2023.

The Group's going concern assessment is based on the Group continuing to generate operating cashflows in the year to 30 April 2024 ("FY24").

The latest forecast of the Group results in exceeding the debt service covenant test by 48% and will be tested more fully when a revised forecast is completed in October. As a consequence of the revised forecast findings, the Group would explore the existing covenant test level with our Banking partners, HSBC, should the covenant headroom fall short of the target. Further scenario testing and sensitivity analysis was completed to model certain criteria that would indicate a potential covenant breach against the latest formally approved budget. Given the 48% headroom in the latest covenant calculation it would take a large reduction in Gross Material Margin to cause in a covenant breach at April 2024. Management are confident that the shortfalls will not occur but are undertaking regular reviews and forecasts to ensure this.

The Group is currently trading ahead of budget and continues to generate operating cashflows in FY24.

Management are confident that the Group would be able to meet loan repayments and working capital needs. The Group is expected to be able to operate within existing finance facilities, based on Management's detailed monthly cashflow forecasts to September 2024. Should profits or cashflow movements fall behind expectations in this period the Group expects to be able to utilise more of its current UK and US invoice financing facilities and also extend the overdraft facility.

Based on the above assessment of results and available financing, the financial statements have been prepared on the going concern basis.

Small companies' exemption

The Company has taken advantage of the small companies' exemption under section 419 (2) of the Companies Act 2006 in preparing these financial statements.

Approval

This directors' report was approved by order of the Board on 25 September 2023.

DocuSigned by:
Paul Campbell-White
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P Campbell-White
Director

Directors' responsibilities

The directors are responsible for preparing 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), including Financial Reporting Standard 101 'Reduced Disclosure Framework' ('FRS 101'). 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 2023 which comprise the Statement of Comprehensive Income, Balance Sheet, Statement of Changes in Equity, and the notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 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 2023 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- 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

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

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

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

Other information

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

We have nothing to report in this regard.

Opinion 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 Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Directors' Report has 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 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 no received all the information and explanations we require for our audit;
- the directors were not entitled to prepare the financial statements in accordance with the small company's regime and take advantage of the small companies' exemptions in preparing the directors' report and from the requirement to prepare a strategic report.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement as set out on page 4, 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.

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

Our assessment focused on key laws and regulations the company has to comply with and areas of the financial statements we assessed as being more susceptible to misstatement. These key laws and regulations included but were not limited to compliance with the Companies Act 2006, United Kingdom Generally Accepted Accounting Practice (UK GAAP) and relevant tax legislation.

Auditor's responsibilities for the audit of the financial statements (continued)

We are not responsible for preventing irregularities. Our approach to detecting irregularities included, but was not limited to, the following:

- obtaining an understanding of the legal and regulatory framework applicable to the entity and how the entity is complying with that framework;
- obtaining an understanding of the entity's policies and procedures and how the entity has complied with these, through discussions and sample testing of controls;
- obtaining an understanding of the entity's risk assessment process, including the risk of fraud;
- designing our audit procedures to respond to our risk assessment; and
- performing audit testing over the risk of management override of controls, including testing of journal entries and other adjustments for appropriateness, evaluating the business rationale of significant transactions outside the normal course of business; and
- reviewing accounting estimates for bias, specifically around the recognition of deferred tax assets.

Whilst considering how our audit work addressed the detection of irregularities, we also consider the likelihood of detection based on our approach. Irregularities arising from fraud are inherently more difficult to detect than those arising from error.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of non-compliance. The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation. We are not responsible for preventing non-compliance and cannot be expected to detect non-compliance with all laws and regulations.

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

Use of this 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 auditors' 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.

Cooper Parry Group Limited

Melanie Hopwell (Senior Statutory Auditor)

For and on behalf of
Cooper Parry Group Limited
Statutory Auditor
Sky View,
Argosy Road,
East Midlands Airport,
Castle Donington
Derby,
DE74 2SA

Date: 25 September 2023

Statement of comprehensive income for the year ended 30 April 2023

	Note	2023 £	2022 £
Turnover	2	4,739,692	4,586,291
Operating costs	3	(5,717,404)	(5,069,204)
Operating loss before exceptional items		(977,712)	(482,913)
Exceptional redundancy costs	3	-	(50,958)
Operating loss		(977,712)	(533,871)
Interest payable and similar charges	6	(57,773)	(18,823)
Loss before taxation		(1,035,485)	(552,694)
Taxation	7	180,522	131,432
Loss after taxation and total comprehensive loss		(854,963)	(421,262)

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 11 to 26 form part of these financial statements.

Balance sheet as at 30 April 2023

Company number 02408884

	Note	2023 £	2023 £	2022 £	2022 £
Non-current assets					
Tangible fixed assets	8		634,870		424,808
Deferred tax	15		213,844		166,527
			848,714		591,335
Current assets					
Stocks	9	483,781		405,068	
Debtors	10	2,362,920		694,069	
Cash at bank and in hand		43,686		423,600	
		2,890,387		1,522,737	
Creditors: amounts falling due within one year					
Creditors	11	(2,328,238)		(814,685)	
Short term borrowings	12	(1,201,094)		(459,292)	
		(3,529,332)		(1,273,977)	
Net current (liabilities)/assets			(638,945)		248,760
Total assets less current liabilities			209,769		840,095
Creditors: amounts falling due after more than one year	13	(327,683)		(108,160)	
Provision for liabilities and charges	14	(100,000)		(100,000)	
			(427,683)		(208,160)
Net (liabilities)/assets			(217,914)		631,935
Capital and reserves					
Called up share capital	18		100,000		100,000
Retained earnings	20		(317,914)		531,935
Shareholders' funds			(217,914)		631,935

The Company has taken advantage of the small companies' exemption under section 419 (2) of the Companies Act 2006 in preparing these financial statements. The notes on pages 11 to 26 form part of these financial statements.

The financial statements were approved by the Board and authorised for issue on 25 September 2023.

DocuSigned by:

Paul Campbell-White

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P Campbell-White
Director

Statement of changes in equity for the year ended 30 April 2023

	Share capital £	Retained earnings £	Total £
At 30 April 2022	**100,000**	**531,935**	**631,935**
Loss for the year	-	(854,963)	(854,963)
Share based payments	-	5,114	5,114
Total comprehensive loss for the year	-	(849,849)	(849,849)
At 30 April 2023	**100,000**	**(317,914)**	**(217,914)**
At 1 May 2021	100,000	953,197	1,053,197
Loss for the year	-	(421,262)	(421,262)
Total comprehensive loss for the year	-	(421,262)	(421,262)
At 30 April 2022	100,000	531,935	631,935

The notes on pages 11 to 26 form part of these financial statements.

1 Accounting policies

Safetell Limited (the Company) is a private limited company, limited by shares and registered in England and Wales. The registered number is 02408884. A description of the Company's operations and principal activities is included within the Director's report. The principal place of business is Unit 46, Fawkes Avenue, Dartford, Kent, DA1 1JQ.

The financial statements are prepared in Sterling (£). The financial statements are for the year ended 30 April 2023 (2022: year ended 30 April 2022).

Basis of preparation

These financial statements have been prepared in accordance with Financial Reporting Standard 101 *'Reduced Disclosure Framework'* (FRS 101) and the Companies Act 2006.

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:

- disclosures in relation to the objectives, policies and process for managing 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 instrument disclosures as required by IFRS7 *Financial Instruments: Disclosures*; and
- certain disclosures required under IFRS 15 *Revenue from Contracts with Customers*, including disaggregation of revenue, details of changes in contract assets and liabilities, and details of incomplete performance obligations.

The following principal accounting policies have been applied consistently:

Basis of accounting

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

New standards, interpretations and amendments effective from 1 May 2022

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

Going concern

Based on the Company's latest trading, future expectations and associated cash flow forecasts, the Directors have considered the Company's cash requirements and are confident that the Company will be able to continue trading until at least September 2024 being the going concern period.

During the current year, the Company made a loss after tax of £854,963 in the year (2022: loss of £421,262) and was in a net current liabilities position at year end of £638,945 (2022: net current assets of £248,760).

During the year to 30 April 2024, the Company is forecasting a return to profitability as a result of an expected increase in sales and gross margins, partially offset by inflationary and operational increases in overheads. The forecast growth in revenues is a result of the execution of the Company's strategic business plan to diversify from the Company's traditional bank and building society market. The Company has started the year to 30 April 2024 with a significant increase in confirmed orders year on year.

1 Accounting policies *(continued)*

Going concern (continued)

The Company expects to continue to utilise its available invoice financing facility to aid with operational cash flows. In January 2023 this HSBC facility was increased to £1.0 million generating funds based on 91% of the value of invoices raised.

However due to the reliance on Group financing, the Company may require support from its Parent Company, Newmark Security PLC, including access to shared financing facilities. Newmark Security PLC has provided a letter of support to the Company confirming continued financial support as required to meet liabilities as they fall due for at least the going concern review period.

In order to confirm that this support can be provided from the Parent Company, the Company's directors have reviewed the available financing facilities for the Group and Group forecasts to September 2024. Newmark Security PLC continues to work closely with its bank (HSBC) and regularly reviews the cash flow needs of the Group against the facilities secured.

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The latest forecast of the Group results in exceeding the debt service covenant test by 48% and will be tested more fully when a revised forecast is completed in October. As a consequence of the revised forecast findings, the Group would explore the existing covenant test level with our Banking partners, HSBC, should the covenant headroom fall short of the target. Further scenario testing and sensitivity analysis was completed to model certain criteria that would indicate a potential covenant breach against the latest formally approved budget. Given the 48% headroom in the latest covenant calculation it would take a large reduction in Gross Material Margin to cause in a covenant breach at April 2024. However, management are confident that the shortfalls will not occur but are undertaking regular reviews and forecasts to ensure this.

The Group is currently trading ahead of budget and continues to generate operating cashflows in FY24.

1 Accounting policies *(continued)*

Going concern (continued)

Management are confident that the Group would be able to meet loan repayments and working capital needs. The Group is expected to be able to operate within existing finance facilities, based on Management's detailed monthly cashflow forecasts to September 2024. Should profits or cashflow movements fall behind expectations in this period the Group expects to be able to utilise more of its current UK and US invoice financing facilities and also extend the overdraft facility.

Based on the above assessment of results and available financing, the financial statements have been prepared on the going concern basis.

Turnover

Performance obligations and timing of revenue recognition

Turnover is stated net of value added tax. Approximately two thirds 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.

The Company provides support and service contracts to customers, which are invoiced separately to those noted above and are considered to have 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.

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.

1 Accounting policies (continued)

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.

Financial liabilities

Financial liabilities are obligations to pay cash and are recognised when the Company becomes a party to the contractual provisions of the instrument. The Company's financial liabilities comprise trade payables, accruals, invoice financing account and amounts owed to group undertakings. All financial liabilities are measured initially at fair value and subsequently at amortised cost using the effective interest method.

Tangible fixed assets

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

Valuation of investments

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

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.

Taxation

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

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

1 Accounting policies *(continued)*

Current tax

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

Deferred taxation

Deferred tax assets and liabilities are recognised where the carrying amount of an asset or liability in the balance sheet differs from its tax base.

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.

Leases

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

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Company;
- the Company has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract; and
- the Company has the right to direct use of the identified asset throughout the period of use. The Group assesses whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

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

1 Accounting policies (continued)

Leases *(continued)*

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; and
- 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 the statement of comprehensive income.

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.

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.

1 Accounting policies (continued)

Holiday pay provision

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

Exceptional items

Exceptional items are those that in management's judgement need to be disclosed separately by virtue of their size or incidence in order to provide greater visibility of the underlying results of the business and which management believes provide additional meaningful information in relation to ongoing operational performance.

Critical accounting estimates and judgements

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below

Estimates

1. Cash forecasts used for going concern review
   Management uses judgement to estimate the extent and timing of future cashflows. These forecasts are used to assess the going concern within the review period to April 2023 based on approved cash and performance projections to September 2025.
2. Inventory provision - 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. Note 9 summaries the stock valuation at the year-end date.
3. 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 (see note 14).

Judgement

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

2 Turnover

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

	2023 £	2022 £
United Kingdom	4,719,166	4,579,381
Europe	15,273	-
Middle East	253	6,910
Rest of the world	5,000	-
	4,739,962	4,586,291

3 Operating costs including exceptional items

	2023 £	2022 £
Raw materials and consumables	1,906,807	1,316,987
Staff costs (note 5)	2,452,096	2,115,063
Depreciation	229,842	230,813
Other operating charges	801,704	1,036,438
Group management charge	350,000	450,996
Profit on disposal of tangible fixed assets	(25,396)	(30,135)
Profit on foreign exchange	2,351	-
Operating costs including exceptional items	5,717,404	5,120,162
Less exceptional items:		
Exceptional redundancy costs	-	(50,958)
Operating costs excluding exceptional items	5,717,404	5,069,204

		2023 £	2022 £
Other operating charges include:			
Auditor's remuneration for	- audit	25,000	27,000
	- tax	-	4,500

4 Directors' emoluments

	2023 £	2022 £
Aggregate emoluments	166,252	107,596
Emoluments of the highest paid director:		
Aggregate emoluments	111,688	107,596
Amounts paid to Company's defined contribution pension scheme	8,007	5,289

There were two directors in the Company's defined contribution pension scheme during the year (2022 - one). Total director pension contributions during the year were £8,007 (2022 - £5,289).

The other directors of the Company are also directors of Newmark Security PLC and are paid by this Company in the current and prior year.

5 Employees

	2023 Number	2022 Number
The monthly average number of employees, including directors, during the year was:		
Sales, administration and management	19	18
Manufacture and installations	25	23
	44	41

	2023 £	2022 £
Staff costs for the above persons were:		
Wages and salaries	2,127,425	1,833,252
Social security costs	232,678	188,546
Defined contribution pension costs (see note 16)	91,993	93,265
	2,452,096	2,115,063

6 Interest payable and similar charges

	2023 £	2022 £
Invoice financing	31,972	8,270
On leased assets (note 17)	14,253	10,276
Other interest	11,548	-
	57,773	18,546

7 Taxation

	2023 £	2022 £
Deferred tax		
Origination and reversal of timing differences	3,671	(48,315)
Effect of change in corporation tax rate	-	(19,478)
Adjustment in respect of prior years	(50,987)	16,361
Deferred tax credit	(47,316)	(51,432)
Current tax		
Adjustment in respect of prior years	(121,533)	(24,654)
Credit on loss for the year	(11,673)	(55,346)
Current tax credit	(133,206)	(80,000)
Tax credit on loss	(180,522)	(131,432)

7 Taxation on loss *(continued)*

Reconciliation of taxation charge	**2023**	**As restated 2022**
	£	**£**
Loss before taxation	(1,035,485)	(552,694)
Loss on ordinary activities at the standard rate of corporation tax of 19.49% (2022 - 19%)	(201,816)	(105,012)
Effects of:		
Research and development allowances	(8,869)	(23,678)
Income not deductible for tax purposes	2,813	(384)
Deferred tax not recognised	193,793	25,413
Corporation tax change	-	(19,478)
Adjustments for tax credit relating to previous periods	(121,533)	(8,293)
Fixed asset differences	2,058	-
Difference in corporation tax rate and SME regime credit rate	4,019	-
Adjustments to tax charge for previous periods – deferred tax	(50,987)	-
Total tax credit for year	(180,522)	(131,432)

The comparative figures within the reconciliation from the standard rate of tax to the effective rate of tax for the company have been restated in order to more fairly reflect the nature of reconciling items. This restatement has no impact on the tax charge, profit after tax or net assets.

Deferred tax

Deferred tax is calculated on temporary differences using an expected tax rate at the expected dates that temporary differences are expected to reverse. This is 19% for the period to April 2023 and 25% thereafter (2022: 19%). The March 2021 Budget announced an increase to the main rate of corporation tax to 25% from 1 April 2023 and was substantively enacted in May 2021. The £19,478 increase in net deferred tax assets as a result of this change in tax rate is recorded in the year ended 30 April 2022.

8 Tangible fixed assets

	Right of use land and buildings £	Leasehold improvements £	Right of use plant & machinery £	Owned plant & machinery £	Right of use motor vehicles £	Owned motor vehicles £	Fixtures & fittings £	Total £
Cost								
Balance at 1 May 2022	229,417	346,771	108,713	514,879	371,347	64,311	74,697	1,710,135
Additions	325,575	-	57,316	9,876	70,400	-	-	463,167
Transfers	-	-	-	-	(17,360)	17,360	-	-
Disposals	(229,417)	-	(107,259)	(23,954)	(140,590)	-	-	(501,220)
At 30 April 2023	325,575	346,771	58,770	500,801	283,797	81,671	74,697	1,672,082
Depreciation								
Balance at 1 May 2022	(176,288)	(285,617)	(68,217)	(417,298)	(207,963)	(64,311)	(65,633)	(1,285,327)
Transfers	-	-	-	-	17,360	(17,360)	-	-
Disposals	229,417	-	76,167	23,954	145,949	-	-	475,487
Depreciation	(64,130)	(19,097)	(16,955)	(39,755)	(83,969)	-	(3,466)	(227,372)
At 30 April 2023	(11,001)	(304,714)	(9,005)	(433,099)	(128,623)	(81,671)	(69,099)	(1,037,212)
Net book value								
At 30 April 2023	314,574	42,057	49,765	67,702	155,174	-	5,598	634,870
At 30 April 2022	53,129	61,154	40,496	97,581	163,384	-	9,064	424,808

9 Stocks

	2023	2022
	£	£
Finished goods, raw materials and consumables	390,962	240,440
Work in progress	92,819	164,628
	483,781	405,068

There is no material difference between the replacement cost of stocks and the amounts stated above. The amount of inventory provision movement charged to the statement of comprehensive income in the year was £14,609 (2022: £70,579 credit). Provisions of £157,731 (2022: £143,122) are allocated to finished goods, raw materials and consumables. The amount of inventories consumed in the year was £1,792,403 (2022: £1,398,000).

10 Debtors

	2023	2022
	£	£
Trade debtors	1,851,389	450,483
Prepayments and accrued income	322,975	188,236
Current tax	188,556	55,350
	2,362,920	694,069

All amounts shown under debtors are due to be received within one year. The credit risk associated with trade receivables is managed through the Company's standard credit processes. The directors consider that the carrying amount of trade receivables approximates to their fair value.

11 Creditors: amounts falling due within one year

	2023	2022
	£	£
Trade creditors	602,891	208,949
Amounts owed to group undertakings	438,592	137,811
Other taxation and social security	459,480	121,417
Accruals and deferred income	758,369	241,949
Other creditors	68,906	104,559
	2,328,238	814,685

Amounts owed to group undertakings are unsecured, interest free and repayable on demand.

12 Short term borrowings

	2023	2022
	£	£
Lease liability	194,577	136,587
Invoice financing account	1,006,517	322,705
	1,201,094	459,292

12 Short term borrowings (continued)

The invoice financing facility 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

	2023	2022
	£	£
Lease liability	327,683	108,160
	327,683	108,160

14 Provision for liabilities and charges

	Dilapidation Costs	Total
	£	£
At 1 May 2022 and 30 April 2023	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 all temporary timing differences giving rise to deferred tax assets if it is probable that these assets will be recovered. The movements in deferred tax assets and liabilities (prior to the offsetting of balances within the same jurisdiction as permitted by IAS12) during the year are shown below. Deferred tax assets and liabilities are only offset where there is a legally enforceable right of offset and there is an intention to settle the balances net.

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

	Available losses	Fixed assets and other temporary differences	Total
	£	£	£
Asset			
At 1 May 2022	81,158	85,370	166,528
Statement of comprehensive income credit	-	47,316	47,316
At 30 April 2023	81,158	132,686	213,844
Asset			
At 1 May 2021	-	115,096	115,096
Statement of comprehensive income credit/ (charge)	81,158	(29,726)	51,432
At 30 April 2022	81,158	85,370	166,528

15 Deferred tax *(continued)*

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

No deferred tax asset has been recognised in respect of tax losses carried forward of £1,425,054 (2022: £732,171) due to the uncertainty of the timing of future profits.

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		Creditor	
	30 April 2023	30 April 2022	30 April 2023	30 April 2022
	£	£	£	£
Defined contribution pension scheme	91,993	93,265	35,279	14,547

17 Leases

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

	2023	2022
	£	£
Opening balance	244,747	337,204
Additions	453,292	91,313
Interest payments	(14,253)	(10,276)
Interest expense	14,253	10,276
Lease payments	(148,324)	(183,770)
Lease disposals	(32,002)	-
Remeasurement	4,547	-
Closing balance	522,260	244,747

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.

17 Leases *(continued)*

The lease liability repayment profile is shown below:

	Minimum lease payments £	Interest £	Present value £
Within 1 year	163,682	30,895	194,577
1-2 years	139,734	18,825	158,559
2-3 years	139,138	7,670	146,808
3-4 years	20,799	964	21,763
4-5 years	550	3	553
	463,903	58,357	522,260

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

	Number of right of use assets leased	Range of remaining term (years)	Average remaining lease term (years)	Number of leases with option to purchase	Number of leases with termination option
Office Building	1	2-3	2-3	-	1
Vehicles	13	0-4	1-3	8	-
Other Equipment	2	0-4	1-3	-	1

18 Share capital

	Authorised, allotted, called up and fully paid 30 April 2023 £	30 April 2022 £
100,000 Ordinary shares of £1 each	100,000	100,000

19 Reserves

Share capital represents the nominal value of shares issued.

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

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 91 Wimpole Street, London, W1G 0EF.

21 Contingent liabilities

Newmark Security PLC group of companies, including Safetell Limited, have entered into overdraft and invoice financing facilities with HSBC which are cross-guaranteed by Newmark Security PLC group companies.

22 Subsequent events

The Directors are not aware of any material events which occurred after the reporting date of these financial statements which will significantly affect the financial position of the Company or the results of its operation.