GROSVENOR TECHNOLOGY LIMITED

Report and Financial Statements

Year ended

30 April 2019

Company number: 2412554

GROSVENOR TECHNOLOGY LIMITED

Report and financial statements for the year ended 30 April 2019

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Country of incorporation
England & Wales

Legal form
Private limited company

Directors
E J Dew
M-C Dwek
A Rainforth
M Rapoport
C J Leatherbarrow
G Feltham
P Brennan

Secretary and registered office
G Feltham, 91 Wimpole Street, London W1G 0EF

Company number
2412554

Bankers
HSBC PLC, 59 Old Christchurch Road, Bournemouth, Dorset, BH1 1EH

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

Principal place of business
United Kingdom

Business model

The company comprises two main product streams, being the design and distribution of:

- access control (AC) systems (hardware and software); and
- human capital management (HCM) hardware, for time-and-attendance, shop-floor data collection, and access control systems.

Both activities have their own design teams creating products to meet the demands of their own markets and specific needs of customers. That said, the business increasingly sees synergies between the two lines of business as end user needs are driving convergence of both AC and HCM. In addition centralised sales and marketing, purchasing, dispatch and finance functions supplement the requirements of both activities. Manufacturing is mainly performed by external contractors using our intellectual property.

The majority of our access control customers are security installation companies dealing directly with end users. For HCM equipment, the majority of our customers are value-added resellers (VARs) dealing with either installation companies or end users. The company also has the capability to work on special projects directly with end users, assisting with the design and specification of systems to meet specific customer requirements. These tend to be larger contracts where the end user needs to ensure that their specifications are fully met.

Financial review

Human Capital Management HCM

Revenues from HCM increased by 99% from £3,434k to £6,847k. The split we identified between North American and other HCM solutions providers, in terms of their specific needs and drivers, continues. This has allowed the business to be much more tailored in its approach to each market and that strategy continues to bear fruit.

In the US, where the HCM sector (and consequently each of its sub-sectors) is larger, growth has been aided by increasing the scope of services offered, particularly in the areas of data protection and management. Increasingly HCM providers are now choosing Grosvenor to provide a range of services on a subscription Software-as-a-Service (SaaS) basis and this is expected to increase revenues from the modest levels achieved since its inauguration in late 2018/19. These services allow our clients to add greater value to their end-user clients and better aligns our commercial model with that of our customers' downstream sales model, which itself is often on a subscription basis.

Elsewhere, the HCM sector remains less mature and of smaller scale. In Europe, for example, HCM providers often look to adjacent technology sectors to allow them to offer additional services downstream. Grosvenor's Access Control line of business has been a further driver of revenues within the HCM customer base as synergies between the product and services offerings have facilitated our cross-sale approach. Other than in the US, there were no significant major end-user projects, which have been a feature of prior periods, but organic growth was shown across the majority of existing clients. Negotiations began with several large HCM providers based in Europe and Australia, with a view to providing a range of hardware and software as a service, and those negotiations will continue into the current financial year.

The US continues to provide exciting opportunities for both software and hardware sales and is expected to continue to grow in the current financial year.

Access Control

Overall, AC revenues increased 6% to £4,075k (2018: £3,842k).

As reported last year, the legacy Janus platform has now been retired and the End-User upgrade programme to the later Sateon platform has now been completed. The decline in Janus revenues, however, was less pronounced than in the previous period, with sales at £1,218k (2018: £1,254) a decrease of 2.9%. Revenues are expected to continue to decline in future periods in line with the reduced demand for the legacy hardware.

Following the trend seen in previous periods, Sateon revenues grew 8.8%, reaching £2,817k (2018: £2,588k). As anticipated, the final release of this AC platform was made available during the year and no further development is being carried out other than essential maintenance. The focus is now on maintaining revenues at the current level with existing customers.

Towards the end of the financial year Grosvenor released its new platform Janus C4, an Integrated Security Management and Access Control product aimed at the increasing industry demand for single-platform, multi-discipline solutions. The software was developed in collaboration with a third party company and utilises the Grosvenor Advance hardware that has proved successful on the Sateon platform.

Strategy

Grosvenor is focused on delivering growth through the development of new products providing customers with business efficiency, peace of mind and flexibility through innovative technology. Our multi-regional exposure to customer needs informs both product design and ongoing product maintenance.

Grosvenor's diverse and evolving edge device product portfolio, of both access control and human capital management hardware solutions, means we are well positioned to capitalise on the crossover between these two aspects of electronic and data security. Continued investment ensures that the company stays at the forefront of this marketplace.

Long term strategies are in place to increase recurring revenues through the provision of more cloud-based services on an ongoing basis, particularly in the HCM sector. It is expected that this will deliver greater shareholder value over time as both quantity and quality of earnings increase through this strategy.

Grosvenor is well positioned with a roadmap which builds on our core competencies of technical excellence, agility and customisable products. With focus on HCM markets in the US, Europe, the Middle East and Africa ("EMEA") and access control generally, we are leveraging market growth and emerging trends and opportunities driven by both legislative and technological change.

HCM

Cloud and Software Platforms

Across 2018 and 2019 to date Grosvenor continued to invest in developing the Cloud SaaS Platform - 'GT Services'. Utilising Microsoft's 'Azure' Cloud PaaS (Platform as a Service), GT Services offer a highly secure and scalable platform to manage Grosvenor Time Clocks, securely enrol, transmit/disseminate and store. Personal Identifiable Information including Biometric Templates (PII). GT Services encompasses a powerful set of Clock and Data management tools to remotely provision, configure, manage and maintain Clocks. This significantly lowers the cost of ownership, providing users with proactive service irrespective of geography.

Our connected GT Services SaaS platform offers existing partners a compelling migration option from legacy 'on premise' solutions. Usage data collected from these edge devices provides analytical data and metrics on product usage, driving proactive maintenance and product roadmap design.

A key industry driver is currently, and is likely to remain, the regulation and legislation around PII. As the proliferation of biometric data-capture continues, how this data is treated remains an evolving situation. The EU and other regions operating under General Date Protection Regulation ("GDPR") currently has one standard approach to handling PII. The US however, has varying legislation on a state-by-state basis, this causing significant challenges for HCM practitioners operating 'cross-state'.

Over the current financial year, Grosvenor will continue to invest in the development of the GT Services platform focusing on key pain points for our channel partners of PII security and regulatory compliance with GDPR and state-by-state biometric legislation in the US. This will offer key features such as recording consent of PII enrolment, encrypted storage and transmission of PII and tools to both facilitate information requests and erasure of unwanted PII. Grosvenor are now focusing all development of these services into Cloud based GT Services and as a result will no longer develop legacy on premise solutions.

The GT Services platform to be developed over the current financial year will build on this and offer a solution onto which future value-added services will be added. This abstracted and extensible approach offers an almost unlimited ability to integrate with other HCM partners software solutions, through Cloud to Cloud or Cloud to On Prem mechanisms. Putting security, redundancy and flexibility at the core of this platform is key to its broad appeal as a vehicle for partner value added solutions.

Hardware Platforms

Grosvenor also continues to invest in developing its range of Time Clocks and this remains a key pillar of HCM growth strategy. The GT10 Android based platform has seen significant success and Grosvenor continues to build out the value-added software suite which accompanies the Android clock.

The GT4 mid-range Linux offering was launched in the second quarter of 2019. This will offer a significantly enhanced user experience, capacity and performance gain over the IT31 which it supersedes, and which will be discontinued in due course.

Grosvenor believes that the innovative approach being taken to managing this connected estate of edge devices also offers significantly improved performance and data security whilst reducing production costs. This strategy intertwines with the business's desire to transition to a SaaS business model as customers increasingly derive additional benefit from having Grosvenor hardware continuously cloud connected.

Access Control

Software Platforms - Janus C4

In February 2019 Grosvenor launched the Janus C4 Access Control product. This Integrated Security Solution comes to the market with several key innovations, designed to provide an open integration platform with highly extensible architecture. This is fast following a growing industry trend to extend traditional 'narrow' Access Control solutions to broader integrated security management systems.

Access Control Hardware Platforms – Advance

The Advance hardware platform remains a key pillar in Grosvenor's Access Control offering. The Advance hardware platform is modular and multipurpose and now spans several distinct Grosvenor Access Control software offerings; Sateon Advance, Janus C4 and Cloud Enabled OEM variant.

The Advance hardware platform, with embedded Linux operating system has enabled Grosvenor to develop powerful "Open Protocol" industry standards REST Application Programmer Interfaces ('API's') for third party integration. This facilitates support for the latest secure Open Supervised Device Protocol ('OSDP'). OSDP is the most contemporary and secure encrypted and performant reader solution available in the global Access Control market. Janus C4 and Advance OEM both fully support the latest OSDP standards.

Another key development for the current financial year includes built-in RS485 Protocol communications to support legacy wiring infrastructure, thus making the solution capable of being retrofitted into existing legacy buildings as well as the very latest "IP" or "Cloud" infrastructures.

Key performance indicators

The directors monitor the company's overall performance against operating plans and financial budgets. Key performance indicators (KPIs) are used to monitor performance and are reviewed on a regular basis. A key performance indicator is turnover which increased from £7,276,137 to £10,922,171.

Another KPI, gross profit, increased from £1,890,181 (before exceptional provision against development costs of £698,449) to £3,899,894. After the exceptional provisions against development costs, gross profit was £3,899,894 (2018: £1,191,732).

Statement of financial position

The company's balance sheet as detailed on page 14 shows a satisfactory position, with shareholder's funds amounting to £1,908,114 (2018: £1,584,984).

Principal risks and uncertainties

Sales of new products

The company has incurred substantial expenditure on new developments based on market intelligence but a risk exists due to the dynamic nature of the market itself. The company mitigates this risk by carrying out customer trials and ascertaining features required by customers.

Input prices and availability

Operating performance is impacted by the pricing and availability of its key inputs, which include electronic components. 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 after the Brexit vote as a result of the fall in value of the pound and this uncertainty continues.

The Board have 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 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 audits the quality control systems are reviewed and improved on an on-going basis to ensure that the company is addressing the control environment around product and process development.

Approval

This strategic report was approved by order of the Board on 12 December 2019.

A Rainforth
Director
12 December 2019

GROSVENOR TECHNOLOGY LIMITED

Report of the directors for the year ended 30 April 2019

The directors present their report together with the audited financial statements for the year ended 30 April 2019.

Results and dividends

No interim dividend was paid in the year (2018: £Nil). No final dividend is proposed (2018: £Nil).

Directors

The directors of the company during the year were:

B G Beecraft (Resigned 30 October 2019)
E J Dew
M-C Dwek
M Rapoport
A Rainforth
C J Leatherbarrow (Appointed 30 October 2018)
G Feltham (Appointed 30 October 2019)
P Brennan (Appointed 1 November 2019)

M-C Dwek, B G Beecraft, and M Rapoport were also directors of the ultimate parent company, Newmark Security PLC.

Financial instruments

Credit risk

Credit risk is the risk of financial loss to the company if a customer fails to meet its contractual obligations. The company is mainly exposed to credit risk from credit sales. It is company policy to assess the credit risk of new customers before accepting orders. Each new customer is analysed individually for creditworthiness before the company's payment and delivery terms and conditions are offered. Purchase limits are established for each customer, which represents the maximum open amount without requiring approval.

The creditworthiness of all customers is monitored continuously by credit control staff and a monthly receivables ageing analysis is circulated to board members and sales staff for comment and updated information. Existing customers that become "high risk" due to, for example, delays in payments are placed on a restricted customer list and future credit sales are made only with approval of the local management, otherwise payment in advance is required.

Liquidity risk

Liquidity risk arises from the company's management of working capital and is the risk that the company will encounter difficulty in meeting its financial obligations as they fall due. The company is part of the parent company's overdraft banking facility and the daily bank balances are reported to the Group Finance Director. At the financial year end, the Board receives a budgeted cash flow projection by month for the following year, and each month receives a monthly and year to date cash flow report with variances against that budget. At the end of the financial year the projections indicate that the company expects to have sufficient liquid resources to meet its obligations under all reasonably expected circumstances.

Foreign exchange risk

Foreign exchange risk arises when the company enters into transactions denominated in a currency other than its own functional currency. The company policy is to settle liabilities denominated in a currency other than sterling from receipts in that currency. The company is mainly exposed to currency risk on purchases invoiced in euros, and from sales invoices to customers in Europe and USA which are raised in euros and US dollars respectively.

Likely future developments in the business of the company

Information on likely future developments in the business of the company has been included in the strategic report

Research and development

The company is committed to on-going research and development. The strategy is based upon market demand to meet identified security needs in conjunction with a commercial assessment of the short to medium term profitability of each project. The amount of development costs capitalised in the year was £333,536 (2018: £332,048).

Qualifying third party indemnity provisions

The company has put in place qualifying third party indemnity provisions for all of the directors of Grosvenor Technology Limited.

Auditors

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

Approval

This directors' report was approved by order of the Board on 12 December 2019

M-C Dwek
Director
12 December 2019

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 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 Grosvenor Technology Limited

Opinion
We have audited the financial statements of Grosvenor Technology Limited ("the Company") for the year ended 30 April 2019 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 2019 and of its profit 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.

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 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:
https://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.

Nick Poulter (Senior Statutory Auditor)
For and on behalf of BDO LLP, statutory auditor
Guildford
12 December 2019

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

GROSVENOR TECHNOLOGY LIMITED

Statement of comprehensive income for the year ended 30 April 2019

	Note	2019 £	2018 £
Turnover	2	10,922,171	7,276,137
Cost of sales (2018: including exceptional impairment provision of development costs £698,449)		(7,022,277)	(6,084,405)
Gross profit		3,899,894	1,191,732
Administrative expenses (including provision against amount due from group company and redundancy costs)		(3,543,001)	(3,259,537)
Profit/(loss) from operations before exceptional items		420,971	(1,267,863)
Exceptional impairment provision of development costs		-	(698,449)
Exceptional redundancy costs		(64,078)	(57,122)
Exceptional provision against amount due from group company		-	(44,371)
Operating profit/(loss)	3	356,893	(2,067,805)
Interest payable		(49,745)	(27,626)
Profit/ (loss) on ordinary activities before taxation		307,148	(2,095,431)
Tax on profit/(loss) on ordinary activities	6	15,982	158,310
Profit/(loss) on ordinary activities after taxation		323,130	(1,937,121)
Other comprehensive income		-	-
Total comprehensive income/(loss)		**323,130**	**(1,937,121)**

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 16 to 29 form part of these financial statements.

GROSVENOR TECHNOLOGY LIMITED

Balance sheet at 30 April 2019

Company number: 2412554	**Note**	**2019** £	**2019** £	**2018** £	**2018** £
Fixed assets					
Investments	7		932,269		932,269
Intangible assets	8		2,124,338		1,998,488
Tangible assets	9		171,865		135,377
			3,228,472		3,066,134
Current assets					
Stocks	10	1,584,024		816,096	
Debtors	11	1,421,165		3,821,886	
Cash at bank and in hand		597,867		19,233	
		3,603,056		4,657,215	
Creditors: amounts falling due within one year	12	(4,063,451)		(5,497,490)	
Short term borrowings	13	(662,199)		(447,375)	
Net current liabilities			(1,122,594)		(1,287,650)
Total assets less current liabilities			2,105,878		1,778,484
Provision for deferred tax	14		(197,764)		(193,500)
Net assets			1,908,114		1,584,984
Capital and reserves					
Called up share capital	16		16,667		16,667
Share premium account	17		73,333		73,333
Other reserves			600		600
Retained earnings	17		1,817,514		1,494,384
Shareholder's funds-Equity			1,908,114		1,584,984

These financial statements have been prepared in accordance with the provisions applicable to companies subject to the medium companies regime

The financial statements were approved by the Board and authorised for issue on 12 December 2019.

M-C Dwek

Director

The notes on pages 16 to 29 form part of these financial statements.

GROSVENOR TECHNOLOGY LIMITED

Statement of changes in equity

	Share capital £	Share premium £	Other reserves £	Retained earnings £	Total £
1 May 2017	16,667	73,333	600	3,431,505	3,522,105
Comprehensive income for the year					
Loss for the year				(1,937,121)	(1,937,121)
Total comprehensive loss for the year	-	-	-	(1,937,121)	(1,937,121)
At 30 April 2018	16,667	73,333	600	1,494,384	1,584,984
1 May 2018	16,667	73,333	600	1,494,384	1,584,984
Comprehensive income for the year					
Profit for the year				323,130	323,130
Total comprehensive income for the year	-	-	-	323,130	323,130
At 30 April 2019	16,667	73,333	600	1,817,514	1,908,114

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

Basis of accounting

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

Consolidated financial statements

The company is exempt from the requirement to prepare consolidated financial statements by virtue of section 400 of the Companies Act 2006 as the financial statements of the company are included with the consolidated financial statements of its parent company. These financial statements therefore present information about the company as an individual undertaking and not about its group. Group accounts are prepared by the parent company, Newmark Security PLC (details of the parent company are set out in note 20). The financial statements have been prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework.

The following principal accounting policies have been applied:

New standards, interpretations and amendments effective from 1 May 2018

New standards impacting the company that have been adopted in the company annual financial statements for the year ended 30 April 2019, and which have given rise to changes in the company's accounting policies are:

- IFRS 9 Financial Instruments (IFRS 9); and
- IFRS 15 Revenue from Contacts with Customers (IFRS 15)

IFRS 9 has introduced a new classification approach for financial assets and liabilities. The categories of financial assets are now reduced from four to three categories - measured at amortised cost, fair value through other comprehensive income or fair value through profit and loss. The new classifications have had no difference on measurement as all financial assets and financial liabilities held by the company remain at amortised cost. The standard also prescribes an "expected credit loss" model for determining the basis for providing for bad debts. The company applied the fully retrospective transition method and concluded that there was no material impact on the company financial statements due to the adoption of IFRS 9.

1 Accounting policies (continued)

IFRS 9 has introduced a new impairment model which is applicable for financial assets including inter-company debtors for the parent company. Applying this to the financial assets held, there has been no change to the level of provisions applied. Further details of the impairment policy can be seen under the financial assets accounting policy on page 19.

IFRS 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. Effective for periods beginning on or after 1 January 2018, IFRS 15 has superseded the previous revenue recognition guidance including IAS 18 revenue, IAS 11 construction contracts and the related interpretations. Based on management's review of IFRS 15 under the fully retrospective transition method, revenue recognition under IFRS 15 is materially consistent with previous practice for the company's revenue recognition and there was no material impact on the financial statements due to the adoption of IFRS 15.

Under IAS 18, revenue was recognised at the point that the risks and rewards were transferred to the customer. Management have performed an assessment of the contracts for all revenue streams as IFRS 15 requires an assessment to the distinct performance obligations and when control passes to the customer. It has been concluded that the point the control passes to the customer is the same as risks and rewards under IAS 18 and, therefore, there is no impact on the figures or the timing of recognition of revenue.

New standards, interpretation and amendments not yet effective

There are a number of standards, amendments to standards, and interpretations which have been issued by the IASB that are effective in future accounting periods that the company has decided not to adopt early. All standards, with the exception of IFRS 16 Leases (mandatorily effective for periods beginning on or after 1 January 2019) are not expected to have a material impact on the company's profit or loss.

IFRS 16 Leases

Adoption of IFRS 16 will result in the company recognising right of use assets and lease liabilities for all contracts that are, or contain, a lease. For leases currently classified as operating leases, under current accounting requirements the company does not recognise related assets or liabilities, and instead spreads the lease payments on a straight line basis over the lease term, disclosing in its annual financial statements the total commitment.

The Board has decided it will apply the modified retrospective adoption method in IFRS 16, and, therefore, will only recognise leases on the balance sheet as at 1 May 2019. In addition it has been decided to measure right-of-use assets by reference to the measurement of the lease liability on that date. The Board estimates that there will be minimal impact to net assets on that date. At 30 April 2019 operating lease commitments amounted to £0.8m (see note 18). Assuming the company's lease commitments remain at this level, the effect of discounting those commitments is anticipated to result in right-of-use assets and lease liabilities of approximately £0.7m being recognised on 1 May 2019. However further work still needs to be carried out to determine whether and when extension and termination options are likely to be exercised, which will result in the actual liability recognised being higher than this.

Instead of recognising an operating expense for its operating lease payments, the company will instead recognise interest on its lease liabilities and amortisation on its right-of-use assets. This will increase reported EBITDA by the amount of its current operating lease cost, which for the year ended 30 April 2019 was approximately £249k.

1 Accounting policies (continued)

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.

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.

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).

Payments 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.

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

1 Accounting policies (continued)

Intangible assets

Expenditure on internally developed products is capitalised if it can be demonstrated that:

- it is technically feasible to develop the product for it to be sold:
- adequate resources are available to complete the development;
- there is an intention to complete and sell the product;
- the company is able to sell the product;
- sale of the product will generate future economic benefits; and
- expenditure on the project can be measured reliably.

Capitalised hardware and software development costs were amortised on a straight line basis over seven years being the period the company expects to benefit from selling the products developed. Amortisation is charged from when the asset is ready for use and the expense is included within the cost of sales line in the statement of comprehensive income.

From 1 May 2018, the company's estimate changed to write off software development costs over four years which is deemed to be a more accurate reflection of the useful economic life of the products developed.

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

Patents and trademarks are amortised over seven years.

Financial assets

Loans and receivables

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.

1 Accounting policies (continued)

Other financial liabilities

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

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. It is provided at the following rates:

Leasehold improvements	-	over the life of the lease, subject to diminution in value straight line
Plant and equipment	-	10 to 33 1/3% per annum straight line
Motor vehicles	-	25% per annum straight line
Fixtures and fittings	-	15 to 33 1/3% per annum straight line

Valuation of investments

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

Stocks

Stocks are valued at the lower of cost and net realisable value. Cost is based on an average purchase price of stock held. Net realisable value is based on estimated selling price less additional costs to completion and disposal.

Deferred taxation

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

Leases

Lease payments are analysed between capital and interest components. The interest element of the payment is charged to the statement of comprehensive income over the period of the lease and is calculated so that it represents a constant proportion of the balance of the capital repayments outstanding. The capital part reduces the amounts payable to the lessor.

Operating lease rentals are charged to the statement of comprehensive income on a straight-line basis over the term of the lease.

Foreign currency

Foreign currency transactions are translated at the rates ruling when they occurred. Foreign currency monetary assets and liabilities are translated at the rate of exchange ruling at the balance sheet date. Any 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)

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.

Critical accounting estimates and judgements

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

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

Going concern

As at 30 April 2019 the company had net current liabilities of £1.1m (2018: £1.3m), net assets of £1.9m (2018:£1.6m) and an operating profit for the year of £0.4m (2018: loss of £2.1m). Based on the latest trading, future expectations and associated cash flow forecasts, the Directors have considered the cash requirements and are confident that the Company will be able to continue trading for a period of at least twelve months following approval of these financial statements. Accordingly, the Directors consider it appropriate to prepare the company's financial statements on a going concern basis.

2 Turnover

The turnover attributable to the different classes of the company's business are:

	2019	2018
	£	£
Provision of security hardware	10,619,883	6,896,071
Service and maintenance contracts	302,288	380,066
	10,922,171	7,276,137

The analysis of turnover by geographical area is as follows:

	2019	2018
	£	£
United Kingdom	4,421,541	4,172,827
Europe	1,858,465	1,653,484
USA	4,296,942	1,005,785
Rest of the World	345,223	444,041
	10,922,171	7,276,137

3 Operating profit/(loss)

		2019 £	2018 £
The operating profit/(loss) is stated after (crediting)/charging:			
Auditors' remuneration	-audit fees	29,520	24,600
	-tax services	9,097	5,775
Operating lease rentals	-motor vehicles	51,881	61,668
	-land and buildings	197,217	201,668
(Profit) on sale of fixed assets		-	(43,035)
Depreciation of tangible fixed assets -owned		84,545	103,150
Amortisation of development costs		308,453	591,750
Amortisation of patents and trademarks		4,839	3,768
Exceptional impairment provision development costs		-	637,268
Provision against amount due from group company		-	44,371
Group management charge		634,241	474,469
Foreign exchange loss		30,635	22,413

4 Directors emoluments

	2019 £	2018 £
Directors' emoluments consist of:		
Aggregate emoluments	322,465	339,961
	322,465	339,961
Emoluments of the highest paid director	253,039	175,672

There were 3 directors in the company's defined contribution pension scheme during the year (2018: 3). Company contributions to the defined contribution pension scheme for the highest paid director amounted to £46,254 (2018: £50,013).

5 Employees

	2019 Number	2018 Number
The average number of employees, including directors, during the period was:		
Office and management	20	21
Technical and cost of sales	14	17
Research and development staff	15	20
	49	58

5 Employees (continued)

Staff costs for the above persons were:-

	2019	2018
	£	£
Wages and salaries	2,821,187	3,016,041
Social security costs	313,054	331,326
Other pension costs (see note 16)	137,840	130,102
	3,272,081	3,477,469

6 Taxation on profit/(loss) on ordinary activities

	2019	2018
	£	£
UK Corporation tax		
Deferred tax charge/(credit)	4,264	(85,001)
Adjustment in respect of prior years	-	(5,000)
	4,264	(90,001)
Current tax on profits of the year		
Group relief receivable	(20,246)	(55,229)
Adjustment in respect of previous periods	-	(13,080)
Current tax	(20,246)	(68,309)
Tax credit on profit/(loss) on ordinary activities	(15,982)	(158,310)

6 Taxation on profit/(loss) on ordinary activities (continued)

The tax credit assessed for the period is less than (2018: less than) the standard rate of corporation tax in the UK. The differences are explained below

	2019	2018
	£	£
Profit/(loss) on ordinary activities before taxation	307,148	(2,095,431)
Profit/(loss) on ordinary activities before tax at the standard rate of corporation tax of 19% (2018: 19%)	58,358	(398,132)
Effects of:		
Expenses not deductible for tax purposes	23,317.	150,286
Research and development allowance	(87,148)	(272,895)
Tax losses carried forward	(14,773).	342,916
Group relief surrendered	20,246	2,303
Payment for group relief received	(20,246).	(2,303)
Excess non-deductible amortisation on development expenditure	4,264	37,595
Adjustment to tax charge in respect of prior years	-	(18,080)
Total tax credit for year	(15,982)	(158,310)

7 Investments in subsidiaries

	£
Cost	
At 30 April 2018 and 2019	1,277,725
Provision against cost of investment	
At 30 April 2018 and 2019	345,456
Net book value 30 April 2019	932,269
Net book value 30 April 2018	932,269

The company owns 100% of the ordinary share capital of Newmark Technology Limited, a company registered in England and Wales and 100% of the share capital of Grosvenor Technology LLC registered in USA.

8 Intangible assets

	Development costs £	Patents trademarks £	Total £
Cost			
At 1 May 2018	4,598,089	44,034	4,642,123
Additions	439,142	-	439,142
At 30 April 2019	5,037,231	44,034	5,081,265
Amortisation			
At 1 May 2018	2,637,580	6,055	2,643,635
Charge for the year	308,453	4,839	313,292
At 30 April 2019	2,946,033	10,894	2,956,927
Net Book Value			
At 30 April 2019	2,091,198	33,140	2,124,338
At 30 April 2018	1,960,509	37,979	1,998,488

At 30 April 2018, the company recognised that future access control revenues would be seen through sales of the current variant of the Sateon platform (Sateon Advance), the Janus C4 platform that was introduced in the current year, and the Advance range of hardware. The company therefore took the decision following an impairment review to write off £698,449, which related to sums capitalised for previous, older versions of the Sateon platform which have now been superseded.

9 Tangible assets

	Short Leasehold Improvements	Plant and Equipment	Fixtures and Fittings	Total
	£	£	£	£
Cost				
At 1 May 2018	177,706	78,441	733,557	989,704
Additions	49,125	-	71,908	121,033
At 30 April 2019	226,831	78,441	805,465	1,110,737
Depreciation				
At 1 May 2018	156,306	76,313	621,708	854,327
Charge for the year	15,746	517	68,282	84,545
At 30 April 2019	172,052	76,830	689,990	938,872
Net book value				
At 30 April 2019	54,779	1,611	115,475	171,865
At 30 April 2018	21,400	2,128	111,849	135,377

10 Stocks

	2019	2018
	£	£
Finished goods and goods for resale	585,537	297,990
Raw materials and components	998,487	518,106
	1,584,024	816,096

There is no material difference between the replacement cost of stocks and the amounts stated above. Finished goods include an amount of £Nil (2018: £Nil) carried at fair value less costs to sell. The amount of inventories consumed in the year was £4,946,931 (2018: £2,749,519). The amount of inventory write downs in the year was £Nil (2018:£Nil).

11 Debtors

	2019 £	2018 £
Trade debtors	959,777	1,236,080
Prepayments and accrued income	197,761	151,252
Amount due from group undertaking	-	2,431,731
VAT	182,508	-
Other debtors	81,119	2,823
	1,421,165	3,821,886

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

12 Creditors: amounts falling due within one year

	2019 £	2018 £
Trade creditors	1,121,875	462,805
Amount due to group undertakings	2,571,338	4,620,392
Other taxation and social security	74,618	69,051
Other creditors	17,557	48,644
Accruals and deferred income	245,442	254,887
Holiday pay provisions	32,621	41,711
	4,063,451	5,497,490

13 Short term borrowings

	2019 £	2018 £
Invoice discount account	662,199	447,375

The invoice discount account is secured by a debenture on the assets of the company and a corporate guarantee and indemnity from the parent company and fellow subsidiary.

14 Provision for deferred tax

	£
As at 30 April 2018	193,500
Credit for the year arising from timing differences	4,264
As at 30 April 2019	197,764

	2019 £	2018 £
Research and development allowance	337,549	333,285
Losses carried forward	(139,785)	(139,785)
	197,764	193,500

Deferred tax has been recognised in respect of all tax losses and other temporary differences giving rise to deferred tax assets where the directors believe it is probable those assets will be recovered in the foreseeable future.

The financial statements do not recognise a potential deferred tax asset relating to unused tax losses of £709,724 (2018: £722,942) due to uncertainty over recoverability.

15 Pension and similar obligations

The company operates a defined contribution pension scheme open to all employees. The scheme's assets are held separately from those of the company in an independently administered fund. Both the company and the employees make contributions to the fund.

The contributions made by the company to the scheme during the period were as follows:

Pension Costs Accrual

	2019 £	2018 £
Money purchase scheme	137,840	130,102

16 Share capital

	Authorised, allotted, called up, and fully paid	
	2019	**2018**
	£	**£**
16,667 (2018:16,667) Ordinary shares of £1 each	16,667	16,667

17 Reserves

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

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

18 Commitments under operating leases

The company leases its properties and, although the terms of the leases vary, they tend to be tenant repairing with rent reviews every 2 to 5 years.

The total future value of minimum lease payments due is as follows

	2019	**2018**
	£	**£**
Not later than one year	229,988	229,774
Later than one year and not later than five years	579,653	444,826
Later than five years	-	-
	809,641	674,600

19 Ultimate parent company

As at 30 April 2019 the directors regard Newmark Security PLC as the immediate and ultimate parent undertaking, a company registered in England and Wales which is the parent of both the smallest and largest groups of which the company is a member and for which consolidated financial statements are prepared. Copies of the parent company's consolidated financial statements may be obtained from Companies House, Crown Way, Cardiff, CF14 3UZ.